

**R62I0005**  
**Aid to Community Colleges**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$263,297	\$249,403	\$286,580	\$37,178	14.9%
<b>Adjusted General Fund</b>	<b>\$263,297</b>	<b>\$249,403</b>	<b>\$286,580</b>	<b>\$37,178</b>	<b>14.9%</b>
Special Fund	758	20,549	666	-19,883	-96.8%
<b>Adjusted Special Fund</b>	<b>\$758</b>	<b>\$20,549</b>	<b>\$666</b>	<b>-\$19,883</b>	<b>-96.8%</b>
<b>Adjusted Grand Total</b>	<b>\$264,055</b>	<b>\$269,951</b>	<b>\$287,246</b>	<b>\$17,295</b>	<b>6.4%</b>

- The budget includes a \$3.0 million deficiency appropriation to address an accrued liability in the Statewide and Health Manpower Grant program.
- General funds grow \$37.2 million, or 14.9%, while special funds decline \$19.9 million, or 96.8%. However, those amounts are exaggerated due to the presence of \$19.9 million of Budget Restoration Funds in fiscal 2013.
- Total State support grows \$17.3 million, or 6.4%, while the special funds that represent local government support for the administration of teachers' retirement programs grow \$34,768, or 5.5%.

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

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## *Analysis in Brief*

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### Major Trends

***Successful Persister Rate Grows Two Percentage Points:*** The successful persister rate for Maryland's community college students grew two percentage points to 73.7% for the 2007 cohort. Since the majority of community college students require developmental education, raising the number of students who complete developmental education is key to reaching the State's degree completion goals. **The Secretary and community colleges should comment on what efforts could be most effective if implemented statewide.**

***Achievement Gap Narrows:*** The gap in the four-year graduation/transfer rate of minority students compared to all students narrowed by 1.3 percentage points for the 2007 cohort. After fluctuating between 8.2 and 10.1 percentage points, the gap narrowed to 7.5 percentage points.

### Issues

***Tuition, Fees, and Student Aid at Community Colleges:*** Though much more affordable than the State's public four-year institutions, Maryland's community colleges were still \$600 more expensive than the national average in fall 2012. Colleges offered students \$12.1 million in need-based institutional aid in fiscal 2012. **The Secretary and community colleges should comment on how institutional aid is used to cover unmet need for students who do not qualify for Pell grants and how it is used to attract high quality students. In future years, the community colleges should report institutional aid data distinguishing between need-based and merit aid, as required by MHEC. Additionally, they should ensure that no need-based aid is being awarded to students without an established need.**

***Reverse Transfer Aims to Increase Completion Rates:*** Reverse transfer programs are systems to award associate's degrees to students who transfer from a community college to a four-year institution once he or she satisfies the associate's degree requirements at the four-year college. The Lumina Foundation has worked with Maryland to create a reverse transfer system, while the University of Maryland University College (UMUC) continues to expand its own reverse transfer program. **The Secretary and community colleges should comment on the State's reverse transfer programs and when they expect an automated system to be operational.**

***Coordination in Other States:*** The coordination of community colleges differs nationwide. Maryland's coordinating body, MHEC, is relatively weak. Some other states have strong central coordinating boards that can create or require implementation of policies. In terms of outcomes, Maryland's results are mixed, with higher than average completions, but a lower than average graduation rate and much higher spending for these results than nationwide. **The Secretary and community colleges should comment on MHEC's role and effectiveness in coordinating Maryland's higher education system.**

## **Recommended Actions**

1. Concur with Governor's allowance, with the recommendation that reductions to public four-year institutions' spending should also apply to the community college appropriation via the Senator John A. Cade Funding Formula.
2. Adopt committee narrative requesting the submission of an annual report on institutional aid by Expected Family Contribution.
3. Adopt committee narrative requesting the submission of an annual report on loan data by Expected Family Contribution.

## **Updates**

***Impact of the DREAM Act:*** The Maryland DREAM Act was enacted in 2011 (Chapter 191) and was subject to a referendum that passed in November 2012. The law authorizes certain individuals, including undocumented immigrants, to pay in-state tuition rates at Maryland public higher education institutions, provided they can show a number of things, including that they graduated from a Maryland high school and paid State income taxes for at least three years. The Department of Legislative Services has estimated that the first-year cost of the program will be approximately \$0.7 million, growing to approximately \$3.0 million by fiscal 2017.

*R6210005 – Aid to Community Colleges*

**R62I0005**  
**Aid to Community Colleges**

***Operating Budget Analysis***

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**Program Description**

State aid for the 15 local community colleges is provided through the Senator John A. Cade Funding Formula under Section 16-305 of the Education Article. The current formula has been used in determining funding since 1998. The amount of aid is based on a percentage of the current year's State aid to selected four-year public higher education institutions and the total number of full-time equivalent students (FTES) at the community colleges. The total is then distributed to each college based on the previous year's direct grant, enrollment, and a small-size factor. Chapter 333 of 2006 phased in a 5 percentage point increase in the formula over five years, ending in fiscal 2013. State fiscal difficulties have delayed the formula enhancement, and full funding is currently expected in fiscal 2023.

Additional grants are provided through the following programs.

- The Small Community College Grants are distributed to the smallest community colleges in order to provide relief from the disproportionate costs they incur. Chapter 284 of 2000 increased the grants distributed by the Maryland Higher Education Commission (MHEC) to seven small community colleges beginning in fiscal 2004. The amount of the unrestricted grants increases annually by the same percentage of funding per FTES at the selected institutions used by the Cade formula. Additional grants are received by Allegany College and Garrett College. These Appalachian Mountain grants do not increase annually.
- The Statewide and Health Manpower Grant programs permit some students to attend out-of-county community colleges and pay in-county tuition rates. The grants reimburse colleges for out-of-county tuition waivers. If funding in a single year is not enough to cover the entire program, MHEC prorates funding based on the number of participating students.
- The English for Speakers of Other Languages (ESOL) program provides funding for instructional costs and services for ESOL students. Funding is capped at \$800 per eligible FTES and \$6 million in total State aid for the program.
- The Garrett County/West Virginia Reciprocity Program allows West Virginia residents to attend Garrett College at in-county tuition rates providing reimbursement for tuition waivers. The Somerset County Reimbursement Program similarly provides tuition waiver reimbursement to colleges permitting students who reside in a county with no community college to attend at in-county tuition rates.

Certain community college employees are eligible to participate in a defined benefit retirement plan maintained and operated by the State. Alternately, the employees may participate in the Optional

Retirement Program (ORP), a defined contribution plan. Under current law, the State funds the costs associated with the various retirement plans, with the exception of State Retirement Agency administration costs.

The goals that MHEC has set for providing State aid to community colleges are:

- to ensure that Maryland community college students are progressing successfully toward their goals;
- to attain diversity reflecting the racial/ethnic composition of the service areas of the community colleges;
- to support regional economic and workforce development by producing graduates and by supplying training to the current employees of businesses; and
- to achieve a competitive ORP to recruit and retain quality faculty.

## **Performance Analysis: Managing for Results**

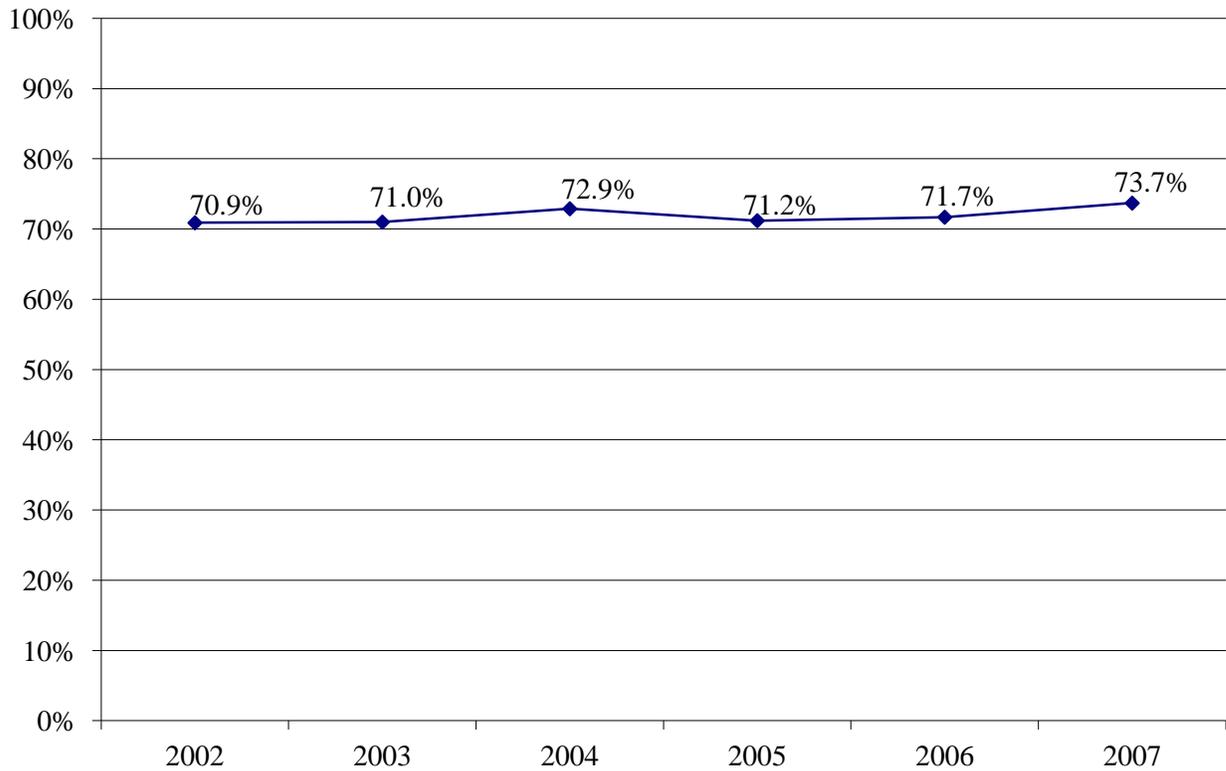
Students enrolling at community colleges often have different goals than those at traditional four-year institutions. Community college students tend to have higher developmental education needs, and obtaining an associate's degree may not be the top priority. With these differences, it is difficult to directly compare the outcomes between the two segments. For community college students, successful persister rates are used. A successful persister is a student who attempts at least 18 credits in his or her first two years, and who, after four years, is still enrolled, has graduated, or has transferred.

### **1. Successful Persister Rate Grows Two Percentage Points**

The statewide successful persister rate for cohorts from 2002 through 2007 is shown in **Exhibit 1**. The rate improved by two percentage points to 73.7% for the 2007 cohort, exceeding the previous high of 72.9% with the 2004 cohort. Increasing this rate is necessary to meet the State's degree completion goals.

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**Exhibit 1**  
**Four-year Successful Persister Rate**  
**2002-2007 Cohorts**

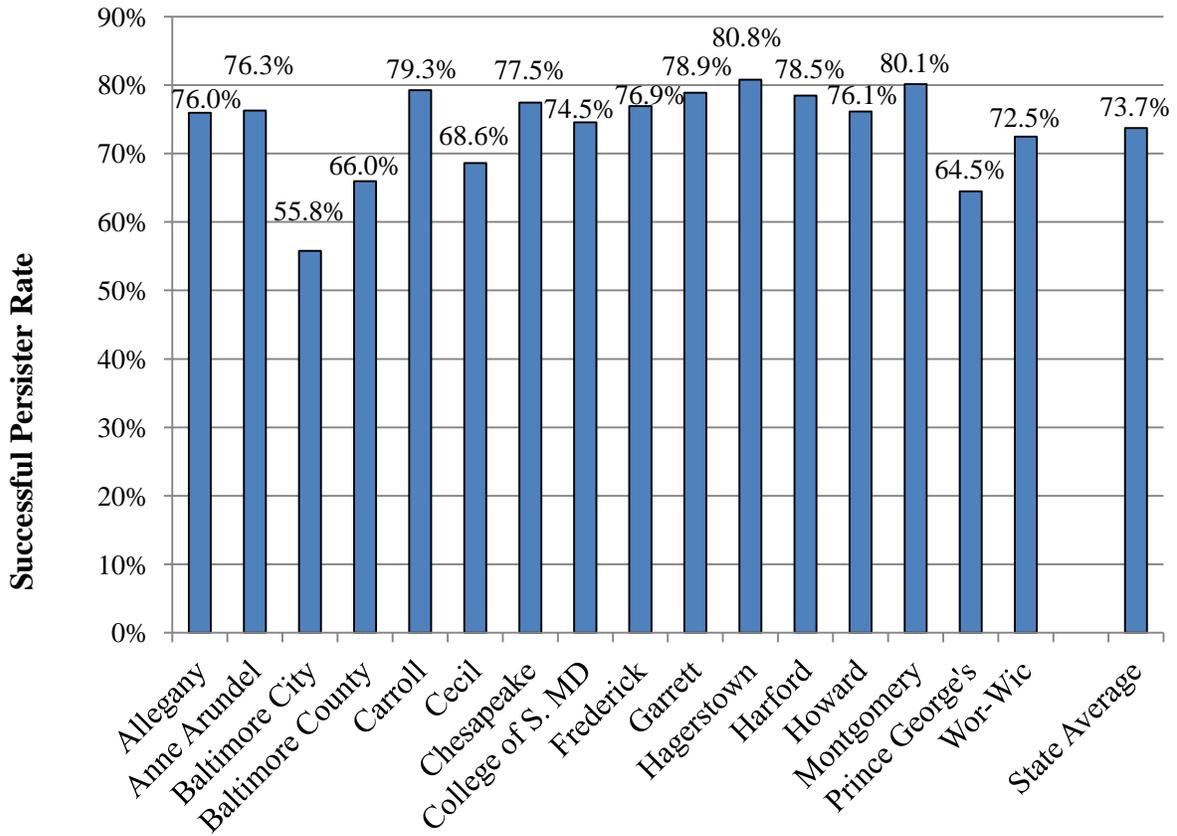


Source: Maryland Association of Community Colleges; Governor’s Budget Books, Fiscal 2011-2014

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**Exhibit 2** shows the college-by-college breakdown of successful persister rates. Colleges range from 55.8% at Baltimore City Community College (BCCC) to 80.8% at Hagerstown Community College, though most are between 75 and 80%. It appears that a few low-performers pull the State average down to 73.7%. Differences are expected given the demographic differences and generally the colleges with a higher number of students with developmental education needs have lower successful persister rates.

**Exhibit 2  
College Successful Persister Rates by College  
2007 Cohort**

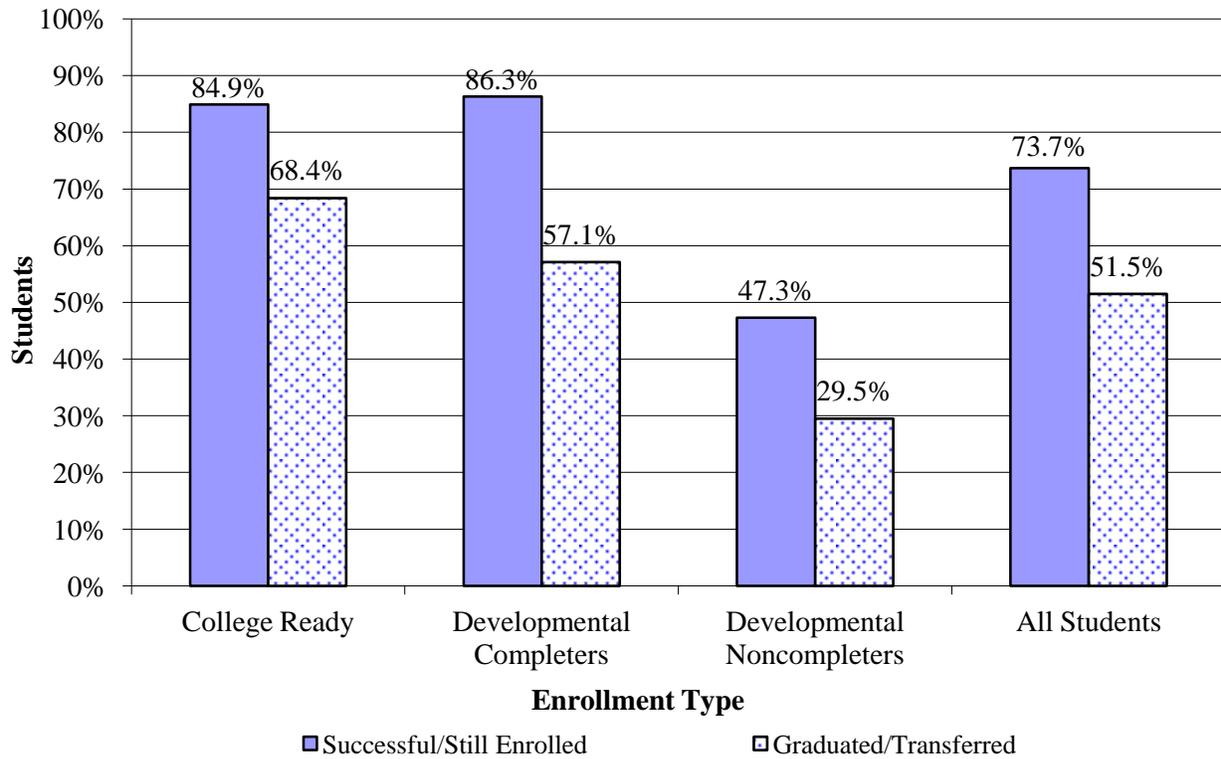


Source: Maryland Association of Community Colleges

The successful persister rates for three separate subgroups of students are tracked by the Maryland Association of Community Colleges (MACC) – college-ready students, developmental completers (students who require developmental education and who complete it within four years), and developmental noncompleters (students who require developmental education and have not completed coursework after four years). **Exhibit 3** shows successful persister rates for those three subgroups and for all students in the 2007 cohort.

Every rate improved compared to the 2006 cohort except for developmental noncompleters. The highest rate is that for developmental completers, or students who required and completed developmental education before beginning credit-bearing coursework. The successful persister rate for this cohort outpaced college-ready students. The biggest change was in the graduation/transfer rate for college-ready students, which grew 4.1 percentage points.

**Exhibit 3**  
**Degree Progress Four Years after Initial Enrollment**  
**Fall 2007 Cohort**



Note: Figures include Baltimore City Community College. The students included in this analysis represent the outcomes of first-time students who attempted at least 18 course hours in their first two years.

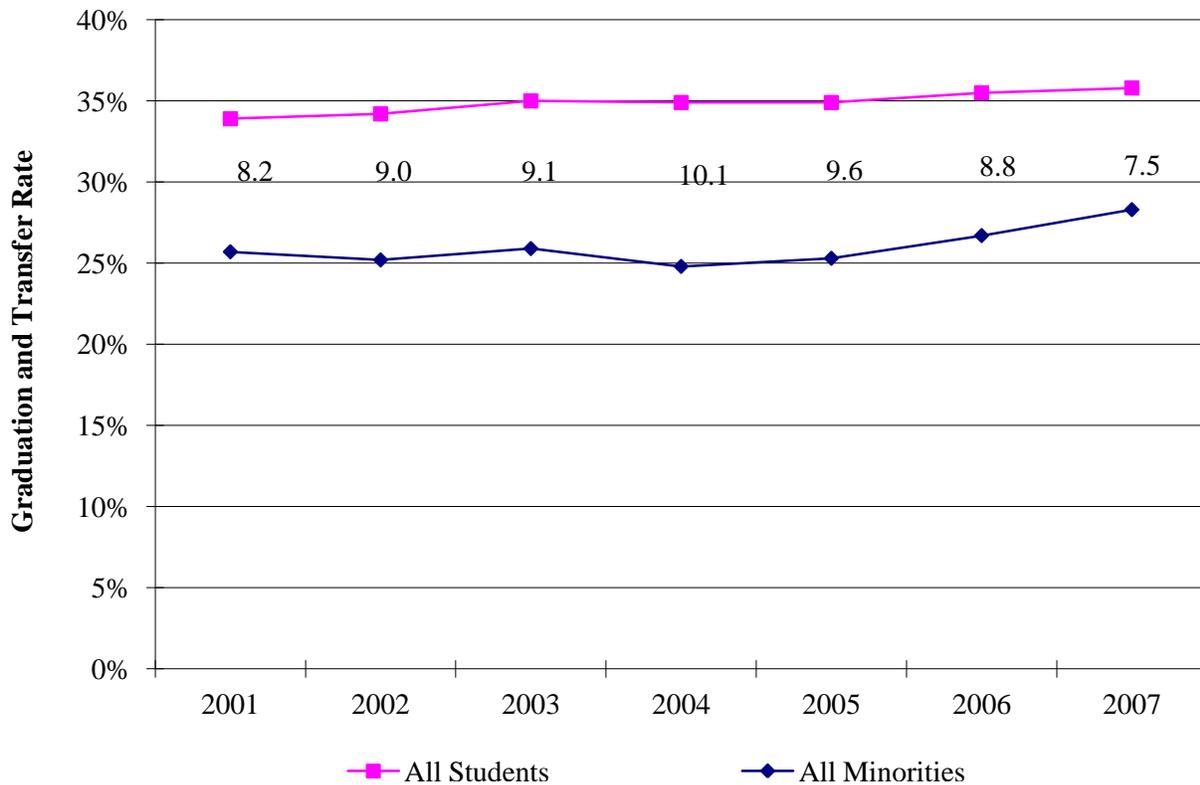
Source: Maryland Association of Community Colleges

The majority of students who enter community colleges test into developmental education, but few of them complete the required coursework. Exhibit 3 shows that the students who do complete developmental education are more successful than those who enter as college ready. Individual colleges are redesigning developmental courses to boost student success, some using funds from a grant focused on redesign coordinated by MHEC. **The Secretary and community colleges should comment on what efforts could be most effective if implemented statewide.**

## 2. Achievement Gap Narrows

Another goal for the State is to narrow the achievement gap in the four-year graduation/transfer rate of minority students compared to all students. **Exhibit 4** shows that this gap continued to close for the third year in a row, declining 1.3 percentage points for the 2007 cohort. Since the 2004 cohort, the achievement gap has narrowed by 2.6 percentage points. Many of the initiatives focused on redesigning developmental courses are expected to have a disproportionately positive impact on minority students, as they are more likely to be enrolled in these courses.

**Exhibit 4**  
**Four-year Graduation and Transfer Achievement Gap**  
**Fall 2001-2007 Cohorts**



Note: Figures in the exhibit represent the percentage point gap between rates for all students and minorities.

Source: Governor’s Budget Books, Fiscal 2009-2014.

## **Fiscal 2013 Actions**

The fiscal 2014 allowance includes a \$3.0 million deficiency appropriation to address an accrued liability within the Statewide and Health Manpower Grant programs that is currently valued at \$6.2 million. The liability grew over several years as each year's appropriation did not fully fund the program. The grant reimburses colleges for admitting out-of-county students at in-county rates when they are enrolling in degree programs that are considered a workforce shortage for the State and are not offered at the students' local community college.

This grant program was changed in the Budget Reconciliation and Financing Act (BRFA) of 2011 from mandated to discretionary spending. Before the change, statute required the Governor to include a deficiency appropriation for the program if the appropriation was not enough to fully fund it in that year. The BRFA of 2011 removed that requirement beginning in fiscal 2012 and requires that funds be prorated among the colleges if funding is not sufficient. ORP also has an accrued liability of \$3.9 million, down from \$5.9 million a year ago. Starting in fiscal 2011, the appropriation has been higher than anticipated expenses to pay down the liability and that continues in the allowance. MHEC expects the liability to be fully paid down by the end of fiscal 2014.

## **Proposed Budget**

**Exhibit 5** shows the budget changes for Aid to Community Colleges between fiscal 2013 and 2014. The changes in general and special funds are distorted by the presence of \$19.9 million in Budget Restoration Funds in fiscal 2013. Created by Chapter 1 of the First Special Session of 2012 (BRFA of 2012), this special fund source is counted as State support to community colleges. When accounting for Budget Restoration Funds, State support increases \$17.3 million, or 6.4%. Special funds that represent local support for the administration of the teachers' retirement programs grow \$34,768, or 5.5%.

There are three parts to State support for community colleges. The first and largest source of State support is the Cade formula, calculated based on actual community college enrollments and a percentage (19.7% for fiscal 2014) of the proposed per student funding at selected public four-year institutions. Cade formula funding grows \$13.8 million. The second major part is comprised of the miscellaneous grant programs such as the Statewide and Health Manpower Grant programs, small college grants, and ESOL. Exhibit 5 shows there are minimal funding changes with these programs, not accounting for the fiscal 2013 deficiency, and combined, they grow \$154,000. Finally, State support for community college employee benefits grows \$3.3 million.

**Exhibit 5**  
**Proposed Budget**  
**Aid to Community Colleges**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Total</b>
2013 Working Appropriation	\$249,403	\$20,549	\$269,951
2014 Allowance	<u>286,580</u>	<u>666</u>	<u>287,246</u>
Amount Change	\$37,178	-\$19,883	\$17,295
Percent Change	14.9%	-96.8%	6.4%
 Contingent Reductions	 0	 0	 \$0
Adjusted Change	\$37,178	-\$19,883	\$17,295
Adjusted Percent Change	14.9%	-96.8%	6.4%

**Where It Goes:  
Changes**

Senator John A. Cade Funding Formula .....	\$13,791
Faculty and staff retirement .....	6,193
Small Community College and Appalachian Grants .....	274
English for Speakers of Other Languages Grants .....	-120
Optional Retirement Program .....	-2,843
<b>Total</b>	<b>\$17,295</b>

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

**Exhibit 6** shows the college-by-college distribution of funding from the Cade formula in fiscal 2013 and 2014, in addition to each college’s change in enrollment. While the Cade formula percentage determines how much is appropriated to community colleges as a whole, the formula itself distributes funding based on three factors: enrollment, prior year funding, and size, with a hold harmless provision to ensure that no college receives less than it did the prior year. In fiscal 2014, Allegany College of Maryland (ACM) receives \$65,464 in hold harmless funding, but because enrollment declined 4.0%, funding per student at ACM actually increased.

**Exhibit 6**  
**Analysis of Fiscal 2014 Allowance**  
**Senator John A. Cade Funding Formula**

<u>College</u>	<u>Working Appropriation FY 2013</u>	<u>Allowance FY 2014</u>	<u>% Change FY 13-14</u>	<u>% Change Enrollment FY 13-14</u>	<u>% Change \$/FTES FY 13-14</u>
Allegany <sup>1</sup>	\$4,773,622	\$4,773,622	0.0%	-4.0%	4.1%
Anne Arundel	27,235,329	28,108,491	3.2%	-2.3%	5.6%
Baltimore County	34,398,366	37,412,630	8.8%	-0.9%	9.7%
Carroll	6,851,515	7,119,211	3.9%	-5.2%	9.6%
Cecil	4,645,751	4,940,229	6.3%	0.6%	5.7%
College of Southern Maryland	10,902,580	12,088,571	10.9%	5.5%	5.1%
Chesapeake	5,675,815	6,134,108	8.1%	5.0%	2.9%
Frederick	8,145,648	8,839,215	8.5%	2.2%	6.2%
Garrett	2,246,709	2,497,547	11.2%	12.1%	-0.9%
Hagerstown	6,965,064	7,365,785	5.8%	1.7%	4.0%
Harford	9,990,806	10,345,648	3.6%	-0.8%	4.4%
Howard	12,584,485	14,073,508	11.8%	2.9%	8.7%
Montgomery	35,998,553	37,835,544	5.1%	2.0%	3.0%
Prince George's	22,013,074	24,412,142	10.9%	0.9%	9.9%
Wor-Wic	6,748,797	7,020,911	4.0%	-5.7%	10.3%
<b>Total</b>	<b>\$199,176,114</b>	<b>\$212,967,162</b>	<b>6.9%</b>	<b>0.4%</b>	<b>6.5%</b>

FTES: full-time equivalent student

<sup>1</sup> Allegany County receives \$65,464 in hold harmless funding in the fiscal 2014 allowance.

Source: Governor's Budget Books, Fiscal 2014

The Cade formula overall increases \$13.8 million, or 6.9%. Unlike in recent years, there are no actions contingent on the BRFA or other legislation that change the appropriation or funding formula in the out-years.

Overall enrollment is nearly flat, growing at 0.4%, though there is wide variation among the colleges. Nine have enrollment increases, led by Garrett College at 12.1%, while six colleges decline.

Enrollment at Wor-Wic Community College declined 5.7% while that at Carroll fell 5.2%. Overall funding per student grows 6.5%.

It should be noted that the fall 2012 opening fall enrollments for the locally operated community colleges declined 1.5% compared to fall 2011. To the extent this decline translates into a decline in FTES enrollments in fiscal 2013, there may be a negative impact on funding levels in fiscal 2015. For example, the Cade formula for fiscal 2014 uses the most recent actual FTES enrollments (i.e. fiscal 2012) and the fiscal 2014 State funding for the selected public four-year institutions. If the change in funding to the selected four-year institutions is modest in fiscal 2015, a decline in FTES enrollments in fiscal 2013 could result in a fiscal 2015 allowance lower than fiscal 2014.

### **Local Maintenance of Effort**

A county government is required to maintain or increase the total dollar support for the local community college or risk losing an increase in State support, a concept known as maintenance of effort.

In fiscal 2013, each college received an increase in State support. **Exhibit 7** shows that the local appropriation for each college also increased or was held level. The exhibit shows changes in funding since fiscal 2010 as well. In recent years when the State appropriation was held flat or declined, some local governments chose to reduce appropriations as well, with no risk of losing State funds. Local appropriations to seven colleges decreased over that period, by as much as 14.9% at Wor-Wic Community College. On average, local funding declined 3.4% between fiscal 2010 and 2013. In comparison, State funding increased 1.9% from fiscal 2010 to 2013. Figures for fiscal 2014 are not yet available as the local appropriation is typically not set until the State's fiscal 2014 appropriation is finalized.

**Exhibit 7**  
**State and Local Support of Community Colleges**  
**Fiscal 2010-2013**

**Local Funding**

<u>College</u>	<u>2010</u>	<u>2012</u>	<u>Working 2013</u>	<u>Change 2012-2013</u>	<u>% Change 2012-2013</u>	<u>% Change 2010-2013</u>
Allegany	\$7,425,000	\$7,425,000	\$7,425,000	\$0	0.0%	0.0%
Anne Arundel	33,822,700	28,556,400	32,047,700	3,491,300	12.2%	-5.2%
Baltimore	36,855,145	38,462,795	38,462,795	0	0.0%	4.4%
Carroll	8,473,274	8,479,061	8,625,450	146,389	1.7%	1.8%
Cecil	8,018,396	8,025,308	8,025,308	0	0.0%	0.1%
CSM	14,965,275	16,119,594	16,663,918	544,324	3.4%	11.4%
Chesapeake	5,885,590	5,885,591	6,126,591	241,000	4.1%	4.1%
Frederick	14,579,999	13,414,859	14,004,812	589,953	4.4%	-3.9%
Garrett	4,273,000	4,273,000	4,523,000	250,000	5.9%	5.9%
Hagerstown	9,045,010	8,865,010	8,865,010	0	0.0%	-2.0%
Harford	15,939,806	14,961,612	14,961,612	0	0.0%	-6.1%
Howard	25,195,470	25,951,335	27,093,286	1,141,951	4.4%	7.5%
Montgomery	107,999,261	95,848,755	96,263,605	414,850	0.4%	-10.9%
Prince George's	30,484,600	29,245,200	29,545,200	300,000	1.0%	-3.1%
Wor-Wic	5,298,980	4,346,000	4,507,360	161,360	3.7%	-14.9%
<b>Total Local</b>	<b>\$328,261,506</b>	<b>\$309,859,520</b>	<b>\$317,140,647</b>	<b>\$7,281,127</b>	<b>2.3%</b>	<b>-3.4%</b>
<b>Total State<sup>1</sup></b>	<b>\$214,013,874</b>	<b>\$215,269,541</b>	<b>\$218,044,122</b>	<b>\$2,774,581</b>	<b>1.3%</b>	<b>1.9%</b>

<sup>1</sup>Fiscal 2013 includes \$3 million deficiency appropriation for Statewide and Health Manpower grants.

Source: Maryland Higher Education Commission

## Issues

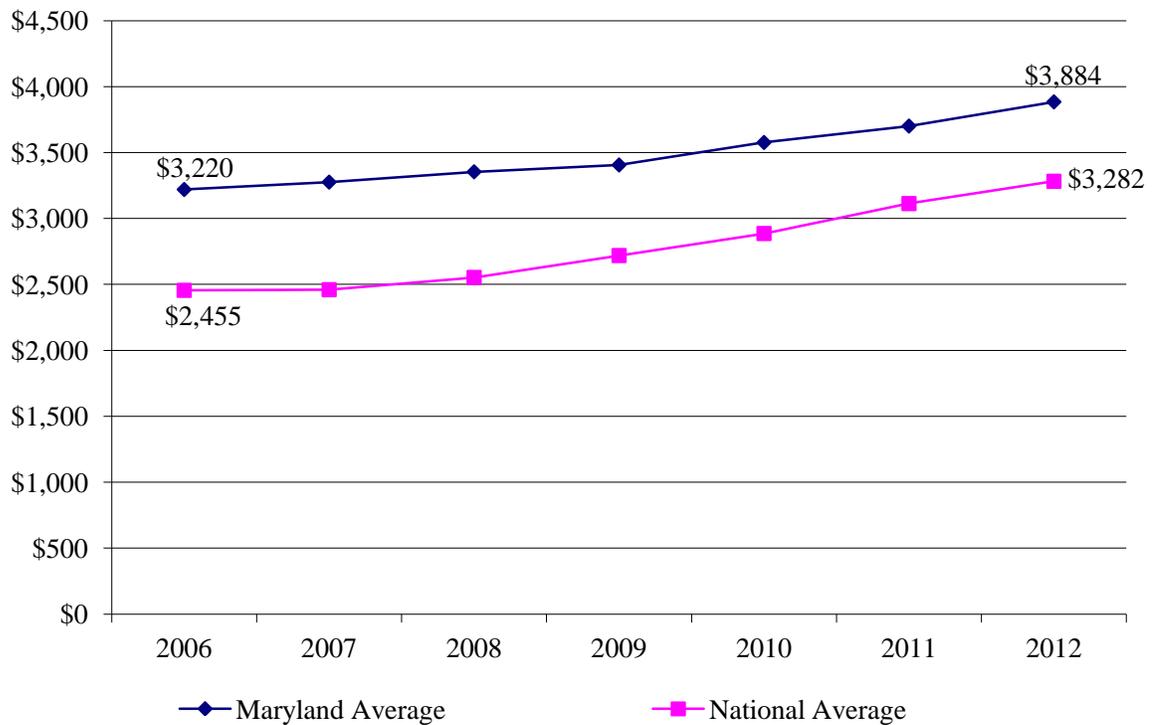
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### 1. Tuition, Fees, and Student Aid at Community Colleges

Community colleges offer a lower cost entry into higher education compared to four-year institutions. In Maryland, the average public four-year institution's tuition and fee rate was \$8,071 in fall 2012, compared to \$3,880 at the State's community colleges. However, the State's community college tuition and fee rates are higher than the national average. **Exhibit 8** shows the difference from fall 2006 to 2012. Although the gap has narrowed somewhat from a high of \$816 in fall 2007, Maryland remains \$602 higher than the national average.

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**Exhibit 8**  
**Community College Tuition and Fee Rates**  
**Maryland and National Average**  
**Fall 2006-2012**



Source: Maryland Association of Community Colleges; Department of Legislative Services; College Board *Annual Survey of Colleges – Trends in College Pricing*

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Although the average student paid \$3,880 in fall 2012, **Exhibit 9** shows that tuition and fee rates varied between institutions. Montgomery College remained the State’s most expensive community college, at \$4,452, while Harford Community College continued as the State’s least expensive despite a \$170 increase. The statewide average was an increase of \$151, or 4.3%, although two colleges held tuition rates flat in fall 2012 – Garrett College at \$3,450 and Baltimore City Community College (BCCC), at \$3,000. The largest increase was at Anne Arundel Community College, which grew \$460, or 14.6%.

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**Exhibit 9**  
**Community College Tuition and Fee Rates for Full-time, In-county Students**  
**Fall 2011-2012**

	<u>Fall 2011</u>	<u>Fall 2012</u>	<u>\$ Change</u> <u>2011-2012</u>	<u>% Change</u> <u>2011-2012</u>
Montgomery	\$4,380	\$4,452	\$72	1.6%
Howard	4,160	4,343	183	4.4%
Prince George’s	4,020	4,200	180	4.5%
Southern Maryland	3,948	4,096	148	3.7%
Frederick	3,806	3,930	124	3.3%
Chesapeake	3,754	3,925	171	4.6%
Baltimore	3,742	3,922	180	4.8%
Carroll	3,696	3,912	216	5.8%
Anne Arundel	3,160	3,620	460	14.6%
Hagerstown	3,440	3,560	120	3.5%
Allegany	3,414	3,504	90	2.6%
Garrett	3,450	3,450	0	0.0%
Cecil	2,940	3,090	150	5.1%
Wor-Wic	2,951	3,026	75	2.5%
Baltimore City	3,000	3,000	0	0.0%
Harford	2,755	2,925	170	6.2%
<b>Simple Average</b>	<b>\$3,482</b>	<b>\$3,634</b>	<b>\$151</b>	<b>4.3%</b>

Source: Maryland Association of Community Colleges; Department of Legislative Services

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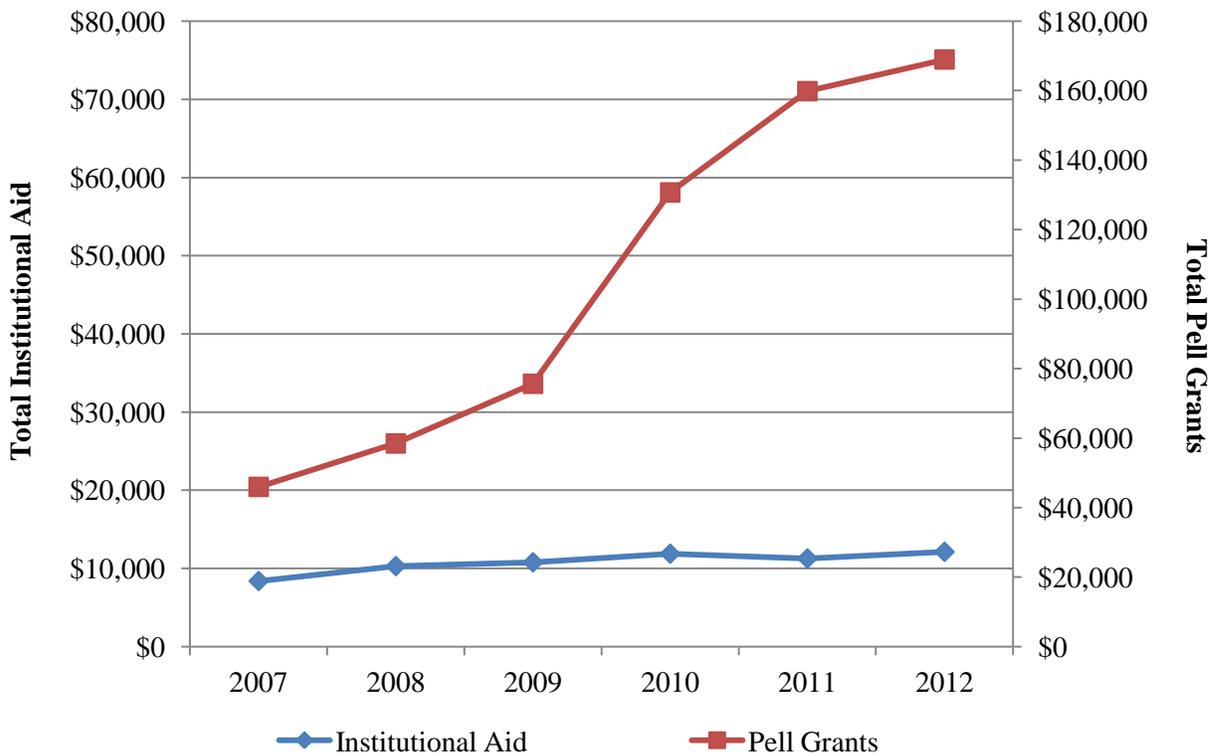
### **Institutional Aid Offered to Students**

In addition to trying to keep costs low, colleges offer students institutional aid to bring down the “sticker” price. Institutional aid awards are usually made to students with few financial resources (need-based aid) or to reward academic achievement (merit aid). Regardless of aid type, colleges

typically require students to complete a Free Application for Federal Student Aid, or FAFSA, which determines a student’s Expected Family Contribution (EFC), the amount of money a student’s family is expected to pay toward his or her education.

**Exhibit 10** shows the total amount of need-based and merit aid awarded to students from fiscal 2007 to 2012, in addition to the amount of Pell Grants students received. In fiscal 2012, Maryland’s community colleges awarded \$12.2 million in institutional aid. That amount is dwarfed by Pell Grants, a federal low-income student financial aid program that totaled \$169.0 million in that year. Federal funding for Pell Grants increased significantly in fiscal 2010 to help low-income individuals pursue a college education. Students can receive Pell grants valued at an amount up to \$5,400 annually for a maximum of twelve semesters at all institutions. For many recipients, this may cover their full cost of attendance at a community college.

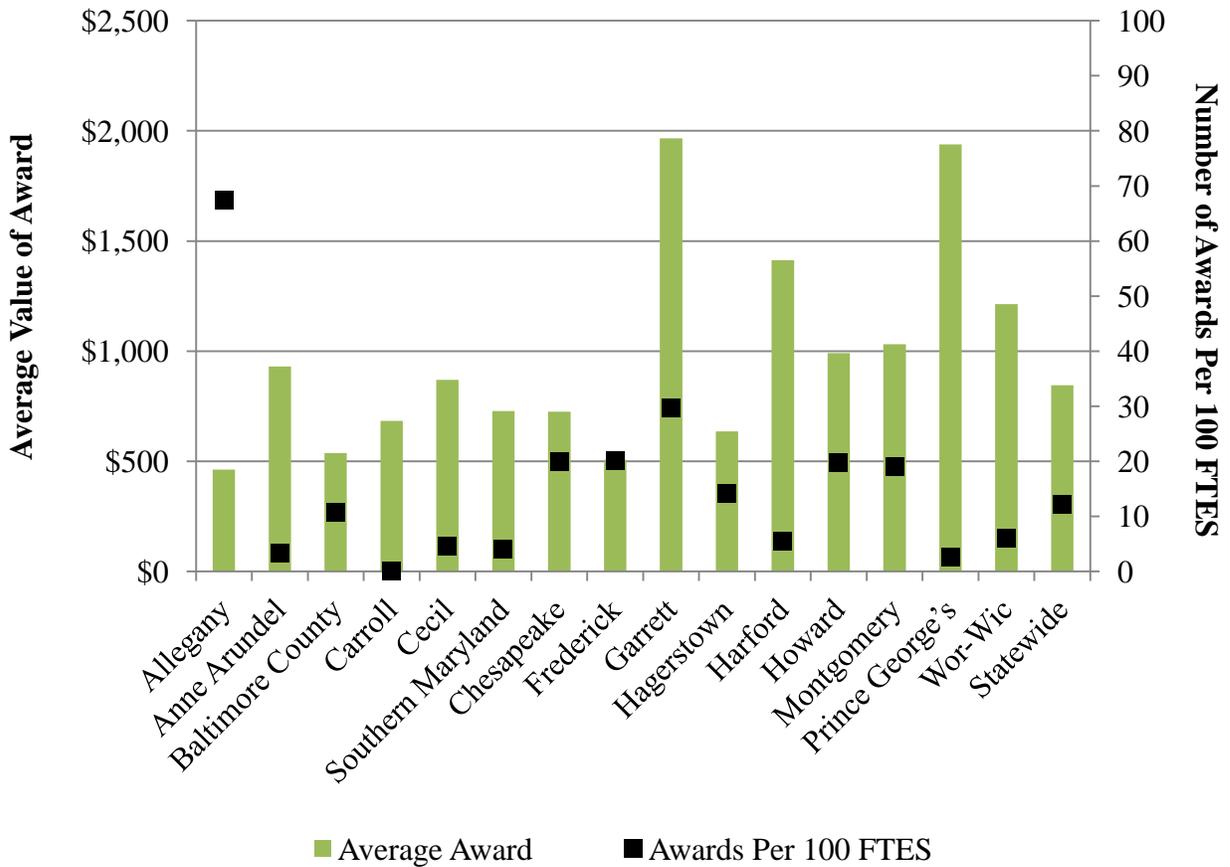
**Exhibit 10**  
**Total Need-based and Merit Institutional Aid and Pell Grants**  
**Fiscal 2007-2012**  
**(\$ In Thousands)**



Source: Maryland Association of Community Colleges

**Exhibit 11** shows the average value of need-based and merit institutional aid awards and the average number of awards per 100 FTES by college. There is considerable variation in this data, which was reported to DLS for the first time this year. The exhibit may somewhat overstate awards per FTES, and understate the amount received by a student, as an individual student may receive both a need-based and merit award, and both awards would be counted separately. ACM is an outlier, awarding many more awards per 100 FTES than any other college. This is due to a large dual enrollment program with students from neighboring counties, each of whom are receiving an institutional aid award.

**Exhibit 11**  
**Average Institutional Aid Awards and Number of Awards Per 100 FTES**  
**Fiscal 2012**



FTES: Full-time equivalent student

Source: Maryland Association of Community Colleges

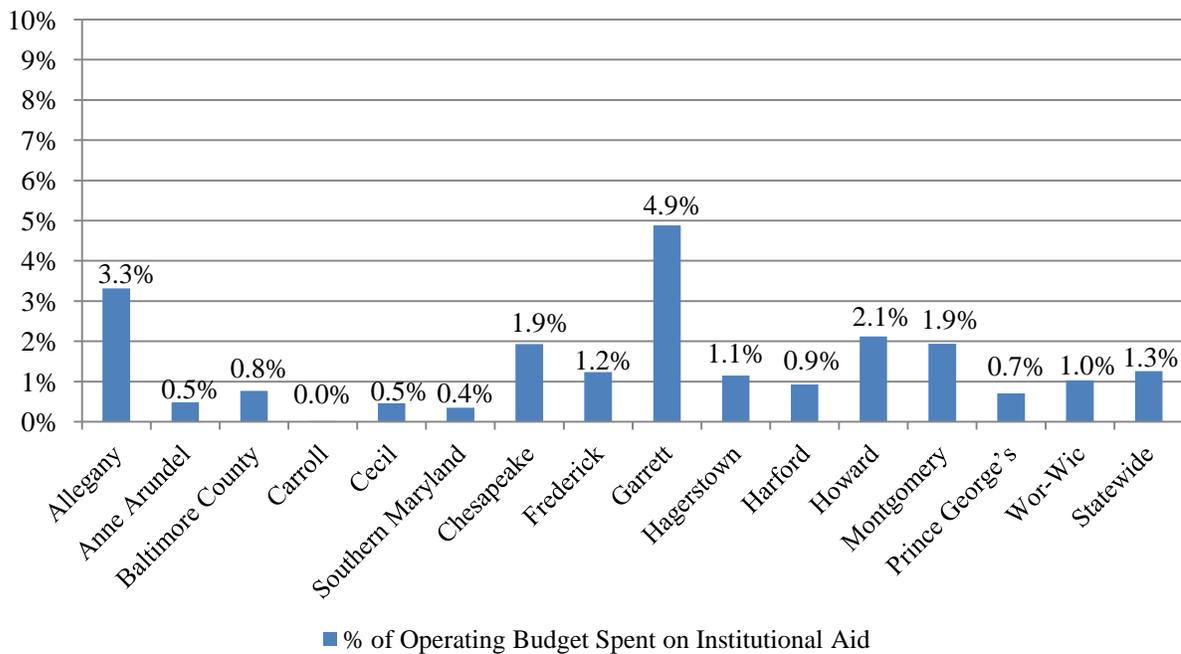
The statewide average institutional aid award is \$845, and an average of 12.3 awards are made per 100 FTES. The exhibit shows that colleges vary widely in the amount of aid offered, but most awards average between \$500 and \$1,000. Garrett College has the highest average award, at \$1,966, and ACM is the lowest, at \$463. Although Prince George’s Community College has the second highest average award, the college averages only 2.6 awards per 100 FTES, the second lowest in the State. Garrett College appears to have an especially high commitment to institutional aid, as it has the State’s highest average award and the second highest number of awards per 100 FTES.

Carroll Community College is an interesting case in that it does not appear to offer institutional aid of any form. Though Exhibit 11 shows that the college had an average award of \$683, only six awards were made in fiscal 2012. In fact, Carroll Community College awards only three to six institutional aid awards annually.

### Aid as a Share of Overall Budget

Exhibit 11 shows that the colleges vary in the value of institutional aid awards and the number made each year. The amount of money a college has to spend may depend on the size of college’s total budget, and **Exhibit 12** shows each college’s need-based and merit institutional aid budget compared to its unrestricted fund operating budget.

**Exhibit 12**  
**Institutional Aid as a Percent of Operating Budget**  
**Fiscal 2012**



Source: Maryland Association of Community Colleges

The exhibit confirms that Garrett College makes a large commitment to institutional aid, as the college spends the most on it compared to its overall operating budget, 4.9%. The average for all colleges is 1.3%, though only five colleges are above average. **The Secretary and community colleges should comment on how institutional aid is used to cover unmet need for students who do not qualify for Pell grants and how it is used to attract high quality students.**

### **Issues with Data**

The data used in Exhibits 10, 11, and 12 were received in response to a 2012 *Joint Chairmen's Report* information request on institutional aid awarded to students from fiscal 2007 to 2012. The data, which was submitted directly from each college to MACC, was to be shown in the same format as submitted to MHEC. There were a number of issues with how some colleges reported the data.

The first issue concerns colleges not reporting consistent with MHEC's reporting guidelines, which state that institutional aid awards that include need as a criteria should be reported using code 1108 (Institutional Grants). Code 1318 (Other Institutional Scholarships) is where all other forms of institutional aid should be counted, typically merit aid. Five colleges incorrectly placed need-based awards into the merit category and reported both under code 1318.

The next issue concerns awarding need-based aid to students with no established need – that is, to students who did not complete a FAFSA and do not have an EFC. Awards to students with no EFC are typically made in the merit category, as awards to recognize educational or civic achievement do not require an established need. Additionally, students from high income families may choose not to fill out the FAFSA.

However, some community colleges reporting aid under the need-based 1108 category are showing at least a few awards being made to students with no EFC. The FAFSA is required for nearly all forms of federal and State aid, and these students may be missing out on other forms of aid available to them.

These errors make it difficult to determine how well colleges are meeting the financial needs of students with institutional aid. Some may spend a large amount of the institutional aid budget on need-based aid, while others may focus on merit aid. **In future years, the community colleges should report institutional aid data distinguishing between need-based and merit aid, as required by MHEC. Additionally, they should ensure that no need-based aid is being awarded to students without an established need.**

## **2. Reverse Transfer Aims to Increase Completion Rates**

Given the low completion rates of community college students, policymakers and educators are regularly looking at ways to grow the number of degrees awarded to students. Only 18% of Maryland students entering a community college earn an associate's degree after four years. Many students transfer to four-year institutions before completing their degree, and although they may not

continue on to complete a bachelor's degree, their work at the four-year institution may satisfy the community college's associate's degree requirements.

To recognize the work done by these students, colleges are beginning to implement reverse transfer programs. After completing the necessary requirements for an associate's degree, the four-year institution sends a copy of the student's transcript back to the community college, usually at no charge to the student. The community college then evaluates the student's work and awards an associate's degree if all requirements are met.

So far, 270 degrees have been awarded in Maryland through reverse transfer. MACC reports that some community colleges are working directly with their primary receiving four-year college. There are also two major statewide reverse transfer initiatives, one using grant funding awarded by the Lumina Foundation and another from the University of Maryland University College (UMUC) using existing resources.

### **ADAPTS – Statewide Reverse Transfer Grant**

The Associate's Degree Award for Pre-degree Transfer Students (ADAPTS) program is funded as part of a Lumina Foundation program using \$500,000 from USA Funds. Managed by MHEC, the project was initially to be piloted with four colleges before expanding statewide. MACC reports that enough interest was shown from across the State that all community colleges are participating.

The biggest challenge so far is the lack of automation. It is currently a very labor intensive process for a college employee to individually evaluate and update student transcript data. The Articulation System for Maryland Colleges and Universities (ARTSYS) is being updated to allow the transfer of transcript information electronically, but more work needs to be done before it is operational, and employees will have to be trained on how to use it.

### **UMUC Initiated Program**

UMUC's reverse transfer program has many similarities to ADAPTS. Piloted with four community colleges, it was expanded this year to include all sixteen. Like ADAPTS, UMUC hopes to automate the program, as it is currently a manual process requiring significant staff time. To handle the workload, UMUC reports that all of its transfer advisors are trained to handle reverse transfers.

When they first enroll, students indicate if they are interested in reverse transfer and are entered into a database. Their progress is then manually tracked on a spreadsheet, and when all requirements are met, UMUC sends the community college the students' transcripts. UMUC has reported a couple of issues that are likely present with ADAPTS as well:

- Student awareness: Communicating to transfer students that reverse transfer is an option has been challenging.

- The Family Educational Rights and Privacy Act (FERPA): A student must allow UMUC to share his or her transcript records and other information, and the college has had problems getting students to sign a FERPA release.

### **Degree Completion Goals to Be Aided by Reverse Transfer**

Reverse transfer programs benefit both the individual and the State. For the individual, having an associate's degree increases employability, income potential, and is something to show for his or her time spent in – and debt accumulated from – college. For the State, it helps reach degree completion goals and improves the statewide level of education attainment. **The Secretary and community colleges should comment on the State's reverse transfer programs and when they expect an automated system to be operational.**

### **3. Coordination in Other States**

The structure of statewide coordination for community colleges differs throughout the country. Several states have boards that oversee all of the state's educational institutions, including K-12 education, while others focus solely on community colleges. Some boards are granted very limited authority and serve to coordinate the activities of generally independent community colleges. Some states have the opposite arrangement, where strong, central boards have a direct role in the operations of the colleges.

MHEC is responsible for overseeing the Maryland's higher education system, including community colleges. MHEC has broad authority in statute "to coordinate the overall growth and development of postsecondary education in Maryland." For community colleges, MHEC serves as the coordinating board and has limited authority to hold institutions accountable for priorities like meeting the State's degree attainment goals. MACC provides an additional level of coordination, regularly bringing together administrators and faculty from each college to discuss common issues. As units of local government (except for BCCC), Maryland's counties are also responsible for setting policy priorities for the colleges, in addition to each college's own governing board (board of trustees). MHEC has no role in the colleges' budgeting process or in setting tuition rates. MHEC also has limited authority to require institutions (community colleges or four-year institutions) to implement policies that it feels are in the best interest of the State, like statewide articulation agreements. Such agreements are a signal of how much coordination exists between segments in a state. MHEC has facilitated the development and implementation of three statewide articulation agreements between Maryland's community colleges and both public and private nonprofit four-year institutions, in teaching, nursing, and engineering. However, most community college students must rely on individual agreements between schools to transfer their credits.

The following are examples of the structure of community colleges in five of Maryland's competitor states and Florida, which has a strong P-20 board of education. Two of them exhibit strong central governing boards (North Carolina and Virginia), two have weak coordinating boards (Ohio and California), and two fall outside that simple classification (Pennsylvania and Florida).

## **States with Strong Oversight Boards**

Virginia's Community Colleges (VCC) and North Carolina's State Board of Community Colleges operate a system of community colleges in their respective states, with broad statutory authority to oversee respective community colleges. The colleges' operating budgets are overseen by the central office, and in the case of Virginia, it sets statewide tuition rates (though colleges are able to receive an exemption from this).

In terms of coordinating actions, both systems oversee strong statutorily mandated articulation agreements. North Carolina's State Board of Community Colleges is able to create policies on its own or implement those charged to them, such as a common course numbering system that was initially an interest of the General Assembly.

VCC does not direct the programs or course offerings of the individual community colleges so that they are able to respond to local needs, but like MHEC, VCC gives the final program approvals. In terms of holding colleges accountable for meeting state priorities, this is exercised through funding formulas with outcomes based on performance measures.

## **States with Weaker Oversight Boards**

California and Ohio have weaker coordinating boards compared to Virginia and North Carolina. Legislation in 2007 stripped Ohio's Board of Regents of much of its oversight and policy authority over community colleges and four-year institutions, and though the Chancellor of the system is able to recommend programs, the power is rarely used. California's Community Colleges (CCC) sets minimum standards for the system, but each of the 111 community colleges have their own governing boards responsible for policy and accountability.

Ohio's Board of Regents does maintain a statutorily mandated system of articulation agreements between colleges for both degree programs and individual courses. However, there have been instances of colleges being reluctant to allow credits to transfer as smoothly as statute dictates. Compared to California, Ohio is better able to hold institutions accountable to state goals through a strong performance funding formula. California has no funding formula and no other center for accountability.

## **States with Unique Structures**

Florida operates with a coordinating board governed by the State Board of Education, and each community college has its own governing board responsible for programs and operations. Outside of setting common tuition rates, the board generally does not take an active role in community college operations. The legislature has been more active, however, passing laws mandating articulation agreements in specified programs and a common course numbering system for smoother transferring of credits, both of which are being fully implemented by the colleges.

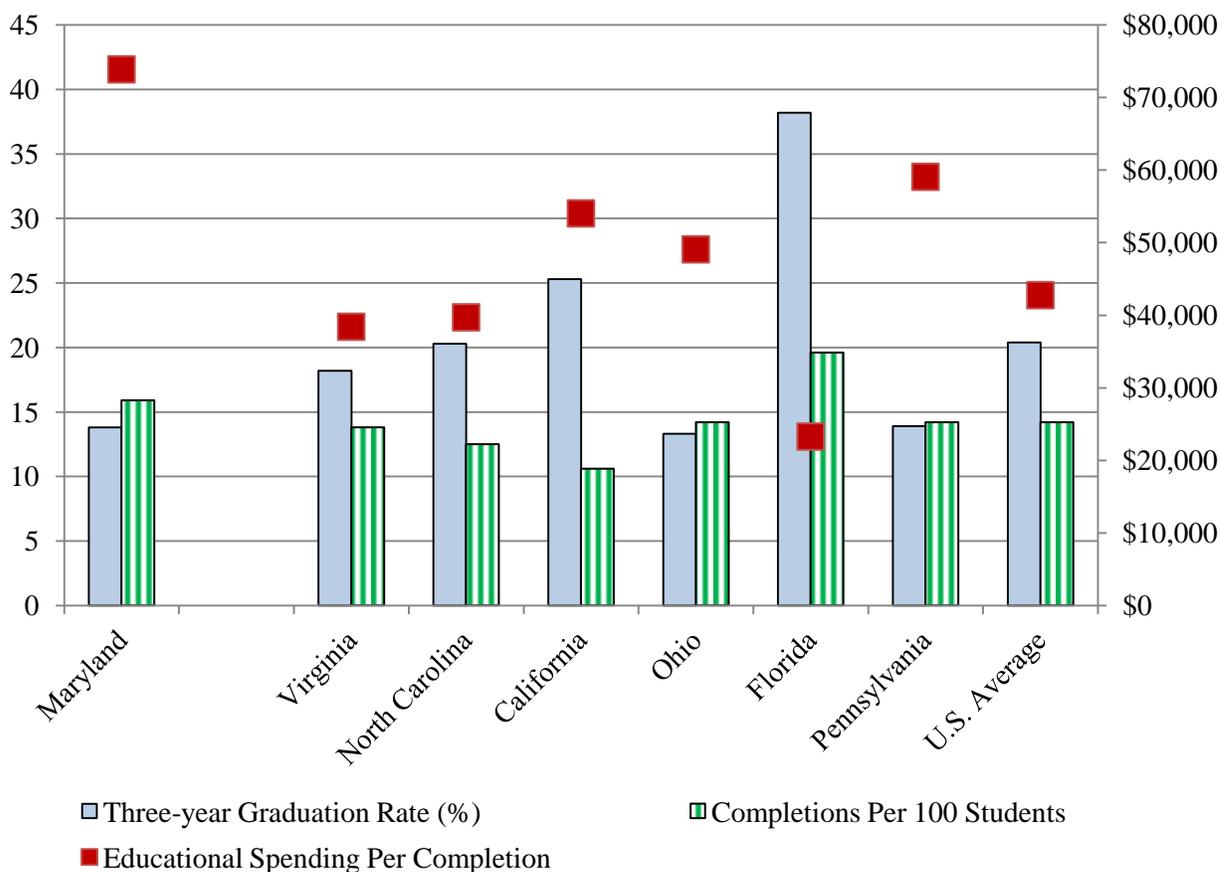
Pennsylvania is unique in that it does not have a state board at all. Instead, the legislature plays a larger role in implementing statewide policies. Like many of the other states, Pennsylvania's legislature in 2010 passed legislation directing the community colleges and public four-year institutions to create statewide articulation agreements. There are now 14 such articulated transfer programs, and another 10 starting in fall 2013. The Pennsylvania legislature is also able to influence the creation of degree programs, having used \$5 million to develop new courses and degree programs, which many colleges then added to their course catalogues.

## **Little Correlation Between System Structure and Outcomes**

Outlined above are oversight structures that range from strong central oversight bodies to one state that has no oversight board at all. Stronger bodies are able to coordinate consistent policies among the institutions and are largely as strong as their statutes dictate. States with weaker boards may have a limited ability to hold institutions accountable, but there can be some consistency if it is mandated in statute by the legislature.

In terms of student outcomes, there does not appear to be a clear link between the oversight structure and completion rates among the states discussed in this issue. **Exhibit 13** shows two performance measures for those six states, Maryland, and the national averages. Florida, which has a strong legislature but a weak coordinating board, has the highest graduation rate, number of completions per 100 FTES, and the lowest amount of spending per completion (a completion is defined as a degree or certificate). It should be noted that Florida also has an exceptionally high community college graduation rate, which would reduce the spending per degree figure.

**Exhibit 13**  
**Comparisons to Six Competitor States and National Average**  
**Graduation, Completion, and Spending**



Source: Education Commission of the States Community College Center; *The Chronicle of Higher Education* College Completion Dataset

The two states with stronger boards, Virginia and North Carolina, have outcomes that are close to the national average. Ohio, with a weak board, is close as well, though California also has a weak board, but a graduation rate nearly 5 percentage points higher than the national average. Pennsylvania, which has no coordinating board but a strong role played by the legislature, has below average graduation rates and higher than average spending.

Maryland’s outcomes are mixed. The State completion rate is a little higher than the national average, but the graduation rate is 6.6 percentage points below it. Maryland’s community colleges spend almost 75% more per completion than the national average for those results.

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Though MHEC is a relatively weak coordinating board, it is unclear whether student outcomes would be better if it had a more active role in community college operations. However, it is not able to implement consistent policies that could aid student outcomes, like common course numbering or more statewide articulation agreements. **The Secretary and community colleges should comment on MHEC’s role and effectiveness in coordinating Maryland’s higher education system.**

## ***Recommended Actions***

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1. Concur with Governor’s allowance.

However, to the extent the General Assembly reduces general and Higher Education Investment Fund spending to the selected four-year institutions, the Department of Legislative Services recommends a concomitant reduction to the Senator John A. Cade Funding Formula in an amount calculated by the funding formula percentage.

2. Adopt the following narrative:

**Institutional Aid by Expected Family Contribution Category:** The committees request that data be submitted in an electronic format (Excel file) for each community college on institutional aid awards. Data should include the number of institutional aid awards and average award size by Expected Family Contribution (EFC) for institutional grants, institutional athletic scholarships, and other institutional scholarships as reported to the Maryland Higher Education Commission (MHEC) for fiscal 2013. The data in the response should differentiate between need-based aid and merit scholarships. Data should also include the number of institutional aid awards and average award size by EFC for tuition waivers/remissions of fees to employees and dependents for fiscal 2013. The report is to be submitted either by the Maryland Association of Community Colleges (MACC) or MHEC.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report of institutional aid by EFC category	MHEC or MACC	December 15, 2013

3. Adopt the following narrative:

**Loan Data by Expected Family Contribution Category:** In order to more fully understand all of the types of aid available to students, the committees request that loan data be submitted for each community college. Data should include, by Expected Family Contribution (EFC), the number of loans and average loan size of federal subsidized and unsubsidized loans, and loans from private sources as reported to the Maryland Higher Education Commission (MHEC) for fiscal 2013. Additionally, data should be provided on Pell grants including the number and average award size by EFC for fiscal 2013. The report is to be submitted in an electronic format (Excel file) either by the Maryland Association of Community Colleges (MACC) or MHEC.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report on loan data by EFC category	MHEC or MACC	December 15, 2013

## ***Updates***

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### **1. Impact of the DREAM Act**

The Maryland DREAM Act was enacted in 2011 (Chapter 191). The law authorizes certain individuals, including undocumented immigrants, to pay in-state tuition rates at Maryland public higher education institutions. Prior to passage of the law, in-state tuition rates and policies at most community colleges and public four-year institutions of higher education did not include individuals who were unable to establish permanent residency. As a result, these students were considered nonresidents for tuition purposes regardless of how long they had lived in Maryland.

The new law was subject to a statewide referendum in November 2012. Voters approved the measure with 58% of the vote. With passage of the referendum, individuals who meet the requirements of the law will qualify for in-state tuition rates beginning with the next academic term.

#### **Requirements of the DREAM Act**

Under the law, individuals must meet several requirements in order to qualify for in-state tuition, first at a community college, and then by transferring to a public four-year institution.

#### **Community Colleges**

Community college tuition rates are set by State regulations and the boards of trustees for the community colleges. There are three levels of tuition at community colleges: in-county, out-of-county, and out-of-state. In general, there is a three-month residency requirement for individuals to qualify for in-county community college tuition rates. To be eligible for out-of-county tuition rates under Chapter 191, an individual must meet the following conditions:

- attended high school for at least three years and either graduated or received the equivalent of a high school diploma in Maryland;
- provide documentation that the student or guardian has filed a Maryland income tax return annually for the three years the student was in high school, during any period between high school and college, and while attending college;
- provide an affidavit stating the student will apply to become a permanent resident when he or she becomes eligible to do so;
- show that the student has registered with the Selective Service System if required to do so; and
- register with the community college within four years of graduating from high school or receiving the equivalent of a high school diploma in Maryland.

To be eligible for in-county rates, the student needs to meet the above requirements and attend the community college supported by the county where he or she graduated from high school. In the case of a student who received the equivalent degree, the county where the student most recently attended high school is the requirement.

### **Public Four-year Institutions**

In general, students qualify for in-state tuition at public four-year institutions when they can document that they have lived continuously in Maryland for at least 12 consecutive months. Under the new law, an individual is eligible for an in-state tuition rate at public four-year institutions if the student meets the aforementioned community college requirements and the following conditions:

- is awarded an associate's degree or earned 60 credits at a community college;
- registers at the institution within four years of graduating from, or earning 60 credits at, a Maryland community college; and
- the student or guardian continues to pay Maryland income taxes while enrolled.

### **Veterans**

Chapter 191 also has provisions for honorably discharged veterans of the U.S. Armed Forces. The new law extends the time period from one year to four years after discharge during which these veterans may present documentation to qualify for in-state tuition at public institutions of higher education in the State. The required documentation includes evidence that the veteran attended a Maryland high school for at least three years and that he or she graduated from a high school in the State or received the equivalent of a high school diploma in the State.

### **Implementation of the DREAM Act**

The governing boards of the community colleges and public four-year institutions must adopt policies to implement the law. For most institutions, students may qualify for in-state tuition beginning with the 2013 spring semester (some institutions offer "mini-mesters" between the fall and spring semesters). Further, individuals who meet the requirements of the law, attended a community college beginning with the fall 2010 semester, and earned an associate's degree or 60 credits may be eligible for in-state tuition at a public four-year institution immediately in the next academic term.

The fiscal impact of the law will affect State funding for community colleges beginning in fiscal 2015, when enrollments from the 2012-2013 academic year will be used to calculate formula funding. DLS has estimated that approximately 370 FTES will qualify for in-state rates in that year, increasing the Cade formula by approximately \$745,000. By fiscal 2017, the additional State funding for community colleges is estimated at approximately \$3 million.

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Chapter 191 will also impact tuition revenue at the State's institutions as soon as the current fiscal year (2013), though the impact may be mixed. The colleges will receive less tuition revenue from students who were previously paying out-of-state rates but now qualify for in-state tuition. However, to the extent that more students enroll at the institutions who could not afford to do so previously because they could not afford out-of-state rates, tuition revenue may increase.

## *Current and Prior Year Budgets*

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### **Current and Prior Year Budgets Aid to Community Colleges (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2012</b>					
Legislative Appropriation	\$262,297	\$0	\$0	\$0	\$262,297
Deficiency Appropriation	1,000	0	0	0	1,000
Budget Amendments	0	758	0	0	758
Reversions and Cancellations	0	0	0	0	0
<b>Actual Expenditures</b>	<b>\$263,297</b>	<b>\$758</b>	<b>\$0</b>	<b>\$0</b>	<b>\$264,055</b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$249,403	\$20,549	\$0	\$0	\$269,951
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$249,403</b>	<b>\$20,549</b>	<b>\$0</b>	<b>\$0</b>	<b>\$269,951</b>

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

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**Fiscal 2012**

The Aid to Community Colleges program received a \$1.0 million general fund deficiency appropriation to partially pay down an accrued liability in the Statewide and Health Manpower Grants program. After this deficiency, the liability stands at \$6.2 million.

The program also received a \$757,694 budget amendment to reflect the local share of the costs for administration of teachers' retirement accounts.

**Object/Fund Difference Report  
Aid to Community Colleges**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
12 Grants, Subsidies, and Contributions	\$ 264,054,574	\$ 269,951,325	\$ 287,246,253	\$ 17,294,928	6.4%
<b>Total Objects</b>	<b>\$ 264,054,574</b>	<b>\$ 269,951,325</b>	<b>\$ 287,246,253</b>	<b>\$ 17,294,928</b>	<b>6.4%</b>
<b>Funds</b>					
01 General Fund	\$ 263,296,880	\$ 249,402,587	\$ 286,580,358	\$ 37,177,771	14.9%
03 Special Fund	757,694	20,548,738	665,895	-19,882,843	-96.8%
<b>Total Funds</b>	<b>\$ 264,054,574</b>	<b>\$ 269,951,325</b>	<b>\$ 287,246,253</b>	<b>\$ 17,294,928</b>	<b>6.4%</b>

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary  
Aid to Community Colleges**

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
05 Senator John A. Cade Funding Formula for Comm. Col	\$ 215,269,541	\$ 215,044,122	\$ 228,989,184	\$ 13,945,062	6.5%
06 Aid to Community Colleges – Fringe Benefits	48,785,033	54,907,203	58,257,069	3,349,866	6.1%
<b>Total Expenditures</b>	<b>\$ 264,054,574</b>	<b>\$ 269,951,325</b>	<b>\$ 287,246,253</b>	<b>\$ 17,294,928</b>	<b>6.4%</b>
General Fund	\$ 263,296,880	\$ 249,402,587	\$ 286,580,358	\$ 37,177,771	14.9%
Special Fund	757,694	20,548,738	665,895	-19,882,843	-96.8%
<b>Total Appropriations</b>	<b>\$ 264,054,574</b>	<b>\$ 269,951,325</b>	<b>\$ 287,246,253</b>	<b>\$ 17,294,928</b>	<b>6.4%</b>

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.