

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

***Executive Summary***

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The Aid to Education budget contains State funding for local community colleges as administered by the Maryland Higher Education Commission. The majority of this funding is determined under various aid programs, most significantly the Senator John A. Cade (Cade) Funding Formula. The budget also contains funding to support retirement payments for employees of local community colleges.

***Operating Budget Data***

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(\$ in Thousands)

	<b><u>FY 18</u></b> <b><u>Actual</u></b>	<b><u>FY 19</u></b> <b><u>Working</u></b>	<b><u>FY 20</u></b> <b><u>Allowance</u></b>	<b><u>FY 19-20</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$316,998	\$322,389	\$330,998	\$8,609	2.7%
Adjustments	0	0	0	0	
<b>Adjusted General Fund</b>	<b>\$316,998</b>	<b>\$322,389</b>	<b>\$330,998</b>	<b>\$8,609</b>	<b>2.7%</b>
 <b>Adjusted Grand Total</b>	 <b>\$316,998</b>	 <b>\$322,389</b>	 <b>\$330,998</b>	 <b>\$8,609</b>	 <b>2.7%</b>

- The fiscal 2020 allowance includes an \$8.6 million increase compared to the fiscal 2019 working appropriation. This increase is primarily due to the impact of increased funding for the four-year institutions on the formula and the continued phase-in of the formula.

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

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## ***Key Observations***

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- ***Persister Rates Signify Importance of Completing Developmental Coursework:*** The 2013 cohort of students attending Maryland’s community colleges have successfully persisted at a rate of 70%. Students who complete developmental coursework persist at a rate of 83%, while those who do not persist at a rate of only 40%. This shows the importance of community college students completing developmental coursework. For the fall 2013 cohort, 76% required developmental coursework; of these students, only 59% completed the coursework.
- ***Revising Community College Formula Calculations:*** In the fiscal 2020 allowance, various formula programs for community college funding have been calculated in such a way that they could receive more funding under different considerations. The most significant issue is that the allowance calculation for the Cade formula does not include \$42.9 million for general salary increases for employees at selected four-year institutions. Under revised calculations, Maryland community colleges could receive approximately \$9.3 million in additional funding in fiscal 2020.
- ***Community College Students Receiving More Financial Aid:*** Even though statewide attendance continued to drop for Maryland’s community colleges in fiscal 2018, community colleges are reporting an increase in aid provided to students. This includes an increase in institutional aid (\$1.7 million), and, for the first time since fiscal 2013, an increase in Pell grant aid (\$1.8 million). Maryland plans to implement a statewide promise scholarship program for the first time for the 2019-2020 academic year. However, due to delays, it is likely that awards will not be made until the spring 2020 semester. In the meantime, several counties in Maryland are already implementing their own versions of promise scholarships.

## **Operating Budget Recommended Actions**

1. Adopt narrative requesting that the Maryland Higher Education Commission’s annual Managing for Results submissions on gap analysis for the graduation and transfer rates of community college minority students be compared to White students instead of all students.

**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 (Cade) Funding Formula under Section 16-305 of the Education Article, under the administration of the Maryland Higher Education Commission (MHEC). The current formula has been used to determine 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 MHEC to seven small community colleges beginning in fiscal 2003, and Chapter 350 of 2017 created the requirement that all schools receiving grants receive the same amount. 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, which are referred to as Appalachian Mountain grants. These grants do not increase annually.
- The Health Manpower Shortage Grant permits 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/West Virginia Reciprocity Program allows West Virginia residents to attend Garrett College at in-county tuition rates and provides reimbursement for tuition waivers. The Somerset County Reimbursement Program similarly provides in-county rate tuition waiver reimbursement to colleges permitting students who reside in Somerset County, which has no community college, to attend at in-county tuition rates.

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

MHEC is managing a new Community College Facilities Renewal Grant in fiscal 2020, which provides grants for improvements, repairs, and deferred maintenance projects at community colleges. These grants are funded with pay-as-you-go capital funding in fiscal 2020. Analysis and discussion of this funding can be found in the Community College Facilities Renewal Grant Program analysis (RI0005).

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.

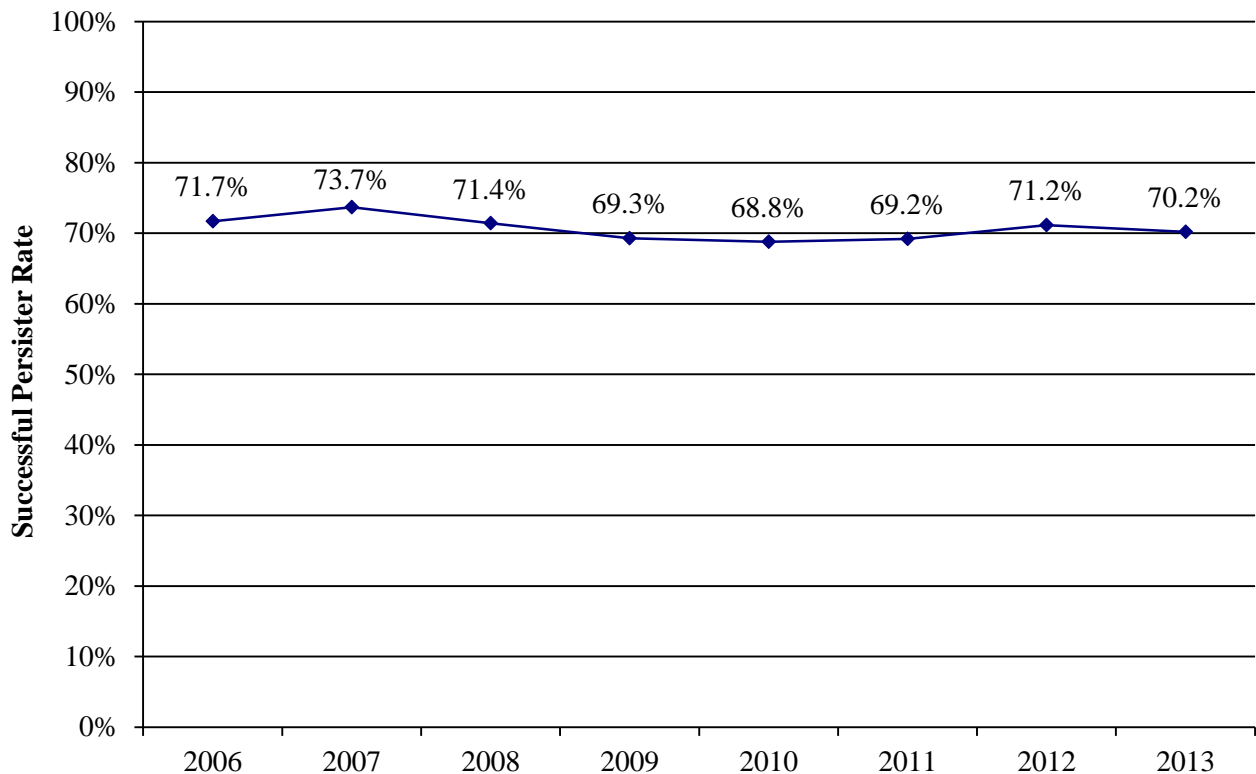
## **Performance Analysis: Managing for Results**

### **1. Successful Persister Rates**

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, are more likely to enroll part-time, and may be less degree focused. 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 within the first two years, and who, after four years, is still enrolled, has graduated, or has transferred.

The statewide successful persister rates for the 2006 through 2013 cohorts are shown in **Exhibit 1**. The successful persister rate for the 2013 cohort is 70.2%. This is a decrease of 1.0 percentage points compared to the 2012 cohort and is the first decrease for the State's community colleges since the 2010 cohort.

**Exhibit 1**  
**Four-year Successful Persister Rate**  
**2006-2013 Cohorts**



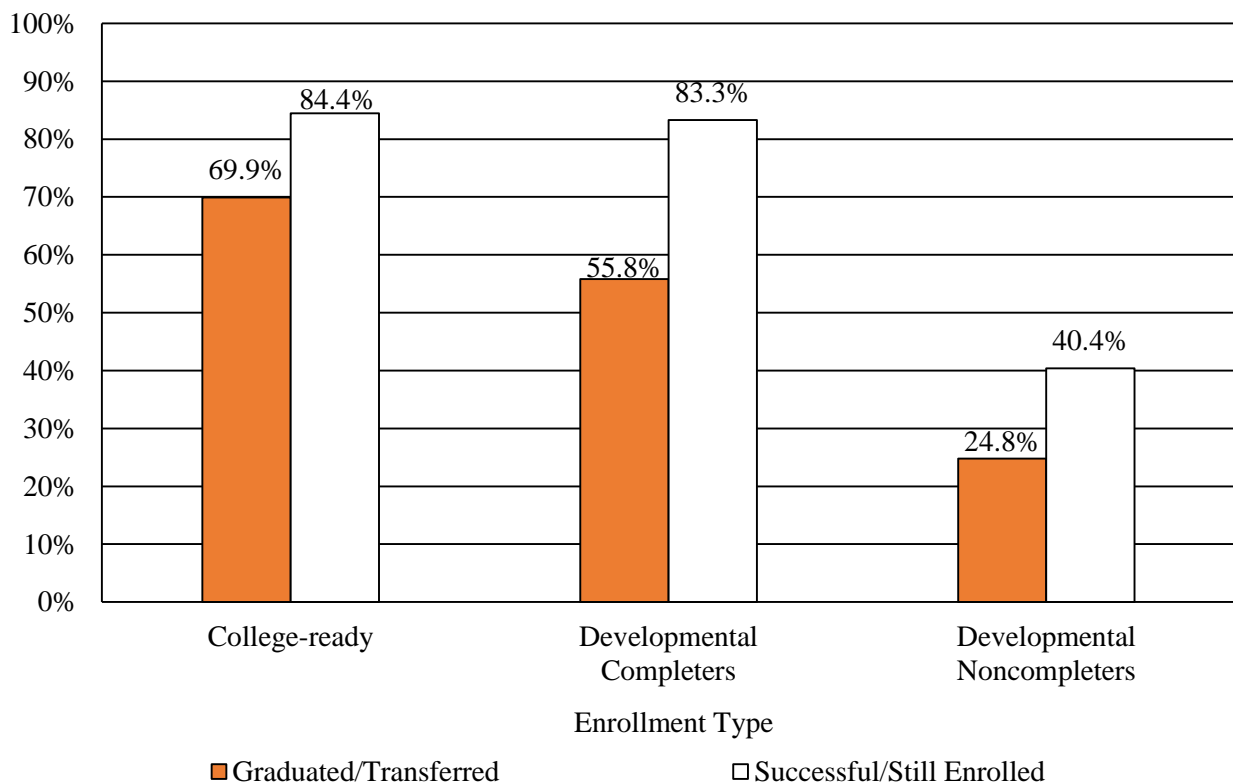
Source: Maryland Higher Education Commission, *Retention, Graduation, and Transfer Rates at Maryland Community Colleges*, September 2018

The successful persister rates for three separate subgroups of students are tracked by the Maryland Association of Community Colleges – 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 2** shows successful persister rates for those three subgroups in the 2013 cohort.

Results from successful persister rate data emphasize the importance of students completing developmental coursework. College-ready students and developmental completers both persist at rates of over 80% in the 2013 cohort, although actual student outcomes for these groups are slightly less equal, as college-ready students graduate or transfer at a rate of 69.9%, while developmental completers only graduate or transfer at a rate of 55.8%. Meanwhile, outcomes for both college-ready students and

developmental completers far outpace those of developmental noncompleters, who only have a persister rate of 40.4% and graduate or transfer at a rate of only 24.8%. The importance of getting students completing developmental coursework is emphasized by the fact that most students (75.6%) in the 2013 cohort tested into developmental education.

**Exhibit 2**  
**Degree Progress Four Years After Initial Enrollment**  
**Fall 2013 Cohort**



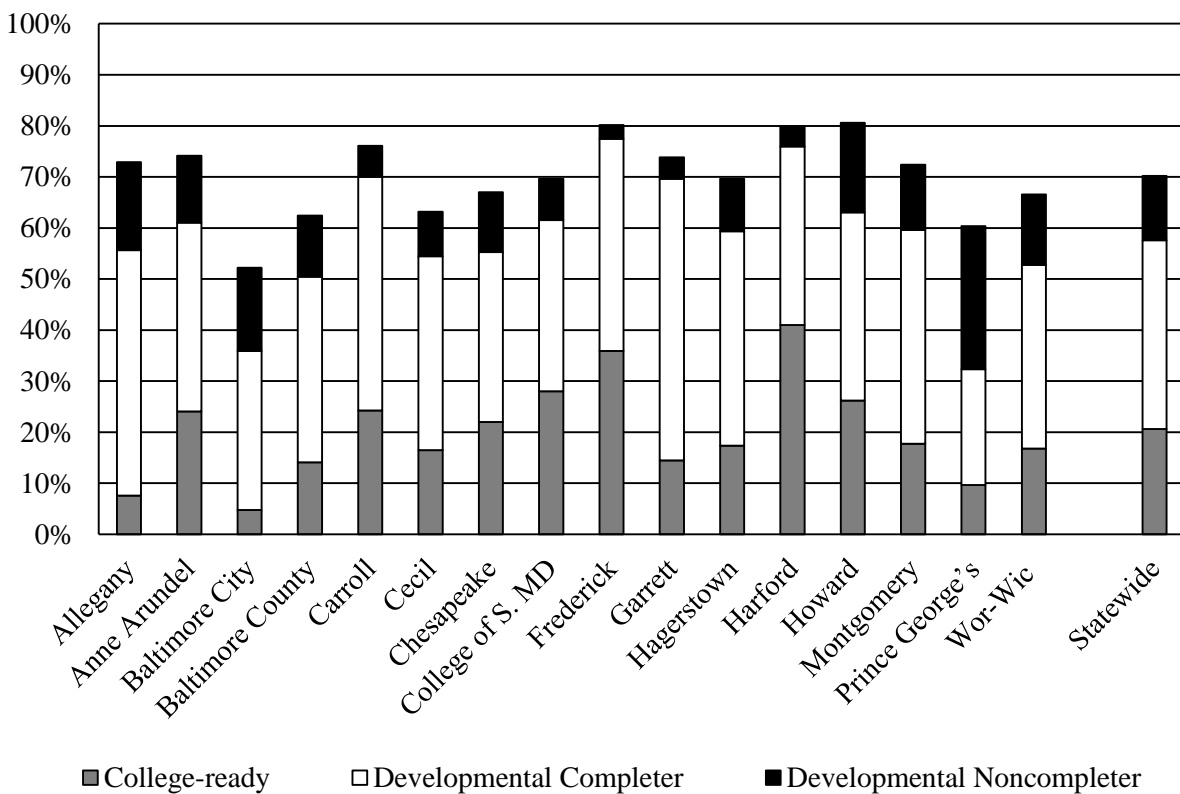
Note: Figures include Baltimore City Community College. The students included in this analysis represent the outcomes of first-time students who attempted at least 18 credit hours in their first two years.

Source: Maryland Higher Education Commission

**Exhibit 3** shows the college-by-college breakdown of the same three categories of students for the 2013 cohort persister rates. Overall, persister rates by college range from 52% at Baltimore City Community College (BCCC) to 81% at Howard Community College. In general, community colleges with high numbers of college-ready students and students completing developmental coursework had higher overall persister rates. **Exhibit 4** provides college-by-college details on students who need

developmental coursework. As shown, Allegany College of Maryland and BCCC had the most students who required developmental coursework, at over 90%, while Harford Community College had the least, with 54%. For students who needed developmental coursework, Frederick Community College had the highest rate of completion with 86%, while Prince George’s Community College (PGCC) had the lowest with 28%. This low rate of completion likely had an effect on PGCC’s low overall persister rate of 60%.

**Exhibit 3**  
**Successful Persister Rate by Community College**  
**Fall 2013 Cohort**



S. MD: Southern Maryland

Source: Maryland Higher Education Commission

**Exhibit 4**  
**Students Taking Developmental Coursework**  
**Fall 2013 Cohort**

	<b>% of Cohort Who Required Developmental <u>Coursework</u></b>	<b>% of Developmental <u>Completers</u></b>	<b>% of Developmental <u>Noncompleters</u></b>
Allegany	92%	59%	41%
Anne Arundel	72%	60%	40%
Baltimore City	91%	44%	56%
Baltimore County	82%	56%	44%
Carroll	73%	74%	26%
Cecil	72%	63%	37%
Chesapeake	75%	56%	44%
College of Southern Maryland	67%	65%	35%
Frederick	59%	86%	14%
Garrett	84%	82%	18%
Hagerstown	80%	65%	35%
Harford	54%	77%	23%
Howard	70%	56%	44%
Montgomery	79%	63%	37%
Prince George's	87%	28%	72%
Wor-Wic	80%	55%	45%
<b>Statewide</b>	<b>76%</b>	<b>59%</b>	<b>41%</b>

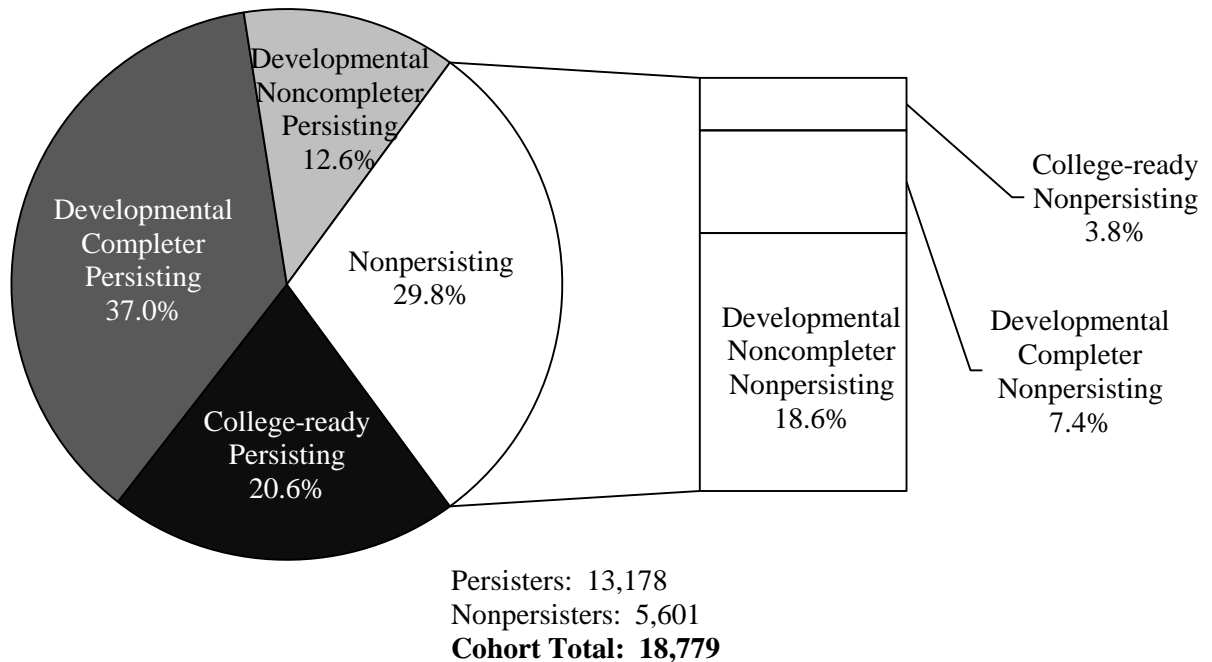
Source: Maryland Higher Education Commission

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**Exhibit 5** shows the entire fall 2013 cohort sorted into the categories of college-ready, developmental completer, and developmental noncompleter as well as whether or not they are persisting. Comparing persister and nonpersister rates emphasizes how much more likely developmental noncompleters are to become nonpersisters; of the students who cease persisting, 62.4% are developmental noncompleters.



**Exhibit 5**  
**Persisting and Nonpersisting Students**  
**Fall 2013 Cohort**

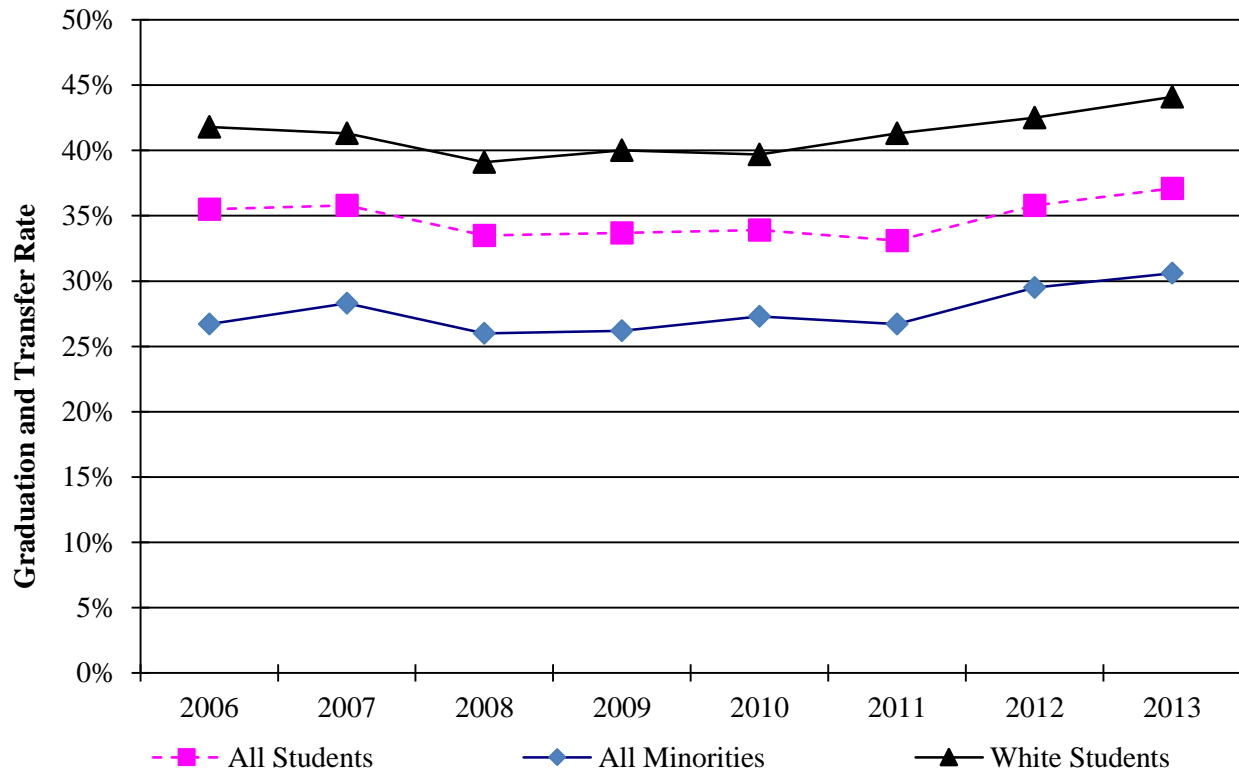


Source: Maryland Higher Education Commission

## 2. Achievement Gap for Minority Students

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. According to MHEC, minority students accounted for about 43% of the 2013 cohort. **Exhibit 6** shows the average rates that minority students graduated or transferred from Maryland community colleges from the 2006 cohort through the 2013 cohort as compared to White students and all students. For the 2013 cohort, minority students have graduated or transferred at a rate of 30.6%, while the average rate for White students was 44.1%, and the average rate for all students was 37.1%. This results in a gap of 13.5 percentage points between minority students and White students, and 6.5 percentage points between minority students and all students. Among the minority groups on which MHEC reports, African American students graduated or transferred at the lowest rate for the 2013 cohort at 25.9%, resulting in a gap of 18.2 percentage points between African American students and White students and a gap of 11.2 percentage points between African American students and all students.

**Exhibit 6**  
**Four-year Graduation and Transfer Achievement Gap**  
**2006-2013 Cohorts**



Note: Minority students include African Americans, Asians, Hispanics, Native Americans, and students who identify as two or more races.

Source: Maryland Higher Education Commission

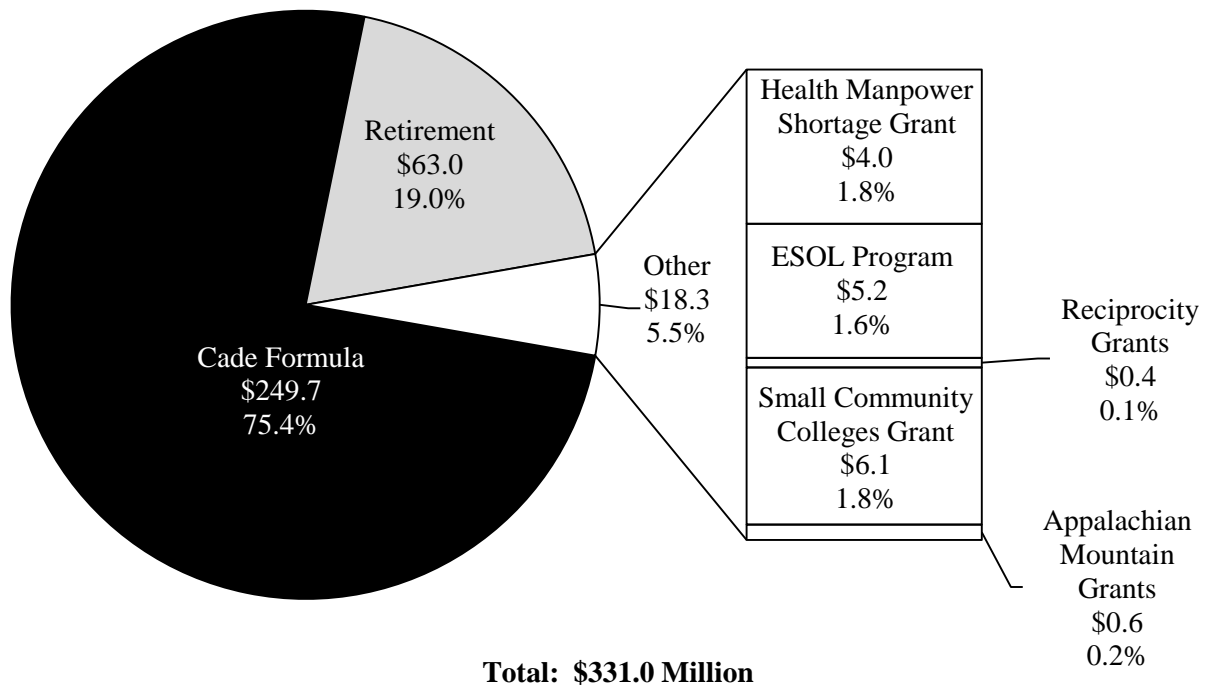
In its Managing for Results (MFR) data, MHEC reports annually on the gap in graduation and transfer rates for minority students by comparing rates for minority students with the rates for all students. Since the 2006 cohort, rates have gone up and down relatively in sync with gaps ranging between 8.8 and 6.3 percentage points. However, the gap analysis for minority students is obscured by the fact that their own scores are included in the rates for all students. The gap as it compares to White students – a measure which is not included in the MFR data – is much larger, ranging from between 12.4 and 15.1 percentage points since the 2006 cohort. This gap is even larger when rates for White students are compared to the lowest performing minority groups. **The Department of Legislative Services (DLS) recommends adopting committee narrative to revise the annual MFR submission for MHEC so that graduation and transfer rates for minority students are compared to White students instead of all students, allowing for a more accurate gap analysis of these rates to be made.**

## Fiscal 2020 Allowance

### Overview of Agency Spending

The fiscal 2020 allowance provides \$331.0 million for community colleges in the State. **Exhibit 7** details how this funding is distributed among the various programs that provide funding from the State for community colleges. The most significant amount of funding is from the Cade formula, which is funded at \$249.7 million, or 75.4%, of total funding. Funding for eligible employees participating in either the defined benefit retirement plan or ORP totals \$63.0 million, or 19.0%, of total funding. Other grant programs include the Health Manpower Shortage Grant, ESOL, the Small Community College Grant, the Appalachian Mountain Grants, and grants for reciprocity tuition agreements; these programs receive \$18.3 million altogether, or 5.5%, of total funding.

**Exhibit 7**  
**Budgeted Allowance by Program**  
**Fiscal 2020**  
**(\$ in Millions)**



Cade: Senator John A. Cade funding  
 ESOL: English for Speakers of Other Languages

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

**Proposed Budget Change**

**Exhibit 8** shows the budget changes for Aid to Community Colleges between the fiscal 2019 working appropriation and the fiscal 2020 allowance. In total, the budget grows by \$8.6 million general funds, or 2.7%.

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**Exhibit 8**  
**Proposed Budget**  
**Aid to Community Colleges**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Total</u></b>
Fiscal 2018 Actual	\$316,998	\$316,998
Fiscal 2019 Working Appropriation	322,389	322,389
Fiscal 2020 Allowance	<u>330,998</u>	<u>330,998</u>
Fiscal 2019-2020 Amount Change	\$8,609	\$8,609
Fiscal 2019-2020 Percent Change	2.7%	2.7%
<b>Where It Goes:</b>		
<b>Changes</b>		
Senator John A. Cade Funding Formula .....		\$9,273
Faculty and staff retirement contributions .....		1,566
Small Community College Grants .....		159
Somerset County reciprocity grant .....		-28
Garrett County and West Virginia reciprocity grant.....		-35
English for Speakers of Other Languages grant .....		-325
Supplemental grant .....		-2,000
<b>Total</b>		<b>\$8,609</b>

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

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**The Senator John A. Cade Formula**

The Cade formula is calculated based on actual community college enrollments from two years prior and a percentage (23% for fiscal 2020) of the proposed per student funding at selected public four-year institutions. Three different types of enrollment are included in the Cade formula: in-county credit; out-of-county credit; and eligible noncredit. Cade formula funding grows in the fiscal 2020 allowance by \$9.3 million, or 3.9%, over the fiscal 2019 working appropriation. This increase is primarily driven by increased per pupil funding at the selected public four-year institutions as there is a 3.2% decline in eligible community college enrollment.

However, the basis for the funding for the Cade formula in fiscal 2020 did not include \$42.9 million for the fiscal 2020 3% general salary increase and annualization of the 0.5% general salary increase at the selected four-year institutions, which are budgeted centrally in the Department of Budget and Management and are not included in the institutions' allowance. There is also a slight error in the total number of community college FTES for the formula. The calculation for the allowance as compared to the calculation including the fiscal 2020 salary funding and revised community college FTES data is shown in **Exhibit 9**. With the revision, the overall Cade formula funding would increase by an additional \$9.1 million, and all community colleges in the State would receive an increase in funding in fiscal 2020 when compared with fiscal 2019. Therefore, no community colleges would require statutory hold harmless funding, unlike under the allowance that requires \$20,534 in hold harmless funding for Cecil College (\$8,035) and Chesapeake College (\$12,499). **Exhibit 10** shows the college-by-college distribution of funding from the Cade formula in fiscal 2019 and 2020 under the allowance and revised formula. As shown, community colleges statewide receive a 3.9% increase in formula funding under the allowance but receive a 7.6% increase in formula funding under the revised formula. It is worth noting that regardless of whether or not the Cade formula is calculated with the \$42.9 million included for the selected four-year institutions in fiscal 2020, this amount will be built into the base for the formula calculation in fiscal 2021. Therefore, even if community colleges do not receive the additional increase in fiscal 2020 under the revised formula, it will be included in the fiscal 2021 formula calculation.

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**Exhibit 9**  
**Cade Formula Calculation**  
**Fiscal 2020**

	<u>2020 Allowance</u>	<u>2020 Revised</u>	<u>Difference</u>
Selected Public Four-year State Funds	\$1,175,639,496	\$1,218,549,307	\$42,909,811
Selected Public Four-year FTES	95,826	95,826	0
Selected Public Four-year State Funds Per FTES	\$12,268.48	\$12,716.27	\$447.79
Statutory Cade Percentage	23%	23%	0
Cade Per FTES Funding	\$2,821.75	\$2,924.74	\$102.99
Community College FTES	88,491.01	88,490.98	-0.03
Cade Appropriation	\$249,699,507	\$258,813,107	\$9,113,600
Hold Harmless	\$20,534	\$0	-\$20,534
<b>Total</b>	<b>\$249,720,041</b>	<b>\$258,813,107</b>	<b>\$9,093,066</b>

Cade: Senator John A. Cade funding

FTES: full-time equivalent student

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

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**Exhibit 10**  
**Cade Funding Growth by College**  
**Allowance and Revised Calculation**  
**Fiscal 2019-2020**

<u>College</u>	<u>Working Appropriation 2019</u>	<u>Allowance 2020</u>	<u>Allowance Difference</u>	<u>Allowance Percent Change</u>	<u>Revised 2020</u>	<u>Revised Difference</u>	<u>Revised Percent Change</u>
Allegany	\$4,943,714	\$5,189,503	\$245,789	5.0%	\$5,378,912	\$435,198	8.8%
Anne Arundel	28,834,252	29,544,083	709,831	2.5%	30,622,397	1,788,145	6.2%
Baltimore County	40,599,741	42,451,319	1,851,578	4.6%	44,000,727	3,400,986	8.4%
Carroll	7,612,538	7,685,147	72,609	1.0%	7,965,643	353,105	4.6%
Cecil	5,400,962	5,400,962	0	0.0%	5,589,761	188,799	3.5%
College of Southern Maryland	13,996,422	14,386,506	390,084	2.8%	14,911,591	915,169	6.5%
Chesapeake	6,142,473	6,142,473	0	0.0%	6,353,709	211,236	3.4%
Frederick	10,295,437	11,154,005	858,568	8.3%	11,561,110	1,265,673	12.3%
Garrett	2,817,581	2,867,621	50,040	1.8%	2,972,232	154,651	5.5%
Hagerstown	8,195,651	8,532,323	336,672	4.1%	8,843,739	648,088	7.9%
Harford	11,884,995	12,092,899	207,904	1.7%	12,534,272	649,277	5.5%
Howard	18,658,046	19,809,410	1,151,364	6.2%	20,532,424	1,874,378	10.0%
Montgomery	43,926,845	45,255,118	1,328,273	3.0%	46,906,862	2,980,017	6.8%
Prince George's	29,514,627	31,245,263	1,730,636	5.9%	32,385,667	2,871,040	9.7%
Wor-Wic	7,624,026	7,963,409	339,383	4.5%	8,254,061	630,035	8.3%
<b>Total</b>	<b>\$240,447,310</b>	<b>\$249,720,041</b>	<b>\$9,272,731</b>	<b>3.9%</b>	<b>\$258,813,107</b>	<b>\$18,365,797</b>	<b>7.6%</b>

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Cade: Senator John A. Cade funding

Note: Does not include Small Community College, English for Speakers of Other Languages, or Mountain grants.

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

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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 the size of the community college, along with a hold harmless factor. **Exhibit 11** shows the percent change in funding under the fiscal 2020 allowance for community colleges in the State as it compares to the percent change in enrollment and dollars per student. Frederick Community College receives the largest State support increase at 8.3%. This is in large part due to the fact that Frederick Community College is one of only two community colleges in the State with increasing enrollment for the fiscal 2020 formula, the other being Allegany College of Maryland. In fiscal 2020, statewide funding per student increases by 11.1%. This increase per student is due in large part to fewer students enrolling in State community colleges as eligible FTES fell by 3.2% for the fiscal 2020 calculation. As long as enrollment continues falling for community colleges in the State, the community colleges will remain reliant on formula increases via the per FTES funding for four-year institutions as well as hold harmless adjustments to receive increasing levels of State support. Fiscal 2018 is the sixth consecutive year that enrollment has fallen for the State's community colleges. Enrollment reached its peak in the years following the Great Recession of 2008 as students usually enroll at community colleges in greater numbers when the economy is struggling and job prospects are low. **Exhibit 12** displays enrollment from fiscal 2006 to 2018 for the three Cade-eligible enrollments as well as ineligible enrollments, which are primarily composed of out-of-state students.

**Exhibit 11**  
**Cade Funding and Community College Enrollment**  
**Percent Change**  
**Fiscal 2019-2020**

<u>College</u>	<u>% Change Cade Funding 2019-2020</u>	<u>% Change Enrollment 2019-2020</u>	<u>% Change \$ Per FTES 2019-2020</u>
Allegany	5.0%	0.1%	4.8%
Anne Arundel	2.5%	-5.0%	7.9%
Baltimore County	4.6%	-2.0%	6.7%
Carroll	1.0%	-7.2%	8.8%
Cecil	0.0%	-10.9%	12.2%
College of Southern Maryland	2.8%	-3.7%	6.8%
Chesapeake	0.0%	-3.3%	3.4%
Frederick	8.3%	2.8%	5.4%
Garrett	1.8%	-7.0%	9.4%
Hagerstown	4.1%	-2.5%	6.8%
Harford	1.7%	-7.2%	9.6%
Howard	6.2%	-1.0%	7.3%
Montgomery	3.0%	-4.4%	7.8%
Prince George's	5.9%	-1.1%	7.0%
Wor-Wic	4.5%	-2.1%	6.7%
<b>Total</b>	<b>3.9%</b>	<b>-3.2%</b>	<b>7.2%</b>

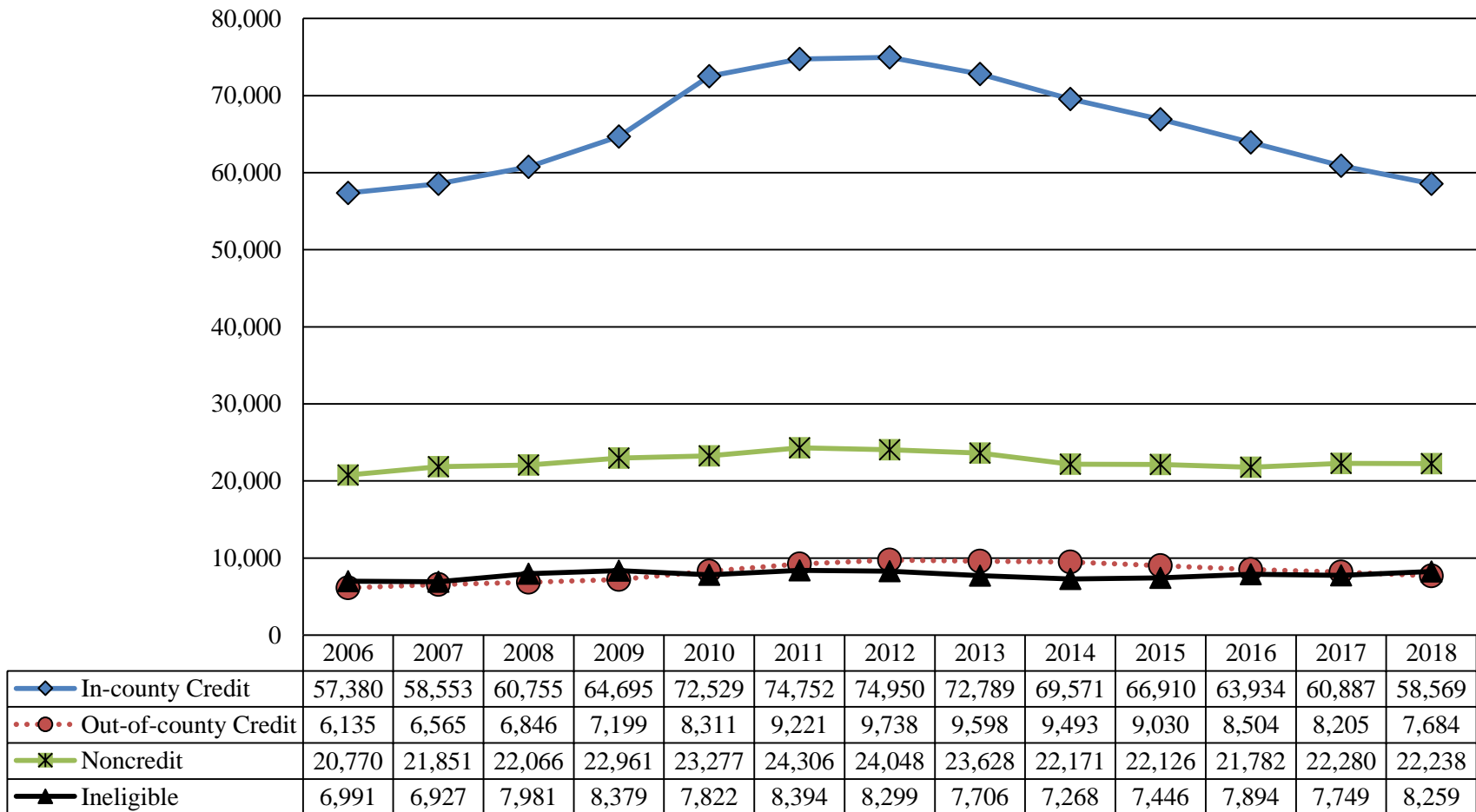
Cade: Senator John A. Cade funding  
FTES: full-time equivalent student

Note: Does not include Small Community College, English for Speakers of Other Languages, or Mountain grants.

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



**Exhibit 12**  
**Enrollment at Maryland Community Colleges**  
**Fiscal 2006-2018**



Source: Maryland Higher Education Commission

## **Local Maintenance of Effort**

A county government is required to maintain or increase the total dollar support for its local community college or risk losing an increase in State support, including the hold harmless grant. This concept is known as Maintenance of Effort (MOE). **Exhibit 13** shows local support for community colleges from fiscal 2014 through the 2019 working appropriation. For the fiscal 2019 working appropriation, local support increases statewide by \$14.9 million, or 3.6%. Every institution has received an increased local appropriation from their county governments in fiscal 2019 except Allegany College of Maryland, whose appropriation is unchanged. However, MHEC reports that because Garrett County did not meet MOE in fiscal 2015 and 2016, it subsequently withheld Garrett College’s fiscal 2018 Cade funding increase of \$33,213. **MHEC should explain to the budget committees how and when it determines whether or not county governments meet MOE and why Garrett College did not have its Cade funding increase withheld until fiscal 2018 when Garrett County did not meet its MOE requirements in years prior.**

## **Small Community College Grant**

Under the fiscal 2020 allowance, the seven community colleges eligible for the Small Community College Grant receive an increase of \$159,040 compared to the fiscal 2019 working appropriation, resulting in total funding of approximately \$6.1 million. However, errors in the calculation have resulted in underfunding of the Small Community College Grant in the fiscal 2020 allowance. **Exhibit 14** compares the underfunded calculation in the allowance with the revised calculation. The Small Community College Grant is increased annually based on the growth factor for the selected four-year institution per FTES funding. As shown, the allowance uses a growth factor based on a per FTES amount of \$11,950 for fiscal 2019. However, this amount is \$58 too high, as it includes ineligible costs under the Cade and Joseph A. Sellinger programs, which subsequently impacts the growth factor used in fiscal 2020. Additionally, there is a slight discrepancy in the amounts due to rounding in the growth factors, as the allowance amount is not rounded, while the corrected amount uses a percentage rounded to two decimal places, as has historically been used for this program. These factors result in the Small Community College Grant being underfunded by \$29,862.

It is worth noting that under the revised fiscal 2020 Cade calculation, the fiscal 2020 per FTES amount for the selected four-year institution increases from \$12,268 to \$12,716. This results in a growth factor of 6.93% for the Small College Grant Calculation and subsequently would fund the program at \$6,372,065 in fiscal 2020, a \$253,925 increase over the allowance.

**Exhibit 13**  
**Local Support for Community Colleges**  
**Fiscal 2014-2019**  
**(\$ in Thousands)**

<u>College</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Working 2019</u>	<u>Change 2018-2019</u>	<u>% Change 2018-2019</u>
Allegany	\$7,555	\$7,555	\$7,555	\$7,631	\$7,631	\$7,631	\$0	0.0%
Anne Arundel	35,138	37,638	38,388	40,388	41,988	44,088	2,100	5.0%
Baltimore	38,463	39,363	41,428	44,329	46,929	50,987	4,058	8.6%
Carroll	9,059	7,608	7,828	8,523	9,403	10,085	681	7.2%
Cecil	8,197	8,442	8,707	9,934	10,544	11,252	708	6.7%
College of Southern Maryland	17,747	17,884	18,450	18,580	18,636	18,860	224	1.2%
Chesapeake	5,886	6,033	6,039	6,153	6,153	6,404	251	4.1%
Frederick	14,206	14,545	14,677	15,377	16,561	17,878	1,317	8.0%
Garrett	4,559	4,523	4,480	4,673	4,734	4,784	111	2.4%
Hagerstown	8,965	8,965	9,265	9,543	9,743	10,035	292	3.0%
Harford	14,962	14,962	15,262	15,562	16,412	16,812	400	2.4%
Howard	29,132	31,000	31,000	32,240	33,965	34,986	1,021	3.0%
Montgomery	100,530	116,734	129,426	136,004	141,267	142,084	816	0.6%
Prince George's	29,545	30,345	31,649	34,873	39,866	42,621	2,754	6.9%
Wor-Wic	5,273	5,535	5,602	6,702	7,313	7,522	209	2.9%
<b>Total</b>	<b>\$329,216</b>	<b>\$351,131</b>	<b>\$369,754</b>	<b>\$390,512</b>	<b>\$411,146</b>	<b>\$426,028</b>	<b>\$14,943</b>	<b>3.6%</b>

Note: These numbers reflect local appropriations for community college operations as they are reported to the Maryland Higher Education Commission. These numbers do not include funds community colleges receive as in-kind contributions, which are not counted toward Maintenance of Effort requirements but are provided in these reports.

Source: Maryland Higher Education Commission

**Exhibit 14**  
**Small Community College Grant Formula Calculation**  
**Fiscal 2020**

	<b><u>2020</u></b> <b><u>Allowance</u></b>	<b><u>2020</u></b> <b><u>Revised</u></b>	<b><u>Difference</u></b>
Fiscal 2019 Small College Grant Per Institution	\$851,300	\$851,300	\$0
Fiscal 2019 Selected Four-year State Funds Per FTES	11,950	11,892	-58
Fiscal 2020 Selected Four-year State Funds Per FTES	12,268	12,268	0
Growth Factor	2.6689%	3.1700%	0.5011%
Fiscal 2020 Small Community College Grant Per Institution	\$874,020	\$878,286	\$4,266
Total Fiscal 2020 Small College Grant	<b>\$6,118,140</b>	<b>\$6,148,002</b>	<b>\$29,862</b>

FTES: full-time enrollment student

Note: Seven community colleges qualify for the Small Community College Grant in fiscal 2020. The revised fiscal 2020 selected four-year State funds per FTES in the exhibit are based on funding for the Cade formula provided in the fiscal 2020 allowance. If the per FTES amount from the fiscal 2020 revised amounts shown in Exhibit 9 of this analysis were used instead for this calculation, the resulting total difference would be \$253,925.

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

### **Other Changes in State Funding**

Funding increases in the fiscal 2020 allowance for faculty and staff retirement contributions by approximately \$1.6 million due to increased salaries for employees in the community college system, a larger contribution rate for the State, and a smaller share of administrative costs being covered by local governments.

Various programs receive decreased funding under the fiscal 2020 allowance. Most significantly, a supplemental grant that provided \$2.0 million for community colleges in fiscal 2019 who increased their tuition by no more than 2% is not included in the fiscal 2020 allowance. Funding for ESOL decreases by approximately \$325,000 in comparison to fiscal 2019 due to fewer eligible students enrolling. The Somerset County reciprocity grant is funded at approximately \$356,000 in fiscal 2020, a decrease of \$28,000, while the Garrett College/West Virginia reciprocity grant is funded at approximately \$20,000 in fiscal 2020, a decrease of approximately \$35,000.

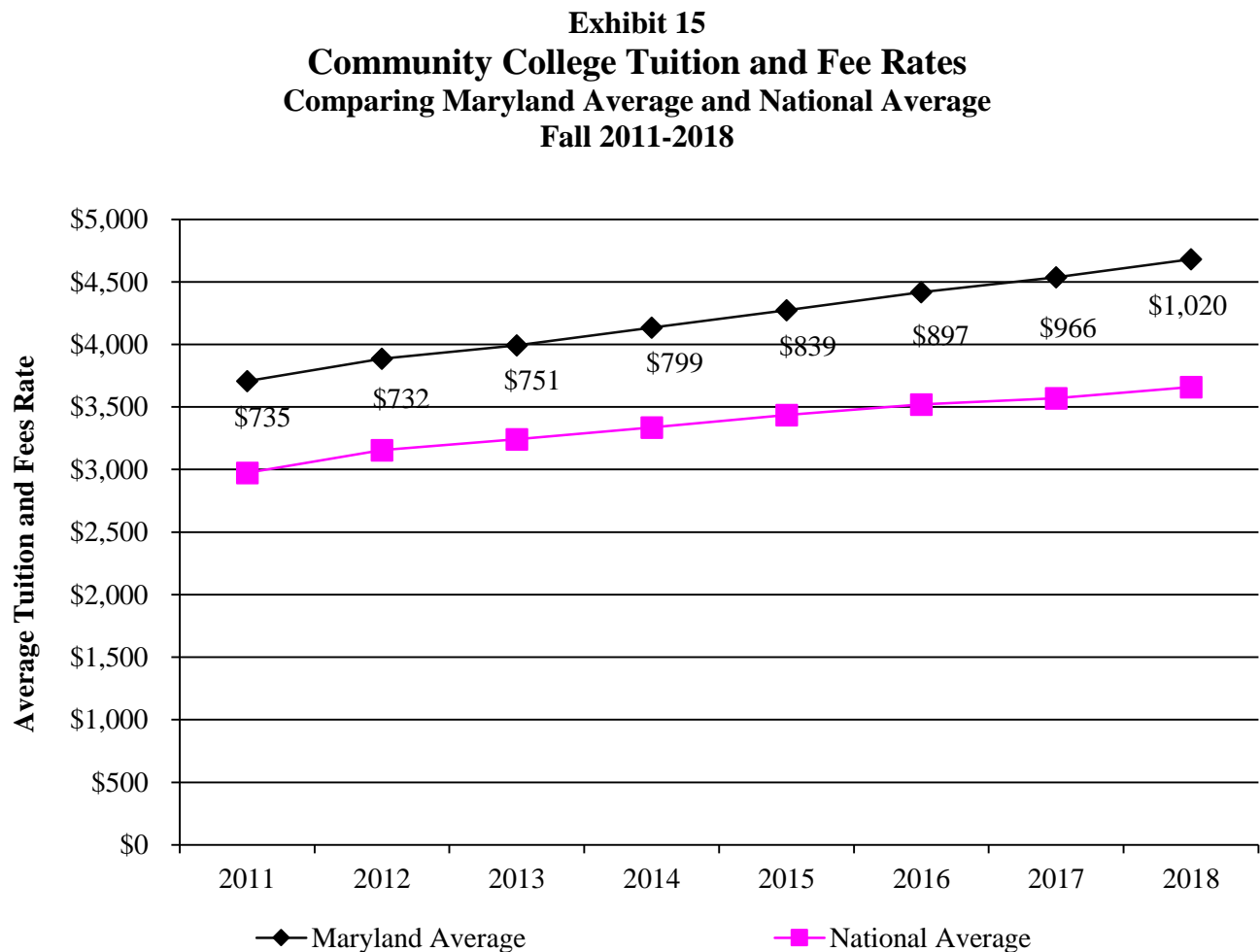
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DLS estimates that the funding for the Garrett College/West Virginia reciprocity grant will be too low to cover costs for the program in fiscal 2020. This is due to two factors. First, MHEC has likely underestimated the number of students from West Virginia taking advantage of the program in fiscal 2020 after enrollment errors from previous fiscal years caused projections to be artificially low, Second, MHEC underestimated the per FTES amount in State funding that enrolled students will receive at Garrett College, which is the same amount provided by the State to the college for each of its West Virginia FTES. This per FTES underestimation is due to MHEC using a Cade funding amount that it forecasted for the college to receive in fiscal 2020 that ended up being too low, while it also forecasted enrollment growth for the college in fiscal 2020 and instead enrollment declined. **MHEC should explain to the budget committees how it estimates Cade funding and enrollment for Garrett College as it determines the correct grant amount for the Garrett College/West Virginia reciprocity program for the annual allowance.** Under statute, if State appropriations for reimbursement for reciprocity agreements for this program do not provide sufficient funds to fully reimburse Garrett College, the Governor shall include in the budget bill for the next fiscal year a deficiency appropriation to provide the additional funds to fully reimburse the college.

## Issues

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

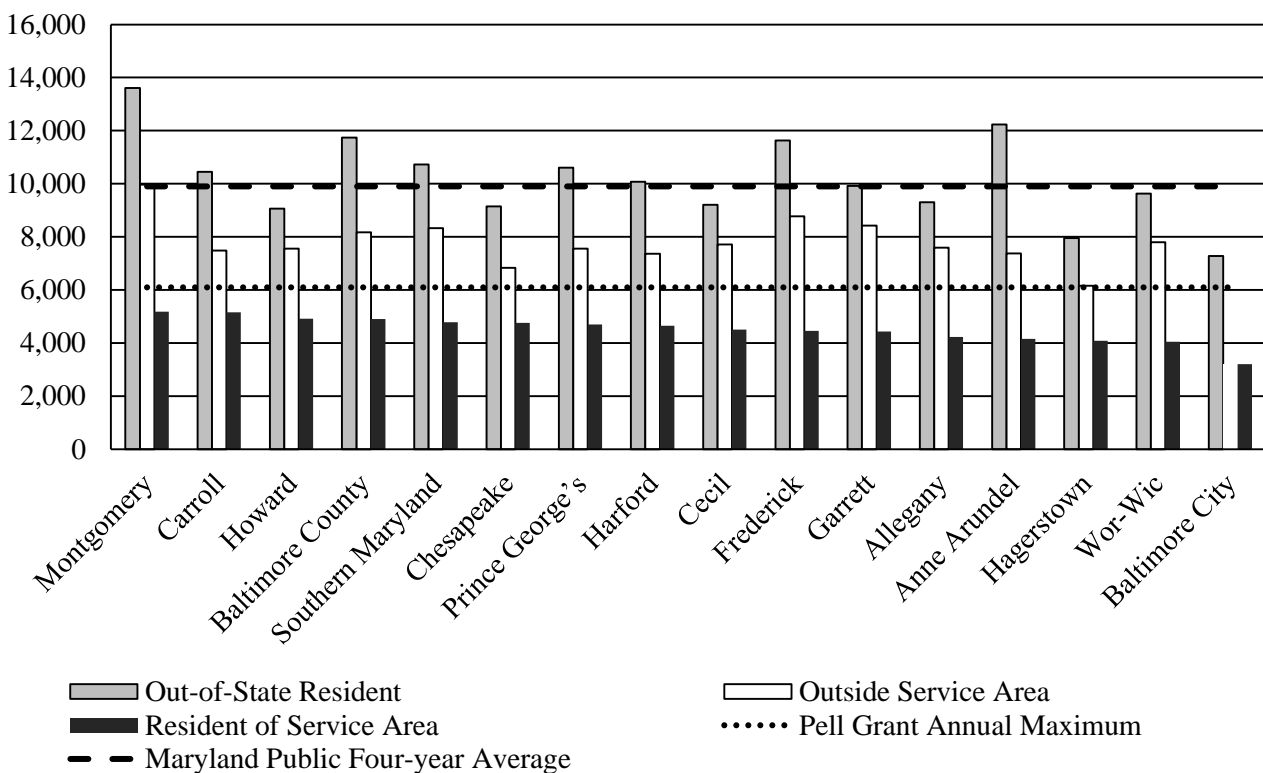
Community colleges offer a significantly lower cost of entry into higher education compared to public four-year institutions for students living within the community college's service area. According to The College Board, the enrollment weighted average of Maryland public four-year institutions' tuition and fees was \$9,900 in fall 2018, compared to \$4,680 at the State's community colleges; this means, on average, community colleges are 47% less expensive. However, the average Maryland community college tuition and fee rate is higher than the national average, and the gap continues to increase. **Exhibit 15** shows the difference between the State and national average from fall 2011 to 2018. The most recent gap for fall 2017 of \$1,020 represents the largest amount for this time period.



Source: The College Board, *Annual Survey of Colleges – Trends in College Pricing 2018*

**Exhibit 16** shows the annual tuition and fee rates by community college for full-time students for fall 2018. Among the Cade-funded institutions, Montgomery College is the State's most expensive community college for resident students at \$5,178. State-run BCCC has the lowest rate, \$3,196, which is charged to all Maryland residents regardless of the student's county of residency. Including BCCC, the statewide average for tuition and fees is \$4,509 for a service area resident, \$7,516 for all other Marylanders, and \$10,159 for out-of-state residents.

**Exhibit 16**  
**Tuition and Fee Rates by Community College**  
**Fall 2018**



Source: Maryland Association of Community Colleges; the College Board; U.S. Department of Education

While community colleges may be affordable for students who live in the respective service areas, they continue to be out of the price range of many Marylanders. Pell grant awards, a federal low-income student financial aid program, are valued at a maximum of \$6,095 for fall 2018, meaning they are unable to cover all tuition and mandatory fees for out-of-service area Marylanders for all community colleges in the State. Montgomery College's out of service area tuition and fees of \$9,966 is actually higher than the weighted in-state average tuition and fees for public four-year institutions as reported by the College Board (\$9,900).

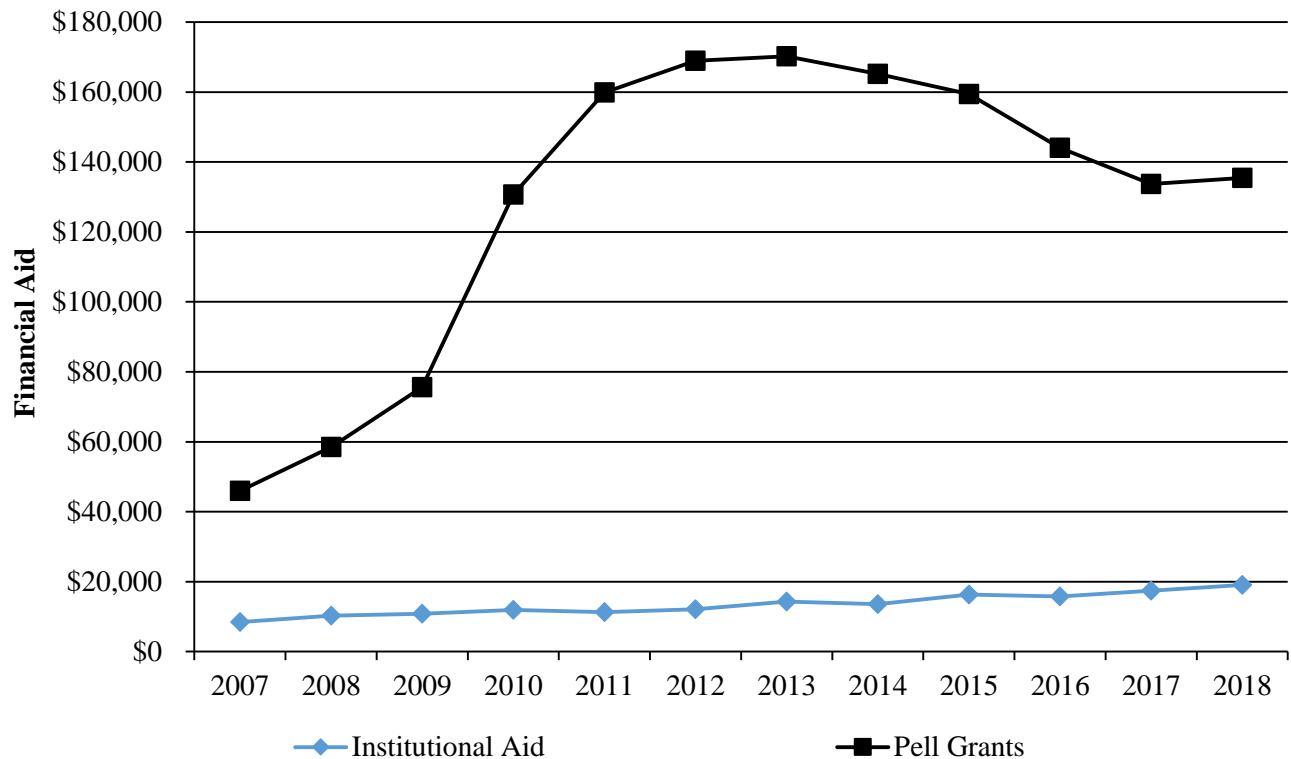
## **Institutional Aid Offered to Students**

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, housing, and other related expenses. Institutional aid awards are usually made to students with few financial resources (need-based aid) or to reward academic achievement or athletic ability (merit and athletic awards). 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, *i.e.*, the amount of money a student’s family is expected to pay toward the cost of education.

**Exhibit 17** shows the total amount of need-based and merit aid awarded by community colleges to students from fiscal 2007 to 2018 as well as the amount of Pell grants students received. In fiscal 2018, Maryland’s community colleges awarded \$19.1 million in institutional aid, an increase of \$1.7 million when compared to fiscal 2017. The amount of institutional aid provided is dwarfed by Pell grants, which totaled \$135.5 million for Maryland students attending community college in fiscal 2018, or 88%, of total aid provided in fiscal 2018. Total Pell aid for community college students increased by \$1.8 million in fiscal 2018, the first time that the total amount of Pell aid has increased since fiscal 2013. This may be due in part to larger average Pell grants per recipient as the College Board reports that though the maximum Pell grant was level between fiscal 2017 and 2018 at \$5,920, average Pell grants increased from \$3,800 to \$4,010, a 6% increase, per recipient nationwide.



**Exhibit 17**  
**Total Institutional Aid and Pell Grants**  
**Fiscal 2007-2018**  
**(\$ in Thousands)**

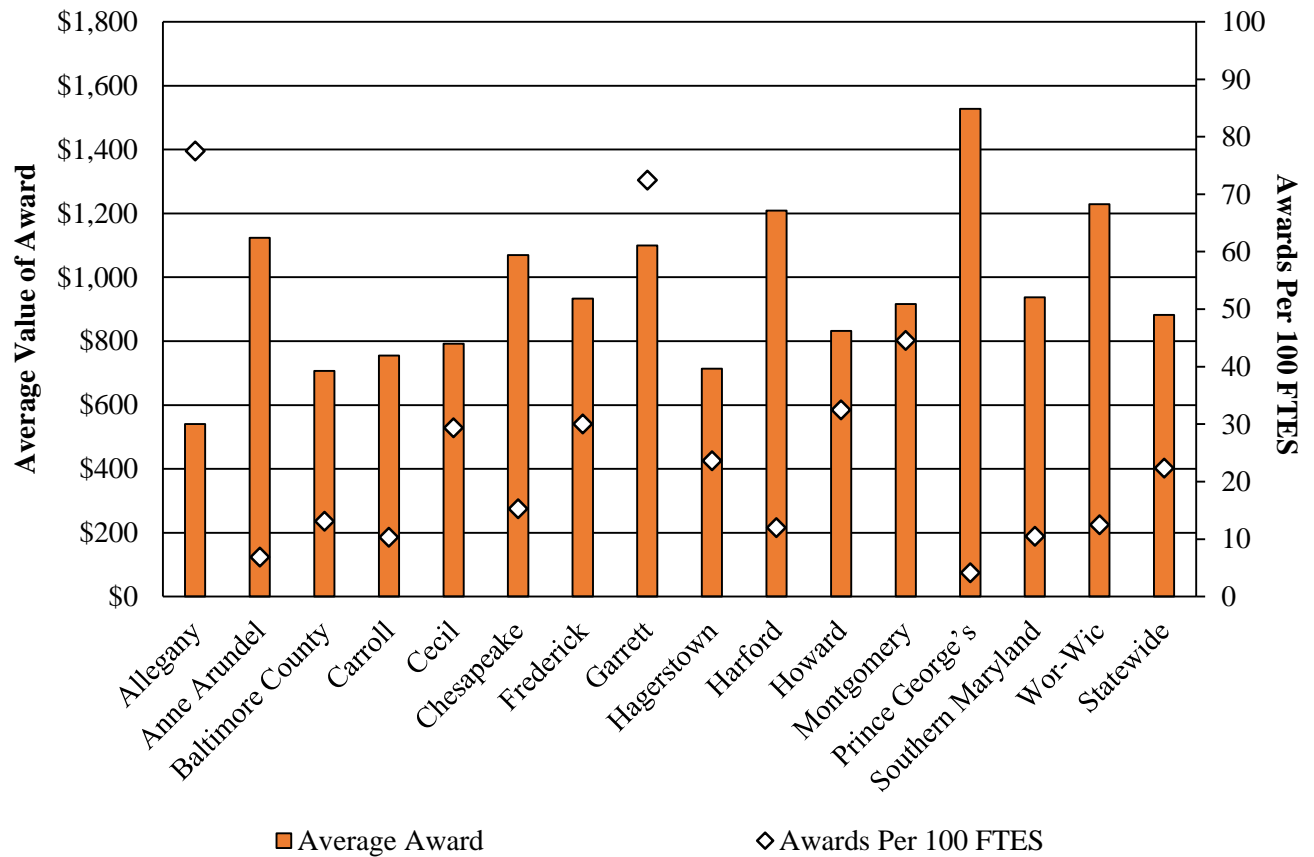


Note: All data is self-reported by the institutions. Data does not include Baltimore City Community College.

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

**Exhibit 18** shows the average value of institutional aid awards and the average number of awards per 100 FTES by college. There is considerable variation in this data, but it is similar to results from prior years. 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. Allegany College of Maryland and Garrett College are notable for giving the most awards per 100 FTES, with 78 for Allegany College of Maryland and 72 for Garrett College. This is in large part due to scholarship programs in those counties that cover the cost after federal aid of community college for first-time, full-time students at those institutions. PGCC gave the largest average award at \$1,528. PGCC implemented a promise scholarship program for the first time in fiscal 2018, which may contribute to these large average award amounts. However, as only 5 students per 100 at PGCC received institutional aid in fiscal 2018, the number of students benefiting from this program appears to be limited.

**Exhibit 18**  
**Average Institutional Aid Awards and Awards Per 100 FTES**  
**Fiscal 2018**



FTES: full-time equivalent student

Note: All data is self-reported by the institutions.

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

## 2. The Impact on Cade Funding from Promise Scholarships

Promise scholarship programs address concerns around the increasing cost of college and student debt and send a message that college is affordable. Currently, 17 states have enacted legislation establishing a tuition-free community college program. The majority are last-dollar scholarship programs in which the grant or scholarship covers any remaining tuition cost after Pell awards and other financial aid are exhausted.

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Chapter 554 of 2018 created the Maryland Community College Promise Scholarship Program, a last-dollar scholarship program that will be available to applicants beginning in the 2019-2020 academic year. Recipients may receive awards of up to \$5,000 to cover any remaining tuition and mandatory fee expenses after all other nonloan aid had been applied; awards are available only to students under certain income levels and include a service obligation in that recipients must sign an agreement to work full-time in the State within one year of earning a certificate or degree. For a detailed analysis on the funding and administration for the Maryland Community College Promise Scholarship Program, please refer to the MHEC – Student Financial Assistance analysis (R62I0010).

If students use the Maryland Community College Promise Scholarship Program to attend community college when they otherwise would not have, their inclusion into the Cade formula as additional FTES will impact State funding for community colleges two years following their enrollment. Because fiscal 2020 will be the first fiscal year in which awards are available to students, enrollment from these students would impact Cade formula amounts in fiscal 2022. However, due to delays in modifying the financial information system that processes scholarship applications and allocates funds for MHEC, it is likely that awards will not be made for the academic year starting in fall 2019 and are more likely to be made for the first time for the spring 2020 semester. This will likely limit the impact that the Maryland Community College Promise Scholarship Program has on Cade funding in fiscal 2022. It is worth noting that the Student Debt Relief Act of 2019 (SB 88 and HB 41), if enacted, would establish a Maryland Promise Plus Scholarship program, which would provide tuition assistance to students who transfer to a Maryland public four-year institution with an associate's degree and will have the same income requirement as the Maryland Community College Promise Scholarship Program. This could have additional impacts on the number of students choosing to attend community colleges in the State.

In addition to the new statewide program, several promise-like programs already existed in Allegany, Garrett, and Wicomico counties for attendance at community colleges. Additionally, in fall 2017, Somerset County received State funding to launch its own program for residents attending Wor-Wic Community College. Also, after recent legislation created the Task Force to Study a Promise Scholarship Program in Prince George's County (Chapter 647 of 2016), PGCC launched its promise scholarship in fall 2017. Finally, for the fall 2018 semester, promise-like programs were implemented in Baltimore City and Baltimore County. The Baltimore County scholarship is for eligible residents from households with an adjusted gross household income of \$69,000 or less. The Mayor's Scholars Program implemented by Baltimore City and BCCC is available to any Baltimore City public school graduate, regardless of GPA or income level. The inaugural year produced 542 Baltimore City public school graduates who attended BCCC for the fall 2018 semester. In 2017, Coppin State University (CSU) announced a complimentary program called "Finish 4 Free" to allow Baltimore City public school graduates who also graduate from BCCC to attend CSU tuition free beginning in June 2018. As utilization of these programs grows, enrollment increases may have a likewise effect on Cade funding.

There has been discussion about instances in which local jurisdictions' promise-like programs have last-dollar requirements and whether or not they are preceded by the State's last-dollar requirement for the Maryland Community College Promise Scholarship Program. A final determination has yet to be made. It is worth noting that legislation has been introduced for the 2019 session (SB 240 and HB 268) that would specify that the local last-dollar requirements are penultimate.

## ***Operating Budget Recommended Actions***

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1. Adopt the following narrative:

**Managing for Results Submission:** In the annual Managing for Results (MFR) submissions, the Maryland Higher Education Commission (MHEC) reports on the gap in statewide graduation and transfer rates from community colleges as they compare between minority students and all students. However, the size of the gap for minority students is obscured by the fact that their graduation and transfer rates are included in the rate for all students. Therefore, the budget committees request that MHEC amend its annual MFR submission so that the size of the gap measures graduation and transfer rates as they compare between minority students and White students.

**Appendix 1**  
**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 2018</b>					
Legislative Appropriation	\$317,710	\$0	\$0	\$0	\$317,710
Deficiency/Withdrawn Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-712	0	0	0	-712
<b>Actual Expenditures</b>	<b>\$316,998</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$316,998</b>
<b>Fiscal 2019</b>					
Legislative Appropriation	\$322,389	\$0	\$0	\$0	\$322,389
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$322,389</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$322,389</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

## **Fiscal 2018**

General fund expenditures totaled approximately \$317.0 million in fiscal 2018. This amount is approximately \$712,000 lower than the working appropriation due to general fund reversions. This was due to billing for the employee pension plan contributions being \$648,000 lower than anticipated, receipts for reciprocity programs being \$52,000 lower than budgeted, and the Senator John A. Cade (Cade) funding actuals being \$33,000 lower than the working appropriation because Garret County did not meet Maintenance of Effort and, therefore, had to return its fiscal 2018 Cade increase to the State. However, these lower than budgeted amounts were offset due to participation in the Health Manpower Shortage Grant requiring \$20,000 more funding than what was budgeted.

## **Fiscal 2019**

The fiscal 2019 working appropriation is approximately \$322.4 million. To date, there have been no changes to the legislative appropriation.

**Appendix 2  
Fiscal Summary  
Aid to Community Colleges**

<b><u>Program/Unit</u></b>	<b><u>FY 18 Actual</u></b>	<b><u>FY 19 Wrk Approp</u></b>	<b><u>FY 20 Allowance</u></b>	<b><u>Change</u></b>	<b><u>FY 19 - FY 20 % Change</u></b>
05 Senator John A. Cade Funding Formula for Community Colleges	\$ 255,700,403	\$ 260,993,802	\$ 268,037,522	\$ 7,043,720	2.7%
06 Aid to Community Colleges – Fringe Benefits	61,297,220	61,395,171	62,960,754	1,565,583	2.6%
<b>Total Expenditures</b>	<b>\$ 316,997,623</b>	<b>\$ 322,388,973</b>	<b>\$ 330,998,276</b>	<b>\$ 8,609,303</b>	<b>2.7%</b>
General Fund	\$ 316,997,623	\$ 322,388,973	\$ 330,998,276	\$ 8,609,303	2.7%
<b>Total Appropriations</b>	<b>\$ 316,997,623</b>	<b>\$ 322,388,973</b>	<b>\$ 330,998,276</b>	<b>\$ 8,609,303</b>	<b>2.7%</b>

**R6210005 – Aid to Community Colleges**