R62I0005
Aid to Community Colleges

Operating Budget Data

($ in Thousands)

	FY 14 Actual	**FY 15 Working**	**FY 16 Allowance**	**FY 15-16 Change**	**% Change Prior Year**
General Fund	$281,311	$297,326	$307,313	$9,987	3.4%
Deficiencies and Reductions	0	-6,800	-13,046	-6,246	
Adjusted General Fund	**$281,311**	**$290,526**	**$294,267**	**$3,741**	**1.3%**
Adjusted Grand Total	**$281,311**	**$290,526**	**$294,267**	**$3,741**	**1.3%**

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- After adjusting for a cost containment action in fiscal 2015 and a contingent reduction in fiscal 2016, total general fund support for local community colleges grows $3.7 million, or 1.3%, in fiscal 2016.

Analysis in Brief

Major Trends

Successful Persister Rate Falls Two Percentage Points: The successful persister rate for Maryland's community college students declined 1.8 percentage points to 69.3% for the 2009 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.

Achievement Gap Unchanged: The gap in the four-year graduation/transfer rate of minority students compared to all students did not change for the 2009 cohort. After fluctuating between 8.2 percentage points and 10.1 percentage points, the gap has remained at 7.5 percentage points for the past three years.

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

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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 about $300 more expensive than the national average in fall 2014. Colleges offered students $13.6 million in need-based institutional aid in fiscal 2014.

Community College Coordination: The coordination of community colleges differs nationwide. Maryland's coordinating body, the Maryland Higher Education Commission, is relatively weak compared to Maryland's competitor states. Some other states have strong central coordinating boards that can create or require implementation of policies.

Tuition Waiver Expansion Concerns Community Colleges: The number of tuition waivers in statute in Maryland has grown in recent years, and community colleges have raised concerns that waivers merely pass on the cost of attendance from one needy population to other students.

Recommended Actions

		Funds
1.	Strike the contingent reduction language on the Cade formula.	
2.	Reduce the community college formula grant.	$ 11,656,003
	Total Reductions	**$ 11,656,003**

Operating Budget Analysis

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 per student 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 increase 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 of Maryland 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 $8 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 (SRA) 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.

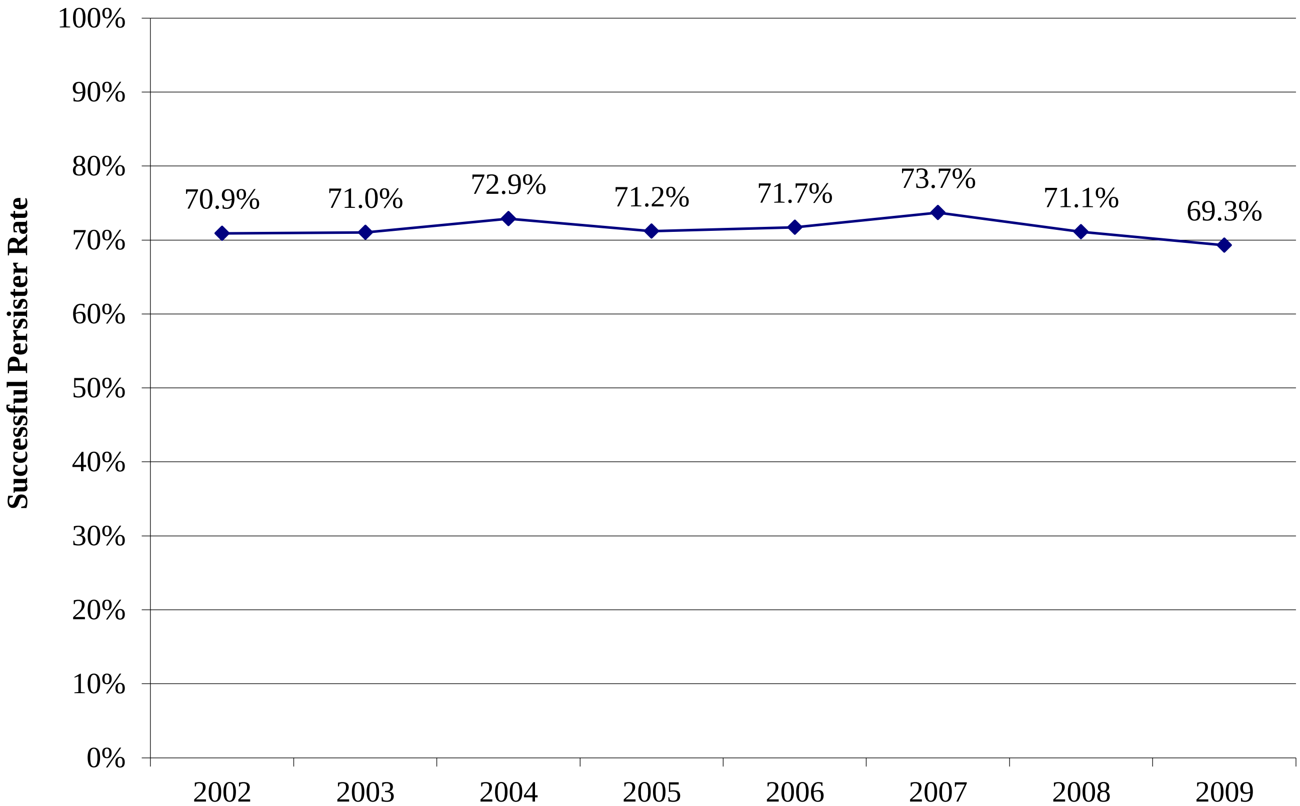
Performance Analysis: Managing for Results

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 to measure student performance. 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 Falls Two Percentage Points

The statewide successful persister rate for cohorts from 2002 through 2009 is shown in **Exhibit 1**. The rate declined by 1.8 percentage points to 69.3% from the 2008 to 2009 cohort, making this the lowest rate in this exhibit. Increasing this rate is necessary to meet the State's degree completion goals. However, from the 2007 cohort to the 2009 cohort, the rate has decreased 4.4 percentage points.

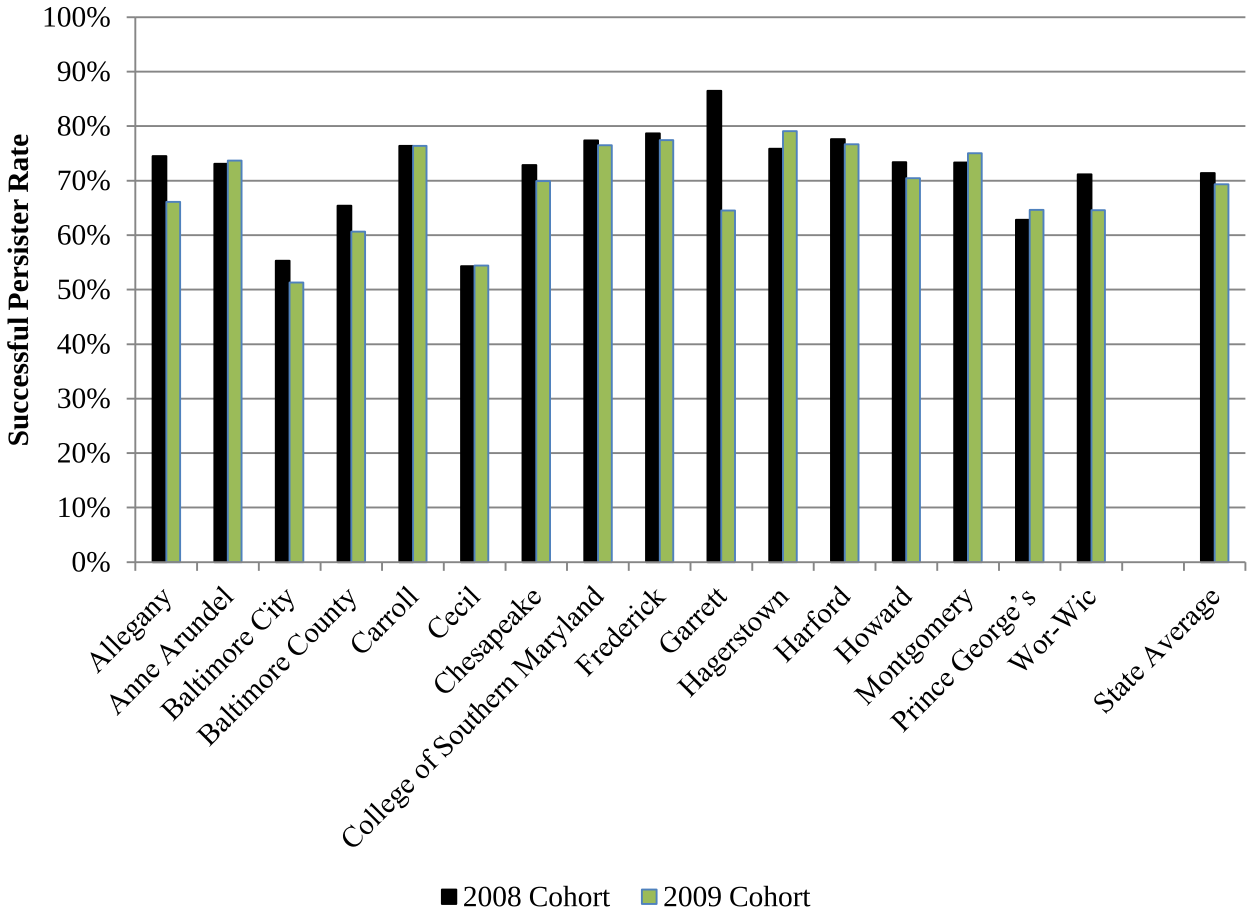
Exhibit 1
Four-year Successful Persister Rate
2002-2009 Cohorts



Source: Maryland Association of Community Colleges

Exhibit 2 shows the college-by-college breakdown of the 2008 and 2009 cohort persister rates. For the 2009 cohort, colleges range from 54.4% at Cecil Community College and 51.3% at Baltimore City Community College (BCCC) up to 79.1% at Hagerstown Community College, although 12 of the 16 colleges are between roughly 65.0% and 75.0%. Differences are expected given varying demographics and, generally, the colleges with a higher number of students requiring developmental education have lower successful persister rates. In the 2009 cohort, 9 community colleges saw the successful persister rate decrease by at least 1 percentage point. Garrett College, in particular, declined 22 percentage points in the 2009 cohort, partly due to having a very small cohort size of between 150 and 200 students in most years of data. Unfortunately, only 3 community colleges saw improvement in persister rates of 1 percentage point or more in the 2009 cohort.

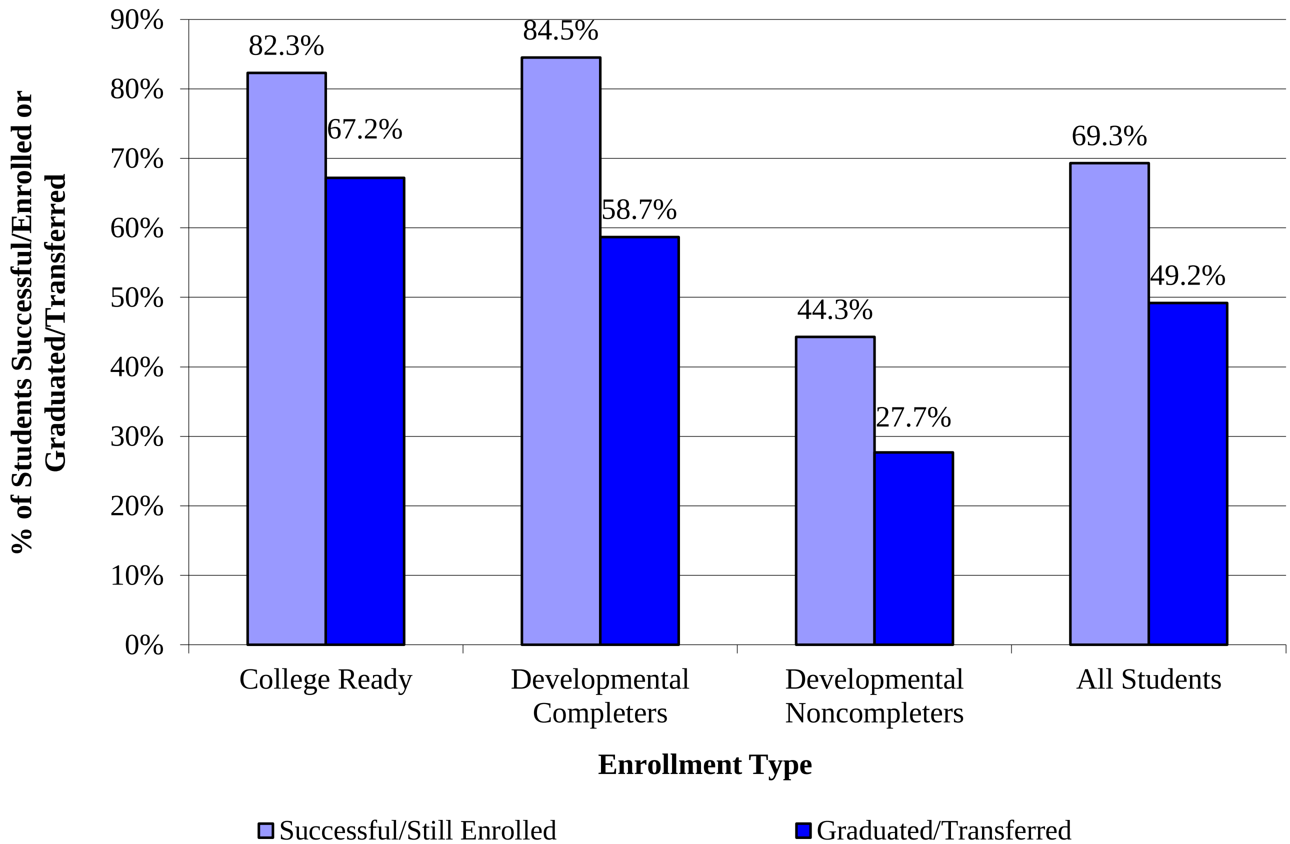
Exhibit 2
Successful Persister Rates by College
2008 and 2009 Cohorts



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 2009 cohort.

Exhibit 3
Degree Progress Four Years after Initial Enrollment
Fall 2009 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

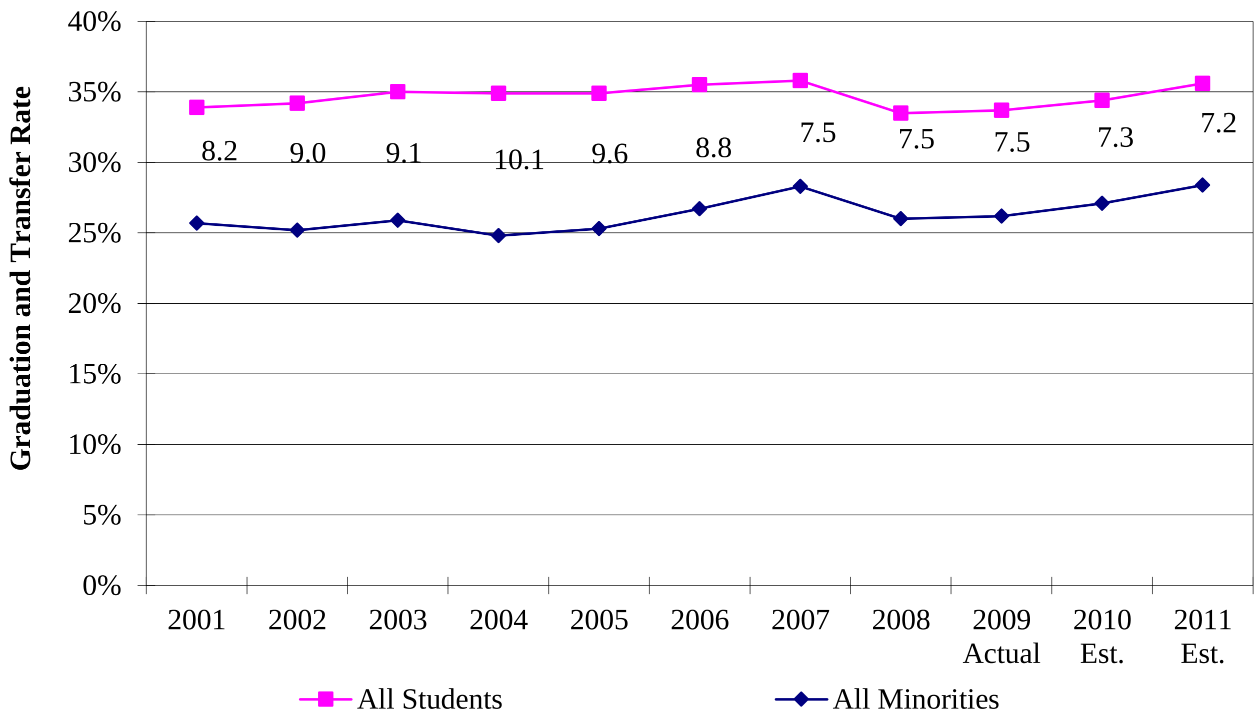
The highest success rate is that for developmental completers, or students who required and completed developmental education before beginning credit-bearing coursework. The successful persister rate for this type of student has outpaced college-ready students for the past four cohorts, and the gap between these two types of students has increased from 1.4 percentage points in the 2007 cohort to 2.2 percentage points in the 2009 cohort, a slight decrease in the achievement gap of 2.6 percentage points in the 2008 cohort. The metrics for developmental noncompleters decreased from the prior year: the successful/still enrolled rate fell 1.9 percentage points and the graduated/transferred rate fell 2.8 percentage points. Further detail within these types of students, such as how many are graduating versus transferring, would be useful, but this data is not currently reported.

The decline in these rates is discouraging given the important work of community colleges serving as open access institutions where students of all preparedness levels enroll expecting to make progress toward a degree. 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, so reducing the number of students in the noncompleters category altogether should be a priority for community colleges and may be a better goal to track than the success of the noncompleters themselves. The 2008 cohort of noncompleters was 7,468, while the 2009 cohort of noncompleters was 7,353, a decline of 115 students or 1.5%. At the same time, the size of the total cohort grew by 2,667 students, or 10.0%, for the 2009 cohort.

2. Achievement Gap Unchanged

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 for the first time in four years, this gap has not decreased but rather remained unchanged at 7.5 percentage points for the 2009 cohort as both groups increased at the same rate. 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. Projections for the next two cohorts have the achievement gap narrowing slightly to 7.2 percentage points.

Exhibit 4
Four-year Graduation and Transfer Achievement Gap
Fall 2001-2011 Cohorts



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

Source: Governor's Budget Books, Fiscal 2003-2016

Fiscal 2015 Actions

No Deficiency Appropriation Again

Although the fiscal 2014 budget included a $3.0 million deficiency appropriation for fiscal 2013 to address an accrued liability within the Statewide and Health Manpower Grant programs, no additional funding was provided in the fiscal 2015 budget or fiscal 2016 budget to reduce outstanding obligations charged by this program. The outstanding liability of the grant reached over $9.0 million in fiscal 2011 but has declined, according to MHEC, to about $2.7 million in fiscal 2015. 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 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 original appropriation did not fully fund the program 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; some accumulated liability remains, however, as noted above.

The ORP also had an accrued liability as high as $5.9 million in fiscal 2010. Starting in fiscal 2011, the appropriation has been higher than anticipated expenses to pay down the liability. While MHEC had reported that the liability would be fully paid down by the end of fiscal 2014, this has not occurred. According to MHEC, in fiscal 2015, the liabilities remain at:

- $2.7 million for the Community College Statewide and Health Manpower Grant, and
- $0.7 million for Community College Fringe Benefits.

Cost Containment

On January 7, 2015, the Board of Public Works (BPW) implemented cost containment actions totaling exactly $6.8 million for local community colleges. This was achieved by reducing support through the Cade formula by $6,571,566 and the Small Community College grant program by $228,434. Reducing non-Cade aid to community colleges, generally called miscellaneous grants, has not been a common practice during fiscally challenging times for the State. The reduction to the Cade formula was reached by halving the annual growth of all State support to community colleges.

MHEC also received a 2% across-the-board reduction in general funds in fiscal 2015 cost containment. The agency’s share of the reduction was $2,059,900, and the cut has not been specified by program. While community college aid has already been reduced by BPW actions, it is not exempt from further reductions if MHEC chooses to spread the $2.1 million reduction across all of its budget programs.

Proposed Budget

Exhibit 5 shows the budget changes for Aid to Community Colleges between fiscal 2015 and 2016. Beginning in fiscal 2014, administration costs for teachers’ retirement programs is budgeted in SRA rather than MHEC, so State aid to community colleges no longer includes any special funds.

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

How Much It Grows:	**General Fund**	**Total**
Fiscal 2014 Actual	$281,311	$281,311
Fiscal 2015 Working Appropriation	290,526	290,526
Fiscal 2016 Allowance	294,267	294,267
Fiscal 2015-2016 Amt. Change	$3,741	$3,741
Fiscal 2015-2016 Percent Change	1.3%	1.3%

Where It Goes:	
Changes	
Senator John A. Cade Funding Formula	$12,251
Faculty and staff retirement	3,853
Optional Retirement Program	429
Small Community College and Appalachian grants	402
English for Speakers of Other Languages grants	108
Reciprocity grants	-257
Contingent reductions to Cade Formula	-13,045
Total	**$3,741**

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Cost Containment

There is a contingent reduction of $13.0 million for Cade funding in the BRFA of 2015, as shown in Exhibit 5. Again in fiscal 2016, there is a 2% across-the-board reduction to MHEC totaling about $2.1 million. The programmatic reductions within MHEC are not specified. Again, although community college aid is already contingently reduced, this does not prevent additional reductions through implementation of the unallocated MHEC reduction.

The Senator John A. Cade Formula

There are three components 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 from two years prior and a percentage (20.0% for fiscal 2016) of the proposed per student funding at selected public four-year institutions. Cade formula funding grows $12.3 million over the cost contained fiscal 2015 working appropriation before the $13.0 million contingent reduction is applied.

The second major component of funding is comprised of the miscellaneous grant programs, such as the Statewide and Health Manpower Grant programs, Small College grants, and ESOL. Exhibit 5 shows that there are minimal funding changes with these programs and, when combined, they grow slightly less than $0.3 million, primarily in the Small College/Appalachian grants. Finally, State support for community college employee benefits grows $4.3 million.

Unadjusted, the Cade formula overall increases $12.3 million, or 5.6%. However, the Governor's BRFA of 2015 reduces Cade formula funding in fiscal 2016 and specifies an amount per college, reducing overall growth from 5.6% to -0.4%. The overall reduction means that hold harmless funding is not distributed to institutions.

Exhibit 6 shows the Cade formula for fiscal 2015 and three alternatives for fiscal 2016: the original allowance; the allowance with the contingent reduction proposed in the BRFA; and the allowance with no BRFA reduction but adjusted for across-the-board actions affecting four-year-institutions. The exhibit shows that the audited enrollments used in the 2016 formula, which are from fiscal 2014, decreased by 4,780 students, or 4.5%, from fiscal 2013, but overall the formula increases due to growth in per student State funding at selected public four-year institutions applying the across-the-board reductions to the four-year institutions.

The proposed BRFA action would decrease support by 0.4%. However, as shown in Exhibit 6, the Administration could have specified a statutory percentage of approximately 18.9% if it had wanted to keep the link between four-year funding and community college funding intact. A similar situation affects the Sellinger aid formula and is discussed in the MHEC administration budget analysis. Exhibit 6 also shows the calculation of the Cade formula at the lower per student funding (which reflects across-the-board reductions proposed for four-year institutions) with $5.4 million in hold harmless grants in fiscal 2016, which are not provided in the Governor's proposed budget.

Exhibit 7 shows the resulting college-by-college distribution of funding from the Cade formula in adjusted fiscal 2015 and 2016, as proposed by the Governor, 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 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 the fiscal 2016 allowance, prior to the contingent reduction, four colleges do not receive at least as much as they did in the prior year, so they receive hold harmless funding totaling $0.5 million. This action held schools harmless to the fiscal 2015 appropriation before cost containment.

Exhibit 6
Cade Aid Formula
Fiscal 2015-2016

	2015		**2016**		
	Appropriation	**Cost Containment**	**Allowance**	**Contingent Reduction**	**Recalculated with ATBs**
Per FTES General Funds Per Selected Public Institutions	$10,826	$10,826	$11,425	$11,425	$10,606
Statutory Cade Percentage	19.70%	19.13%	20.00%	18.91%	20.00%
General Funds x Percentage	2,133	2,071	2,285	2,161	2,121
Audited Enrollment	106,015	106,015	101,235	101,235	101,235
Cade Appropriation	226,110,315	219,538,748	231,327,495	218,744,620	214,749,218
Hold Harmless	-	-	462,640	-	5,384,914
Total	**$226,110,315**	**$219,538,748**	**$231,790,135**	**$218,744,620**	**$220,134,132**
Difference from Appropriation/ Allowance		**-$6,571,567**		**-$13,045,515**	**-$11,656,002**

ATB: across-the-board reductions to selected public four-year institutions in fiscal 2016
FTES: full-time equivalent student

Source: Governor's Budget Books, Fiscal 2016

However, as specified in the Governor's proposed BRFA, community college State support decreases for 10 community colleges versus the adjusted 2015 levels. The distribution of funds in the BRFA-adjusted 2016 column is based solely on a funding reduction that approximately level funds State support. Overall, the BRFA funding level is $0.8 million less than the adjusted fiscal 2015 funding amount. No hold harmless funding was given to institutions, resulting in year-over-year decreases. This effectively severs the hold harmless grant from the funding calculations, as well as the link between the two-year and the public four-year institutions. This is concerning because local jurisdictions must maintain or increase local support to community colleges for their respective institutions to receive increases in State support including hold harmless grants. If the State backs away

Exhibit 7
Per Student Funding Analysis of Fiscal 2016 Allowance
Community College Formula
Fiscal 2015-2016

College	Working Appropriation 2015	Allowance 2016	BRFA Adj. 2016	% Change (BRFA Adj.) 2015-2016	% Change Enrollment 2015-2016	% Change $ Per FTES (BRFA Adj.) 2015-2016
Allegany	$4,850,443	$4,927,263	$4,592,847	-5.3%	-10.6%	5.9%
Anne Arundel	28,715,483	29,322,472	27,461,464	-4.4%	-8.4%	4.4%
Baltimore County	38,418,817	40,352,245	38,157,317	-0.7%	-4.0%	3.4%
Carroll	7,345,653	7,608,734	7,194,863	-2.1%	-7.8%	6.2%
Cecil	5,108,064	5,275,899	4,964,098	-2.8%	-10.1%	8.2%
College of Southern Maryland	12,676,778	13,695,557	12,950,598	2.2%	-5.0%	7.5%
Chesapeake	6,140,798	6,355,078	6,009,399	-2.1%	1.9%	-4.0%
Frederick	8,975,284	9,301,268	8,795,333	-2.0%	-3.0%	1.1%
Garrett	2,561,002	2,660,650	2,515,926	-1.8%	-5.8%	4.3%
Hagerstown	7,620,412	7,932,164	7,500,700	-1.6%	-7.7%	6.6%
Harford	10,690,697	11,373,263	10,754,623	0.6%	-3.6%	4.4%
Howard	14,772,181	16,543,246	15,643,389	5.9%	0.4%	5.5%
Montgomery	39,344,241	41,962,416	39,679,904	0.9%	-4.8%	6.0%
Prince George's	25,210,654	27,284,311	25,800,203	2.3%	-0.8%	3.2%
Wor-Wic	7,108,241	7,195,570	6,723,956	-5.4%	-8.3%	3.1%
Total	**$219,538,748**	**$231,790,135**	**$218,744,620**	**-0.4%**	**-4.5%**	**4.3%**

BRFA: Budget Reconciliation and Financing Act
FTES: full-time equivalent student

Source: Department of Budget and Management; Department of Legislative Services

from maintaining its support, the local jurisdictions may also reduce support to community colleges because they have nothing to gain by maintaining support. This would be a double blow to community colleges, which would have to make up for these losses in local and State support through some combination of service reductions and tuition increases.

Overall enrollment declined 4.5% in the most recent audited data, though there is wide variation among the colleges. Thirteen of 15 local community colleges had declines in Cade-eligible enrollment. Allegany and Cecil both had declines of over 10%, while Howard and Chesapeake have increases of 0.4% and 1.9%, respectively. Because of falling enrollment, even with the contingent reduction, overall funding per student grows $90, or 4.3%, in the BRFA adjusted allowance versus 7.7% between fiscal 2014 and 2015.

Exhibit 8 shows the fiscal 2016 allowance, as reduced by the BRFA, and the formula as recalculated to consider the across-the-board reductions to State support for the public four-year institutions and including hold harmless funding by college. As shown in Exhibit 6, this last component decreases from $11,425 per student in the allowance to $10,606 in the across-the-board adjusted allowance, which lowers overall Cade support by $16.6 million from the initial allowance, before hold harmless funding is calculated. If recalculated with hold harmless funding, the reduction is only $11.7 million versus the allowance. Howard Community College is notable for having increased enrollment in recent years, so it actually realizes a year-over-year increase in State support of 3.3%.

The Department of Legislative Services (DLS), in order to keep local jurisdictions' support for community colleges level and to base funding on the formula, recommends that the Cade formula be rerun to include across-the-board reductions to public four-year institutions and to include hold harmless funding for all eligible community colleges. This would be a reduction from the allowance of $11,656,003, less than the $13,045,515 reduction proposed by the Governor in the BRFA. This will provide every college with at least as much State funding in fiscal 2016 as they are receiving in fiscal 2015 (after cost containment); five colleges do receive less than under the BRFA.

To be consistent with the above action, DLS recommends rejecting the reduction to the Cade formula contingent on, and as specified in, the BRFA of 2015.

Exhibit 8
Fiscal 2016 DLS Recommendations
Senator John A. Cade Funding Formula

					Recalculated with ATBs		
College	**FY 2015 Working**	**FY 2016 Allowance**	**FY 2016 BRFA**	**Change from Allowance**	**DLS Recommendation**	**Change from Allowance**	**Change from BRFA**
Allegany	$4,850,443	$4,927,263	$4,592,847	-$334,416	$4,850,443	-$76,820	$257,596
Anne Arundel	28,715,483	29,322,472	27,461,464	-1,861,008	28,715,483	-606,989	1,254,019
Baltimore County	38,418,817	40,352,245	38,157,317	-2,194,928	38,418,817	-1,933,428	261,500
Carroll	7,345,653	7,608,734	7,194,863	-413,871	7,345,653	-263,081	150,790
Cecil	5,108,064	5,275,899	4,964,098	-311,801	5,108,064	-167,835	143,966
CSM	12,676,778	13,695,557	12,950,598	-744,959	12,676,778	-1,018,779	-273,820
Chesapeake	6,140,798	6,355,078	6,009,399	-345,679	6,140,798	-214,280	131,399
Frederick	8,975,284	9,301,268	8,795,333	-505,935	8,975,284	-325,984	179,951
Garrett	2,561,002	2,660,650	2,515,926	-144,724	2,561,002	-99,648	45,076
Hagerstown	7,620,412	7,932,164	7,500,700	-431,464	7,620,412	-311,751	119,712
Harford	10,690,697	11,373,263	10,754,623	-618,640	10,690,697	-682,566	-63,927
Howard	14,772,181	16,543,246	15,643,389	-899,857	15,265,092	-1,278,154	-378,297
Montgomery	39,344,241	41,962,416	39,679,904	-2,282,512	39,344,241	-2,618,175	-335,663
Prince George's	25,210,654	27,284,311	25,800,203	-1,484,108	25,313,127	-1,971,184	-487,076
Wor-Wic	7,108,241	7,195,570	6,723,956	-471,614	7,108,241	-87,329	384,285
Total	**$219,538,748**	**$231,790,135**	**$218,744,620**	**-$13,045,515**	**$220,134,132**	**-$11,656,003**	**$1,389,512**

ATB: across-the-board reductions to selected public four-year institutions in fiscal 2016
BRFA: Budget Reconciliation and Financing Act
CSM: College of Southern Maryland
DLS: Department of Legislative Services
FY: fiscal year

Source: Governor's Budget Books, Fiscal 2016; Department of Legislative Services

Section 13 of the BRFA of 2015 also contains a mandate relief provision that applies generally to all mandated funding programs in the State. The provision is also included in the sections of the bill specific to the John A. Cade funding formula for local community colleges and the Sellinger formula for independent institutions of higher education. This mandate relief provision restricts growth in funding formulas to the lesser of the formula currently in statute or the growth of general fund revenues less 1 percentage point.

As shown in **Exhibit 9**, this would have a significant impact upon Cade aid in the out years. Because Cade funding grows with enrollment, public four-year institution funding, and increasing statutory percentages in every year, the growth cap becomes very pronounced. Overall, from fiscal 2017 through 2020, DLS estimates that Cade funding would receive $96.3 million less than the statutory formula would provide. By fiscal 2020, Cade funding would effectively receive 18.9% of the projected per student funding at selected public four-year institutions instead of the 23.0% statutory percentage. The Governor could choose to appropriate more funding in any particular fiscal year but would not be required to do so. This would effectively sever the link between the funding for the public four-year institutions and community colleges, which has been strongly supported by the General Assembly, the Commission to Develop a Maryland Model for Funding Higher Education, and the community colleges.

Exhibit 9

Cade Formula Mandate vs. BRFA Mandate Relief

Fiscal 2016-2020

	2016	2017	2018	2019	2020
Formula Mandate	$218,744,620	$223,099,961	$240,778,335	$266,640,513	$292,460,268
BRFA Relief	218,744,620	225,306,959	229,123,660	233,935,257	240,485,444
Difference		-$2,206,997*	$11,654,675	$32,705,256	$51,974,824

BRFA: Budget Reconciliation and Financing Act of 2015, Section 13

Source: Department of Legislative Services

DLS proposes an alternative measure to the mandate relief. Instead of capping the overall growth of the formula after it is run, savings to the State can be achieved by modifying the percentages set in statute to moderate growth, which also preserves the formula itself. By freezing the percentage in statute at 20.5% for fiscal 2017 through 2020, rather than allowing the percentage to increase, the State can realize savings in fiscal 2018 through 2020 totaling $55.7 million.

As shown in Exhibit 10, DLS proposes freezing the Cade percentage in statute at the fiscal 2016 rate of 20.5% through fiscal 2020. The percentage in statute then grows 1 percentage point in each successive fiscal year until reaching full funding at 29.0% in fiscal 2029. This would require an amendment to the BRFA.

Exhibit 10
DLS Recommendation versus Current Law
Fiscal 2017-2020

	2017	2018	2019	2020
Formula Mandate	$223,099,961	$240,778,335	$266,640,513	$292,460,268
BRFA Relief	223,099,961	235,045,324	248,460,193	260,671,131
Difference	*No effect.*	$5,733,011	$18,180,320	$31,789,137

DLS: Department of Legislative Services

Source: Department of Legislative Services

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 including a hold harmless grant, a concept known as maintenance of effort. In fiscal 2014 and 2015, each college received an increase in State support. **Exhibit 11** shows that the local appropriation for each college also increased for 11 colleges, was held level at 3 colleges, and decreased at 1 college (Chesapeake College). In the prior year, 3 colleges had been essentially flat funded by counties.

The exhibit also shows changes in funding since fiscal 2010 to show changes since the recession. 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. From fiscal 2010 to 2013, 11 colleges were either flat funded or had reduced local support. At one point, Wor-Wic Community College (Wor-Wic) was down nearly 15.0%; however, Worcester and Wicomico counties have recently increased funding significantly to Wor-Wic. On average, local funding increased only 0.1% between fiscal 2010 and 2014. Almost all of the 9.3% growth from fiscal 2010 to 2015 occurs in fiscal 2015. In comparison, State funding increased 14.2% from fiscal 2010 to 2014.

Figures for fiscal 2016 are not yet available as the local appropriation is typically not set until the State's fiscal 2016 appropriation is finalized. As mentioned previously, the lack of hold harmless funding for local community colleges is a concern because it means local jurisdictions do not risk losing any State funds by decreasing local support for community colleges. If locals reduce funding, the State need not maintain hold harmless funding to a particular college.

Exhibit 11

Local Support of Community Colleges

Fiscal 2010-2015

College	2010	2013	2014	(Working) 2015	Change 2014-2015	%Change 2014-2015	Change 2010-2015	%Change 2010-2015
Allegany	$7,425,000	$7,425,000	$7,555,000	$7,555,000	$0	0.0%	$130,000	1.8%
Anne Arundel	33,822,700	32,047,700	35,820,067	37,637,700	1,817,633	5.1%	3,815,000	11.3%
Baltimore County	36,855,145	38,462,795	38,462,795	39,362,513	899,718	2.3%	2,507,368	6.8%
Carroll	8,473,274	8,542,027	9,059,436	9,315,270	255,834	2.8%	841,996	9.9%
Cecil	8,124,924	8,025,308	8,197,009	8,591,940	394,931	4.8%	467,016	5.7%
CSM	14,965,275	16,946,578	17,648,315	17,884,025	235,710	1.3%	2,918,750	19.5%
Chesapeake	5,885,590	5,885,591	6,235,591	6,032,732	-202,859	-3.3%	147,142	2.5%
Frederick	14,579,999	13,966,874	14,205,683	14,533,897	328,214	2.3%	-46,102	-0.3%
Garrett	4,273,000	4,523,000	4,559,045	4,738,000	178,955	3.9%	465,000	10.9%
Hagerstown	9,045,010	8,865,010	8,965,010	8,965,010	0	0.0%	-80,000	-0.9%
Harford	15,939,806	14,961,612	14,961,612	14,961,612	0	0.0%	-978,194	-6.1%
Howard	25,195,470	27,093,286	29,131,683	31,000,287	1,868,604	6.4%	5,804,817	23.0%
Montgomery	107,999,261	96,263,605	100,529,527	118,413,727	17,884,200	17.8%	10,414,466	9.6%
Prince George's	30,484,600	29,545,200	29,545,300	34,345,300	4,800,000	16.2%	3,860,700	12.7%
Wor-Wic	5,298,980	4,507,360	5,273,134	5,534,684	261,550	5.0%	235,704	4.4%
Total	**$328,368,034**	**$317,060,946**	**$330,149,207**	**$358,871,697**	**$28,722,490**	**8.7%**	**$30,503,663**	**9.3%**

CSM: College of Southern Maryland

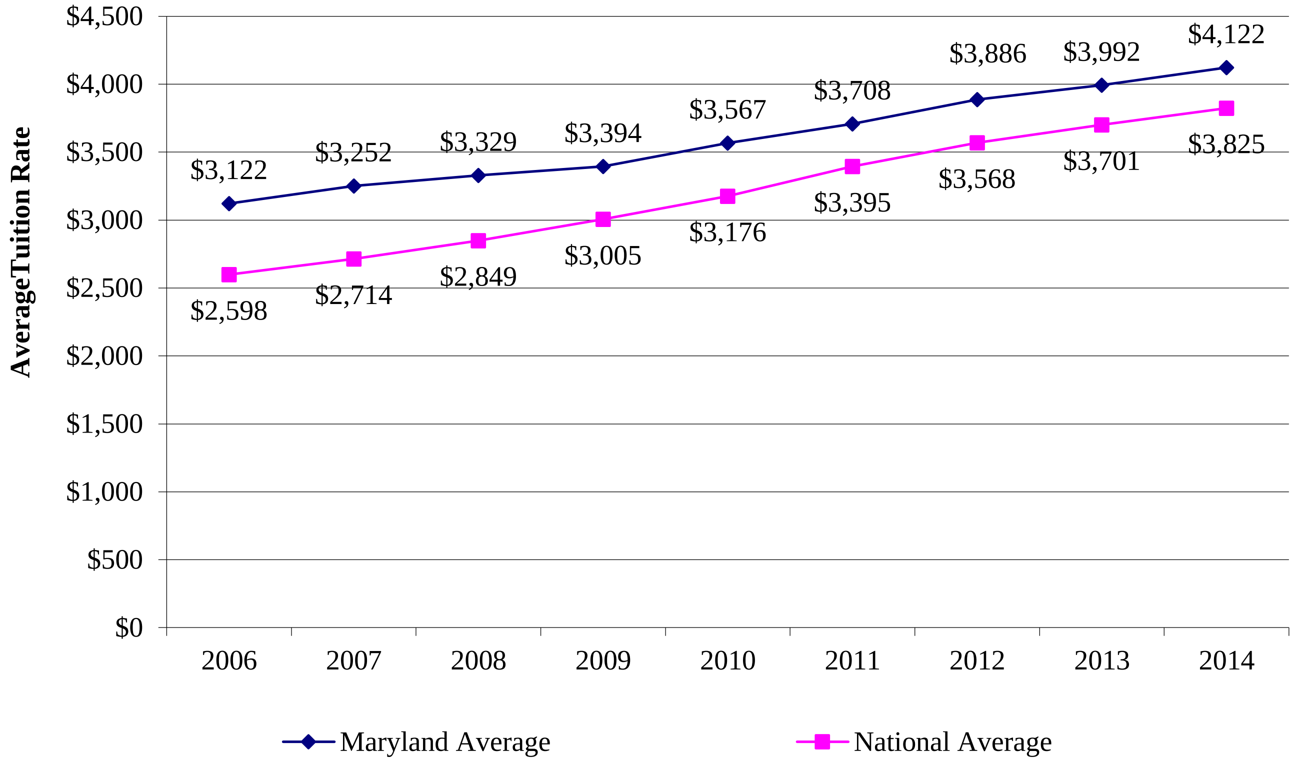
Source: Maryland Higher Education Commission

Issues

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

Community colleges offer a significantly lower entry cost into higher education compared to four-year institutions. According to the College Board, the average Maryland public four-year institution's tuition and fee rate was $8,724 in fall 2014, compared to $4,122 at the State's community colleges. This means, on average, community colleges are 54% less expensive based upon tuition and fees. However, the State's community college tuition and fee rates are higher than the national average. **Exhibit 12** shows the difference from fall 2006 to 2014 in unadjusted dollars. Although the gap has narrowed from a high of $524 in fall 2006, Maryland remains $297 higher than the national average.

Exhibit 12
Community College Tuition and Fee Rates
Maryland and National Average
Fall 2006-2014



Source: College Board *Annual Survey of Colleges – Trends in College Pricing 2014*

Although the average student paid $3,910 in fall 2014 (using a simple average), **Exhibit 13** shows that tuition and fee rates varied greatly between institutions. Montgomery College is the State's most expensive community college at $4,590, while BCCC is the lowest at only $3,030. The statewide average increase in tuition and fees between 2013 and 2014 was $116, or 3.1%, although two colleges held tuition and fee rates flat in fall 2014 – Prince George's Community College and BCCC. The largest increase was at Harford Community College, which grew $503, or 15.5%.

Exhibit 13

Community College Tuition and Fee Rates for Full-time, In-county Students

Fall 2012-2014

	Fall 2012	Fall 2013	Fall 2014	$ Change 2013-2014	% Change 2013-2014
Montgomery	$4,452	$4,452	$4,590	$138	3.1%
Howard	4,343	4,378	4,448	70	1.6%
Prince George's	4,200	4,400	4,400	0	0.0%
Chesapeake	3,960	4,100	4,310	210	5.1%
Carroll	3,912	4,128	4,308	180	4.4%
Baltimore County	3,630	4,080	4,252	172	4.2%
Southern Maryland	4,096	4,170	4,244	74	1.8%
Frederick	3,930	4,005	3,945	-60	-1.5%
Anne Arundel	3,640	3,740	3,830	90	2.4%
Harford	2,925	3,241	3,744	503	15.5%
Hagerstown	3,560	3,594	3,684	90	2.5%
Garrett	3,420	3,600	3,630	30	0.8%
Allegany	3,390	3,450	3,540	90	2.6%
Wor-Wic	3,026	3,240	3,360	120	3.7%
Cecil	3,090	3,090	3,240	150	4.9%
Baltimore City	3,030	3,030	3,030	0	0.0%
Simple Average	**$3,663**	**$3,794**	**$3,910**	**$116**	**3.1%**

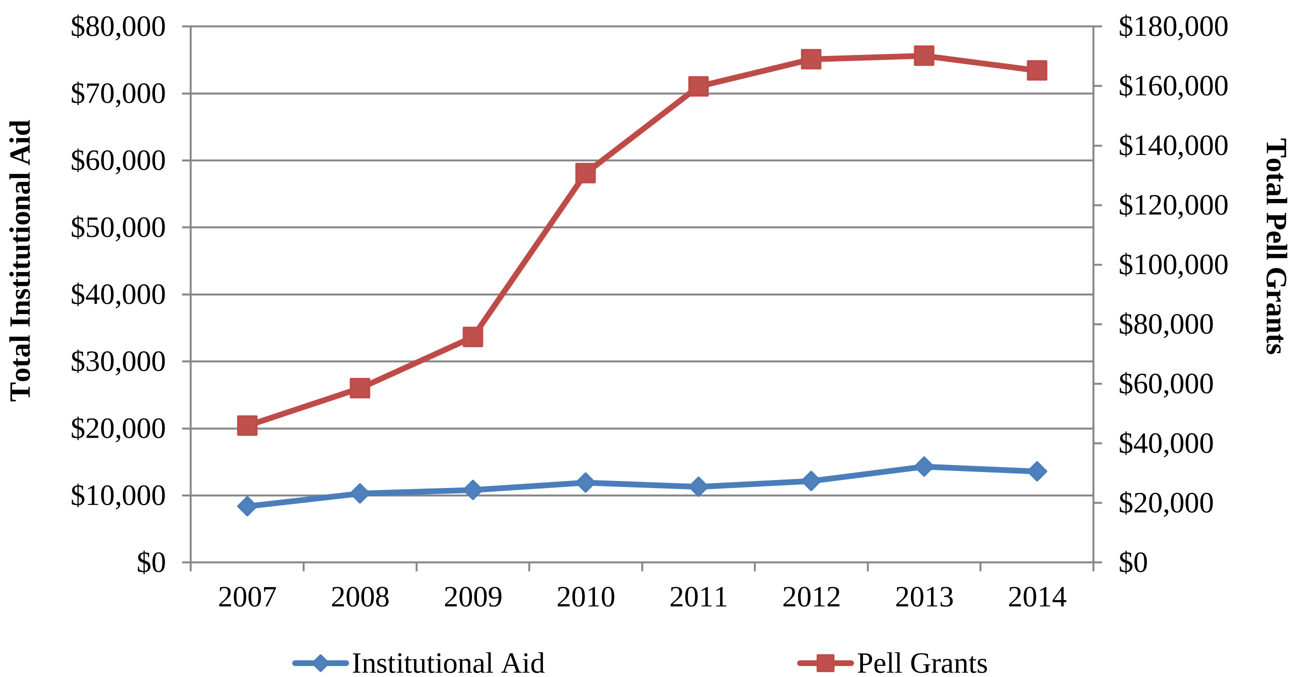
Source: Maryland Association of Community Colleges; Department of Legislative Services

Institutional Aid Offered to Students

In addition to trying to keep costs low, colleges offer students institutional aid to bring down the "sticker" price, or total cost of tuition, fees, room, board, and other expenses. 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, which determines a student's expected family contribution, the amount of money a student's family is expected to pay toward the cost of education.

Exhibit 14 shows the total amount of need-based and merit aid awarded by community colleges to students from fiscal 2007 to 2014, in addition to the amount of Pell grants students received. In fiscal 2014, Maryland's community colleges awarded $13.6 million in institutional aid. That amount is dwarfed by Pell grants, a federal low-income student financial aid program that totaled $165.2 million in that year. Federal funding for Pell grants increased significantly in fiscal 2010 to help low-income individuals pursue a college education. Pell aid decreased 2.9% in fiscal 2014, compared to an average increase of 26.2% in the preceding five fiscal years. Students can receive Pell grants for up to $5,645 annually in fiscal 2014 for a maximum of 12 semesters at all institutions. For many recipients, this may cover their full cost of attendance at a community college.

Exhibit 14
Total Need-based and Merit Institutional Aid and Pell Grants
Maryland Community Colleges
Fiscal 2007-2014
($ in Thousands)

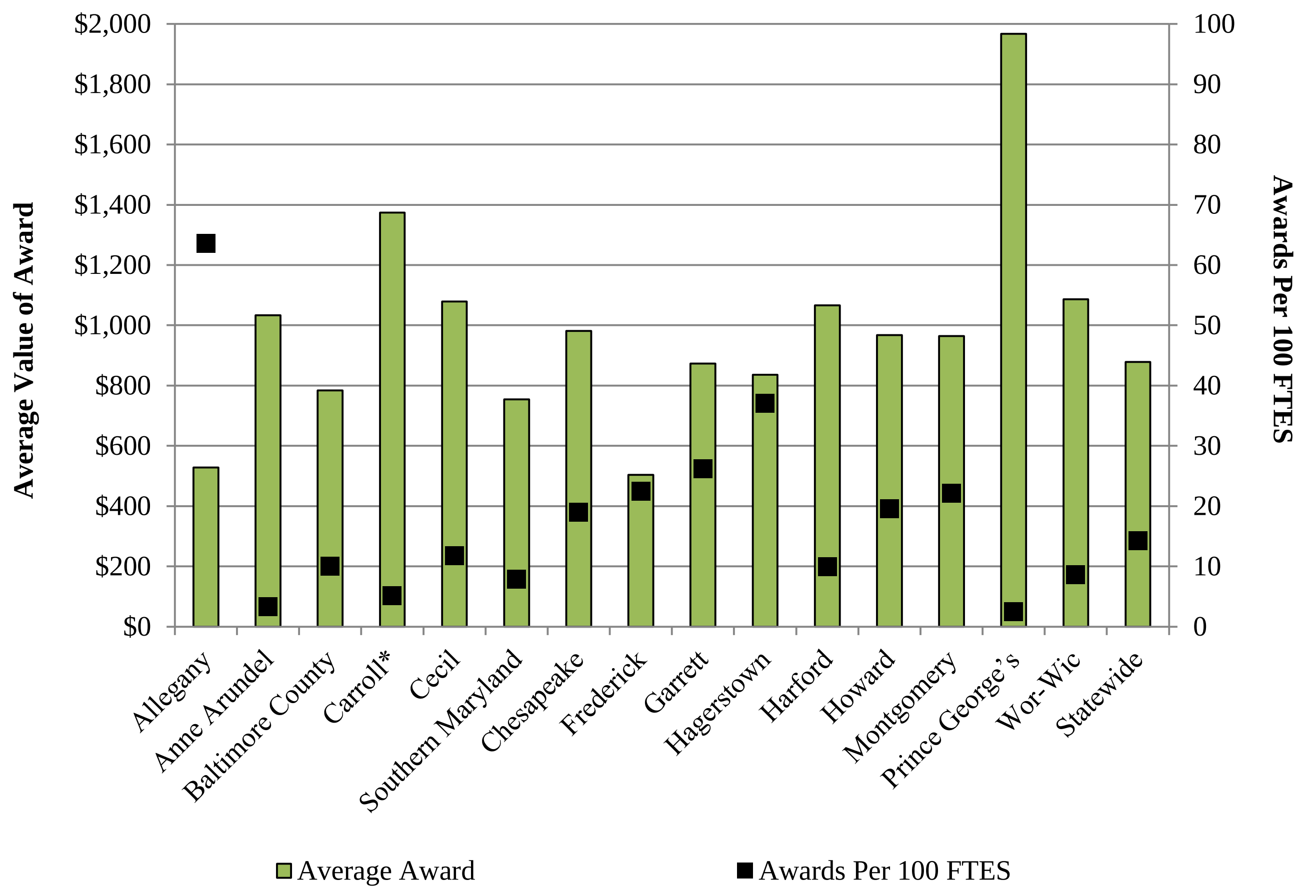


Note: Data does not include Baltimore City Community College.

Source: Maryland Association of Community Colleges

Exhibit 15 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 third 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. In other words, this shows some duplicated headcount data. Allegany College is an outlier, awarding many more awards per 100 FTES, 63.6, 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 15
Average Institutional Aid Awards and Number of Awards Per 100 FTES
Fiscal 2014



FTES: full-time equivalent student

*Carroll Community College's data is adjusted to include institutional aid awarded by its foundation.

Source: Maryland Association of Community Colleges

The statewide average institutional aid award is $879, and an average of 14.3 awards is made per 100 FTES. The exhibit shows that colleges vary widely in the amount of aid offered, but most awards average between $700 and $1,000. Prince George's Community College has the highest average award, at $1,986, while Carroll Community College is the second highest at $1,374. Frederick Community College is the lowest at $504, while Allegany College of Maryland is the second lowest, at $528. Although Prince George's Community College has the highest average award, the college averages only 2.8 awards per 100 FTES, the lowest in the State. While in the past two years Garrett College has also had notably higher awards, comparable to Prince George's Community College, the data reported this year does not reflect awards of higher amounts.

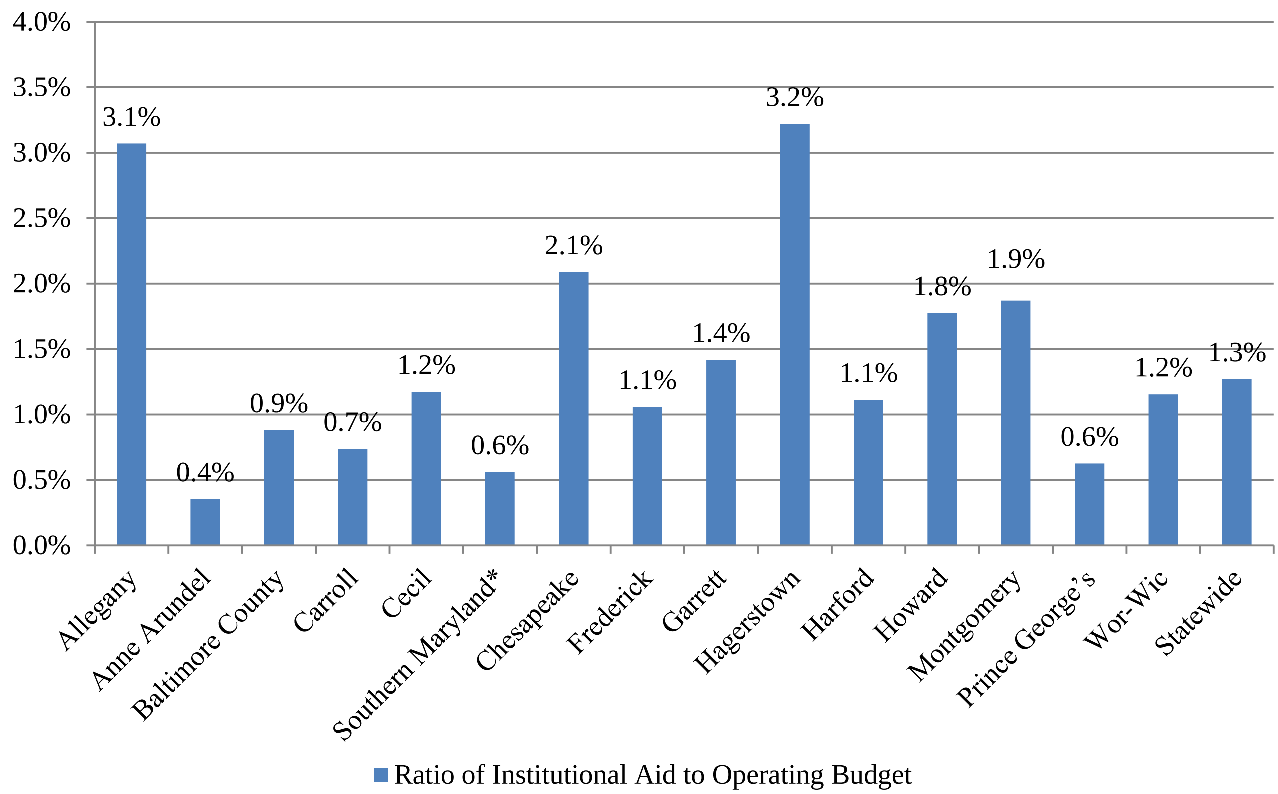
Carroll Community College's data is adjusted because it does not fund any institutional aid through its operating budget but instead coordinates aid with the Carroll Community College Foundation. Only seven institutional awards were made in fiscal 2014, compared to six in the prior year. For more meaningful comparisons, foundation awards are shown in Exhibit 15 for Carroll Community College only. With that adjustment, Carroll Community College performs similarly to other colleges its size, such as Wor-Wic.

Aid as a Share of Overall Budget

Exhibit 15 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 the college's total budget, and **Exhibit 16** shows each college's need-based and merit institutional aid budget compared to its unrestricted fund operating budget. According to the financial aid categories used by MHEC, colleges may be reporting foundation grants as institutional aid, even though this funding is not technically within the institutions' operating budgets. For this reason, Exhibit 15 merely compares the relative size of the two budgets and does not represent the actual percentage of the operating budget dedicated to aid.

The average for all colleges is 1.3%, though only six colleges are above average. Allegany College of Maryland and Hagerstown Community College stand out for spending more on institutional aid as a ratio to their operating budgets as both are over 3.0%. Five institutions are below 1.0%, including Prince George's Community College and Carroll Community College, which make very few awards, as shown in Exhibit 14.

Exhibit 16
Institutional Aid as a Ratio of Unrestricted Operating Budget
Fiscal 2014



*College of Southern Maryland

Source: Maryland Association of Community Colleges

Issues with Data

The data used in Exhibits 13, 14, and 15 were produced in response to a 2014 *Joint Chairmen's Report* (JCR) information request on institutional aid awarded to students in fiscal 2014. The JCR requested that MHEC should submit this data to DLS; however, in December 2014, DLS received only fiscal 2013 data from MHEC. DLS and MACC did coordinate a brief survey for data in January 2015, and all colleges promptly responded. In the 2015 request for updated information, DLS is again specifying MHEC as the designated source for the next update of fiscal 2015 information.

The Secretary of Higher Education and the MACC executive director should comment on how institutional aid will be allocated in coming fiscal years, given that enrollment is declining and State and federal financial aid programs are relatively flat funded.

2. Community College Coordination

The structure of statewide coordination for community colleges differs greatly from state to state due to community colleges being founded at different points in time and for different missions throughout the country. Some 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. Community colleges in Maryland were originally established in the 1940s with local sponsorship but under standards developed by the Maryland State Department of Education (MSDE). As originally envisioned, community colleges would be under the supervision of MSDE, as MHEC did not yet exist, and had an open admissions policy with a focus on workforce development, much as they do today.

The 1963 *Report of the Commission for the Expansion of Public Higher Education in Maryland* compared the proposed expansion of community colleges by referencing the success of the community college system in California. It went so far as to state "the California system is, in fact, the prototype of the tripartite structure recommended by this commission for Maryland." The 2008 Commission to Develop the Maryland Model for Funding Higher Education also recognized California as a competitor state to Maryland for employment and made comparisons to California's institutions as part of the peer funding model now used by MHEC. The 1960 California Master Plan for Higher Education calls for a community college system headed by a chief executive appointed by the governor, but which also has locally elected boards of trustees overseeing regional needs with college presidents. This gives California a mixed system of authority over community colleges but one that it has existed since the 1960 plan.

On the spectrum of centralization, Virginia has strong state-level oversight. In 1966, Virginia established a statewide community college system, uniting 23 colleges. Today, Virginia can rapidly align campus policies, decide on budgets, and set tuition rates statewide. For an example of this coordination, Virginia is currently rolling out a standardized remedial mathematics curriculum using modules rather than semester-based classes. This can occur statewide at the same time, so all students have the same resources available, regardless of which campus they attend, or if they transfer between campuses. A past example of coordination is dual enrollment, which Virginia began in 1987 and extended rapidly throughout the state due to centralized community college administration managing articulation agreements.

Another strong central authority is North Carolina's State Board of Community Colleges, which operates a system of community colleges, with broad statutory authority over community colleges. The colleges' operating budgets are overseen by the central office, which also oversees 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 Maryland General Assembly in 2013.

In comparison to these three states, Maryland has a weaker central authority overseeing community colleges. In 1991, when the State Board for Community Colleges was abolished, its functions were transferred to MHEC. While MHEC has broad authority in statute "to coordinate the overall growth and development of postsecondary education in Maryland," MHEC has limited staff and resources to dedicate to community college oversight and assistance. MHEC does technically serve as the coordinating board, but it has limited authority to hold institutions accountable for priorities like meeting the State's degree attainment goals. MHEC produces a four-year plan for postsecondary education, but it outlines broad policy goals and does not suggest streamlining organizational structures or new methods for improving prekindergarten through postsecondary education P-20 coordination. Additionally, while University System of Maryland (USM) institutions are ultimately responsible to the Board of Regents, it is not clear who holds community colleges accountable, especially for regional community colleges and BCCC, the latter which does not report to a local jurisdiction, as it is a State agency.

MACC, established in 1992, provides an additional level of coordination and advocacy, 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, although MHEC does coordinate capital funding requests with DBM for the two-year sector. (The most significant change to the community college structure came in 1992 when Carroll Community College split off from Catonsville Community College and then in 1998 Catonsville merged with Dundalk and Essex to form the tripartite Community College of Baltimore County.)

MHEC also has limited authority to require institutions (community colleges or four-year institutions) to implement policies that it believes are in the best interest of the State, like statewide articulation agreements. Such agreements are an indication of how much coordination exists between segments in the 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 with a fourth in cybersecurity now underway. However, in the past, most community college students had to rely on individual agreements between schools to transfer their credits. It was not until the College and Career Readiness and College Completion Act of 2013 (Chapter 533) that community colleges were required to standardize articulation agreements with all four-year institutions and create degree pathways to accelerate graduation rates.

Similar to Maryland, Pennsylvania does not have a state board. Instead, the legislature plays a larger role in implementing statewide policies. In 2010, Pennsylvania's legislature passed legislation directing the community colleges and public four-year institutions to create statewide articulation agreements. There are now 24 such articulated transfer programs. 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.

Out of Maryland's 10 competitor states, several different models can be seen. As mentioned, Virginia and North Carolina have a strong central system, while California and Ohio have coordinating bodies with a mix of oversight powers, and finally Pennsylvania has a strong local system that is more similar to Maryland, lacking a dedicated community college agency. 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. Maryland has local jurisdictions contributing a relatively large portion of public funding, about 57%, to community colleges. California and North Carolina, like Maryland, have local jurisdictions providing support to community colleges, while Virginia supplies all public funding at the state level. Pennsylvania has a mixture of some local support to some institutions.

MHEC is a relatively weak coordinating board compared to the competitor states mentioned, which raises the issue of whether student outcomes would be better if MHEC had a more active role in community college operations. So far, MHEC has not been able to implement consistent policies that could aid student outcomes directly, like a common remediation policy or statewide articulation agreement, or indirectly, such as a common course numbering system. For example, Virginia's recent development of statewide modular math remediation offers students the ability to take math in smaller units at their own pace regardless of the public community college. Maryland stands apart for having a highly diffused system where some institutions may make notable progress in developmental education, while others may not adopt or establish best practices as quickly. This uneven playing field for Maryland's price sensitive community college student population may mean some students are losing out by not being able to easily search community college offerings or understanding that each community college is an independent two-year institution. It also means it is more difficult for the State to understand the costs of student progress and outcomes at each institution. While legislation has achieved some gains for students, the question is whether a stronger coordinating body would improve student success and efficient use of State resources.

Ultimately, the question of higher education organization comes down to what is effective in meeting the State's needs and goals. Per the 2013 to 2017 State Plan for Post-secondary Education, Maryland is pursuing the 55% degree completion goal, the need to reduce the achievement gap between different types of students, and better collection and analyzing of higher education data in the State.

The Secretary and community colleges should comment on MHEC's role and effectiveness in coordinating Maryland's community colleges such as data collection from the local community colleges. The Secretary and presidents should also comment on whether a new, more formalized body for community college coordination may be beneficial or if a stronger MHEC can play a more direct role in guiding State policy and the efficient use of State resources across the two-year sector.

3. Tuition Waiver Expansion Concerns Community Colleges

A tuition waiver reduces or eliminates the need for a student to pay for tuition and mandatory fees at public institutions. The rules for each waiver vary significantly but several are set in State statute. It is important to note that waivers are not funded by the State through MHEC or any other means. Instead, eligible students simply cannot be charged tuition and mandatory fees by the public institution they attend. These State-designated waivers are distinct from negotiated waiver policies for faculty, staff, and some dependents at institutions, which are negotiated within institutions. For example, all USM faculty get 100% waivers for their own institution and 50% waivers for any other USM institution. This primarily benefits the children of university employees and is a common benefit nationwide for employee retention. Institutions also have flexibility to award waivers to other groups. For example, Harford Community College offers a waiver of out-of-service-area tuition for employees of in-county businesses who are not county residents, as allowed by statute.

The waivers discussed in this issue focus on those created by laws of the General Assembly. Waiver data is not something regularly reported by MHEC or in most financial aid discussions as it does not involve direct funding from the State or an institutional foundation.

Current waivers established by the General Assembly include:

- **Senior Citizens:** residents over age 60, provided course space is available;
- **Disabilities:** individuals receiving certain disability benefits;
- **National Guard:** members and dependents receive a half tuition waiver and do not pay fees if the courses are at a National Guard site, provided space is available;
- **Foster Care Recipients:** covers tuition and fees;
- **Unaccompanied Homeless Youth:** covers tuition and fees;
- **Dual Enrollment:** high school students from the service area; and
- **Health Manpower:** reduces tuition to the in-county rate if the student is enrolled in an eligible State-designated program. This program has an unfunded liability of $2.8 million.

Exhibit 17 shows tuition waiver information from MHEC's financial aid information system for fiscal 2013, the most recent data available. The three categories shown are not necessarily the best groupings but are the ones used by MHEC. Employees and dependents cover institutional workers who are using the personnel benefits described above. Senior citizens and the disabled include older students, as well as those with disabilities. The final category is a catchall that includes miscellaneous waivers such as foster care recipients, as well as institutional waivers. For example, a student employed as a residential advisor in a dormitory who receives an institutional waiver in exchange for service to the university would be included in this category.

Exhibit 17
Tuition Waivers by Type and Sector
Fiscal 2013

	Employees and Dependents		Senior Citizen and Disabled		Other Populations		Total	
Community Colleges	2,333	32%	6,165	98%	2,655	48%	11,153	58%
Four-year Institutions	4,972	68%	135	2%	2,857	52%	7,964	42%
Total	**7,305**		**6,300**		**5,512**		**19,117**	

Source: Maryland Higher Education Commission

Overall, community colleges account for 58% of all waivers at public institutions. This is particularly pronounced in the senior citizen and disabled category, where 98% of waiver recipients attend community colleges. The employee waiver is far more popular at four-year institutions, while the miscellaneous student category is about evenly split. By headcount, in fiscal 2013, community colleges had headcount enrollment of 145,085, while public four-year institutions had 165,488 students (including graduate students), so the disparate impact of waivers on community colleges becomes more pronounced considering their smaller headcount enrollment. Overall, 4.8% of community college students use nonemployee waivers versus 1.9% at the four-year institutions.

MACC strongly opposes additional waivers or expansion of existing waivers. While acknowledging the benefit of waivers to certain populations, MACC views waivers as an unfunded mandate from the State on local entities, rather than requiring an appropriation like a grant or scholarship program. This pushes the waivers' costs onto regularly enrolled students through increased tuition to cover those who now no longer have to pay. MACC estimates that community colleges absorb about $8 million each year in waivers, which tuition-paying students have to pick up. Without knowing the average credit enrollment of a waiver recipient, DLS cannot verify that estimate. It is also very difficult to predict the enrollment a waiver will generate. For example, there is currently no precise definition of who an unaccompanied homeless youth is and if such an individual applies to residential campus housing, whether the individual's housing needs should be provided.

Two bills have been introduced in the 2015 legislative session that alter or expand waivers:

- HB 152 repeals the requirement that any student financial aid, other than a student loan, received by a specified disabled student must be applied *first* to pay the student's tuition prior to receiving an exemption from the payment of tuition at community colleges. This would allow this population to no longer have to apply all financial aid to the cost of education before the tuition is waived, meaning these students could keep, for example, a Pell grant, even though their tuition was waived. Again, this would cause the colleges to lose financial aid revenue as they would have to waive the full cost of tuition, instead of just the portion that was not covered by any financial aid the student was eligible to receive.

- SB 131 requires an exemption from the payment of tuition at BCCC for any student eligible for in-state tuition who is a graduate of a Baltimore City public high school and requires that a specified individual be counted in computing FTES enrollment at BCCC if the individual is enrolled in a class that is eligible for State support. This means that the student does not pay tuition, and the State has to count this individual in calculating the funding formula for the college.

The Secretary should comment on whether waivers are an effective tool for improving access to higher education for unique student populations. Given the limitations of the data as currently reported, the Secretary should discuss whether waivers in the "Other Populations" category can be broken out to account for each type of waiver used at each community college so that the financial impact of entitlement waivers can be evaluated.

The Secretary should also comment on whether there is any data on student outcomes by type of waiver.

Recommended Actions

1. Strike the contingent reduction language on the Cade formula:

   ~~, provided that this appropriation shall be reduced by $13,045,513 contingent upon the enactment of legislation reducing the required appropriation for formula aid to community colleges.~~

   Explanation: This language is not necessary for the General Assembly to reduce the appropriation.

		Amount Reduction	
2.	Rerun the Cade funding formula in fiscal 2016 and apply hold harmless funding. This reduces the total funding from the allowance by $11.7 million. This holds all local community colleges harmless to fiscal 2015 State support, except for Howard Community College and Prince George's Community College who have increases in State support.	$ 11,656,003	GF
	Total General Fund Reductions	**$ 11,656,003**	

Appendix 1

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2014					
Legislative Appropriation	$286,579	$0	$0	$0	$286,579
Deficiency Appropriation	-5,267	0	0	0	-5,267
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	**$281,311**	**$0**	**$0**	**$0**	**$281,311**
Fiscal 2015					
Legislative Appropriation	$297,326	$0	$0	$0	$297,326
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	**$297,326**	**$0**	**$0**	**$0**	**$297,326**

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

The legislative appropriation for MHEC – Aid to Community Colleges decreased by $5.3 million (all general funds) to reflect an across-the-board reduction for State pension reinvestment costs.

Object/Fund Difference Report
Aid to Community Colleges

Object/Fund	FY 14 Actual	FY 15 Working Appropriation	FY 16 Allowance	FY 15 - FY 16 Amount Change	Percent Change
Objects					
12 Grants, Subsidies, and Contributions	$ 281,311,317	$ 297,325,898	$ 307,312,567	$ 9,986,669	3.4%
Total Objects	**$ 281,311,317**	**$ 297,325,898**	**$ 307,312,567**	**$ 9,986,669**	**3.4%**
Funds					
01 General Fund	$ 281,311,317	$ 297,325,898	$ 307,312,567	$ 9,986,669	3.4%
Total Funds	**$ 281,311,317**	**$ 297,325,898**	**$ 307,312,567**	**$ 9,986,669**	**3.4%**

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

Fiscal Summary
Aid to Community Colleges

Program/Unit	FY 14 Actual	FY 15 Wrk Approp	FY 16 Allowance	Change	FY 15 - FY 16 % Change
05 Senator John A. Cade Funding Formula for Comm. Colleges	$ 228,989,184	$ 242,732,222	$ 248,436,368	$ 5,704,146	2.3%
06 Aid to Community Colleges – Fringe Benefits	52,322,133	54,593,676	58,876,199	4,282,523	7.8%
Total Expenditures	**$ 281,311,317**	**$ 297,325,898**	**$ 307,312,567**	**$ 9,986,669**	**3.4%**
General Fund	$ 281,311,317	$ 297,325,898	$ 307,312,567	$ 9,986,669	3.4%
Total Appropriations	**$ 281,311,317**	**$ 297,325,898**	**$ 307,312,567**	**$ 9,986,669**	**3.4%**

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.