

R62I0005
Aid to Community Colleges

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$258,114	\$262,297	\$273,297	\$11,000	4.2%
Contingent & Back of Bill Reductions	0	0	-11,941	-11,941	
Adjusted General Fund	\$258,114	\$262,297	\$261,356	-\$941	-0.4%
Special Fund	0	758	624	-134	-17.7%
Adjusted Special Fund	\$0	\$758	\$624	-\$134	-17.7%
Adjusted Grand Total	\$258,114	\$263,055	\$261,979	-\$1,075	-0.4%

- The budget includes a \$1.0 million deficiency appropriation to address an accrued liability in the Statewide and Health Manpower Grant Programs.
- General funds grow \$11.0 million, or 4.2%, before contingent actions proposed by the Governor. After accounting for reductions to the Senator John A. Cade Funding Formula, the English Speakers of Other Languages grant, and Teachers' Retirement programs, funding declines \$0.9 million, or 0.4%.
- Special funds, which represent local government support for the administration of Teachers' Retirement programs, decline 17.7% as per-employee costs are lower in fiscal 2013.

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

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Analysis in Brief

Major Trends

Successful Persister Rates for 2006 Cohort: The successful persister rate is the standard rate of comparison for community college students and captures the graduation, transfer, and retention of students who attempted at least 18 credits in their first two years. The rate increased 0.7 percentage points for the 2006 cohort after declining 1.7 percentage points a year earlier. **The Secretary and community colleges should comment on efforts to increase the successful persister rate of community college students.**

Higher Education Coordination: The Maryland Higher Education Commission (MHEC) is responsible for coordinating the State's policy regarding public higher education. The agency has new significance with the Maryland's involvement in national productivity and college completion grants, as well as with the State's fiscal 2025 degree completion goals. **The Secretary should comment on the role MHEC plays and how it coordinates policy with the colleges.**

Issues

Affordability of State's Community Colleges: Maryland's community college tuition rates are more expensive than the national average, but that gap is narrowing as rates are increasing at a faster rate in other states. Between fall 2010 and 2011, rates increased by 2.7% on average, or \$92 for a full-time student. A new \$5.0 million grant was available to colleges that held tuition increases to 3.0% or less in fall 2011, a condition met by every community college in the State. **The Department of Legislative Services recommends adding budget language limiting the amount of money a college may receive from the Keeping Maryland Community Colleges Affordable (KMCCA) Grant in fiscal 2013 to 2.0% of estimated tuition revenue in fiscal 2013 and prorating the grant if that amount exceeds \$2.5 million, the proposed KMCCA grant amount in fiscal 2013.**

Local Governments Reducing Appropriations: Local funding makes up 31% of community college operating budgets, though its share of total community college funding has fallen in recent years. Between fiscal 2011 and 2012, local appropriations increased for six colleges, decreased for seven colleges and were level for two colleges. **The Secretary and community colleges should comment on how local funding impacts community college budgets.**

Follow-up on Incentives to Complete an Associate's Degree Prior to Transfer: A significant number of students transfer from community colleges to four-year institutions without completing an associate's degree. In the event they do not finish, the student has likely accumulated a significant amount of debt but has no credential to show for it. A 2011 *Joint Chairmen's Report* (JCR) item followed up on a previous report on how colleges can create incentives for students to complete an associate's degree prior to transferring. The report revealed that little has changed in the past year citing a lack of funding for possible incentives.

Recommended Actions

	<u>Funds</u>
1. Strike contingent reduction language on the Cade formula.	
2. Reduce community college formula grant by \$1,667,434.	\$ 1,667,434
3. Reduce the English for Speakers of Other Languages grant by \$818,887.	818,887
4. Add language to the Keeping Maryland Community Colleges Affordable Grant appropriation.	
5. Adopt committee narrative requesting the submission of a report on institutional aid by expected family contribution category.	
6. Adopt committee narrative requesting the submission of a report on loan data by expected family contribution.	
7. Concur with Governor’s proposed change to Teachers’ Retirement.	
Total Reductions	\$ 2,486,321

Updates

College Placement Exams in High School: A 2011 JCR item requested the community colleges and the University System of Maryland to report on the extent to which higher education institutions are collaborating with local education agencies to administer placement exams to high school students and work to help students who are deficient become college ready before graduation. The report revealed eight such programs at six colleges.

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Aid to Community Colleges

Operating Budget Analysis

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. The amount of aid is based on a percentage of the current year's State aid to selected four-year public higher education institutions and the total number of full-time equivalent students (FTES) at the community colleges. The total is then distributed to each college based on the previous year's direct grant, enrollment, and a small-size factor. Chapter 333 of 2006 phased in a 5 percentage point increase in the formula over five years, ending in fiscal 2013. State fiscal difficulties have delayed the formula enhancement, and full funding is currently expected in fiscal 2023.

Additional grants are provided through the following programs:

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

Certain community college employees are eligible to participate in a defined benefit retirement plan maintained and operated by the State. Alternately, the employees may participate in the Optional Retirement Program (ORP), a defined contribution plan. Under current law, the State

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funds the costs associated with the various retirement plans, with the exception of State Retirement Agency administration costs.

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

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

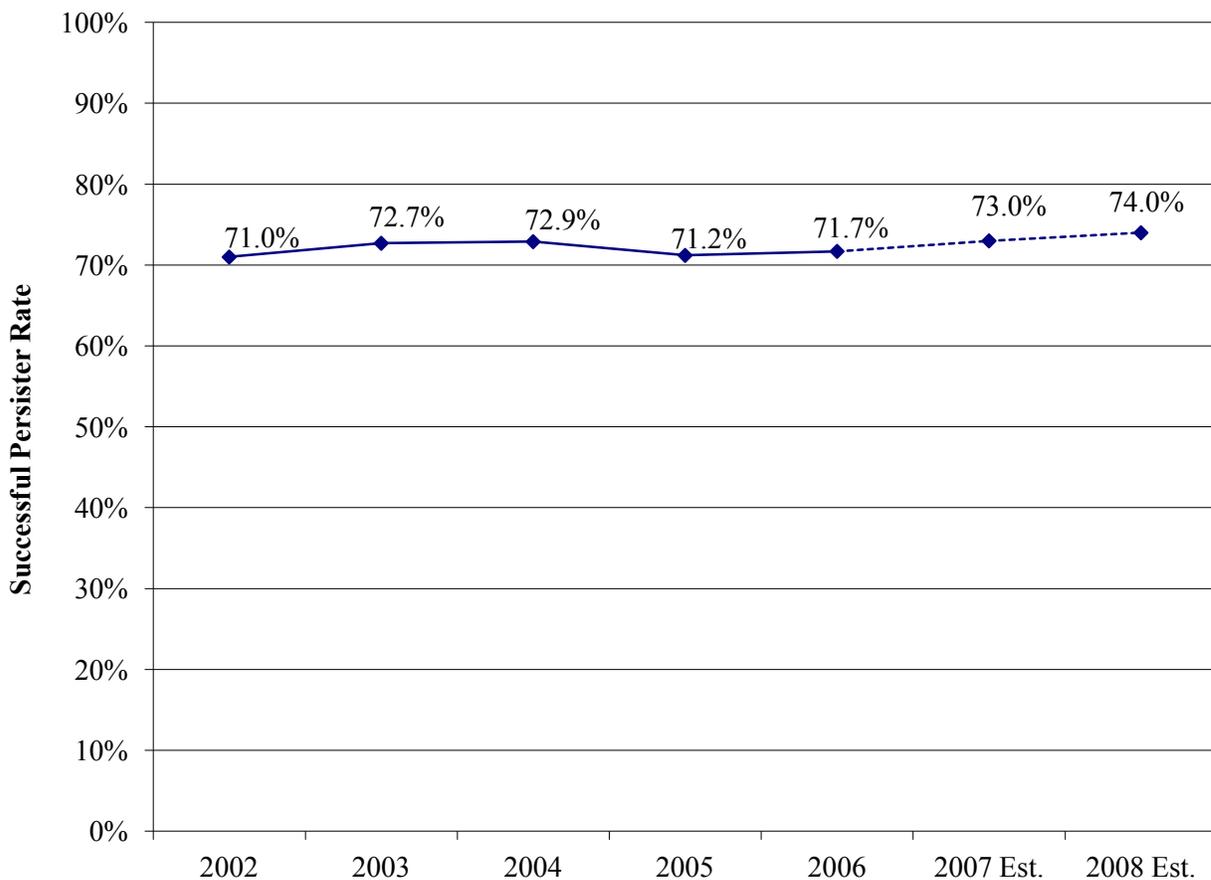
Performance Analysis: Managing for Results

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

The statewide successful persister rate for the 2002 cohort through the estimate for the 2008 cohort is shown in **Exhibit 1**. The most recent actual is the 2006 cohort, and the successful persister rate increased slightly, by 0.5 percentage points. This increase partly makes up for the 1.7 percentage point decline in the 2005 cohort. MHEC is projecting larger increases in the coming years; these increases are needed to meet the State's degree completion goals. **The Secretary and community colleges should comment on efforts to increase the successful persister rate of community college students.**

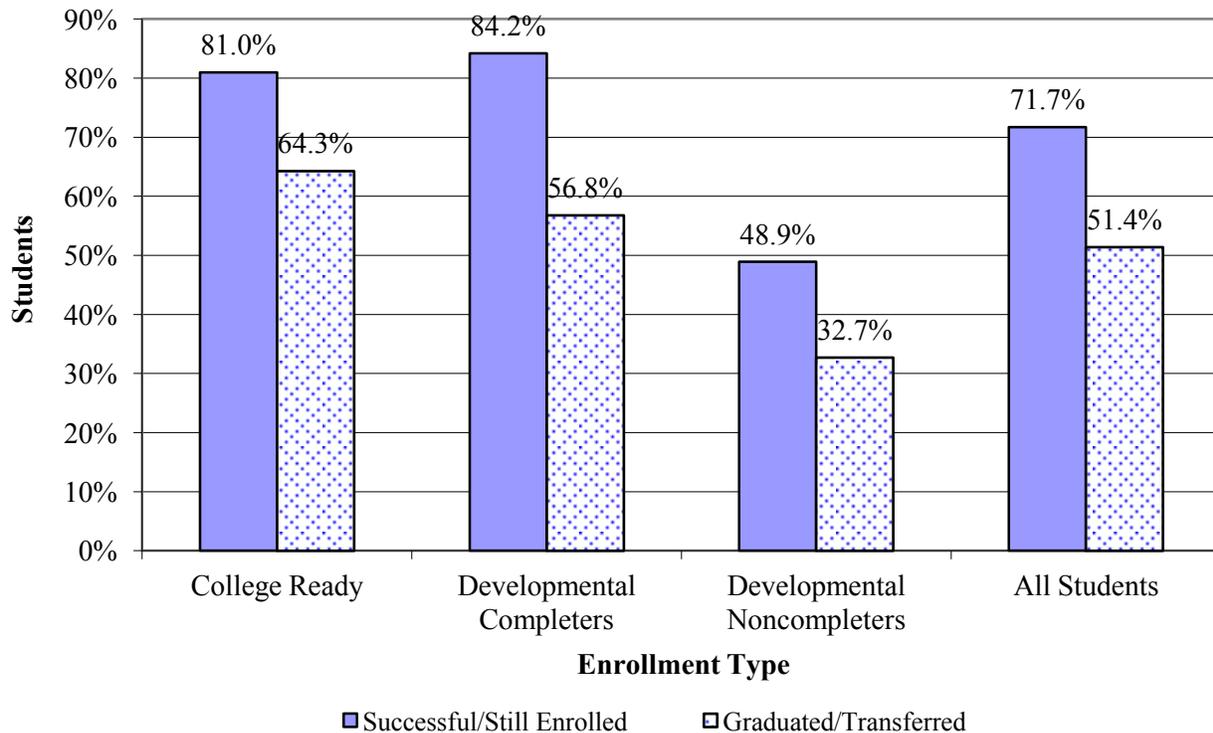
The successful persister rates for three separate subgroups of students are tracked by the Maryland Association of Community Colleges (MACC) – college-ready students, developmental completers (students who require developmental education and who complete it within four years), and developmental noncompleters (students who require developmental education and have not completed required coursework after four years). **Exhibit 2** shows successful persister rates for those three subgroups and also for all students in the fall 2006 cohort.

Exhibit 1
Four-year Successful Persister Rate
2002-2008 Cohorts



Source: Governor's Budget Books, Fiscal 2010-2013

**Exhibit 2
Degree Progress Four Years After Initial Enrollment
Fall 2006 Cohort**



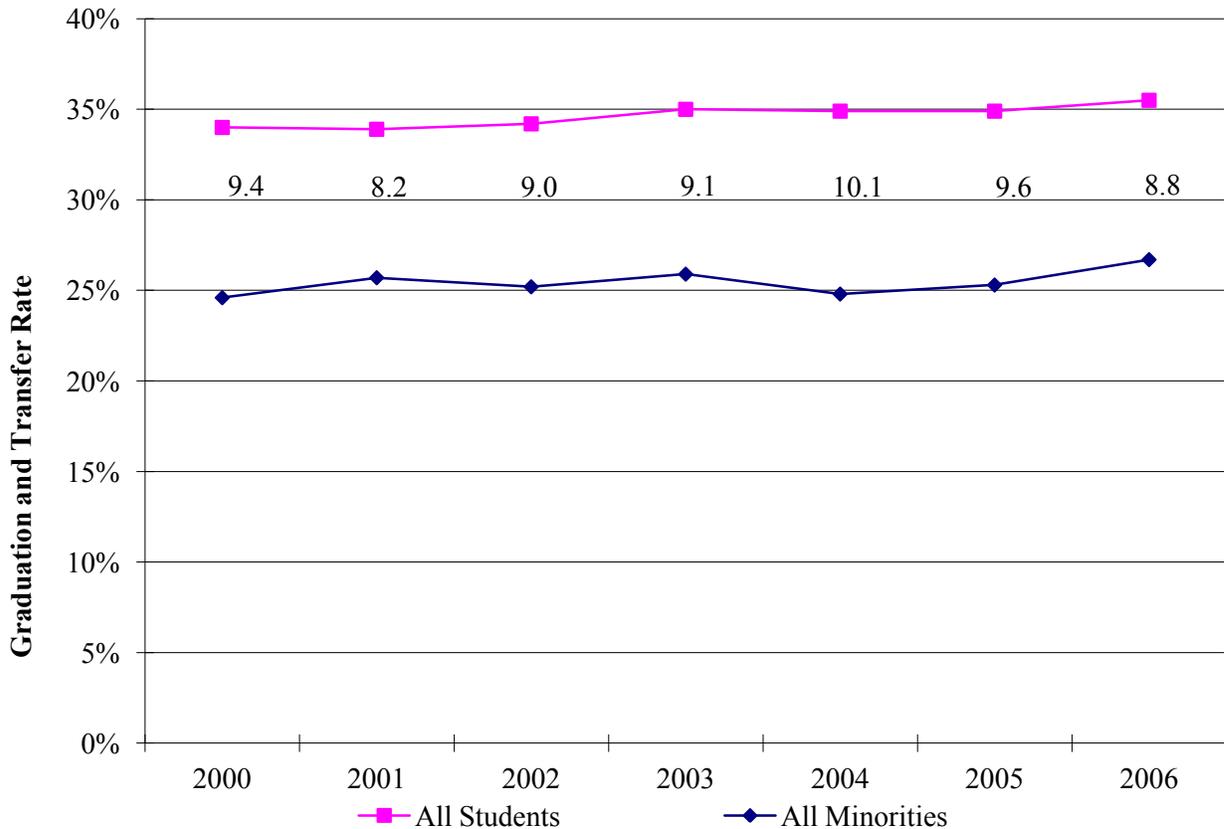
Note: Figures include Baltimore City Community College.

Source: Maryland Association of Community Colleges

The biggest change is in the successful/still enrolled rate for developmental noncompleters, which grew 3.5 percentage points compared to last year. This means a greater percentage of students are staying enrolled and pursuing a degree even though they have not yet completed all required developmental education courses. The successful persister rate for developmental completers also increased 2.4 percentage points.

Another goal for the State is to narrow the achievement gap in the four-year graduation/transfer rate of minority students compared to all students. **Exhibit 3** shows that this gap continued to close for a second year, declining 0.8 percentage points to 8.8 percentage points for the 2006 cohort. The gap has narrowed nearly 13% since the 2004 cohort and is at its smallest level since the 2001 cohort. MHEC estimates that the gap will continue to close by 0.5 percentage points annually.

**Exhibit 3
Four-year Graduation and Transfer Achievement Gap
Fall 2000-2006 Cohorts**



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

Source: Governor’s Budget Books, Fiscal 2008-2013

Efforts like Growing by Degrees and Complete College America will impact all students but are expected to have a disproportionate impact on minority students. These programs include redesigning courses that students have a particularly difficult time passing and creating a reverse transfer system.

State Coordination for Community Colleges

As the State’s higher education coordinating body, MHEC is responsible for coordinating the locally operated community colleges as well as Baltimore City Community College and the public four-year institutions. In addition to administering State support for community colleges, MHEC is

also responsible for reviewing mission statements and new academic programs, collecting performance accountability data, and ensuring that State funds are spent prudently by community colleges. With the State's involvement in national productivity and college completion grants, as well as the goal that 55% of adults have a college degree by 2025, the integration of community colleges in the coordinating activities of MHEC has taken on new significance. The heightened awareness of college readiness and remedial education needs also focuses increased attention on coordination between the community colleges and K-12 system. **The Secretary should comment on the role MHEC plays and how it coordinates policy with the colleges.**

Fiscal 2012 Actions

Proposed Deficiency

The fiscal 2013 allowance includes a \$1.0 million deficiency appropriation to address an accrued liability within the Statewide and Health Manpower Grant programs that is currently valued at \$7.6 million. The liability has grown over several years as each year's appropriation did not fully fund the program. The grant reimburses colleges for admitting out-of-county students at in-county rates when they are enrolling in degree programs that are considered a workforce shortage for the State and are not offered at the students' local community college.

This grant program was changed in the Budget Reconciliation and Financing Act (BRFA) of 2011 from mandated to discretionary spending. In prior years, statute required the Governor to include a deficiency appropriation for the program if the appropriation was not enough to fully fund the program in that year. The BRFA of 2011 removed that requirement and changed the statute to require that funds be prorated among the colleges if funding is not sufficient.

Proposed Budget

Exhibit 4 shows changes between fiscal 2012 and 2013 for Aid to Community Colleges. After accounting for contingent reductions proposed by the Governor in the BRFA of 2012, funding declines \$1.1 million, or 0.4%. The Senator John A. Cade Funding Formula receives the biggest increase, growing \$4.8 million after accounting for a \$1.7 million contingent reduction. The ORP for community college faculty grows \$1.7 million.

The Keeping Maryland Community Colleges Affordable (KMCCA) Grant continues in fiscal 2013 at one-half of the fiscal 2012 grant or \$2.5 million. It should be noted that each college's fiscal 2012 share of the grant was added to its base in the Cade formula for fiscal 2013. The figures used in this analysis also account for a technical correction to the distribution of the KMCCA Grant.

Exhibit 4
Proposed Budget
Aid to Community Colleges
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Total</u>
2012 Working Appropriation	\$262,297	\$758	\$263,055
2013 Allowance	<u>273,297</u>	<u>624</u>	<u>273,920</u>
Amount Change	\$11,000	-\$134	\$10,866
Percent Change	4.2%	-17.7%	4.1%
Contingent Reductions	-\$11,941	\$0	-\$11,941
Adjusted Change	-\$941	-\$134	-\$1,075
Adjusted Percent Change	-0.4%	-17.7%	-0.4%

Where It Goes:

Other Changes

Senator John A. Cade Funding Formula (net of reduction)	\$4,769
Optional Retirement Program	1,695
Statewide and regional programs (net of reduction)	36
Small community college and mountain grants	-48
Keeping Maryland Community Colleges Affordable Grant	-2,500
Teacher's retirement (net of reductions)	-5,024
Technical adjustment for contingent reduction	-4
Total	-\$1,075

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

The other major decline is in the Teachers' Retirement Program, which grows \$4.4 million before a \$9.5 million contingent reduction proposed by the Governor. The \$9.5 million in general funds would be replaced with an equal amount provided by county governments.

Not shown in this exhibit is a contingent reduction to the ESOL grant, a miscellaneous grant program that is level funded in the BRFA of 2012. Colleges receive \$800 per FTES in the ESOL

program, which amounts to \$5.2 million in fiscal 2013. A contingent reduction of \$0.8 million brings the grant down to its fiscal 2012 funding level.

There are three parts to State support for community colleges, as shown in **Exhibit 5**. The first and largest is the Cade formula, normally calculated based on actual community college enrollments and a percentage (19% for federal 2013) of the proposed per-student funding at selected public four-year institutions with a hold harmless provision to ensure no college receives less than it did the prior year. The second major part is several miscellaneous grant programs such as the Statewide and Health Manpower Grant programs and ESOL. The last program helps fund the retirement plans of community college faculty. The State pays for the employee benefits while, effective in fiscal 2102, community colleges pay for the administrative costs of the State Retirement Agency. In fiscal 2013, community colleges share totals \$623,566 for these costs.

Exhibit 5
Community College Funding
Fiscal 2012-2013
(\$ in Thousands)

	<u>Working</u> <u>Appropriation</u>	<u>Allowance</u>	<u>Adjusted</u> <u>Allowance</u>	<u>Adjusted</u> <u>Change</u>
Senator John A. Cade Funding Formula	\$194,407	\$200,844	\$199,172	\$4,765
Miscellaneous Grants	19,862	18,170	17,351	-2,511
Retirement	48,785	54,907	45,456	-3,329
Total	\$263,055	\$273,920	\$261,979	-\$1,075

Source: Governor’s Budget Books, Fiscal 2013; Senate Bill 152 – Budget Reconciliation and Financing Act of 2012

The exhibit also shows the funding levels after accounting for contingent reductions proposed by the Governor. The Cade formula increases \$4.8 million while the miscellaneous grants and retirement programs decline \$6.0 million. The net change is a decline of \$1.1 million.

Calculating the Fiscal 2013 Appropriation in BRFA

The fiscal 2013 allowance and the BRFA of 2012 set funding by college at a level above what statute would have appropriated. The fiscal 2013 statutory formula percentage of 19% appropriates \$196.1 million after accounting for the hold harmless provision. Funding under the BRFA of 2012 instead starts with each college’s fiscal 2012 appropriation and adds its share of the KMCCA Grant for a total of \$199.2 million. **Exhibit 6** details how the fiscal 2013 appropriation was determined for each college.

Exhibit 6
Analysis of Fiscal 2013 Allowance
Community College Cade Funding

<u>College</u>	Starting Point	+ KMCCA	= BRFA Funding Levels	%	%	% Change
	Working Appropriation Fiscal <u>2012</u>	KMCCA Fiscal <u>2012</u>	Adjusted Fiscal <u>2013</u>	Change (Adj.) Fiscal <u>2012-13</u>	Change Enrollment Fiscal <u>2012-2013</u>	(Adj.) \$/FTES Fiscal <u>2012-2013</u>
Allegany	\$4,702,063	\$71,559	\$4,773,622	1.5%	2.3%	-0.8%
Anne Arundel	26,648,864	586,465	27,235,329	2.2%	3.4%	-1.1%
Baltimore County	33,670,348	728,018	34,398,366	2.2%	4.2%	-1.9%
Carroll	6,697,291	154,224	6,851,515	2.3%	6.6%	-4.1%
Cecil	4,554,005	91,746	4,645,751	2.0%	1.2%	0.8%
College of Southern Maryland	10,581,813	320,767	10,902,580	3.0%	7.7%	-4.3%
Chesapeake	5,564,701	111,114	5,675,815	2.0%	1.2%	0.8%
Frederick	7,892,197	253,451	8,145,648	3.2%	5.0%	-1.7%
Garrett	2,217,255	29,454	2,246,709	1.3%	4.7%	-3.2%
Hagerstown	6,812,015	153,049	6,965,064	2.2%	5.1%	-2.7%
Harford	9,719,168	271,638	9,990,806	2.8%	-0.9%	3.7%
Howard	12,290,083	294,402	12,584,485	2.4%	7.5%	-4.7%
Montgomery	34,982,472	1,016,081	35,998,553	2.9%	2.2%	0.7%
Prince George's	21,484,279	528,795	22,013,074	2.5%	5.5%	-2.8%
Wor-Wic	6,590,878	157,919	6,748,797	2.4%	5.5%	-3.0%
Total	\$194,407,432	\$4,768,682	\$199,176,114	2.5%	4.0%	-1.5%

FTES: full-time equivalent student

KMCCA: Keeping Maryland Community Colleges Affordable

Note: Figures account for a technical correction to the distribution of the Keeping Maryland Community Colleges Affordable Grant in the Budget Reconciliation and Financing Act of 2012.

Source: Governor's Budget Books, Fiscal 2013; Senate Bill 152 – Budget Reconciliation and Financing Act of 2012

The Cade formula distributes funding based on a number of factors, but enrollment is a major component. If a college grows faster than others, it will receive a greater share of the appropriation. Under the 19% formula percentage, three colleges would receive more in fiscal 2013 than 2012: the Community College of Baltimore County (CCBC), Howard Community College (HCC), and

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Prince George's Community College (PGCC). The contingent reductions in the BRFA of 2012 reduce these three colleges' appropriations to their fiscal 2012 level before adding on their share of KMCCA Grant.

Cade formula funding increases 2.5% as a result of the BRFA of 2012, its first increase since fiscal 2010. However, FTES enrollment grew 4.0%. As a result, funding per FTES declines 1.5%.

Out-year Changes to Statute in BRFA

Exhibit 7 shows the current statutory formula percentages for the out-years. Fiscal 2013 and 2014 are set at 19% before gradually phasing up to 29% in fiscal 2023 and thereafter. The BRFA of 2012 revises the formula, setting fiscal 2013 at \$199.2 million, which equates to \$1,839 per FTES. Fiscal 2014 through 2017 sets per-FTES funding at that level, delinking community college support from the State's support of public four-year institutions.

As the fiscal 2013 adjusted allowance includes the prior year's KMCCA Grant in each college's base, the Cade formula is above statutory funding levels in fiscal 2013 and 2014. Savings start in fiscal 2015 and grow to \$49.8 million by fiscal 2017. The calculation returns to a formula percentage the following year and phases up to the full funding percentage of 29% in fiscal 2023, the same year as current statute. Annual increases are modest from fiscal 2014 through 2017, and the effective formula percentage in fiscal 2017 is 18.0%. The BRFA of 2012 sets the fiscal 2018 formula at 19.7%, which results in a projected \$34.2 million increase over fiscal 2017. The formula percentages increase by 2 percentage points a year after fiscal 2019, which will also likely result in significant year-to-year increases.

Exhibit 7
Senator John A. Cade Funding Levels and Projected Appropriations

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	\$ Change 2013- 2019	% Change 2013- 2019
Current Statute														
Funding Level ¹	–	19.0%	19.0%	19.5%	21.0%	22.0%	23.0%	24.0%	25.0%	26.0%	27.5%	29.0%		
Funding per FTES	\$1,868	\$1,775	\$1,815	\$1,905	\$2,102	\$2,255	\$2,415	\$2,586					\$718	38.4%
Appropriation ²	\$194,407	\$196,079	\$209,517	\$222,422	\$248,615	\$270,389	\$297,586	\$323,376					\$128,969	66.3%
Budget Reconciliation and Financing Act														
Funding Level ^{1,3}	–	–	–	–	–	–	19.7%	21.0%	23.0%	25.0%	27.0%	29.0%		
Funding per FTES	\$1,868	\$1,839	\$1,839	\$1,839	\$1,839	\$1,839	\$2,068	\$2,262					\$395	21.1%
Appropriation ²	\$194,407	\$199,176	\$210,991	\$214,680	\$217,586	\$220,562	\$254,759	\$282,954					\$88,547	45.5%
Difference ²	\$0	3,097	1,474	-7,742	-31,029	-49,827	-42,827	-40,422						

FTES: full-time equivalent students

¹ The fiscal 2012 funding level was set in statute at \$194.4 million, which equates to a 19.9% funding formula percentage.

² Dollars are in thousands. Under current statute, fiscal 2013 through 2015 include hold harmless funding. Under the Budget Reconciliation and Financing Act (BRFA) of 2012, fiscal 2013 to 2014 include hold harmless funding

³ The BRFA of 2012 sets the funding level in fiscal 2013 and specified per-student funding in fiscal 2014 through 2017 at \$1,839 per full-time equivalent student. The effective formula percentages are fiscal 2013: 19.7%; fiscal 2014: 19.3%; fiscal 2015: 18.81%; fiscal 2016: 18.4%; and fiscal 2017: 18.0%. After fiscal 2017, the BRFA sets formula percentages as shown in the exhibit.

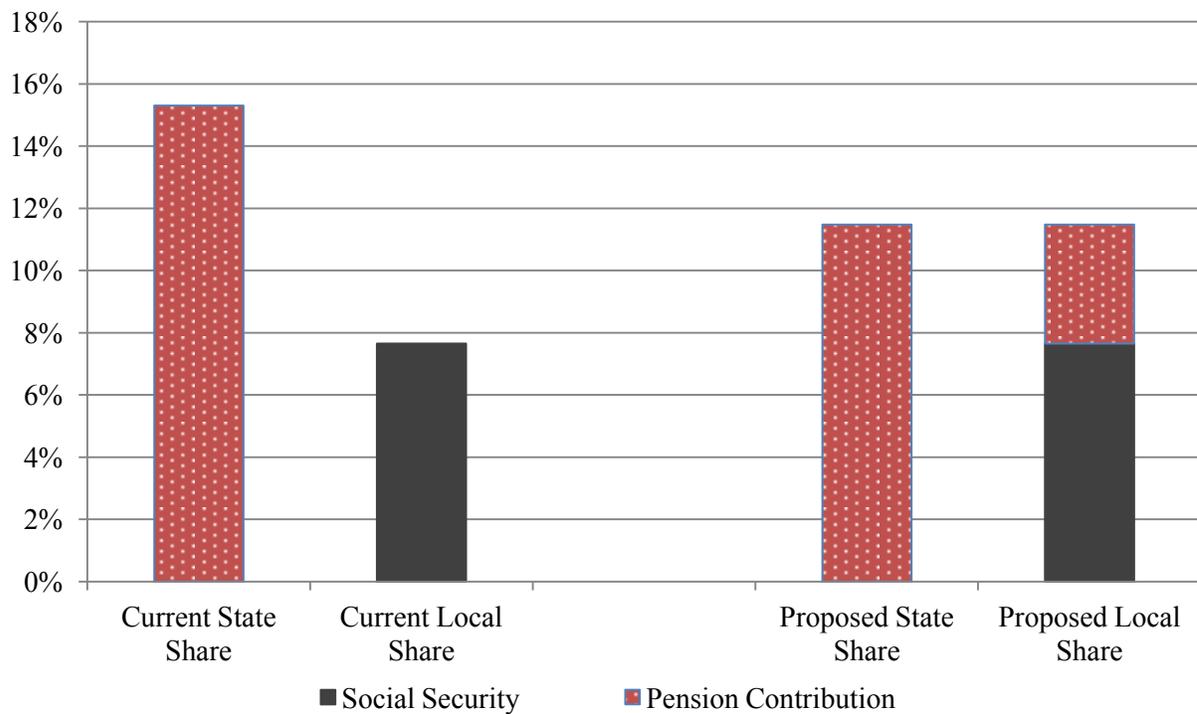
Source: Governor’s Budget Books, Fiscal 2013; Senate Bill 152 – Budget Reconciliation and Financing Act of 2012; Department of Legislative Services

Retirement Cost Shift

The other significant change to community college funding in the BRFA of 2012 is an increase in the local share of the Teachers' Retirement program. Before fiscal 2012, the State covered 100% of retirement costs. The BRFA of 2011 began to charge community colleges for the administrative costs of employee retirement accounts at the State Retirement Agency, although the State continued to pay for benefits.

The BRFA of 2012 proposes to split evenly the costs for employees who are in the Teachers' Retirement program, which includes not only the retirement program but also the employer Social Security costs that are currently paid by the colleges. **Exhibit 8** shows the current contribution rates paid by the State and the colleges and the BRFA's effect.

Exhibit 8
Changes to Teachers' Retirement in Fiscal 2013



Note: Local Share – community colleges pay the Social Security costs. Under the BRFA, the counties would pay a share of the pension costs.

Source: Senate Bill 152 – Budget Reconciliation and Financing Act of 2012; Department of Legislative Services

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The State contribution rate declines from 15.3% to 11.48% in fiscal 2013, and those costs are shifted to the county governments. The community colleges will continue to pay Social Security expenses. State retirement costs are lowered by \$9.5 million, as shown in **Exhibit 9**. The exhibit shows how much the State pays on behalf of each county under current law and after proposed changes. The impact is greatest for counties with larger community colleges.

Exhibit 9
Impact of Proposed Change to Retirement

	<u>Current Law</u>	<u>After BRFA</u>	<u>Difference</u>
Allegany	\$1,570,425	\$1,177,819	-\$392,606
Anne Arundel	3,987,003	2,990,252	-996,751
Baltimore	6,267,617	4,700,713	-1,566,904
Calvert	352,177	264,133	-88,044
Caroline	222,984	167,238	-55,746
Carroll	795,427	596,570	-198,857
Cecil	487,455	365,591	-121,864
Charles	1,167,361	875,521	-291,840
Dorchester	192,267	144,200	-48,067
Frederick	1,339,211	1,004,408	-334,803
Garrett	341,831	256,373	-85,458
Harford	1,520,369	1,140,277	-380,092
Howard	2,262,297	1,696,723	-565,574
Kent	88,370	66,278	-22,092
Montgomery	9,287,690	6,965,767	-2,321,923
Prince George's	4,842,452	3,631,839	-1,210,613
Queen Anne's	245,780	184,335	-61,445
St. Mary's	396,578	297,434	-99,144
Somerset	96,199	72,149	-24,050
Talbot	214,132	160,599	-53,533
Washington	1,224,293	918,220	-306,073
Wicomico	644,268	483,201	-161,067
Worcester	257,018	192,764	-64,254
Total	\$37,803,203	\$28,352,403	-\$9,450,800

BRFA: Budget Reconciliation and Financing

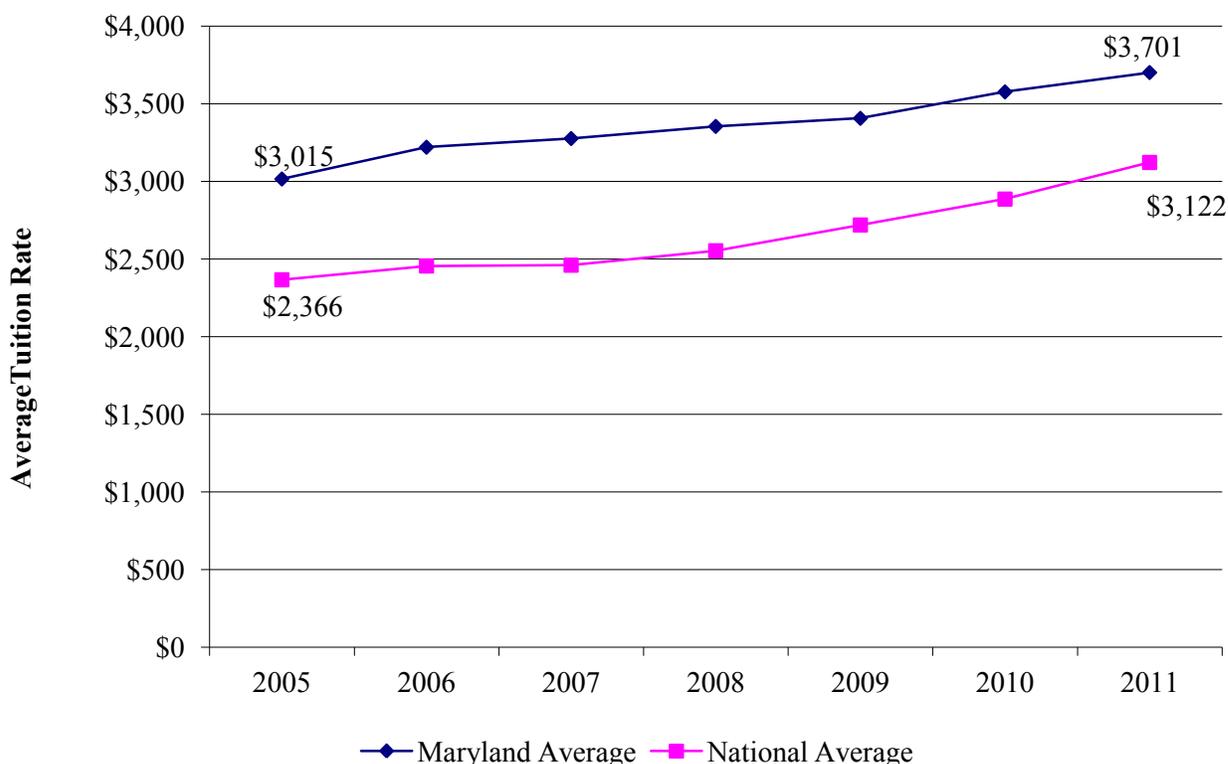
Source: Senate Bill 152 – Budget Reconciliation and Financing Act of 2012; Department of Legislative Services

Issues

1. Affordability of State’s Community Colleges

Community colleges offer a lower cost entry into higher education compared to four-year institutions. In Maryland, the average public four-year institution’s tuition and fee rate was \$7,888 in fall 2011 compared to \$3,701 at the State’s community colleges, 47% lower. However, Maryland’s community college tuition and fee rates are higher than average when compared nationally. **Exhibit 10** shows the difference from fall 2005 to 2011. Although the gap has narrowed nearly 30% over the past five years, Maryland was \$579 more expensive than the national average in fall 2011.

Exhibit 10
Community College Tuition and Fee Rates
Maryland and National Average
Fall 2005-2011



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

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Although the average student paid \$3,701 in fall 2011, **Exhibit 11** shows that prices ranged from \$2,755 at Harford College to \$4,380 at Montgomery College, with a statewide simple average of \$3,482. The exhibit also shows that changes for fall 2011 averaged 2.7%, or \$92 statewide. This is down from 5.1% and \$167 for fall 2010. It should be noted that the exhibit shows PGCC and Baltimore City Community College (BCCC) with small reductions – this is due to a change in how the colleges calculated full-time student fee rates, not a reduction in rates.

Exhibit 11
Community College Tuition and Fee Rates for Full-time, In-county Students
Fall 2010-2011

<u>College</u>	<u>Fall 2010</u>	<u>Fall 2011</u>	<u>\$ Change</u> <u>2010-2011</u>	<u>% Change</u> <u>2010-2011</u>
Montgomery	\$4,272	\$4,380	\$108	2.5%
Howard	4,063	4,160	97	2.4%
Prince George's	4,045	4,020	-25	-0.6%
Southern MD	3,874	3,948	74	1.9%
Frederick	3,621	3,806	185	5.1%
Chesapeake	3,544	3,754	210	5.9%
Baltimore	3,402	3,742	340	10.0%
Carroll	3,624	3,696	72	2.0%
Garrett	3,315	3,450	135	4.1%
Hagerstown	3,320	3,440	120	3.6%
Allegany	3,414	3,414	0	0.0%
Anne Arundel	3,010	3,160	150	5.0%
Baltimore City	3,030	3,000	-30	-1.0%
Wor-Wic	2,898	2,951	53	1.8%
Cecil	2,940	2,940	0	0.0%
Harford	2,755	2,755	0	0.0%
Simple Average	\$3,390	\$3,482	\$92	2.7%

Note: Prince George's Community College and Baltimore City Community College have modest decreases due to a change in how the colleges calculate full-time student fee rates.

Source: Maryland Association of Community Colleges

Including PGCC and BCCC, five community colleges held rates flat. This is different from last year, when all colleges increased rates. The largest increase in fall 2011 is at the Community College of Baltimore County, which grew \$340, or 10%.

Keeping Maryland Community Colleges Affordable Grant

The fiscal 2012 budget included a new miscellaneous grant program, the KMCCA Grant. The purpose of the \$5 million grant was to limit tuition increases at community colleges. To be eligible, colleges had to limit tuition increases to 3% or less for the 2011-2012 academic year. Every community college participated in the grant (the increases above 3.0% shown in Exhibit 9 are the result of fee increases above 3%).

Exhibit 12 shows the distribution of the fiscal 2012 KMCCA Grant. The funding was distributed based on in-county credit FTES enrollments that are eligible for State funding under the Cade formula.

Exhibit 12 Keeping Maryland Community Colleges Affordable Grant Fiscal 2012 Funding

<u>College</u>	<u>Grant Amount</u>
Allegany	\$71,559
Anne Arundel	586,465
Baltimore County	728,018
Carroll	154,224
Cecil	91,746
College of Southern Maryland	320,767
Chesapeake	111,114
Frederick	253,451
Garrett	29,454
Hagerstown	153,049
Harford	271,638
Howard	294,402
Montgomery	1,016,081
Prince George's	528,795
Wor-Wic	157,919
Subtotal	\$4,768,682
Baltimore City	\$231,318
Total	\$5,000,000

Source: Department of Budget and Management

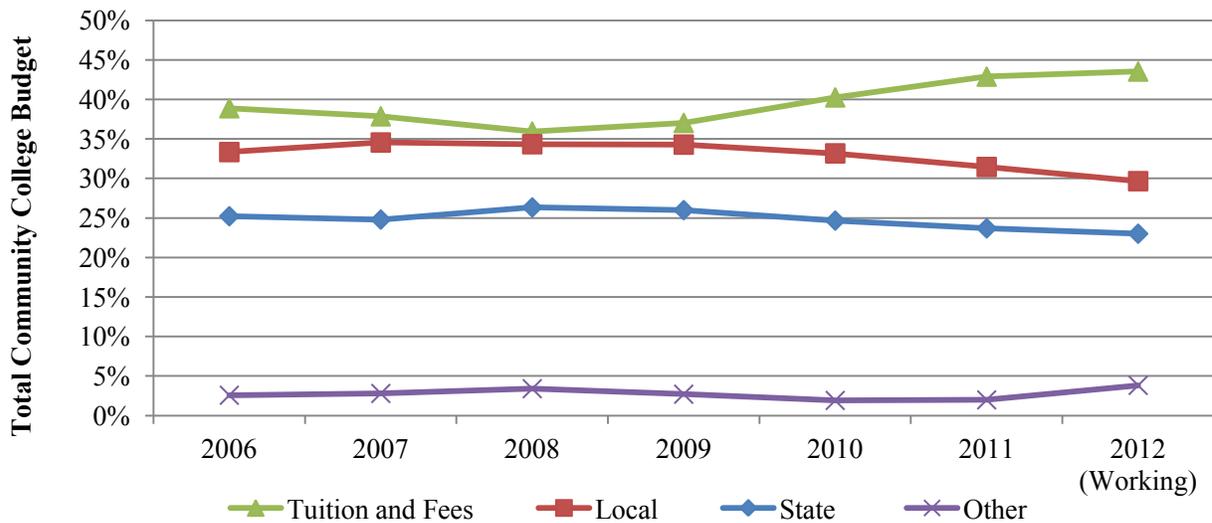
The Governor's allowance includes this funding in the fiscal 2013 appropriation. It also continues the grant at \$2.5 million. However, eligibility stays the same, tuition increases must be 3.0% or less. The community colleges have not set their fall 2012 tuition rates yet. **The colleges should comment on whether they plan to hold tuition increases to 3% in fiscal 2013.**

Some colleges may choose not to participate, and in the event few do, those that do would split the entire \$2.5 million grant. If the funding continues in fiscal 2014 the same way as in fiscal 2013, these funds will be added to the colleges’ base appropriation for the Cade formula. **To smooth budgeting from year to year, the Department of Legislative Services recommends adding budget language limiting the amount a college can receive from the grant in fiscal 2013 to 2% of estimated tuition revenue and prorating the grant if that amount exceeds \$2.5 million, the proposed KMCCA Grant amount in fiscal 2013.** This action aligns the grant with the distribution of tuition replacement money for public four-year colleges in the Governor’s allowance.

2. Local Governments Reducing Appropriations

As community colleges are local entities, State support makes up a smaller percentage of a community college’s budget than at a four-year college. **Exhibit 13** shows graphically the share of unrestricted community college budgets from fiscal 2006 to 2012. The State share stayed near or above 25% until fiscal 2010, when it fell below that rate. In fiscal 2011, it was 24% of the community college budgets. The share from tuition and fee revenue has grown since fiscal 2008 and was 43% in fiscal 2011. Local funding approached 35% in fiscal 2007 but then began to fall at a faster rate than State appropriations. In fiscal 2011, local funding was 31% of community college budgets.

Exhibit 13
Share of Community College Budgets
Fiscal 2006-2012



Note: Figures do not include auxiliary revenues.

Source: Maryland Higher Education Commission

Exhibit 14 shows the change in State and local funding of community colleges between fiscal 2011 and 2012. Local budgets are set after State appropriations are made, so fiscal 2013 figures are not yet available. Between fiscal 2011 and 2012, State funding is level at \$194.4 million.

Local funding fell \$8.2 million, or 2.6%, in fiscal 2012. The largest reductions were at Anne Arundel Community College (AACC) and Montgomery College, where appropriations fell \$5.3 million and \$3.7 million, respectively. Some counties also required colleges to use their fund balance in lieu of local funds. For example, AACC used \$1.1 million in additional fund balance transfers to make up for county budget cuts.

Exhibit 14 also shows six local appropriations that increase and two that are level funded between fiscal 2011 and 2012. However, like State appropriations, there are no local appropriations that are keeping up with enrollment growth. **Exhibit 15** shows local appropriations per FTES. While enrollment grew 2.6% between fiscal 2011 and 2012, funding per FTES fell by 4.4%, the biggest changes were at Garrett College and AACC, which declined 11.3 and 17.6% per FTES, respectively. **The Secretary and community colleges should comment on how local funding impacts community college budgets.**

Maintenance of Effort Returns

A county government is required to maintain or increase the total dollar support for the local community college or risk losing an increase in State support, a concept known as maintenance of effort. Since the State held Cade funding level in fiscal 2012, the counties were not at risk of losing State funds. Exhibit 14 shows some counties chose to reduce their appropriations as a result. The fiscal 2013 adjusted allowance represents the first across-the-board increase to colleges under the Cade formula since fiscal 2010, but if county governments do not maintain support, they will forfeit that increase in State funding.

Exhibit 14
State and Local Support of Community Colleges
Fiscal 2011-2012

State Funding

<u>College</u>	<u>2011</u>	<u>2012 Working</u>	<u>\$ Change 2011-2012</u>	<u>% Change 2011- 2012</u>
Allegany	\$4,702,063	\$4,702,063	\$0	0.0%
Anne Arundel	26,648,864	26,648,864	0	0.0%
Baltimore	33,670,348	33,670,348	0	0.0%
Carroll	6,697,291	6,697,291	0	0.0%
Cecil	4,554,005	4,554,005	0	0.0%
College of Southern Maryland	10,581,813	10,581,813	0	0.0%
Chesapeake	5,564,701	5,564,701	0	0.0%
Frederick	7,892,197	7,892,197	0	0.0%
Garrett	2,217,255	2,217,255	0	0.0%
Hagerstown	6,812,015	6,812,015	0	0.0%
Harford	9,719,168	9,719,168	0	0.0%
Howard	12,290,083	12,290,083	0	0.0%
Montgomery	34,982,472	34,982,472	0	0.0%
Prince George's	21,484,279	21,484,279	0	0.0%
Wor-Wic	6,590,878	6,590,878	0	0.0%
Total	\$194,407,432	\$194,407,432	\$0	0.0%

Local Funding

<u>College</u>	<u>2011</u>	<u>2012 Working</u>	<u>\$ Change 2011-2012</u>	<u>% Change 2011- 2012</u>
Allegany	\$7,425,000	\$7,425,000	\$0	0.0%
Anne Arundel	33,822,700	28,556,400	-\$5,266,300	-15.6%
Baltimore	38,262,759	38,462,795	\$200,036	0.5%
Carroll	8,491,840	8,623,310	\$131,470	1.5%
Cecil	8,043,864	8,025,308	-\$18,556	-0.2%
College of Southern Maryland	15,740,796	16,398,594	\$657,798	4.2%
Chesapeake	5,885,591	5,885,590	-\$1	0.0%
Frederick	13,532,829	13,534,392	\$1,563	0.0%
Garrett	4,293,252	4,273,000	-\$20,252	-0.5%
Hagerstown	9,045,010	8,865,010	-\$180,000	-2.0%
Harford	14,512,764	14,961,612	\$448,848	3.1%
Howard	25,195,470	25,951,335	\$755,865	3.0%
Montgomery	99,589,930	95,848,755	-\$3,741,175	-3.8%
Prince George's	30,245,200	29,245,200	-\$1,000,000	-3.3%
Wor-Wic	4,441,762	4,307,360	-\$134,402	-3.0%
Total	\$318,528,767	\$310,363,661	-\$8,165,106	-2.6%

Source: Department of Legislative Services; Maryland Higher Education Commission

Exhibit 15
Local Support per Full-time Equivalent Student
Fiscal 2011-2012

	<u>2011</u>	<u>2012</u>	<u>% Dollar Growth 2011-2012</u>
Allegany	\$3,877	\$3,854	-0.6%
Anne Arundel	2,278	1,876	-17.6%
Baltimore	1,901	1,873	-1.5%
Carroll	2,537	2,467	-2.8%
Cecil	3,890	3,786	-2.7%
Chesapeake	2,255	2,120	-6.0%
College of Southern Maryland	2,546	2,582	1.4%
Frederick	2,937	2,771	-5.6%
Garrett	5,791	5,136	-11.3%
Hagerstown	2,751	2,779	1.0%
Harford	2,691	2,662	-1.1%
Howard	3,399	3,369	-0.9%
Montgomery	5,141	4,956	-3.6%
Prince George's	2,317	2,192	-5.4%
Wor-Wic	1,340	1,410	5.2%
Average	\$2,942	\$2,811	-4.4%

Source: Maryland Higher Education Commission; Department of Legislative Services

3. Follow-up on Incentives to Complete an Associate's Degree Prior to Transfer

The budget committees have been very interested in higher education institutions encouraging community college students to complete an associate's degree before transferring to four-year institutions. This will help the State reach its degree completion goal and, in the event the student does not graduate from the four-year college, ensures he or she does not leave higher education with debt but no degree.

R62I0005 – Aid to Community Colleges

The 2010 *Joint Chairmen's Report* (JCR) asked for the State's higher education segments to report on ways this can be accomplished. The report focused on financial incentives, regulatory and institutional changes, and best practices nationwide. Some of the findings included expanding the Distinguished Scholars Community College Transfer Program and changing the guaranteed transfer to the University System of Maryland (USM). The report also suggested that community colleges separate diploma fees from graduation ceremony fees to lower the costs of obtaining a degree once all requirements are met.

The 2011 JCR asked for an update on what had been accomplished over the past year. Progress has been limited. However, the report points to a new program at CCBC that awards completion scholarships to students who have over 40 credits and that other colleges are considering a similar program.

Other items requiring new money have not moved forward, like increased funding for the Distinguished Scholars Community College Transfer Program or other programs to offer tuition discounts to students with an associate's degree. USM pointed out that its Regents Scholarship funding for transfer students from community colleges is only available for students with an associate's degree and that these students have priority over transfer students from four-year colleges.

On institutional changes, colleges are working on a way to use their databases to identify students who have completed all requirements but have not yet officially graduated. The colleges would automatically award the student a degree. Without an automated system, this is a very labor-intensive endeavor. BCCC started this process manually and has awarded over 100 degrees based on their findings.

Pilot programs on reverse transfer are also occurring. The University of Maryland University College developed a transcript analysis process that can identify transfer students who have completed associate's degree requirements, and the university has entered agreements with two community colleges to grant awards for these students. Salisbury University (SU) and Wor-Wic Community College also have a partnership to transfer back SU credits earned by community college transfer students and award an associate's degree when all requirements are satisfied.

Finally, USM and MACC are considering a formal change to the guaranteed admissions policy, changing it from 56 credits or an associate's degree to only an associate's degree. This would be an easy, no-cost change that could give incentives to community colleges to complete their degree before transfer. Other items requiring new money will likely have to wait until the State's economic condition is fully recovered.

Recommended Actions

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

~~, provided that this appropriation shall be reduced by \$2,490,430 contingent upon the enactment of the Budget Reconciliation and Financing Act.~~

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

- | | <u>Amount
Reduction</u> | |
|--|------------------------------------|----|
| 2. Reduce the formula grant by \$1,667,434. This is consistent with the Administration's proposed action for the community college formula in the Budget Reconciliation and Financing Act, which is to allow growth at each college over fiscal 2012 by the amount of each college's share of the Keeping Maryland Community College's Affordable (KMCCA) Grant. The amount accounts for a technical correction to the distribution of the KMCCA Grant. | \$ 1,667,434 | GF |
| 3. Reduce the English for Speakers of Other Languages grant by \$818,887. This is consistent with the Administration's proposed reduction to the grant in the Budget Reconciliation and Financing Act. | 818,887 | GF |
| 4. Add the following language to the general fund appropriation:

<u>, provided that no college shall receive more than the equivalent of 2% of estimated tuition revenue in fiscal 2013 for its share of the Keeping Maryland Colleges Affordable (KMCCA) Grant. Further provided that if the equivalent of 2% of estimated tuition revenue in fiscal 2013 for all participating colleges exceeds the appropriation for the KMCCA Grant, the grant shall be distributed to each participating college on a pro rata share of overall tuition revenue of participating colleges.</u> | | |

Explanation: The KMCCA Grant is intended to help community colleges limit in-county tuition increases to 3% or less. For most public four-year institutions, the budget includes funding equal to a 2% increase of in-state tuition in exchange for holding tuition increases to 3%. As a result, public four-year institutions realize the revenue equivalent to a 5% increase in tuition for in-state students, while the rates paid by in-state students increase only 3%.

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This action will allow community colleges to increase their in-county tuition rates 3% and receive revenue equal to an additional 2% increase through the KMCCA Grant, for a total realized revenue of a 5% increase from in-county students. If the equivalent of a 2% increase in tuition for participating colleges exceeds the \$2.5 million appropriated for the grant program, the funding will be distributed based on a pro rata share of the overall tuition revenue of participating colleges. Any funds remaining in the KMCCA Grant at the end of the fiscal year shall revert to the general fund.

5. Adopt the following narrative:

Institutional Aid by Expected Family Contribution Category: The committees request that the Maryland Association of Community Colleges (MACC) compile and submit to the budget committees institutional aid awards data from Maryland’s community colleges excluding Baltimore City Community College, which is a State agency and is receiving this request individually. The data should include the number of institutional aid awards and average award size by expected family contribution (EFC) for institutional grants, institutional athletic scholarships, and other institutional scholarships as reported to the Maryland Higher Education Commission for fiscal 2007 to 2012. The data in the response should differentiate between need-based aid and merit scholarships. Data should also include the number of institutional aid awards and average award size by EFC for tuition waivers/remissions of fees to employees and dependents for fiscal 2012.

Information Request	Author	Due Date
Report of institutional aid by EFC category	MACC	December 14, 2012

6. Adopt the following narrative:

Loan Data by Expected Family Contribution: In order to more fully understand all of the types of aid available to students, the committees request that the Maryland Association of Community Colleges (MACC) compile from the community colleges and report to the budget committees undergraduate loan data, excluding Baltimore City Community College, which is a State agency and is receiving this request individually. The data should include, by expected family contribution (EFC), the number of loans and average loan size of federally subsidized and unsubsidized loans, and loans from private sources as reported to the Maryland Higher Education Commission for fiscal 2012. Additionally, data should be provided on Pell Grants including the number and average award size by EFC for fiscal 2012.

Information Request	Author	Due Date
Loan data by EFC	MACC	December 14, 2012

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7. Concur with the following language on the general fund appropriation:

, provided that this appropriation shall be reduced by \$9,450,801 contingent upon enactment of the Budget Reconciliation and Financing Act.

Explanation: This action concurs with the Governor’s proposed changes to Teachers’ Retirement and results in a general fund reduction of \$9,450,801. That amount in retirement costs would be covered by county governments.

Total General Fund Reductions **\$ 2,486,321**

Updates

1. College Placement Exams in High School

The best way to reduce remediation rates of students graduating from high school is for them to graduate ready to start college-level coursework. Although the requirements for high school graduation do not match requirements for starting credit-bearing coursework, some Maryland colleges are working with local school districts to identify students who are not ready for college in their junior or senior years, usually with placement testing.

A 2011 JCR item requested community colleges and USM to report on how colleges are working with local school districts in this manner. The report, submitted in November 2011, includes all collaborations between colleges and high schools like college open houses and dual enrollment programs. With regard to placement testing, the report revealed eight active programs at six colleges, with a seventh in the proposal stage.

The placement exams administered are typically the Accuplacer Exam, which is used by community colleges for placement into developmental or college-level math, or the Accuplacer Diagnostic Exam, which can identify exactly where students are deficient and allow schools to target their weaknesses and help the student become college ready.

Active Programs

- The Meade Succeeds program is a collaboration between AACC and Meade High School to test grade 12 English Language Learning and Individualized Education Program students using the Accuplacer Diagnostic Exam. The goal is to increase success in Algebra II and reduce developmental math rates at AACC.
- AACC also runs the McCabe Bridge Partnership Program, which includes all county public schools. All students' grades 10-12 in the Advancement Via Individual Determination (AVID) program take the Accuplacer Placement exam, and online tutoring is used with the goal of making these students college-ready by the end of their senior year. There were 818 AVID students participating last year.
- Carroll Community College offers placement testing for juniors who are interested in dual-enrollment with the college in their senior year. The results allow the students to correct any deficiencies before senior year.
- All high school juniors in Cecil County complete the Compass placement exam with the results used by the high school to address student deficiencies before graduation.

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- HCC administers the Accuplacer Placement Exam to juniors in the basic level English class. Depending on the results, students may be placed in College Writing at HCC, Advanced Placement at their high school, or in courses designed to make them college-ready.

HCC also works with three high schools on testing students with Accuplacer's math placement exam and may expand to more schools in the future.

- Montgomery College offers the Accuplacer Diagnostic Exam to seniors who want to go to the college the next year and would otherwise be placed in developmental math, English, or reading based on the Scholastic Aptitude Test (SAT) or the American College Testing (ACT) scores, or for students do not have an SAT or ACT score. High schools can then focus on the student's needs to make him or her college-ready by the time they graduate.
- The University of Maryland, College Park (UMCP) offers high schools a free diagnostic math placement exam, the Maryland Early Math Placement Test. UMCP scores the exams and gives high schools information on individual student's needs. It is usually taken by high school juniors so the high schools can address student needs before graduation, but UMCP reports that the number of high schools using the free exam is much lower than it was 10 years ago. The exam is taken on paper but will be online within the year.

Proposed Programs

- The University of Baltimore (UB) is working on an agreement with Baltimore City Public Schools to administer the Accuplacer Diagnostic Exam to all students who are not in advanced math, reading, or English courses. UB would design responses for schools based on a student's scores with the ultimate goal of reducing developmental education rates and having many students dually enrolled with UB.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2011					
Legislative Appropriation	\$256,115	\$0	\$0	\$0	\$256,115
Deficiency Appropriation	2,000	0	0	0	2,000
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-1	0	0	0	-1
Actual Expenditures	\$258,114	\$0	\$0	\$0	\$258,114
Fiscal 2012					
Legislative Appropriation	\$262,297	\$0	\$0	\$0	\$262,297
Budget Amendments	0	758	0	0	758
Working Appropriation	\$262,297	\$758	\$0	\$0	\$263,055

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

Fiscal 2011

The legislative appropriation totaled \$256,115,238, which includes funding for the Senator John A. Cade Funding Formula, retirement programs, and other miscellaneous grant programs. There was also a \$2,000,000 deficiency appropriation to address a growing liability in the Statewide and Health Manpower Grant Program.

Fiscal 2012

A \$757,694 special fund budget amendment represented the local share of retirement costs, which pay for the administration of community college retirement accounts.

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

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 258,113,805	\$ 263,054,574	\$ 273,920,416	\$ 10,865,842	4.1%
Total Objects	\$ 258,113,805	\$ 263,054,574	\$ 273,920,416	\$ 10,865,842	4.1%
Funds					
01 General Fund	\$ 258,113,805	\$ 262,296,880	\$ 273,296,850	\$ 10,999,970	4.2%
03 Special Fund	0	757,694	623,566	-134,128	-17.7%
Total Funds	\$ 258,113,805	\$ 263,054,574	\$ 273,920,416	\$ 10,865,842	4.1%

Note: The fiscal 2012 appropriation does not include deficiencies. The fiscal 2013 allowance does not include contingent reductions.

**Fiscal Summary
Aid to Community Colleges**

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
05 Senator John A. Cade Funding Formula for Community Colleges	\$ 210,578,702	\$ 214,269,541	\$ 219,013,213	\$ 4,743,672	2.2%
06 Aid to Community Colleges – Fringe Benefits	47,535,103	48,785,033	54,907,203	6,122,170	12.5%
Total Expenditures	\$ 258,113,805	\$ 263,054,574	\$ 273,920,416	\$ 10,865,842	4.1%
General Fund	\$ 258,113,805	\$ 262,296,880	\$ 273,296,850	\$ 10,999,970	4.2%
Special Fund	0	757,694	623,566	-134,128	-17.7%
Total Appropriations	\$ 258,113,805	\$ 263,054,574	\$ 273,920,416	\$ 10,865,842	4.1%

Note: The fiscal 2012 appropriation does not include deficiencies. The fiscal 2013 allowance does not include contingent reductions.