

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$241,701	\$254,713	\$301,339	\$46,625	18.3%
Contingent & Back of Bill Reductions	0	0	-49,913	-49,913	
<b>Adjusted General Fund</b>	<b>\$241,701</b>	<b>\$254,713</b>	<b>\$251,426</b>	<b>-\$3,287</b>	<b>-1.3%</b>
<b>Adjusted Grand Total</b>	<b>\$241,701</b>	<b>\$254,713</b>	<b>\$251,426</b>	<b>-\$3,287</b>	<b>-1.3%</b>

- The Governor's fiscal 2010 allowance increases funding by \$46.6 million, an 18.3% increase over the 2009 working appropriation. After adjusting for contingent reductions, however, the program declines by \$3.3 million, or 1.3%.
- The allowance increases funds for community college retirement programs by \$6.0 million, or 16.6%.

***Analysis in Brief***

**Major Trends**

***Successful Persistence:*** Successful persister rates for community college students are largely unchanged from a year ago. Developmental non-completers, or students who require developmental coursework before beginning credit-bearing coursework but do not fulfill their developmental requirements, are significantly lower than their peers, but the rate for those still enrolled grew 4.7 percentage points for the fall 2003 cohort. **The Secretary should comment on efforts to improve successful persister rates of developmental non-completers.**

***Achievement Gap:*** The gap between graduation and transfer rates for all community college students and minority community college students has been consistently between 8.0 and 9.0 percentage points over the past seven years. **The Secretary should comment on efforts to decrease the gap in graduation and transfer rates between minority and all community college students.**

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

For further information contact: Richard H. Harris

Phone: (410) 946-5530

## Issues

**Affordability:** Community colleges offer a less expensive entry into higher education for Maryland residents than do the public four-year institutions. The average tuition rate increased \$74 between fiscal 2008 and 2009, to \$3,218, although four institutions have frozen rates at fiscal 2008 levels. **The Secretary should comment on efforts to ensure affordability to students at Maryland’s community colleges.**

**Four-year Institutions Working with Community Colleges:** Relationships between community colleges and four-year institutions are growing closer. Harford Community College (HCC) and Towson University (TU), for example, are planning to construct a building for the exclusive use of TU. Articulation agreements are growing as well, which increase the ease of transfer between community colleges and public four-year institutions. It is unclear if there is a statewide plan for these relationships, however. **The Secretary should comment on why a building at HCC is preferable over a new one at the Higher Education and Technology Center, and how it fits into the State’s higher education plan. The Secretary should comment on the relationships between four-year institutions and community colleges and the benefit to the State’s higher education goals.**

## Recommended Actions

	<u>Funds</u>
1. Strike contingent reduction language on the Cade formula.	
2. Add language establishing each community college fiscal 2010 appropriation.	
3. Reduce the community college formula grant by \$34,764,823	\$ 34,764,823
<b>Total Reductions</b>	<b>\$ 34,764,823</b>

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***Operating Budget Analysis***

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**Program Description**

State aid for 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 fiscal 1998. Chapter 333 of 2006 phased in a 5.0 percentage point increase in the formula over six years beginning in fiscal 2008. The amount of aid is based on a percentage of the previous year's State aid to selected four-year public higher education institutions and the total number of full-time equivalent students (FTES) at the community colleges. The total is then distributed to each college based on the previous year's direct grant, enrollment, and a small-size factor. The formula also includes a "hold harmless" provision that ensures that each college receives no less than the previous year's funding.

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 584 of 2000 increased the grants distributed by the Maryland Higher Education Commission (MHEC) to seven small community colleges beginning in fiscal 2004. The amounts of the unrestricted grants increase annually by the same percentage increase in funding per FTES at the selected four-year public institutions used in the Cade formula;
- The Statewide, Health Manpower, and Regional programs permit some students to attend out-of-county community colleges at in-county tuition rates. The grants reimburse colleges for out-of-county tuition waivers;
- The English for Speakers of Other Languages (ESOL) program provides funding for instructional costs and services for ESOL students. Funding is capped at \$800 per eligible FTES and \$6.0 million in total State aid for the program; and
- 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 one of two defined benefit retirement plans maintained and operated by the State. Alternatively, the employees may participate in the Optional Retirement Program (ORP), a defined contribution plan. The State funds the employer costs associated with the various retirement plans.

## *R62I0005 – Aid to Community Colleges*

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

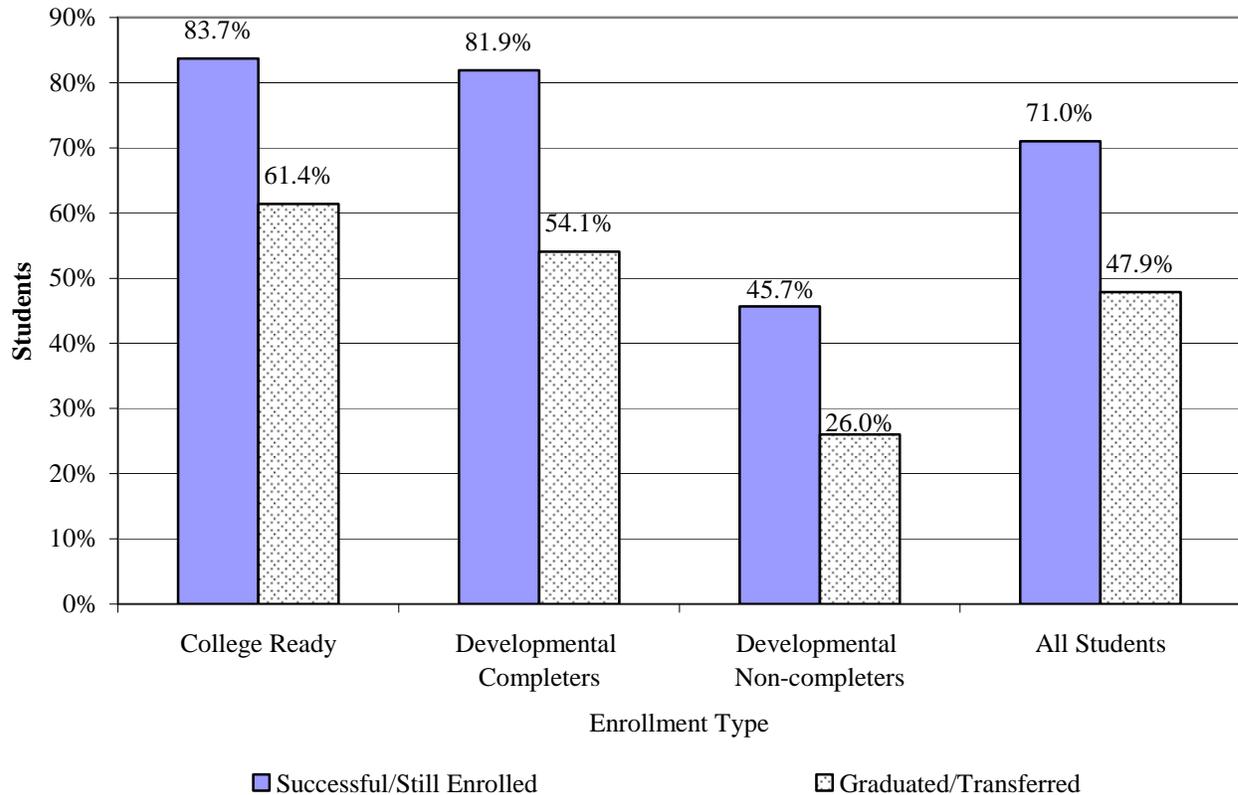
- to ensure that Maryland community college students are progressing successfully toward their goals;
- to attain diversity reflecting the racial/ethnic composition of the service areas of the community colleges;
- to support regional economic and workforce development by producing graduates and by supplying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

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

Community college students often have different goals than students enrolling at a four-year institution. A larger percentage of community college enrollees require remedial education in one or more fields before beginning credit-bearing course work. Graduation or transfer to a four-year institution may not be their top priority, as well. As such, it is difficult to gauge the success of community college students against the same measures used for four-year institutions. For a more accurate portrait of student achievement, community colleges have begun using successful persister rates as their primary performance measure. A successful persister is a student who attempted 18 or more credits in his or her first two years of study and who is still enrolled at the college four years later, has graduated, or has transferred.

Three subgroups of successful persisters are measured as follows: college ready; developmental completers (those who need remediation and complete recommended coursework in four years); and developmental non-completers (those who need remediation and have not completed recommended coursework in four years). **Exhibit 1** shows rates of students who had graduated and transferred after four years as well as successful persister rates of the three subgroups. The rates of successful persistence for developmental non-completers are much lower than those of other groups. However, the percent of those successful and still enrolled is up 4.7 percentage points from a year ago, to 45.7%. For the other subgroups, the numbers are largely unchanged from a year ago, although the rate for college-ready students who are still enrolled grew by 2.1 percentage points. There were no significant declines. **The Secretary should comment on efforts to improve successful persister rates of developmental non-completers.**

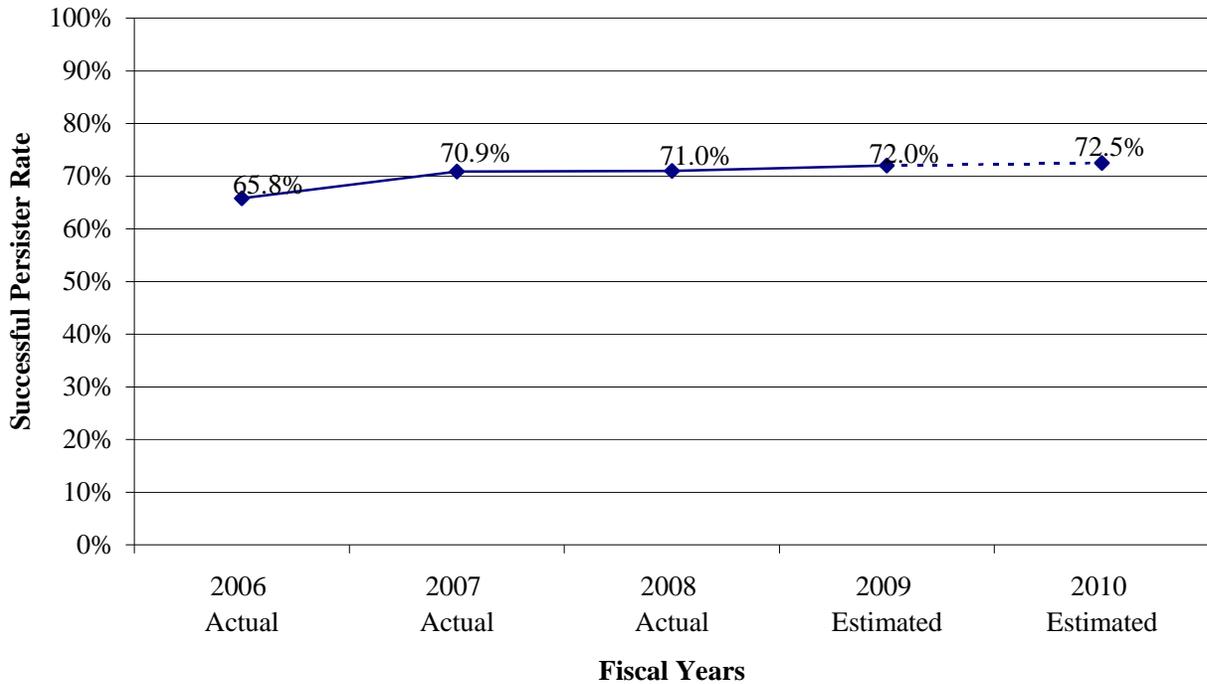
**Exhibit 1**  
**Degree Progress Four Years After Initial Enrollment**  
**Fall 2003 Cohort**



Source: Maryland Association of Community Colleges

The overall rate of successful persistence in Maryland is shown in **Exhibit 2**. The Maryland Higher Education Commission is the government agency responsible for administering the State's community college funding and has a goal of a 73.0% successful persister rate for fiscal 2011. The change from fiscal 2007 to 2008 was small, a growth of 0.1 to 71.0%. MHEC projects modest growth through fiscal 2010, with a rate of 72.5% that year and within reach of the 2011 goal.

**Exhibit 2**  
**Four-year Successful Persister Rate**  
**Fiscal 2006-2010**



Source: Governor’s Budget Books, Fiscal 2010; Maryland Association of Community Colleges

Attaining a diverse student body that matches each college’s service area is another goal of MHEC for the State’s community colleges. **Exhibit 3** shows the enrollment of minorities and selected minority subgroups at each of Maryland’s community colleges. In general, colleges in more urban settings have higher rates of minority enrollment. Prince George’s Community College and Baltimore City Community College have by far the highest rates of minority enrollment, with 86.9 and 85.1%, respectively, with Montgomery College next highest at 55.5%.

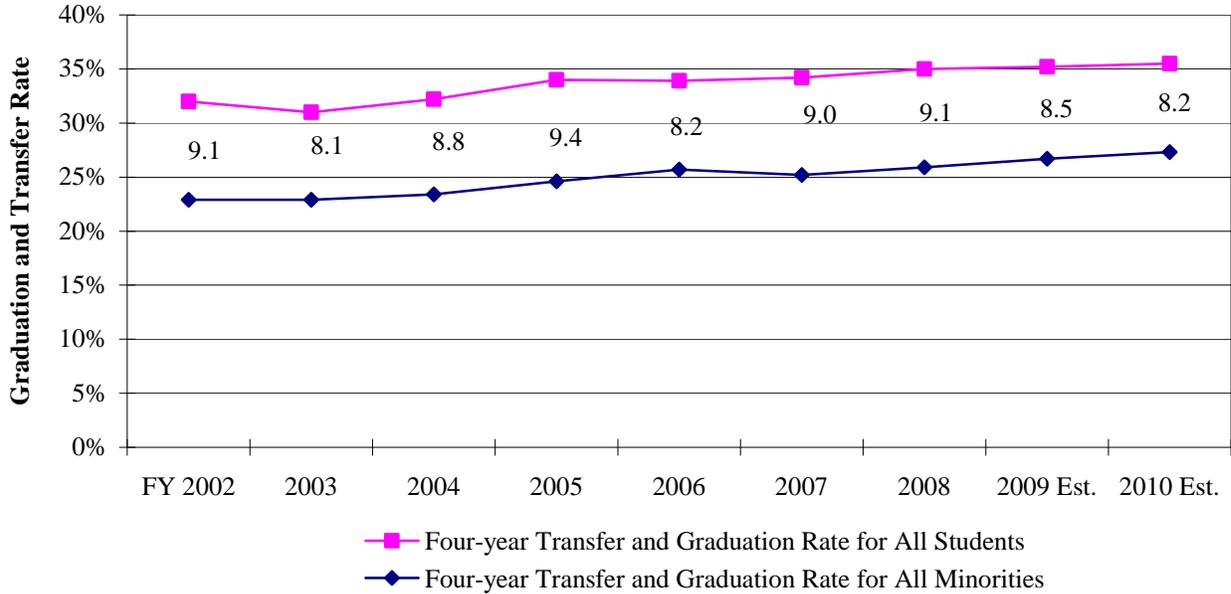
**Exhibit 3**  
**Minority Enrollment at Maryland Community Colleges**  
**Fall 2007**

	<u>% African American</u>	<u>% Native American</u>	<u>% Asian</u>	<u>% Hispanic</u>	<u>% Other</u>	<u>% Minority</u>
Allegany	6.5%	0.1%	0.6%	1.0%	1.4%	9.7%
Anne Arundel	14.3%	0.5%	3.5%	3.1%	14.0%	35.4%
Baltimore City	77.6%	0.2%	1.4%	1.0%	5.0%	85.1%
Baltimore County	31.3%	0.4%	5.0%	2.2%	5.5%	44.3%
Carroll	2.6%	0.4%	1.4%	1.8%	1.5%	7.8%
Cecil	6.8%	0.7%	1.4%	1.7%	1.7%	12.3%
Chesapeake	15.6%	0.5%	1.4%	1.5%	0.4%	19.5%
College of Southern Maryland	19.6%	1.0%	3.6%	3.3%	8.2%	35.6%
Frederick	10.5%	0.5%	4.3%	5.1%	2.5%	22.8%
Garrett	6.6%	0.3%	0.4%	1.4%	0.5%	9.1%
Hagerstown	7.6%	0.4%	1.9%	2.6%	2.9%	15.4%
Harford	11.6%	0.4%	2.6%	2.6%	3.5%	20.7%
Howard	21.0%	0.5%	9.1%	4.5%	6.4%	41.6%
Montgomery	26.2%	0.3%	13.7%	12.9%	2.4%	55.5%
Prince George's	77.5%	0.5%	4.2%	4.0%	0.6%	86.9%
Wor-Wic	23.8%	0.4%	1.7%	1.8%	3.0%	30.7%
<b>Statewide Average</b>	<b>28.7%</b>	<b>0.4%</b>	<b>5.7%</b>	<b>4.8%</b>	<b>4.8%</b>	<b>44.4%</b>

Source: Maryland Higher Education Commission, Trends in Enrollment by Race and Gender, May 2008

MHEC also has a goal for the graduation and transfer rate of minority students to be within 8.0 percentage points of the rate for all students by fiscal 2011. **Exhibit 4** shows this gap in the rates from fiscal 2002 to 2010. The gap has fluctuated between 8.0 and 9.0 percentage points over the period, growing to 9.1 percentage points in fiscal 2008. This gap is projected to drop in fiscal 2009 and again in fiscal 2010, to 8.5 and then 8.2 percentage points, respectively. **The Secretary should comment on efforts to decrease the gap in the graduation and transfer rate between minority and all community college students.**

**Exhibit 4  
Four-year Graduation and Transfer Gap  
Fiscal 2002-2010**



Source: Governor’s Budget Books, Fiscal 2010; Department of Legislative Services; Maryland Higher Education Commission

**Fiscal 2009 Actions**

**Impact of Cost Containment**

Cost containment in fiscal 2009 reduced the Cade formula grant by \$8.2 million, which reduced each college’s appropriation by 3.9%. A breakdown of each college’s reduction is shown in **Exhibit 5**. This reduction brought the working appropriation down to 24.3% of prior year per-FTES funding at the select public four-year institutions.

It is important to note that the fiscal 2009 reduction taken by the Board of Public Works (BPW), as applied through the Cade formula, would have triggered the formula’s hold harmless provision, which ensures that colleges do not receive less than they did in the previous year. Due to changes in enrollment and other features of the formula, the same community college grant appropriation in each year does not mean each college receives the same share of the grant. However, 1991 advice from the Attorney General’s Office states that BPW reductions are not subject to the hold harmless provision. As a result, one college, Community College of Baltimore County (CCBC), is receiving less in the fiscal 2009 working appropriation than it received in fiscal 2008.

**Exhibit 5**  
**Community College Cost Containment**  
**Fiscal 2008 and 2009**

	<u>2008 Actual</u>	<u>2009 Legislative Appropriation</u>	<u>2009 Working Appropriation</u>	<u>\$ Change</u>	<u>2009 Pending BPW Reduction</u>	<u>\$ Change</u>	<u>Total \$ Change</u>	<u>% Change</u>
Allegany	\$4,663,367	\$4,971,190	\$4,778,234	-\$192,956	\$4,663,367	-\$114,867	-\$307,823	-6.2%
Anne Arundel	26,821,906	28,989,799	27,864,566	-1,125,234	26,821,906	-1,042,660	-2,167,893	-7.5%
Baltimore County	36,341,154	37,430,623	35,977,760	-1,452,863	36,341,154	363,394	-1,089,469	-2.9%
Carroll	6,513,940	6,946,198	6,676,582	-269,616	6,513,940	-162,642	-432,258	-6.2%
Cecil	4,302,762	4,691,233	4,509,143	-182,090	4,302,762	-206,381	-388,471	-8.3%
Southern Maryland	10,335,299	11,224,134	10,788,472	-435,663	10,335,299	-453,173	-888,835	-7.9%
Chesapeake	5,313,457	5,690,245	5,469,379	-220,866	5,313,457	-155,922	-376,788	-6.6%
Frederick	7,484,491	8,312,312	7,989,671	-322,641	7,484,491	-505,180	-827,821	-10.0%
Garrett	2,081,368	2,401,690	2,308,469	-93,221	2,081,368	-227,101	-320,322	-13.3%
Hagerstown	6,415,381	7,090,977	6,815,742	-275,235	6,415,381	-400,361	-675,596	-9.5%
Harford	9,562,584	10,540,258	10,131,139	-409,118	9,562,584	-568,555	-977,674	-9.3%
Howard	11,499,670	12,869,489	12,369,962	-499,527	11,499,670	-870,292	-1,369,819	-10.6%
Montgomery	35,089,995	39,093,760	37,576,343	-1,517,417	35,089,995	-2,486,348	-4,003,765	-10.2%
Prince George's	21,682,169	23,683,859	22,764,575	-919,285	21,682,169	-1,082,406	-2,001,690	-8.5%
Wor-Wic	6,347,310	6,885,025	6,617,784	-267,241	6,347,310	-270,474	-537,715	-7.8%
<b>Total</b>	<b>\$194,454,853</b>	<b>\$210,820,792</b>	<b>\$202,637,821</b>	<b>-\$8,182,971</b>	<b>\$194,454,853</b>	<b>-\$8,182,968</b>	<b>-\$16,365,939</b>	<b>-7.8%</b>

BPW: Board of Public Works

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

### *R62I0005 – Aid to Community Colleges*

The Governor's fiscal 2010 budget plan indicates an additional reduction to the working appropriation of \$8.2 million to be taken by BPW. This amount would level fund the Cade formula in fiscal 2009 at the fiscal 2008 level, and each school would receive the same amount as fiscal 2008. This reduction would bring the formula down to 23.34% of the public four-year funding, and if taken, the overall fiscal 2009 reduction would be \$16.4 million. Technically, the hold harmless provision would be triggered again; however, the reduction plan as provided by the Administration would be implemented to increase CCBC's funding to the fiscal 2008 level.

## **Proposed Budget**

As shown in **Exhibit 6**, the Governor's proposed budget reduces the aid to community colleges budget by \$3.3 million, after accounting for reductions in House Bill 101 – Budget Reconciliation and Financing Act of 2009 (BRFA). The largest pre-BRFA increase is in the Senator John A. Cade Funding formula, at \$41.7 million, which does not reflect the pending fiscal 2009 reduction. The BRFA results in level funding at the fiscal 2008 level. Growth in the other grant programs is also shown. The largest increase is in the Faculty and Staff Retirement Program, which is growing by \$5.1 million. The Innovative Partnerships grant program is completed, which accounts for a reduction of \$1.4 million.

The Cade formula is in the third year of a six-year enhancement, culminating in fiscal 2013 at 30% of prior year State funds per FTES provided to select four-year public institutions. Although statute sets fiscal 2010 funding at 27.0% of prior year per FTES funding, the fiscal 2010 allowance funds the formula at 27.4% after accounting for anticipated fiscal 2009 reductions at the select public four-year institutions. Of the \$41.7 million growth in the statutory Cade formula, \$27.7 million is due to formula enhancement over the working appropriation, \$7.9 million is due to growth in the funding of the public four-year institutions, and \$6.3 million is due to community college enrollment growth.

**Exhibit 6**  
**Proposed Budget**  
**Aid to Community Colleges**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Total</b>
2009 Working Appropriation	\$254,713	\$254,713
2010 Allowance	<u>301,339</u>	<u>301,339</u>
Amount Change	\$46,625	\$46,625
Percent Change	18.3%	18.3%
Contingent Reductions	-\$49,913	-\$49,913
Adjusted Change	-\$3,287	-\$3,287
Adjusted Percent Change	-1.3%	-1.3%

**Where It Goes:**

**Other Changes**

Senator John A. Cade Funding Formula .....	\$41,730
Faculty and Staff Retirement .....	5,061
Optional Retirement Program .....	936
Aid to Small Community Colleges .....	168
Statewide and Regional Programs .....	50
English for Speakers of Other Languages.....	46
Innovative Partnership Grant .....	-1,365

**Other Changes**

Contingent reductions to Cade Formula.....	-49,913
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<b>Total</b>	<b>-\$3,287</b>
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Note: Numbers may not sum to total due to rounding.

**Exhibit 7** provides further detail on the fiscal 2010 allowance attributable to the Cade funding formula. While under the statute the grant is increasing 20.6%, enrollment growth increases 3.1%, resulting in a 17.0% increase in funding per student.

**Exhibit 7**  
**Per Student Analysis of Fiscal 2010 Allowance**  
**Community College Formula**

<u>College</u>	<u>Working Appropriation FY 2009</u>	<u>Allowance FY 2010</u>	<u>% Change FY 09-10</u>	<u>% Change Enrollment FY 09-10</u>	<u>% Change \$/FTES FY 09-10</u>
Allegany	\$4,778,234	\$5,799,136	21.4%	5.8%	14.8%
Anne Arundel	27,864,566	33,685,498	20.9%	3.7%	16.6%
Baltimore County	35,977,760	41,940,782	16.6%	0.8%	15.6%
Carroll	6,676,582	8,446,117	26.5%	13.9%	11.1%
Cecil	4,509,143	5,553,384	23.2%	7.1%	15.0%
Southern Maryland	10,788,472	12,959,431	20.1%	2.3%	17.4%
Chesapeake	5,469,379	6,675,030	22.0%	6.5%	14.6%
Frederick	7,989,671	9,679,133	21.1%	2.4%	18.3%
Garrett	2,308,469	2,831,877	22.7%	1.5%	20.8%
Hagerstown	6,815,742	8,392,402	23.1%	5.7%	16.5%
Harford	10,131,139	12,295,986	21.4%	3.2%	17.7%
Howard	12,369,962	15,199,667	22.9%	4.3%	17.9%
Montgomery	37,576,343	44,906,439	19.5%	0.0%	19.6%
Prince George's	22,764,575	27,922,639	22.7%	5.5%	16.3%
Wor-Wic	6,617,784	8,079,976	22.1%	5.5%	15.8%
<b>Total</b>	<b>\$202,637,821</b>	<b>\$244,367,497</b>	<b>20.6%</b>	<b>3.1%</b>	<b>17.0%</b>

Note: Does not reflect pending fiscal 2009 reductions or fiscal 2010 Budget Reconciliation and Financing Act reductions.

Source: Governor's Budget Books, Fiscal 2010; Department of Legislative Services

**Impact of Cost Containment**

Although the fiscal 2010 appropriation increases 20.6% over the fiscal 2009 working appropriation, the 2009 BRFA proposes community college funding at \$194.5 million. This would level fund the grant at the fiscal 2008 level and set the formula at 21.8%. It should be noted that this provision will trigger the hold harmless provision of the Cade formula if the appropriation is allocated through the statutory formula. **If enacted, the BRFA should include language waiving the hold harmless provision for fiscal 2010 or clarifying that notwithstanding the statutory Cade formula, each college should receive the same appropriation in fiscal 2009 and 2010.**

*R62I0005 – Aid to Community Colleges*

The BRFA also resets the Cade formula percentages through fiscal 2015. Fiscal 2011 is set at 20.9%, which is intended to level fund at the fiscal 2008 level. However, the 20.9% funding level is projected to total only \$190.2 million. To level fund Cade in fiscal 2011, the formula would need to be set at 21.37%, as shown in **Exhibit 8**.

**Exhibit 8**  
**Senator John A. Cade Funding Levels and Projected Appropriations**  
**Fiscal 2010-2015**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Current Statute Based on Prior Year State Appropriation</b>						
Funding Level Current Law	27.00%	28.00%	29.00%	30.00%	30.00%	30.00%
Projected Appropriation	\$244,367,496	\$252,928,800	\$275,793,240	\$298,143,516	\$311,966,822	\$327,638,524
Funding per FTES	\$2,725	\$2,839	\$2,997	\$3,192	\$3,292	\$3,411
<b>BRFA Recommendation Based on Prior Year State Appropriation</b>						
Funding Level in BRFA	--	20.90%	24.00%	26.00%	28.00%	30.00%
Projected Appropriation	\$194,454,853	\$190,206,577	\$228,242,872	\$258,390,735	\$291,168,211	\$327,638,524
Funding per FTES	\$2,168	\$2,098	\$2,476	\$2,762	\$3,067	\$3,406
<b>Corrected BRFA</b>						
Funding Level in BRFA	--	21.37%	24.00%	26.00%	28.00%	30.00%
Projected Appropriation	\$194,454,853	\$194,454,853	\$228,242,872	\$258,390,735	\$291,168,211	\$327,638,524
Funding per FTES	\$2,168	\$2,145	\$2,476	\$2,762	\$3,067	\$3,406
<b>DLS Recommendation Based on Current Year State Appropriation</b>						
Funding level	23.29% <sup>1</sup>	22.41%	23.50%	25.00%	27.00%	29.00%
Projected Appropriation <sup>2</sup>	\$209,602,674	\$209,602,674	\$230,115,166	\$256,192,071	\$290,987,824	\$328,377,406
Funding per FTES	\$2,338	\$2,312	\$2,496	\$2,738	\$3,065	\$3,413
<b>Difference Between DLS Recommendation and Corrected BRFA</b>						
	\$15,147,821	\$15,147,821	\$1,872,294	-\$2,198,664	-\$180,387	\$738,882

BRFA: Budget Reconciliation and Financing Act

DLS: Department of Legislative Services

FTES: Full-time equivalent student

<sup>1</sup> Percentage represents what the sum of each college's appropriation would be in the Cade formula.

<sup>2</sup> Assumes fiscal 2009 working appropriation of \$202,637,821.

Source: House Bill 101 – Budget Reconciliation and Financing Act of 2009; Department of Legislative Services

## **Freezing Tuition**

Under the BRFA, community college funding would be set at fiscal 2008 levels. However, in times of economic distress, students may choose to enroll at community colleges as a more affordable option to four-year universities and/or due to inability to find a job. **Therefore, the Department of Legislative Services (DLS) recommends that the State fund a tuition freeze of community colleges equivalent to a 4.0% rate increase, resulting in an increase of \$6,964,853, or 3.4%, over the working appropriation provided two requirements are met. The community colleges must hold tuition rates at the academic 2008-2009 year level for the academic 2009-2010 year, and local support for the colleges must be maintained at the fiscal 2009 level per FTES. In order to effectuate this recommendation, the allocation for each college would be specified in budget bill language. Exhibit 9** shows how each community college's appropriation is affected by the DLS recommendation.

## **Truing Up**

Because State aid to the community colleges is determined based on the prior year funding of select public four-year institutions per FTES, when public institutions receive larger appropriations in good economic times, the community colleges do not benefit from the increase until the following year. Conversely, in weak economic conditions, community colleges could take a large reduction. Current year funding may be reduced, as well as funding to the select four-year institutions – reductions that flow into the following year's formula. By "truing up" the per FTES formula so that it does not lag a year, the community college funding would share in the growth of the four-year institutions in the same year. Additionally, the full cost of an increase to the higher education budget will be realized up front instead of over the course of two years.

**DLS also recommends adjusting the Cade formula calculation to incorporate current year per FTES funding at select four-year institutions. DLS further recommends the Cade formula be set at 22.41% in fiscal 2011 and phased-in back to 29.0% in fiscal 2015.** Funding increases 7.8% over the BRFA reduction in fiscal 2010 with the DLS recommendation. Per FTES funding increases from \$2,168 to \$2,338 in fiscal 2010, and the formula percentage would be 23.3%. DLS recommends returning the Cade formula to 29.0% in fiscal 2015 rather than the 30.0% in current statute due to the jump in funding truing up would otherwise create.

Tuition and fee rates for full-time equivalent students in fiscal 2009 are shown in **Exhibit 10**. The State average is \$3,217. There were no increases at four community colleges, but on average rates increased \$86, or 2.7%. The largest increases were at Baltimore City Community College, which increased by \$340, or 12.5%, and the College of Southern Maryland, which increased \$323, or 6.9%. Colleges have not yet set tuition rates for fall 2009. Typically, rates are set following the legislative session and the local budget process since the colleges receive approximately one-third of funding from local governments.

**Exhibit 9**  
**Recommended Fiscal 2010 Reduction by College**  
**Fiscal 2009-2010**

<u>College</u>	<u>2009 Working Appropriation</u>	<u>2010 Funding Under Current Law</u>	<u>2010 Recommended Funding</u>	<u>\$ Change vs. Working</u>	<u>\$ Change vs. Current Law</u>
Allegany	\$4,778,234	\$5,799,136	\$4,897,486	\$119,251	-\$901,650
Anne Arundel	27,864,566	33,685,498	28,663,694	799,128	-5,021,804
Baltimore County	35,977,760	41,940,782	36,924,256	946,496	-5,016,526
Carroll	6,676,582	8,446,117	6,928,779	252,197	-1,517,338
Cecil	4,509,143	5,553,384	4,626,161	117,017	-927,223
Southern Maryland	10,788,472	12,959,431	11,276,441	487,969	-1,682,990
Chesapeake	5,469,379	6,675,030	5,630,359	160,981	-1,044,671
Frederick	7,989,671	9,679,133	8,343,913	354,242	-1,335,220
Garrett	2,308,469	2,831,877	2,351,331	42,863	-480,546
Hagerstown	6,815,742	8,392,402	7,035,457	219,715	-1,356,945
Harford	10,131,139	12,295,986	10,461,227	330,088	-1,834,759
Howard	12,369,962	15,199,667	12,898,807	528,844	-2,300,860
Montgomery	37,576,343	44,906,439	39,234,206	1,657,863	-5,672,233
Prince George's	22,764,575	27,922,639	23,544,409	779,834	-4,378,230
Wor-Wic	6,617,784	8,079,976	6,786,148	168,364	-1,293,828
<b>Total</b>	<b>\$202,637,821</b>	<b>\$244,367,497</b>	<b>\$209,602,674</b>	<b>\$6,964,853</b>	<b>-\$34,764,823</b>

Source: Governor's Budget Books, Fiscal 2010; Department of Legislative Services

**Exhibit 10**  
**Community College Tuition and Fee Rates for Full-time, In-county Students**  
**Fiscal 2008-2009**

<u>Community College</u>	<u>2008</u>	<u>2009</u>	<u>\$ Increase</u> <u>2008-09</u>	<u>% Increase</u> <u>2008-09</u>
Allegany	\$3,074	\$3,164	\$90	2.9%
Anne Arundel	2,860	2,860	0	0.0%
Baltimore City	2,722	3,062	340	12.5%
Baltimore	3,056	3,080	25	0.8%
Carroll	3,234	3,407	173	5.3%
Cecil	2,860	2,860	0	0%
Chesapeake	3,094	3,304	210	6.8%
Frederick	3,028	3,069	41	1.4%
Garrett	2,970	2,970	0	0.0%
Hagerstown	3,120	3,180	60	1.9%
Harford	2,541	2,550	9	0.4%
Howard	3,993	3,993	0	0.0%
Montgomery	3,876	3,984	108	2.8%
Prince George's	3,845	3,905	60	1.6%
Southern Maryland	3,384	3,616	232	6.9%
Wor-Wic	2,449	2,474	25	1.0%
<b>Statewide Average*</b>	<b>\$3,132</b>	<b>\$3,217</b>	<b>\$86</b>	<b>2.7%</b>

\*Unweighted Average.

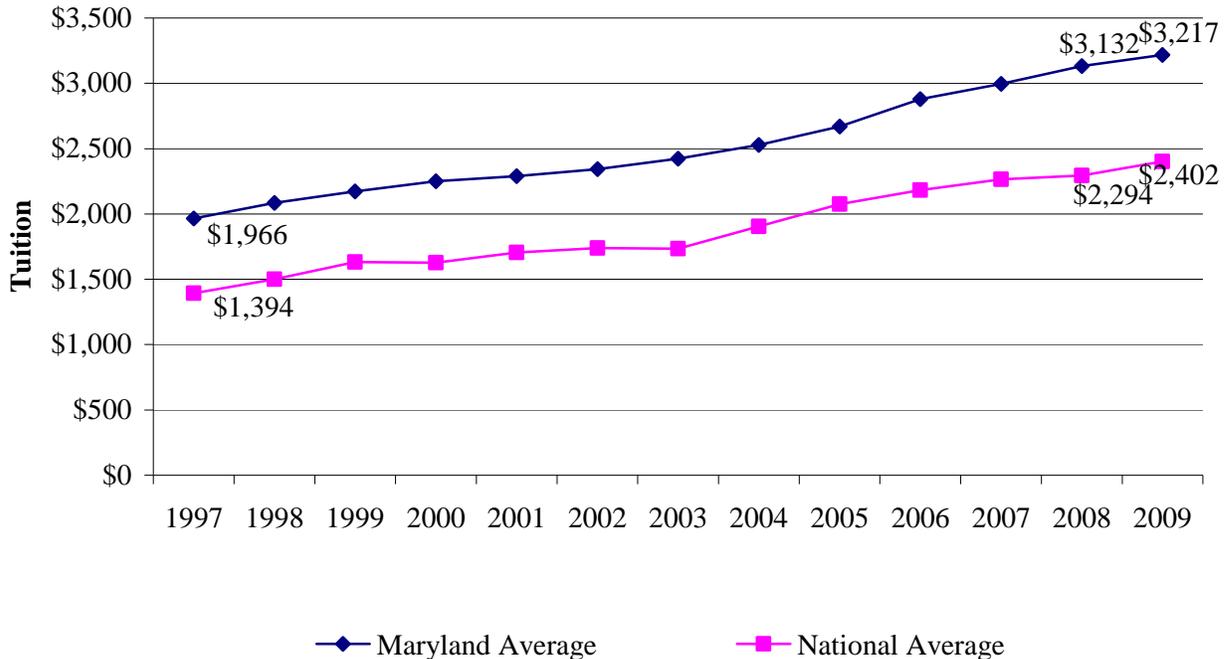
Source: Maryland Association of Community Colleges

## Issues

### 1. Affordability

Community colleges offer a more affordable option for higher education than the public four-year institutions, where the average tuition and fee rate is \$7,314 for fall 2008. However, just as the State’s four-year institutions are among the most expensive in the country, so are the community colleges. In fiscal 2008, Maryland’s average was seventeenth most expensive in the country, down one spot from the sixteenth most expensive the prior year. The rate of increase was among the slowest, however, with an average increase of 2.8% compared to the national average of 4.2%. **Exhibit 11** compares the national average community college tuition and fee rates with the State’s from fiscal 1996 to 2008. Maryland’s average has been higher throughout the entire period, growing to nearly \$1,000 more.

**Exhibit 11**  
**Community College Annual Tuition and Mandatory Fees**  
**Maryland Community Colleges Compared to the National Average**  
**Fiscal 1996-2008**



Source: Maryland Association of Community Colleges, *College Board Annual Survey of Colleges – Trends on College Pricing*

Annual rate increases from fiscal 1999 through 2009 are shown in **Exhibit 12**. The average annual increase from fiscal 2003 to 2009 has been 4.1%. Increases were smaller between fiscal 1999 and 2003 at 3.1% annually. The Cade formula was fully funded during the earlier period and was not from fiscal 2003 to 2005. Moreover, State funding actually declined in fiscal 2004 by 5.7%, corresponding to the largest tuition and fee increases. **The Secretary should comment on efforts to ensure affordability to students at Maryland’s community colleges.**

**Exhibit 12**  
**Full-time Tuition and Fees for In-county Community College Students**  
**Average Annual Percent Change**  
**Fiscal 1999-2003 and Fiscal 2003-2009**

	<u>1999</u>	<u>2003</u>	<u>2008</u>	<u>2009</u>	<u>Average Annual % Change 99-03</u>	<u>Average Annual % Change 03-09</u>
Howard	\$2,670	\$2,915	\$3,993	\$3,993	2.2%	5.4%
Montgomery	2,514	3,054	3,876	3,984	5.0%	4.5%
Prince George’s	2,760	3,060	3,845	3,905	2.6%	4.1%
Southern Maryland	2,520	2,910	3,384	3,616	3.7%	3.7%
Carroll	2,280	2,786	3,234	3,407	5.1%	3.4%
Chesapeake	2,090	2,400	3,094	3,304	3.5%	5.5%
<b>Maryland Average</b>	<b>2,240</b>	<b>2,528</b>	<b>3,132</b>	<b>3,217</b>	<b>3.1%</b>	<b>4.1%</b>
Hagerstown	2,280	2,490	3,120	3,180	2.2%	4.2%
Allegany	2,820	2,720	3,074	3,164	-0.9%	2.6%
Baltimore	1,988	2,438	3,056	3,080	5.2%	4.0%
Frederick	2,370	2,616	3,028	3,069	2.5%	2.7%
Baltimore City	1,800	2,010	2,722	3,062	2.8%	7.3%
Garrett	2,350	2,640	2,970	2,970	3.0%	2.0%
Anne Arundel	1,860	1,950	2,860	2,860	1.2%	6.6%
Cecil	1,920	2,400	2,860	2,860	5.7%	3.0%
Harford	1,980	2,145	2,541	2,550	2.0%	2.9%
Wor-Wic	1,644	1,914	2,449	2,474	3.9%	4.4%

Source: Maryland Association of Community Colleges

State funding represents approximately 25.0% of community college funding, with local governments contributing about 34.0%, and tuition and fees covering 36.0%. The remaining amount is provided by other sources such as contracts and grants. Currently, county governments are required to maintain their funding amount annually, but they are not required to keep pace with enrollment as the DLS recommendation would. **Exhibit 13** shows local funding per FTES at each community college in fiscal 2003, 2007, and 2008. On average, local spending per FTES has grown by 24.4% as enrollment grew 8.8%. Although there is great variability between schools, every local appropriation per FTES grew between fiscal 2007 and 2009 except Cecil County, where enrollments are growing faster than local appropriations. The highest growth was Prince George’s County at 42.1%, due to increasing local appropriations and declining enrollments.

**Exhibit 13  
Local Support Per FTES  
Fiscal 2003, 2007, and 2008**

	<u>2003</u>	<u>2007</u>	<u>2008</u>	<u>% Growth 2003-08</u>	<u>% FTES Growth 2003-08</u>	<u>% Growth 2007-08</u>	<u>% FTES Growth 2007-08</u>
Allegany	\$3,933	\$3,750	\$4,309	9.6%	19.6%	14.9%	-2.1%
Anne Arundel	2,157	2,628	2,717	25.9%	18.6%	3.4%	1.1%
Baltimore	2,063	2,337	2,401	16.4%	0.1%	2.7%	-2.7%
Carroll	2,117	2,840	2,973	40.4%	30.7%	4.7%	1.7%
Cecil	5,008	4,873	4,908	-2.0%	41.4%	0.7%	3.2%
Chesapeake	2,676	2,855	2,945	10.1%	13.9%	3.2%	1.8%
Frederick	3,605	3,896	3,949	9.5%	29.3%	1.3%	7.9%
Garrett	4,718	6,357	7,545	59.9%	1.3%	18.7%	0.2%
Hagerstown	2,586	2,869	3,156	22.0%	37.4%	10.0%	4.6%
Harford	3,254	3,520	3,688	13.4%	21.1%	4.8%	1.9%
Howard	3,405	3,997	4,558	33.9%	27.7%	14.0%	1.7%
Montgomery	4,712	5,999	6,238	32.4%	22.4%	4.0%	5.2%
Prince George's	1,527	2,045	2,904	90.2%	11.0%	42.1%	-0.7%
Southern Maryland	2,864	2,938	3,031	5.8%	22.9%	3.2%	1.5%
Wor-Wic	1,778	2,118	2,388	34.3%	26.1%	12.7%	0.0%
<b>Average</b>	<b>\$3,094</b>	<b>\$3,535</b>	<b>\$3,847</b>	<b>24.4%</b>	<b>16.7%</b>	<b>8.8%</b>	<b>1.3%</b>

FTES: full-time equivalent student

Source: Maryland Higher Education Commission; Maryland Association of Community Colleges; Governor's Budget Books, Fiscal 2005-2009

## 2. Four-year Institutions Working with Community Colleges

University campuses are not the only places where upper level college courses are offered. Four-year institutions are growing increasingly closer to their community college counterparts, sometimes offering courses directly on campus, very close by, or arranging for a smooth transfer from one to the other. A growing number of universities are offering courses on community college campuses, and articulation agreements continue to grow. Statewide articulation agreements exist currently in teaching and nursing and will soon include engineering.

## **Universities on Two-year Campuses**

The closest association between a community college and a four-year institution is Harford Community College (HCC) and Towson University (TU). Most courses are currently held at the nearby Higher Education and Technology (HEAT) Center. Some courses requiring a class laboratory are held at HCC due to the unavailability of labs at the HEAT Center. An expanded presence for TU is planned for the HCC campus, however.

TU is planning to occupy a building constructed adjacent to HCC's campus for their exclusive occupancy. This is due in part to the higher transfer rate between the two colleges, where HCC accounts for between 8 and 9% of all TU transfers (over 150). Rather than students traveling to Baltimore County, the plan is to have a continuous higher education option at Harford, where full degrees may be attained:

- HCC would provide 100-200 level courses;
- TU would offer 300-400 level courses for degree completion at the HCC campus; and
- HEAT Center houses graduate level courses and advanced degrees.

If, after a period of time, TU is unable to fully occupy the building, it will be open to other University System of Maryland (USM) institutions to offer courses. The HEAT Center is also considering constructing a new building. **The Secretary should comment on why a building at HCC is preferable over a new one at the HEAT Center, and how it fits into the State's higher education plan.**

The University of Maryland Baltimore County (UMBC) is initiating offerings at Cecil College in the hopes of developing an established relationship there. Twelve courses were offered in two sessions over summer 2008. All but one was cancelled due to lack of enrollment. The one that was held was underenrolled but enabled UMBC to establish a footing there.

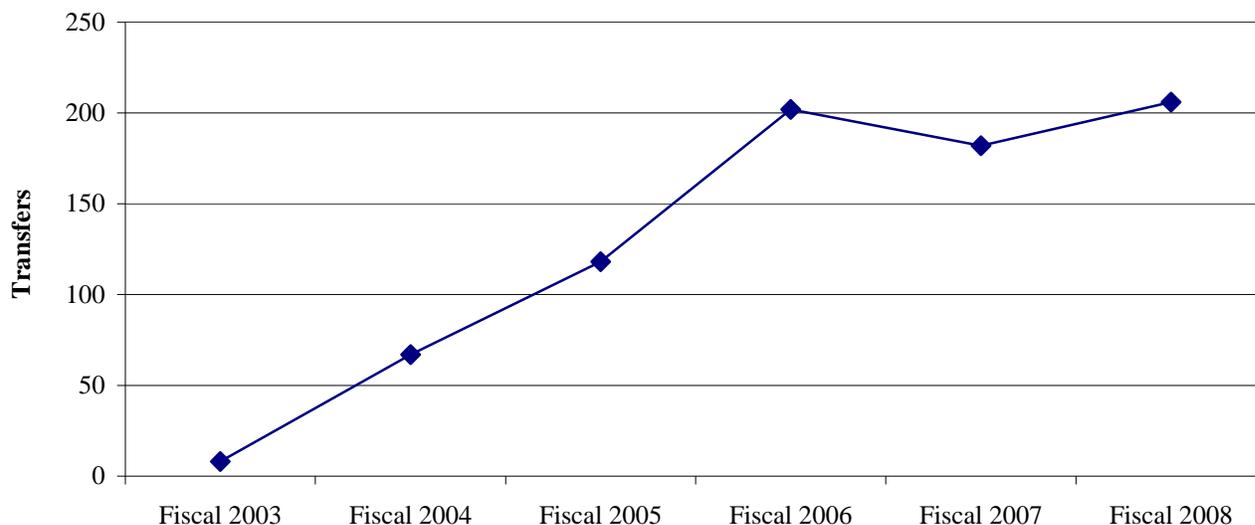
## **Articulation Agreements**

When faculty of two-year and four-year institutions decide what a community college associate's degree must cover in order to transfer directly into a four-year institution, the result is called a degree transfer program or an articulation agreement. There are currently two statewide articulation agreements in Maryland: one for nursing and one for teaching. Nursing is the older of the two, started in the mid-1990s. Anyone with a current nursing license may enroll at any university in the State (public or private) with a nursing program to complete a nursing bachelor's degree. All credits transfer and the student enrolls as a junior.

A statewide articulation agreement in teaching (associate of the arts of teaching (AAT)) began in 2001, and all community colleges currently offer the program. **Exhibit 14** shows growth in AAT degree transfers since fiscal 2003, the first year of AAT transfers. There were 206 transfers in fiscal 2008.

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**Exhibit 14**  
**AA Teaching Degree Transfer Participation**  
**Fiscal 2003-2008**



AA: associate of the arts

Note: Fiscal 2003-2005 are artificially low, and fiscal 2006 is artificially high due to unknown Prince George's Community College transfers.

Source: Maryland Association of Community Colleges

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Currently, a statewide articulation agreement in engineering is being finalized. The goal is to begin offering the transfer opportunity to students in fall 2009. Like the other two statewide agreements, all credits in the associate's degree would transfer to the four-year institution.

Demand for a program is measured by the Joint Leadership Council, made up of representatives from the Maryland Association of Community Colleges and USM. Programs at the four-year institutions that receive the greatest number of transfers are candidates, as are areas of workforce need. Discussions relating to statewide articulation agreements for business, biology, math, and psychology, and others, are ongoing.

### **College to University**

Articulation agreements do not just cover statewide degree transfers, however. Community colleges have many articulation agreements with colleges. In fact, hundreds exist between the community colleges and public and private four-year institutions. Similar to the statewide articulation agreements, the two institutions decide what courses need to be taken for all credits to transfer, although an associate's degree may or may not be involved.

*R62I0005 – Aid to Community Colleges*

A central location of information on these agreements is a web site run by USM called ARTSYS. It lists most articulation agreements between colleges, both public and private. A prospective student simply needs to choose his or her community college and desired four-year institution to find what articulation agreements exist between the two. ARTSYS is not exhaustive, however. Other articulation agreements, such as community college student advising by four-year institution staff, or community college student participation in four-year institution student organizations, are not included.

With the State's workforce needs in teaching, nursing, and emerging science, technology, engineering, and mathematics (STEM) needs, four-year institutions offering courses on community college campuses and the smooth transfer of credits may help to increase graduates in these fields. **The Secretary should comment on the relationships between four-year institutions and community colleges and the benefit to the State's higher education goals.**

## ***Recommended Actions***

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1. Strike the following language on the general fund appropriation:

~~, provided that this appropriation shall be reduced by \$49,912,643 contingent upon the enactment of legislation to reduce the required appropriation for the support of community colleges.~~

**Explanation:** This action is a technical amendment to implement the recommendation.

2. Add the following language to the general fund appropriation:

, provided that the appropriation for direct grants is allocated among the colleges in the following manner, contingent upon in-county for-credit tuition rates being held at the academic 2008-2009 level for 2009-2010 and upon the local appropriation being maintained at the same per full-time equivalent student level in fiscal 2010 as it was in fiscal 2009. Further provided that if a community college increases in-county for-credit tuition rates above the academic 2008-2009 level in academic 2009-2010, or the local appropriation is not maintained at the same per full-time equivalent student level in fiscal 2010 as it was in fiscal 2009, the allocation to the college shall be level funded at the fiscal 2009 level. The community colleges shall report in-county for-credit tuition rates for the 2009-2010 academic year to the budget committees by July 15, 2009. In addition, county governments shall report to the budget committees the full-time equivalent student funding level appropriated by the county to the local community college by July 15, 2009.

<u>College:</u>	<u>Appropriation</u>
<u>Allegany College</u>	<u>\$4,897,486</u>
<u>Anne Arundel Community College</u>	<u>\$28,663,694</u>
<u>Community College of Baltimore County</u>	<u>\$36,924,256</u>
<u>Carroll Community College</u>	<u>\$6,928,779</u>
<u>Cecil College</u>	<u>\$4,626,161</u>
<u>College of Southern Maryland</u>	<u>\$11,276,441</u>
<u>Chesapeake College</u>	<u>\$5,630,359</u>
<u>Frederick Community College</u>	<u>\$8,343,913</u>
<u>Garrett College</u>	<u>\$2,351,331</u>
<u>Hagerstown Community College</u>	<u>\$7,035,457</u>
<u>Harford Community College</u>	<u>\$10,461,227</u>
<u>Howard Community College</u>	<u>\$12,898,807</u>
<u>Montgomery College</u>	<u>\$39,234,206</u>
<u>Prince George’s Community College</u>	<u>\$23,544,409</u>
<u>Wor-Wic Community College</u>	<u>\$6,786,148</u>

*R62I0005 – Aid to Community Colleges*

**Explanation:** This action allows for an increase equal to the revenue generated from a 4.0% in-county for-credit tuition increase for a community college contingent upon that community college holding in-county for-credit tuition at the academic 2008-2009 level for academic 2009-2010, and upon the local appropriation being maintained at the fiscal 2009 per full-time equivalent student level in fiscal 2010. If one or both of these requirements are not met, the college shall be level funded at the fiscal 2009 level.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Community college in-county tuition	Community colleges (excluding Baltimore City Community College)	July 15, 2009
Local support for full-time equivalent student	County governments	July 15, 2009

		<b><u>Amount Reduction</u></b>
3.	Reduce the formula grant by \$34,764,823. This reduction will allow for an increase equal to the amount of revenue a 4.0% in-county for-credit tuition increase would generate at each community college.	\$ 34,764,823 GF
<b>Total General Fund Reductions</b>		<b>\$ 34,764,823</b>

## *Current and Prior Year Budgets*

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$243,701	\$0	\$0	\$0	\$243,701
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Cost Containment	-2,000	0	0	0	-2,000
Reversions and Cancellations	0	0	0	0	0
<b>Actual Expenditures</b>	<b>\$241,701</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$241,701</b>
<b>Fiscal 2009</b>					
Legislative Appropriation	\$262,896	\$0	\$0	\$0	\$262,896
Cost Containment	-8,183	0	0	0	-8,183
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$254,713</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$254,713</b>

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

**Fiscal 2008**

The legislative appropriation was \$243,700,700 in general funds. This was reduced by a BPW cost containment action of \$2,000,000.

**Fiscal 2009**

The fiscal 2009 general fund appropriation was \$262,896,249. This appropriation was reduced by \$8,182,970 as part of a cost containment action taken by BPW.

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
12 Grants, Subsidies, and Contributions	\$ 241,700,700	\$ 254,713,279	\$ 301,338,743	\$ 46,625,464	18.3%
<b>Total Objects</b>	<b>\$ 241,700,700</b>	<b>\$ 254,713,279</b>	<b>\$ 301,338,743</b>	<b>\$ 46,625,464</b>	<b>18.3%</b>
<b>Funds</b>					
01 General Fund	\$ 241,700,700	\$ 254,713,279	\$ 301,338,743	\$ 46,625,464	18.3%
<b>Total Funds</b>	<b>\$ 241,700,700</b>	<b>\$ 254,713,279</b>	<b>\$ 301,338,743</b>	<b>\$ 46,625,464</b>	<b>18.3%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary  
Aid to Community Colleges**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
05 Senator John A. Cade Funding Formula for Comm. Col	\$ 208,091,424	\$ 218,550,112	\$ 259,178,924	\$ 40,628,812	18.6%
06 Aid to Community Colleges - Fringe Benefits	33,609,276	36,163,167	42,159,819	5,996,652	16.6%
<b>Total Expenditures</b>	<b>\$ 241,700,700</b>	<b>\$ 254,713,279</b>	<b>\$ 301,338,743</b>	<b>\$ 46,625,464</b>	<b>18.3%</b>
General Fund	\$ 241,700,700	\$ 254,713,279	\$ 301,338,743	\$ 46,625,464	18.3%
<b>Total Appropriations</b>	<b>\$ 241,700,700</b>	<b>\$ 254,713,279</b>	<b>\$ 301,338,743</b>	<b>\$ 46,625,464</b>	<b>18.3%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.