# R62I0005
# Aid to Community Colleges

## *Operating Budget Data*

**($ in Thousands)**

| | FY 16 Actual | FY 17 Working | FY 18 Allowance | FY 17-18 Change | % Change Prior Year |
|---|---|---|---|---|---|
| General Fund | $301,839 | $314,335 | $319,553 | $5,218 | 1.7% |
| Adjustments | 0 | 0 | -1,547 | -1,547 | |
| **Adjusted General Fund** | **$301,839** | **$314,335** | **$318,006** | **$3,671** | **1.2%** |
| **Adjusted Grand Total** | **$301,839** | **$314,335** | **$318,006** | **$3,671** | **1.2%** |

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- There is a fiscal 2018 across-the-board contingent reduction for $1.5 million related to a supplemental pension payment. Unlike prior years, there are no deficiencies for the Statewide and Health Manpower grants or the Optional Retirement Program.

- Total State support for local community colleges increases $3.7 million, or 1.2%, due to a new $4.0 million one-time supplemental grant.

## *Analysis in Brief*

### Major Trends

***Successful Persister Rate Recovers:*** The successful persister rate for Maryland's community college students declined to 68.6% for the 2010 cohort, the lowest rate since at least the 2002 cohort. However, the 2011 cohort has increased to 70.8%. Since the majority of community college students require developmental education, raising the number of students who complete developmental education is key to reaching the State's degree completion goals.

***Achievement Gap Improves:*** The gap in the four-year graduation/transfer rate of minority students compared to all students increased 0.9 percentage points for the 2011 cohort. This gap remains smaller than it was in the 2006 cohort and earlier.

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

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## Issues

***Tuition, Fees, and Student Aid at Community Colleges:*** Though much more affordable than the State's public four-year institutions, Maryland's community colleges are more expensive than their national peers and are increasingly unaffordable for Marylanders from outside an institution's service area. Additionally, while there is a national push to make community colleges free after financial aid is applied, several institutions in Maryland have already done this.

***Small College Grants Revisited:*** Small College grants provide additional State support for smaller community colleges that may have more difficulty running a campus with much smaller student enrollment. The Small College grants were last set in fiscal 2003. Since then the enrollment growth has been uneven among the recipient colleges, but the relative distribution of the Small College grants has not mirrored enrollment change.

***Developments in Noncredit Education:*** About one-quarter of eligible students for the Senator John A. Cade Funding Formula take noncredit workforce training rather than traditional academic credit programs. This issue will explore the limitations of federal and State financial aid for these offerings, as well as what the Maryland Higher Education Commission is doing to provide more information on outcomes from these courses.

## Recommended Actions

1. Add language to reduce State support for local community colleges.

2. Add language to delete the new one-time supplemental grant.

3. Adopt narrative for a report on noncredit data.

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# Aid to Community Colleges

## *Operating Budget Analysis*

### Program Description

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

Additional grants are provided through the following programs.

- The Small Community College Grants are distributed to the smallest community colleges in order to provide relief from the disproportionate costs they incur. Chapter 284 of 2000 increased the grants distributed by the Maryland Higher Education Commission (MHEC) to seven small community colleges beginning in fiscal 2003. The amount of the unrestricted grants increase annually by the same percentage of funding per FTES at the selected institutions used by the Senator John A. Cade funding formula. Additional grants are received by Allegany College of Maryland and Garrett College. These Appalachian Mountain grants do not increase annually.

- The Statewide and Health Manpower (SHM) Grant programs permit some students to attend out-of-county community colleges and pay in-county tuition rates. The grants reimburse colleges for out-of-county tuition waivers. If funding in a single year is not enough to cover the entire program, MHEC prorates funding based on the number of participating students.

- The English for Speakers of Other Languages (ESOL) program provides funding for instructional costs and services for ESOL students. Funding is capped at $800 per eligible FTES and $8 million in total State aid for the program.

- The Garrett County/West Virginia Reciprocity Program allows West Virginia residents to attend Garrett College at in-county tuition rates and provides reimbursement for tuition waivers. The Somerset County Reimbursement Program similarly provides tuition waiver reimbursement to colleges permitting students who reside in a county with no community college to attend at in-county tuition rates.

Certain community college employees are eligible to participate in a defined benefit retirement plan maintained and operated by the State. Alternately, the employees may participate in the Optional Retirement Program (ORP), a defined contribution plan. Under current law, the State funds the costs associated with the various retirement plans, with the exception of State Retirement Agency (SRA) administration costs. However, there is a one-time deficiency for administrative costs in the fiscal 2018 budget bill that is discussed later in this analysis.

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

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

## Performance Analysis: Managing for Results

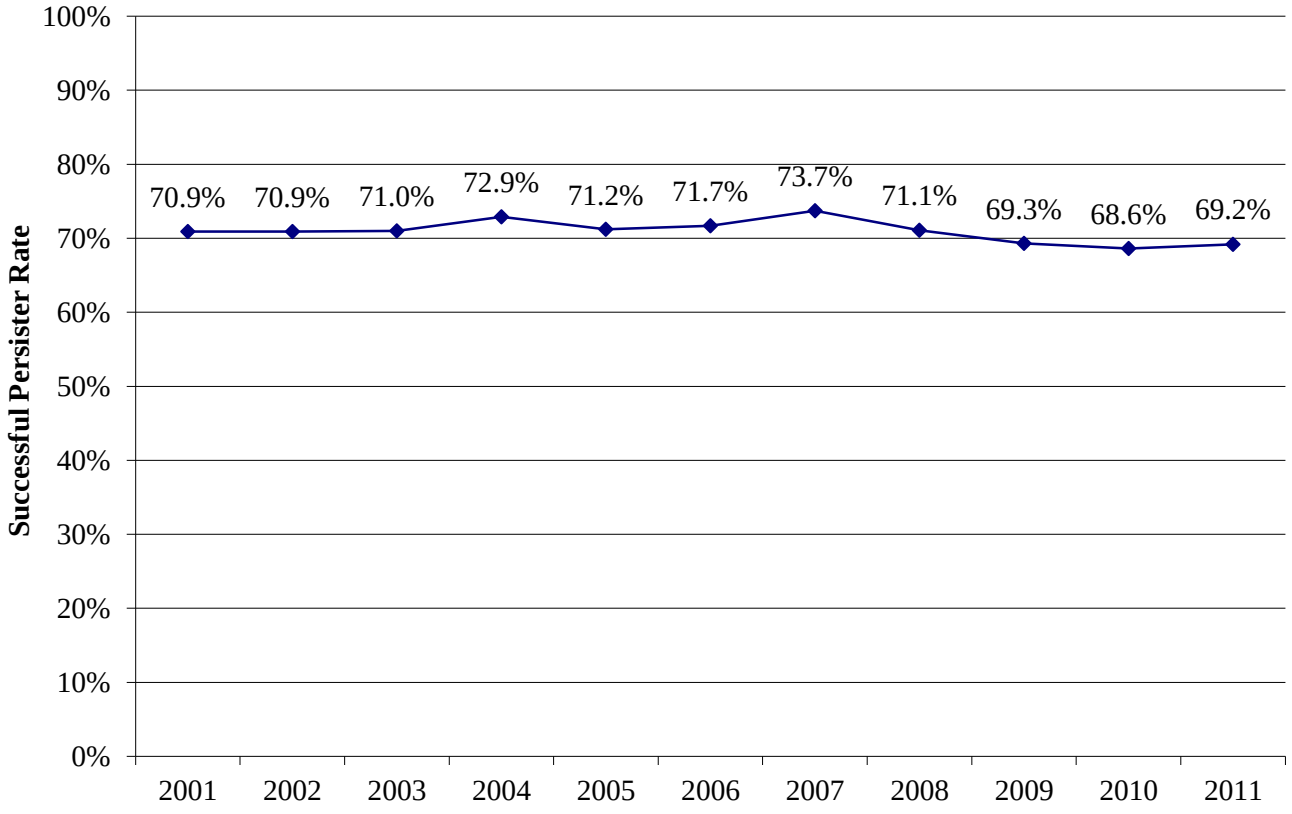
Students enrolling at community colleges often have different goals than those at traditional four-year institutions. Community college students tend to have higher developmental education needs, are more likely to enroll part-time, and may be less degree focused. With these differences, it is difficult to directly compare the outcomes between the two segments. For community college students, successful persister rates are used to measure student performance. A successful persister is a student who attempts at least 18 credits within the first two years, and who, after four years, is still enrolled, has graduated, or has transferred.

## 1. Successful Persister Rate Recovers

The statewide successful persister rate for the 2001 through 2011 cohorts is shown in **Exhibit 1**. From the 2007 cohort through the 2010 cohort, the rate had declined by 5.1 percentage points, which would seem to coincide with the economic recession. This may indicate that the larger cohorts entering during the recession years had poorer outcomes, even when using the very broad definition of success within the persistence rate. The 2011 cohort improved its success rate by 0.6 percentage points, putting the State rate below 70.0% for the third year in a row. This is the third lowest successful persister rate since 2001 and the rate had been as high as 76.7% in the 1999 cohort (not shown). While increasing this rate is necessary to meet the State's degree completion goals, the main takeaway across the last decade of cohorts has really been the lack of any trend up or down in this rate. **The Secretary of the Maryland Higher Education Commission and Director**

**of the Maryland Association of Community Colleges (MACC) should comment on why initiatives to date have not moved the needle of the successful persister rate and what the two-year sector will do going forward.**

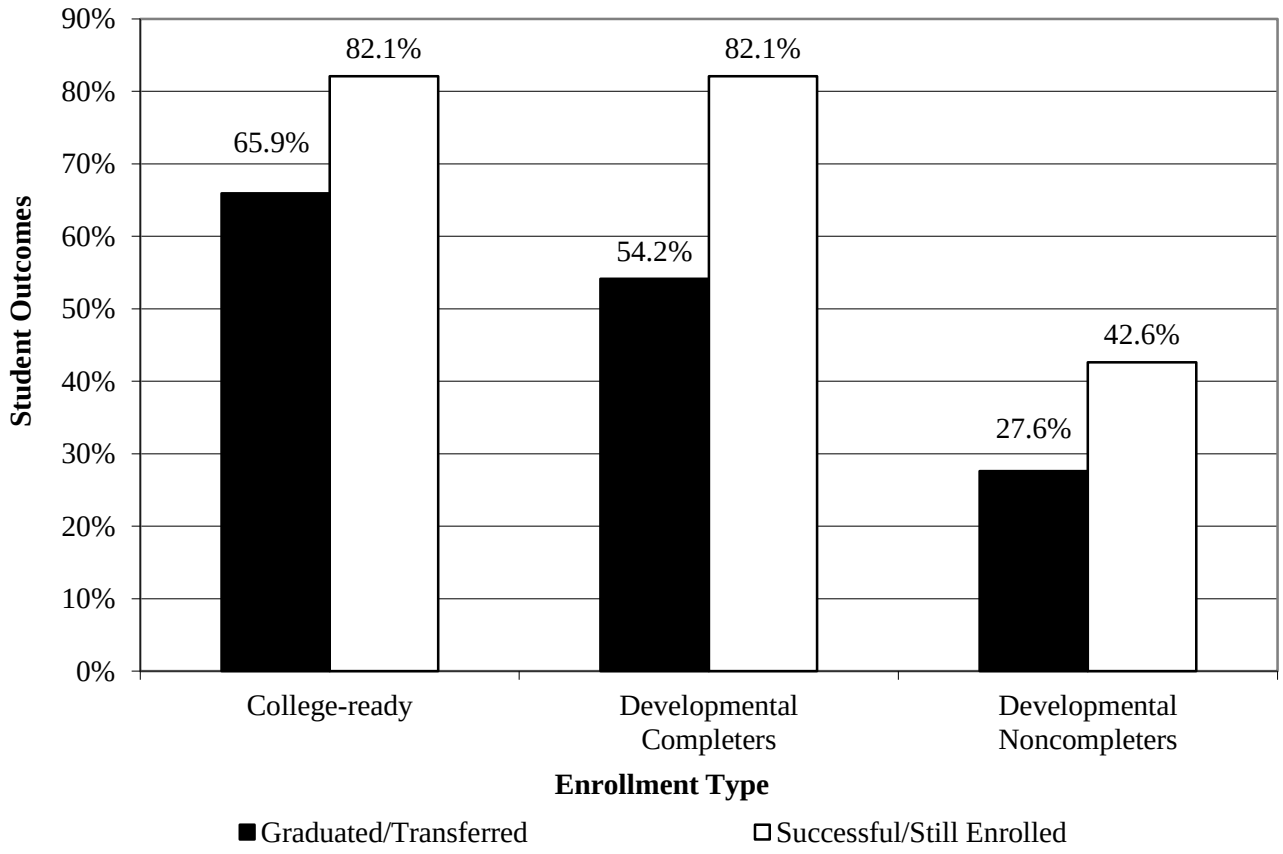
**Exhibit 1**
**Four-year Successful Persister Rate**
**2001-2011 Cohorts**




Source: Maryland Association of Community Colleges

The successful persister rates for three separate subgroups of students are tracked by MACC – college-ready students, developmental completers (students who require developmental education and who complete it within four years), and developmental noncompleters (students who require developmental education and have not completed coursework after four years). **Exhibit 2** shows successful persister rates for those three subgroups in the 2011 cohort.

**Exhibit 2**
**Degree Progress Four Years after Initial Enrollment**
**Fall 2011 Cohort**




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

Source: Maryland Association of Community Colleges

In the 2005 through 2009 cohorts, the highest rate of success had been for developmental completers, or students who required and completed developmental education before beginning credit-bearing coursework. The successful persister rate for this type of student had been between 1.4 percentage points to 2.6 percentage points higher than college-ready students. This changed with the 2010 cohort, which saw the college-ready students having a higher persister rate, something last seen in the 2004 cohort. However, in the 2011 cohort, college-ready students and developmental completers both have a successful persister rate of 82.1%.

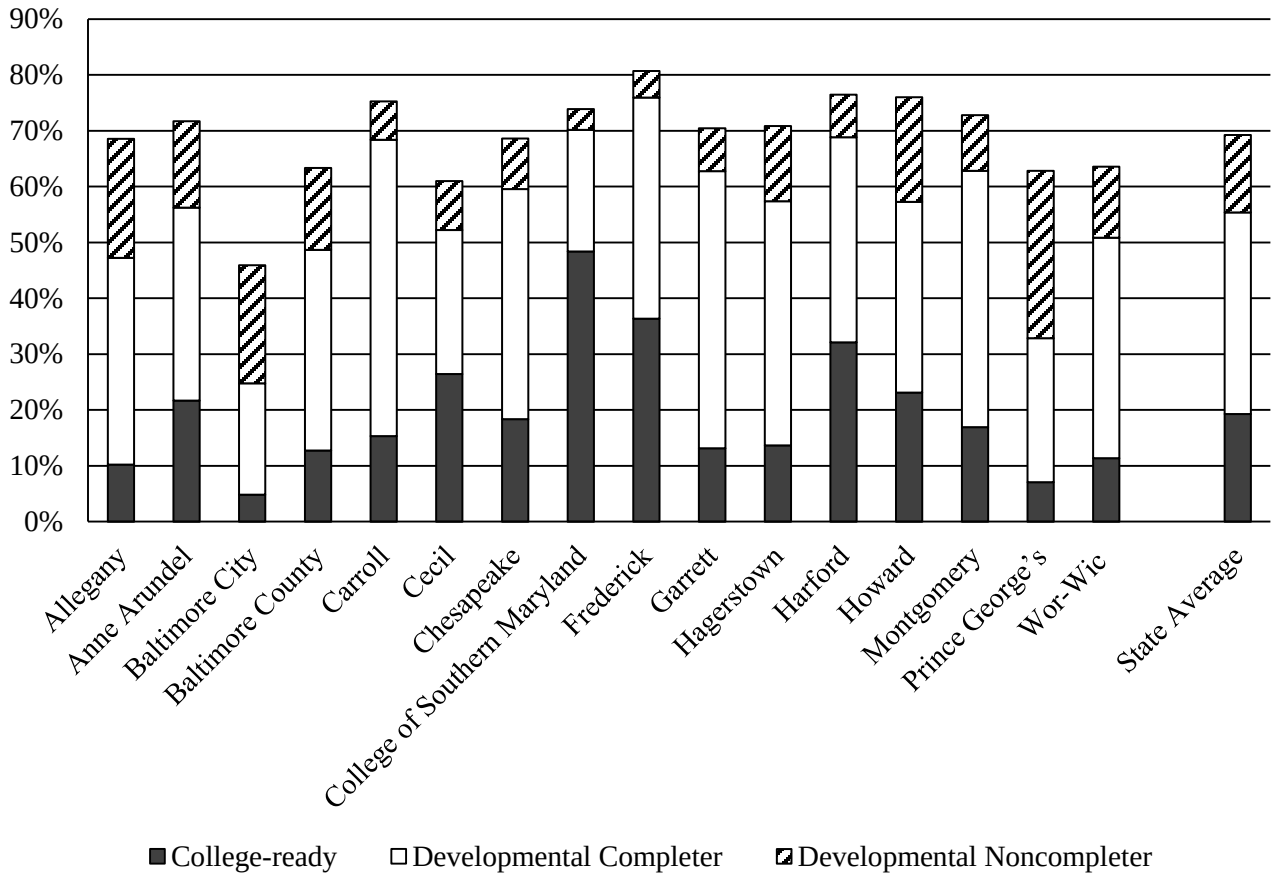
While college-ready students and developmental completers both persist at rates over 80% in the 2011 cohort, the actual student outcomes are not necessarily equal. About two-thirds of college-ready students graduate or transfer. This is about 12 percentage points higher than the developmental completers and nearly 40 percentage points higher than developmental noncompleters. Perhaps more importantly, students who complete developmental education are nearly 40 percentage points more likely to be successful persisters after four years than their peers who did not complete remedial education. This underscores the importance of getting students through developmental coursework. Further detail within these types of students, such as how many are graduating versus transferring, would be useful, but this data is not currently reported.

The developmental completers' success rates are critical given the important work of community colleges serving as open access institutions where students of all preparedness levels enroll expecting to make progress toward a degree. The majority of students who enter community colleges test into developmental education, but few of them complete the required coursework. Exhibit 2 shows that the students who do complete developmental education are as persistent as those who enter college ready. Thus, reducing the number of students in the noncompleters category should be a priority for community colleges and may be a better goal to track than the success of the noncompleters themselves. The 2009 cohort of noncompleters was about 7,400, while the 2011 cohort of noncompleters was only about 6,100, a decline of 1,300 students, or about 18.0%, over two years.

Ultimately, the number of students in each persister category may in fact be much more important than slight changes in the percent persisting. For example, the College and Career Readiness and College Completion Act (CCRCCA) of 2013 requires students to complete developmental courses within their first 24 credits on campus. Similarly, transition courses in high school should reduce the need for developmental education in college. Both should decrease the number of students needing developmental education, however, that will not be seen in the persistence data until at least the 2014 cohort, three years from now.

**Exhibit 3** shows the college-by-college breakdown of the same three categories of student for the 2011 cohort persister rates. Overall, colleges range from the Baltimore City Community College (BCCC) at 45.9%, the only institution below 60.0%, on up to 80.7% at the Frederick Community College. What is interesting is that despite varying demographics and levels of student readiness across the State, most schools, 9 of the 16 colleges, now have persister raters above 70.0%. While, generally, the colleges with a higher number of students requiring developmental education have lower successful persister rates, 4 community colleges (Allegany, Carroll, Garrett, and Hagerstown) have below average numbers of college-ready students, but still have relatively high persister rates. In the 2011 cohort, 6 community colleges saw their successful persister rate decrease by at least 1 percentage point, while 11 had decreased in the prior year. Garrett College, in particular, declined 9.6 percentage points in the 2011 cohort, partly due to having a very small cohort size of between 200 and 300 students in most years of data. On the other hand, Anne Arundel and Cecil counties saw improvement of at least 5 percentage points in their persister rates in the 2011 cohort. Enrollment will be discussed in more detail later in this analysis, but the fall 2011 cohort was the peak year for community college enrollment across Maryland, so the outcomes of the 2011 cohort may be weighted by students driven to enrollment because of the economic recession.

**Exhibit 3**
**Successful Persister Rate by College**
**Fall 2011 Cohort**




Source: Maryland Association of Community Colleges

It is interesting to note from Exhibit 3 that two of the most successful colleges have relatively different student populations: at Carroll College, 70% of the successful persisters are developmental completers, whereas more students enter as college-ready at the College of Southern Maryland (CSM). At Prince George's Community College (PGCC) and State-run BCCC, about 45% of all successful persisters are developmental noncompleters. If these students are unlikely to pass credit-bearing courses in English, or, more likely, mathematics, they are either spending their own money or using up financial aid eligibility without a reasonable chance of earning a credential. While there may be a population of students for whom this is an acceptable outcome, it is unlikely that most developmental noncompleters want to "swirl" for long in postsecondary education.

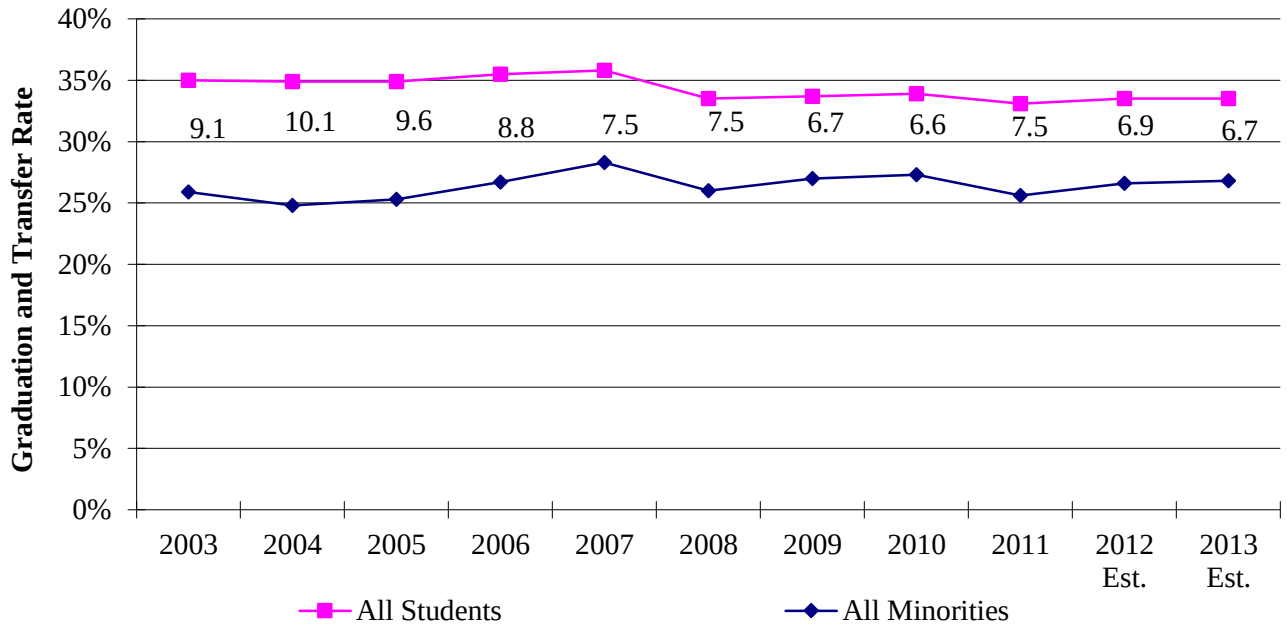
**The director of MACC should comment on what successful outcomes are possible for a developmental noncompleter still enrolled in courses and what percent ultimately graduate with**

**any certificate or degree. In addition, MACC should comment on how the requirement in the CCRCCA that students complete required developmental coursework within their first 24 credits is affecting the developmental noncompleters.**

## 2. Achievement Gap Improves

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. Minority students accounted for about 50% of fall 2015 enrollments according to MACC data. **Exhibit 4** shows that the achievement gap had grown to 10.1 percentage points in the 2004 cohort, but narrowed to 6.6 for the 2010 cohort. The gap increased again to 7.5 in the 2011 cohort, but current projections show a slight narrowing to 6.9 and 6.7 points, respectively, in the next two cohorts. Overall, the gap decreased by 1.6 points from the 2003 cohort to the 2011 cohort. Many of the State's initiatives focused on redesigning developmental courses are expected to have a disproportionately positive impact on minority students, as they are more likely to be enrolled in these courses. Other efforts, including expanding dual enrollment opportunities, may also lead to a reduction in the gap as students will enroll more familiar with higher education.

**Exhibit 4**
**Four-year Graduation and Transfer Achievement Gap**
**Fall Cohorts 2003-2013 Est.**




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

Source: Maryland Higher Education Commission

## Fiscal 2017 Actions

### Proposed Deficiency

For the first time since the fiscal 2012 allowance, there is not a deficiency in the community college program for SHM grant programs or ORP. Both had accrued liabilities for many years, but these balances were completely paid off with fiscal 2016 deficiencies.

However, the fiscal 2018 budget does include a deficiency appropriation of $19.7 million for grants to local jurisdictions to fully offset their fiscal 2017 administrative fee payments to SRA. This temporary relief from retirement agency administrative fees totals $881,315 for community colleges. This deficiency is not included in the cover page of this analysis or in **Exhibit 5** as it is normally outside of the funding that is budgeted for community colleges.

## Proposed Budget

Exhibit 5 shows the budget changes for Aid to Community Colleges between the fiscal 2017 working appropriation and the fiscal 2018 allowance, adjusted for the contingent reduction to retirement. Total budget growth is $3.7 million, or 1.2%, all in general funds.

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

| How Much It Grows: | General Fund | Total |
|---|---|---|
| Fiscal 2016 Actual | $301,839 | $301,839 |
| Fiscal 2017 Working Appropriation | 314,335 | 314,335 |
| Fiscal 2018 Allowance | 318,006 | 318,006 |
| Fiscal 2017-2018 Amount Change | $3,671 | $3,671 |
| Fiscal 2017-2018 Percent Change | 1.2% | 1.2% |

**Changes**

| | |
|---|---|
| One-time Supplemental Grant | $4,000 |
| Senator John A. Cade Funding Formula | 1,076 |
| Optional Retirement Program | 455 |
| Small Community College Grants | 28 |

**Changes**

| | |
|---|---|
| Garrett and Somerset Reciprociy Grant | -22 |
| English for Speakers of Other Languages (decline based on enrollment changes) | -24 |
| Faculty and staff retirement | -295 |
| Section 19 contingent pension reduction | -1,547 |
| **Total** | **$3,671** |

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

## Across-the-board Reductions

The fiscal 2018 budget bill includes a $54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is $1,546,848 in general funds. This action is tied to a provision in the Budget Reconciliation and Financing Act (BRFA) of 2017. Overall, State support for both community college employee benefits programs decreases $1.4 million after accounting for the contingent reduction to the pension plan.

## The Senator John A. Cade Formula

The largest source of State support for community college is the Cade formula, calculated based on actual community college enrollments from two years prior and a percentage (21.0% for fiscal 2018) of the proposed per student funding at selected public four-year institutions. Cade formula funding grows $1.1 million, or 0.5%, over the fiscal 2017 working appropriation. While the Cade formula is fully funded in fiscal 2018, the growth in funding is low because of the decline in community college enrollment. Fiscal 2016 enrollment, used in the fiscal 2018 allowance, declined by 3.8%. In fiscal 2017, Cade formula funding had grown $11.6 million, or 5.2%, driven mainly by nearly 10.0% growth in State funds per FTES in that year's allowance. While one institution, Chesapeake College, received hold harmless funding in fiscal 2017, there are now eight institutions receiving hold harmless funding in fiscal 2018, totaling $3.0 million.

**Exhibit 6** shows the Cade formula's fiscal 2017 working appropriation and the fiscal 2018 allowance. Overall, the Cade formula calculation actually decreases from $234.4 million to $232.5 million in fiscal 2018 and $3.0 million in hold harmless funding is necessary to keep State support level across all institutions. While both the percentage in statute and funding per student at select public four-year institutions are increasing, audited enrollment declined 3.8%. This is comparable to the prior two declines of 4.5% and 3.1% in fiscal 2014 and 2015, respectively, used in the fiscal 2016 and 2017 Cade formula calculations.

**Exhibit 6**
**Cade Aid Formula**
**Fiscal 2017-2018**

| | 2017 | 2018 | |
|---|---|---|---|
| | **Appropriation** | **Allowance** | **DLS Proposal** |
| Per FTES State Funds Per Selected Public Institutions | $11,650 | $11,728 | $11,728 |
| Statutory Cade Percentage | 20.5% | 21.0% | 21.0% |
| General Funds x Percentage | $2,388 | $2,463 | $2,463 |
| Audited Enrollment | 98,068 | 94,387 | 94,221 |
| Cade Appropriation | $234,207,671 | $232,463,938 | $232,055,982 |
| Hold Harmless | $167,519 | $2,987,208 | $3,098,759 |
| **Total** | **$234,375,190** | **$235,451,146** | **$235,154,741** |
| **Difference from Fiscal 2017** | | **$1,075,956** | **$779,551** |
| | | **0.5%** | **0.3%** |

DLS: Department of Legislative Services
FTES: Full-time equivalent students

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

Like fiscal 2017, fiscal 2018 has no contingent reduction to the Cade formula funding. However, Exhibit 6 shows one alternative for Cade funding. The fiscal 2018 allowance contains an error in the enrollment for CSM, which is overstated by 166.64 FTES. If the correct enrollment figure is used, and hold harmless funding is included, then State support would decline by $0.3 million from the fiscal 2018 allowance as introduced. This alternative would still see the Cade formula fully funded and State support would increase by about $0.8 million, or 0.3%, in fiscal 2018. **The Department of Legislative Services (DLS) recommends that the Cade formula be recalculated with the correct enrollment at CSM and to include hold harmless funding for all eligible community colleges. This would be a reduction from the allowance of $296,405. This will provide every college with at least as much State funding in fiscal 2018 as it received in fiscal 2017.**

**Exhibit 7** shows the resulting college-by-college distribution of funding from the Cade formula in fiscal 2017 and 2018, in addition to each college's change in enrollment. While the Cade formula percentage determines how much is appropriated to community colleges as a whole, the formula distributes funding based on three factors: enrollment, prior year funding, and size, with a hold harmless provision. Under the DLS proposal, three colleges see State support increases of 1.0% or more: Frederick, Garrett, and Howard. Garrett College was the only institution that saw increasing enrollment in the audited 2016 figures. Three colleges also see State support increases of less than 1.0%: Allegany, Montgomery, and Wor-Wic. The remaining nine institutions receive hold harmless

funding under the DLS recommendation putting their year-over-year State support growth at exactly 0.0%. The hold harmless funding ranges from only about $22,000 at Cecil College to over $1.0 million at the Community College of Baltimore County (CCBC). Because of falling enrollment, overall funding per student grows about $106, or 4.4%, in the DLS proposal. While overall enrollment is declining, State support is increasing. Given that opening enrollments were also broadly down in fall 2016, it is likely that State support per community college student will go up again in fiscal 2019. **The Secretary should comment on whether there should be a maximum hold harmless grant level beyond which a local community college's aid would be rebased given long-term enrollment declines.**

**Exhibit 7**
## Per Student Funding Analysis
**Fiscal 2017-2018**
**($ in Thousands)**

| | | | | DLS Recommendation | | |
|---|---|---|---|---|---|---|
| **College** | **Working Approp. 2017** | **Allowance 2018** | **DLS Proposal 2018** | **% Change 2017-18** | **% Change Enrollment 2017-18** | **% Change $/FTES 2017-18** |
| Allegany | $4,850,658 | $4,859,961 | $4,855,584 | 0.1% | -0.4% | 0.5% |
| Anne Arundel | 28,800,003 | 28,800,003 | 28,800,003 | 0.0% | -5.3% | 5.6% |
| Baltimore County | 40,413,996 | 40,413,996 | 40,413,996 | 0.0% | -5.8% | 6.2% |
| Carroll | 7,612,538 | 7,612,538 | 7,612,538 | 0.0% | -5.0% | 5.2% |
| Cecil | 5,244,580 | 5,244,580 | 5,244,580 | 0.0% | -2.2% | 2.3% |
| CSM | 13,805,709 | 14,042,851 | 13,805,709 | 0.0% | -2.8% | 2.8% |
| Chesapeake | 6,142,473 | 6,142,473 | 6,142,473 | 0.0% | -3.4% | 3.6% |
| Frederick | 9,643,621 | 9,854,577 | 9,848,194 | 2.1% | -0.3% | 2.4% |
| Garrett | 2,734,062 | 2,770,250 | 2,767,275 | 1.2% | 0.3% | 0.9% |
| Hagerstown | 8,128,628 | 8,128,628 | 8,128,628 | 0.0% | -7.0% | 7.5% |
| Harford | 11,475,320 | 11,475,320 | 11,475,320 | 0.0% | -4.3% | 4.5% |
| Howard | 17,411,556 | 17,672,701 | 17,661,176 | 1.4% | -2.9% | 4.4% |
| Montgomery | 42,264,375 | 42,539,553 | 42,511,579 | 0.6% | -1.4% | 2.1% |
| Prince George's | 28,500,296 | 28,500,296 | 28,500,296 | 0.0% | -6.3% | 6.7% |
| Wor-Wic | 7,347,375 | 7,393,420 | 7,387,391 | 0.5% | -2.2% | 2.8% |
| **Total** | **$234,375,190** | **$235,451,146** | **$235,154,741** | **0.3%** | **-3.9%** | **4.4%** |

CSM: College of Southern Maryland
DLS: Department of Legislative Services
FTES: full-time equivalent students

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

## Local Maintenance of Effort

A county government is required to maintain or increase the total dollar support for its local community college or risk losing an increase in State support, including a hold harmless grant, a concept known as Maintenance of Effort (MOE). Hold harmless grants were added to the MOE statute for community colleges by the BRFA of 2014 (Chapter 464 of 2014). **Exhibit 8** shows local support to community colleges from fiscal 2012 through the 2017 working appropriation. Overall, local support grew an average of 4.8% a year over this time period, whereas overall local support had declined in fiscal 2011 and 2012. Exhibit 8 shows that the local appropriation for each college in fiscal 2016 increased for 11 colleges, was held level at 2 colleges, and decreased at 2 colleges – Carroll College and Garrett College. Garrett College also has a budgeted decline in fiscal 2017. All other colleges' local appropriations increase in fiscal 2017. The figure for Carroll Community College is actually misleading because Carroll County directly owns and operates all facilities at Carroll Community College, so if only operating funding is considered, the county is meeting its MOE. The situation at Garrett College is due to an insurance issue between the college, its county, and its insurance provider. The college received insurance reimbursements in both fiscal 2015 and 2016 that were budgeted as local aid in its annual audited financial statements. If these figures are excluded, then Garrett County is also meeting the MOE in fiscal 2016 and 2017. Although the statute is silent on the responsibility to enforce the MOE requirement, Cade formula funding is budgeted in MHEC's budget and MHEC is responsible for overall coordination of higher education. **The Secretary should comment on whether Garrett College should be considered as in compliance with the MOE in fiscal 2016 and 2017.**

Although not visible in Exhibit 8, Chesapeake College has seen declining funding from one of its service area counties in fiscal 2016, Queen Anne's, and two other counties in fiscal 2017, Caroline and Kent. It is also worth noting that in fiscal 2016, Chesapeake College filed suit against Caroline County, one of its five local Eastern Shore counties, for maintenance and repair costs for which it had not been paid. The college and county settled the matter out of court.

This case was interesting in that the community college may be making a good faith effort to perform its mission and work with its local government. However, if a jurisdiction fails to meet its MOE requirements, a reduction in State funding effectively punishes the community college rather than the county or counties that are not contributing to the MOE. Prior to 2012, the local MOE requirement for State K-12 funding operated similarly and withheld funds from the school systems rather than the counties. An alternative approach was adopted in Chapter 6 of 2012. Now, the State must intercept a county's local income tax revenue in the amount by which the county is below the MOE in the current year and forward the funds directly to the local school board, unless a waiver has been allowed. A similar process could be applied to community colleges, although it would be slightly different as MOE penalties would have to be distributed over a community college's service area, which may include multiple counties. This would require legislation. **The Secretary should comment on how MHEC can monitor MOE requirements while also ensuring that community colleges are not punished for the actions of counties.**

**Exhibit 8**

## Local Support of Community Colleges

**Fiscal 2012-2017**

**($ in Thousands)**

| College | 2012 | 2013 | 2014 | 2015 | 2016 | Working 2017 | Change 2016-17 | % Change 2016-17 |
|---|---|---|---|---|---|---|---|---|
| Allegany | $7,425,000 | $7,425,000 | $7,555,000 | $7,555,000 | $7,555,000 | $7,630,550 | $75,550 | 1.0% |
| Anne Arundel | 28,556,400 | 32,047,700 | 35,137,700 | 37,637,700 | 38,387,700 | 40,387,700 | 2,000,000 | 5.2% |
| Baltimore | 38,462,795 | 38,462,795 | 38,462,795 | 39,362,513 | 41,427,542 | 44,329,043 | 2,901,501 | 7.0% |
| Carroll* | 8,479,061 | 8,542,027 | 9,059,436 | 9,327,614 | 9,309,140 | 10,371,180 | 1,062,040 | 11.4% |
| Cecil | 8,067,706 | 8,025,308 | 8,197,009 | 8,441,940 | 8,953,400 | 10,003,388 | 1,049,988 | 11.7% |
| CSM | 16,119,594 | 16,946,578 | 17,747,036 | 17,884,025 | 18,450,337 | 18,579,957 | 129,620 | 0.7% |
| Chesapeake | 5,885,590 | 5,885,591 | 5,885,591 | 6,032,731 | 6,038,620 | 6,153,385 | 114,765 | 1.9% |
| Frederick | 13,414,859 | 13,966,874 | 14,205,683 | 14,544,914 | 15,127,919 | 15,851,025 | 723,106 | 4.8% |
| Garrett | 4,273,000 | 4,523,000 | 4,559,045 | 4,738,000 | 4,730,770 | 4,673,000 | -57,770 | -1.2% |
| Hagerstown | 8,865,010 | 8,865,010 | 8,965,010 | 8,965,010 | 9,265,010 | 9,543,050 | 278,040 | 3.0% |
| Harford | 14,961,612 | 14,961,612 | 14,961,612 | 14,961,612 | 15,260,844 | 15,561,612 | 300,768 | 2.0% |
| Howard | 25,951,335 | 27,093,286 | 29,131,683 | 31,000,287 | 31,000,287 | 32,240,298 | 1,240,011 | 4.0% |
| Montgomery | 95,848,755 | 96,263,605 | 100,529,527 | 116,733,727 | 129,426,027 | 136,004,459 | 6,578,432 | 5.1% |
| Prince George's | 29,245,200 | 29,545,200 | 29,545,300 | 30,345,300 | 31,648,800 | 34,872,800 | 3,224,000 | 10.2% |
| Wor-Wic | 4,346,000 | 4,507,360 | 5,273,134 | 5,534,684 | 5,602,049 | 6,102,049 | 500,000 | 8.9% |
| Total | **$309,901,917** | **$317,060,946** | **$329,215,561** | **$353,065,057** | **$372,183,445** | **$392,303,496** | **$20,120,051** | **5.4%** |

*Unlike other counties, Carroll County provides direct funding for the operation and maintenance of facilities.

Source: Maryland Higher Education Commission

## New One-time Supplemental Grant

There is a new one-time supplemental grant of $4.0 million in fiscal 2018. To receive a portion of this funding, institutions must raise in-county tuition no more than 2.0% in the fall 2017 semester. This grant bares a strong resemblance to the Keeping Maryland Community Colleges Affordable (KMCCA) grant which was funded for $5 million in the fiscal 2012 budget and required community colleges to increase tuition no more than 3.0% in the 2011-2012 academic year. The grant was discontinued in fiscal 2013 due to budget constraints. However, each college's fiscal 2012 share of the KMCCA grant was added to its base in the Cade formula for fiscal 2013. The funding was distributed based on in-county credit FTES enrollments that are eligible for State funding under the Cade formula. The same method for disbursement of the new one-time grant is shown in **Exhibit 9**. Montgomery College receives the most funding, about $0.9 million, while Garrett College receives less than $20,000. Like KMCCA, it is assumed BCCC is eligible for a portion of this funding. Some colleges may ultimately choose not to participate in this grant, and in that event, those that do participate would split the entire $4.0 million grant.

**Exhibit 9**
**Potential Distribution of New One-time Grant**
**Fiscal 2018**

| Community College | In-county Credit FTES FY 2016 | One-time Supplemental Grant Allocation |
|---|---|---|
| Allegany College of Maryland | 810 | $49,231 |
| Anne Arundel Community College | 7,082 | 430,250 |
| Baltimore City Community College | 1,910 | 116,033 |
| Community College of Baltimore County | 9,518 | 578,190 |
| Carroll Community College | 2,006 | 121,861 |
| Cecil College | 1,323 | 80,369 |
| Chesapeake College | 1,251 | 76,008 |
| College of Southern Maryland | 4,680 | 284,280 |
| Frederick Community College | 3,437 | 208,806 |
| Garrett College | 325 | 19,743 |
| Hagerstown Community College | 2,005 | 121,814 |
| Harford Community College | 3,681 | 223,594 |
| Howard Community College | 4,754 | 288,783 |
| Montgomery College | 14,249 | 865,620 |
| Prince George's Community College | 7,096 | 431,082 |
| Wor-Wic Community College | 1,717 | 104,336 |
| **Total** | **65,844** | **$4,000,000** |

FTES: full-time equivalent student
FY: fiscal year

Source: Maryland Higher Education Commission

Because many community colleges typically set their tuition and fee schedules much closer to the start of the academic year than four-year institutions, it is not possible to estimate how much tuition is being bought down by this grant. Some institutions' governing boards have already met. For example, Harford Community College's Board of Trustees set tuition rate growth in December 2016 at 2.4%, but reduced the increase to 2.0% in February 2017 to be eligible for the one-time grant in fall 2017. Tuition and fee rates for fall 2016, the most recent data available, are shown in Issue 1 of this analysis.

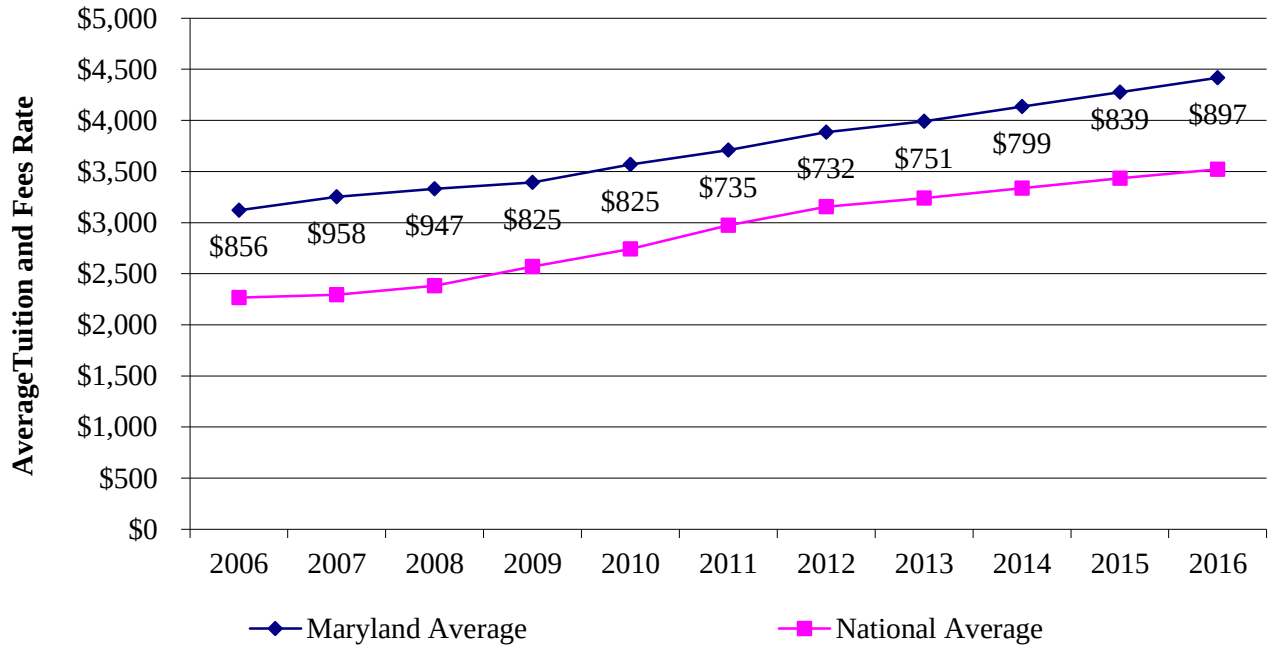
DLS has two concerns with the new grant. First, some institutions, like BCCC have enacted mid-year tuition increases, so holding tuition steady only in the fall may not guarantee predictable tuition increases for community college students. Second, unlike KMCCA, MHEC and the Department of Budget and Management indicate that the one-time grant is meant to be excluded from the running of the Cade formula in fiscal 2019 and beyond. This is problematic because institutions may be receiving less from the new grant than is required to offset lost tuition revenue and because this is one-time, the institution will be under pressure to recoup foregone tuition revenue in later fiscal years to capture what is needed for the colleges' long-term structural budgeting needs. When public four-year institutions receive tuition buydown funding, it remains in the base budget in all future fiscal years. The one-time grant would be simpler if it was offered with no strings attached or rolled into the Cade formula for later years, like KMCCA. However, given ongoing budget challenges, DLS proposes a third alternative: deleting the grant. **Given that the Cade formula is fully funded in fiscal 2018 and that the one-time grant creates complications in tuition policy in future fiscal years, DLS recommends deleting the new one-time $4 million supplemental grant for community colleges.**

# *Issues*

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

Community colleges offer a significantly lower entry cost into higher education compared to public four-year institutions for students living within the community college's service area. According to the College Board, the enrollment-weighted average of Maryland public four-year institution's tuition and fees was $9,366 in fall 2016, compared to $4,417 at the State's community colleges. This means, on average, community colleges are 53% less expensive. However, the average Maryland community college tuition and fee rate is higher than the national average and has been so for at least the past decade. **Exhibit 10** shows the difference between the State and national average from fiscal 2006 to 2016 in unadjusted dollars. Although the gap has narrowed slightly from a high of $958 in fall 2007, Maryland remains $897 higher than the enrollment weighted national average according to the College Board data.

**Exhibit 10**
**Community College Tuition and Fee Rates**
**Maryland and National Average**
**Fall 2006-2016**

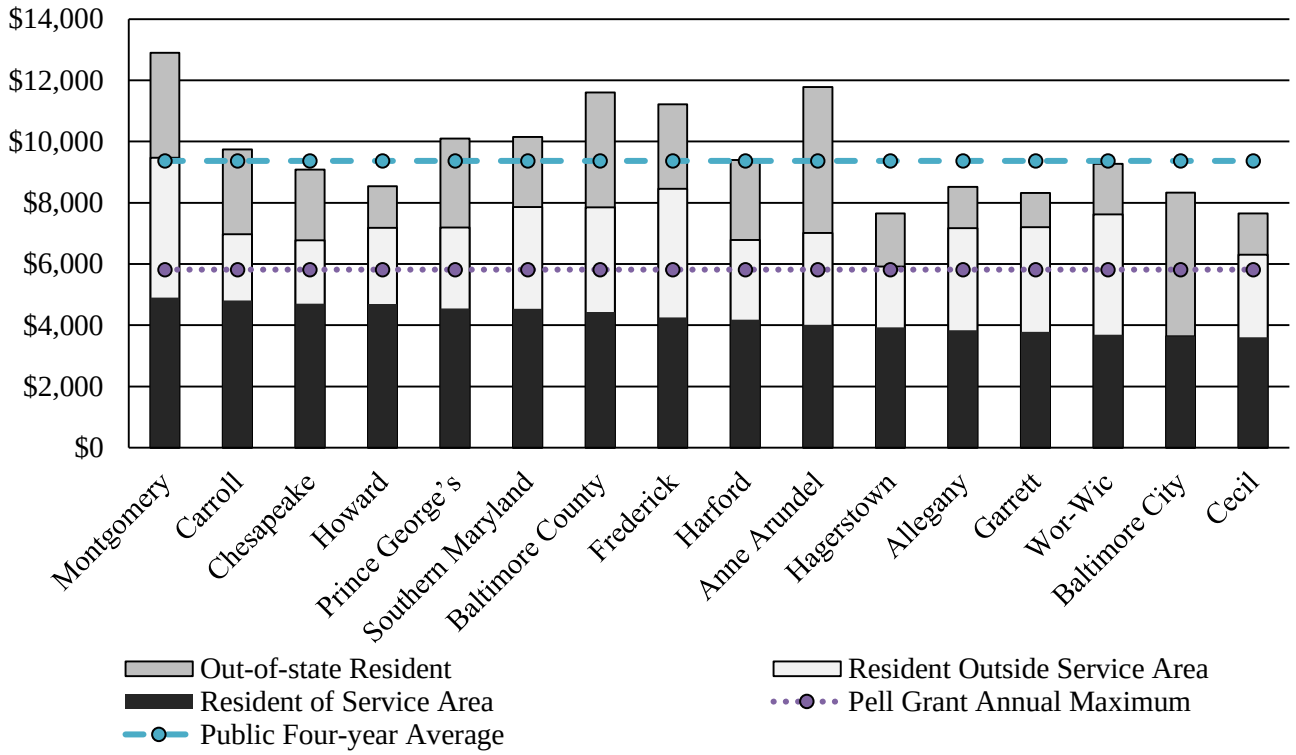



Note: Numbers reflect total enrollment-weighted average tuition and fees paid. Labels reflect the dollar difference between the two points.

Source: The College Board, *Annual Survey of Colleges – Trends in College Pricing 2016*

**Exhibit 11** shows that tuition and fee rates in Maryland varied greatly between institutions in fall 2016. Montgomery College is the State's most expensive community college at $4,902 for a student taking 30 credits, while Cecil College is only $3,600. State-run BCCC charges only one rate to all Maryland residents, regardless of a student's county of residency. Including BCCC, the statewide simple average of tuition and fees is $4,221 for a service area resident, $7,086 for all other Marylanders, and $9,639 for out-of-state residents. The prior year, fall 2015, was notable as the first year in which the maximum annual Pell grant award no longer covered all tuition and mandatory fees for out-of-service area Maryland residents at any community college in the State. This remains true in fall 2016 and represents an additional financial barrier for students looking to pursue certain programs or attend certain colleges in the State. Montgomery College's average out-of-service area tuition of $9,474 is actually higher than the weighted in-state average tuition and fees for public four-year institutions as reported by the College Board, $9,366. The same college's unusually high out-of-state tuition, nearly $13,000, puts its costs above one residential public four-year institutions' out-of-state rate. While community colleges may be affordable for students who happen to live in the respective area of service, they increasingly are pricing themselves out of reach of the rest of Marylanders. This is unfortunate because not all community colleges are large enough to offer all programs and students may end up transferring to another two-year institution to complete their studies, but end up paying significantly more. The SHM grant is meant to assist students studying in in-demand degree programs, but it has been flat funded at $6.0 million since fiscal 2010. However, at fiscal 2016 closeout, about $30,000 in SHM funding was reverted as declining community college enrollment has reduced demand for the grant. If more students were aware of this grant, it may be more fully utilized.

**Exhibit 11**
**Community College Tuition and Fee Rates**
**Fall 2016**




Note: Baltimore City does not reflect tuition increase beginning winter 2016.

Source: Maryland Association of Community Colleges; The College Board

**The Secretary and MACC director should comment on the unaffordability of out-of-service area tuition and fee rates, especially for low-income students, and what this means for having an open and accessible community college system for all Marylanders given that not all institutions offer all programs.**

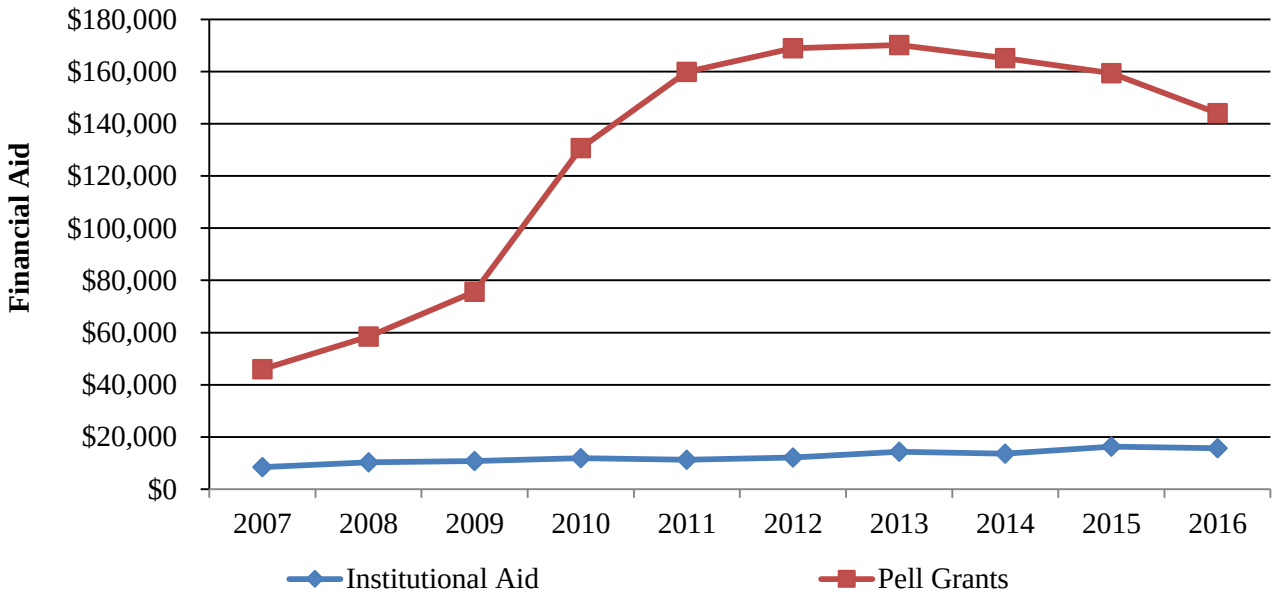
## Institutional Aid Offered to Students

In addition to trying to keep costs low, colleges offer students institutional aid to bring down the "sticker" price, or total cost of tuition, fees, room, board, and other related expenses. Institutional aid awards are usually made to students with few financial resources (need-based aid) or to reward academic achievement or athletic ability (merit and athletic awards). Regardless of aid type, colleges typically require students to complete a Free Application for Federal Student Aid, which determines a

student's expected family contribution, *i.e.*, the amount of money a student's family is expected to pay toward the cost of education.

**Exhibit 12** shows the total amount of need-based and merit aid awarded by community colleges to students from fiscal 2007 to 2016, in addition to the amount of Pell grants students received. In fiscal 2016, Maryland's community colleges awarded $15.7 million in institutional aid. That amount is dwarfed by Pell grants, a federal low-income student financial aid program that totaled $144.1 million in that same year and represents over 90% of the fiscal 2016 aid shown in this exhibit. This is about half of all Pell dollars received in Maryland that year. Federal funding for Pell grants increased significantly beginning in fiscal 2010 to help low-income individuals pursue a college education. With peak community college enrollment in fiscal 2012, combined with new federal restrictions on Pell grants in fiscal 2013, Pell aid began to decline. Pell aid decreased 3.5% in fiscal 2015 and 9.6% in fiscal 2016. In stark contrast, Pell grants had grown at an average annual rate of 26.2% from fiscal 2008 through 2012. Its highest year came in fiscal 2013 at $170.2 million. The maximum annual Pell award in fiscal 2016 was $5,775, for a maximum of 12 semesters at all institutions. As noted in the Exhibit 11 discussion of fiscal 2016 tuition and fee rates, a full Pell grant covers the full cost of tuition and fees at a community college for service area residents but not students attending outside their service area.

**Exhibit 12**
**Total Institutional Need-based and Merit Aid and Pell Grants**
**Fiscal 2007-2016**
**($ in Thousands)**

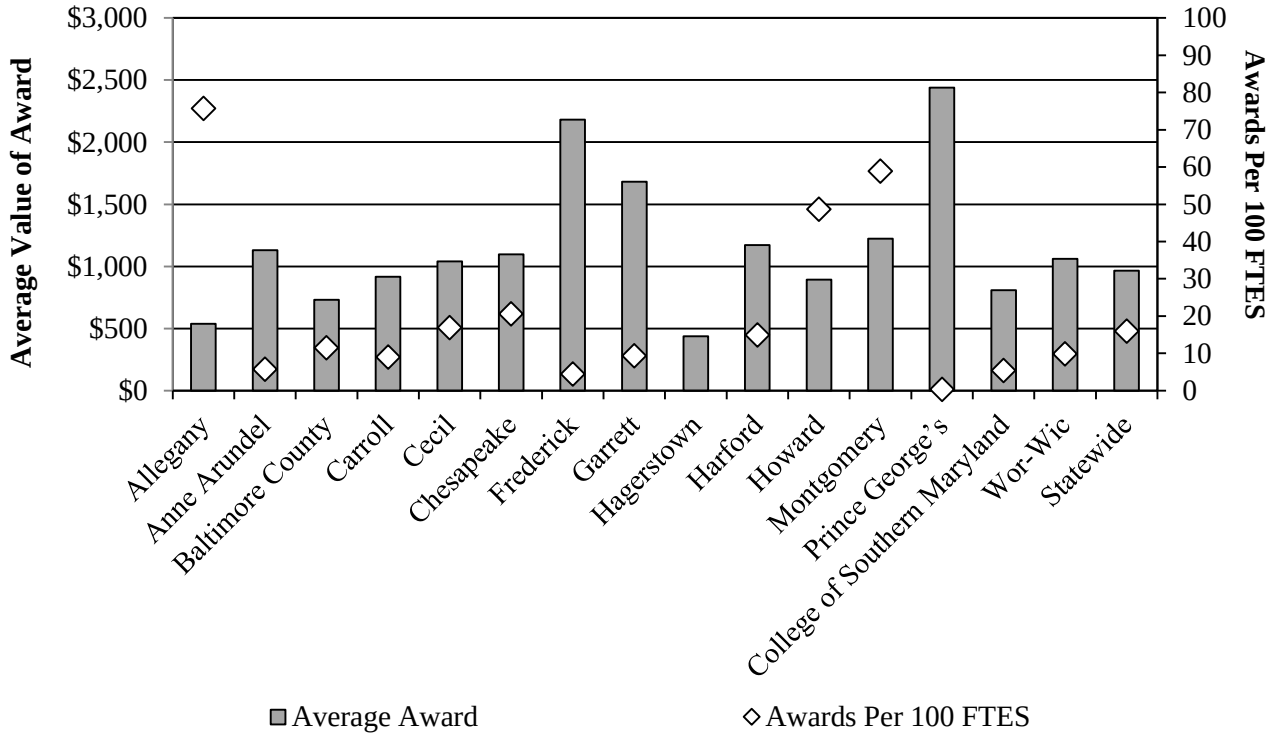



Note: All data is self-reported by the institutions and does not include Baltimore City Community College.

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

**Exhibit 13** shows the average value of institutional aid awards and the average number of awards per 100 FTES by college. There is considerable variation in this data, which was reported to DLS for the fifth time this year, but it is similar to results from prior years. The exhibit may somewhat overstate awards per FTES and understate the amount received by a student, as an individual student may receive both a need-based and merit award, and both awards would be counted separately. Allegany College of Maryland is an outlier, awarding many more awards per 100 FTES, 75.7, than any other college. There are three reasons for this: first, it offers small awards averaging around $500; second, it has a large dual enrollment program with students from neighboring counties, each of whom are receiving an institutional aid award; and third, it launched the Allegany County Opportunity Scholarship in fiscal 2015, which covers the cost after federal aid of community college for first-time, full-time students (FT/FT) (sometimes called a "last dollar" approach). Garrett College also has a similar program. Both of these will be discussed in more detail below.

**Exhibit 13**
**Average Institutional Aid Awards and Number of Awards Per 100 FTES**
**Fiscal 2016**




FTES: full-time equivalent student

Note: All data is self-reported by the institutions and does not include Baltimore City Community College. Data for Carroll College includes foundation support.

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

The statewide average institutional aid award is $966, and an average of 15.4 awards are made per 100 FTES. The exhibit shows that colleges vary widely in the amount of aid offered, but most awards average between $750 and $1,000. PGCC has the highest average award, at $2,438, while Frederick College is the second highest at $2,182. Hagerstown Community College and Allegany College are the lowest at $438 and $539, respectively. Although PGCC has the highest average award, the college averages only 0.5 awards per 100 FTES, by far the lowest in the State. Carroll Community College's data is adjusted because it generally funds fewer than 10 awards per year through its operating budget and instead coordinates aid with the Carroll Community College Foundation. For more meaningful comparisons, foundation awards are shown in Exhibit 13 for Carroll Community College only. With that adjustment, Carroll Community College performs similarly to other colleges of its size, such as Wor-Wic Community College.

## From Affordable to Free?

Broadly speaking, higher education can be made affordable by two means: charging low (or no) tuition to all students; or by individually tailoring financial aid packages. Traditionally, financial aid programs, have focused on providing aid to students who can least afford college. Recently, national interest has shifted strongly toward providing universal access to community colleges by making it free or nearly free. These programs are frequently called Promise scholarships, and numerous states and local jurisdictions have launched pilot or full Promise programs offering free community college, notably in Tennessee and Oregon. One of the newest programs to launch, announced in February 2017, is at the City College of San Francisco. It should be noted that three counties in Maryland already offer Promise-like programs, and Prince George's County had a task force study the issue, established by Chapter 647 of 2016. Somerset and Washington counties are also independently exploring this idea. While most Promise programs are specifically targeted to recent high school graduates, Allegany County offers its program to all county residents.

One of the prime concerns for Promise programs is the tremendous cost of covering all mandatory tuition and fees. To mitigate the cost, all of the programs assume all existing financial aid programs continue to be funded at current levels, making Promise Scholarships a last-dollar program. This means the federal Pell grant, capped at $5,815 per student in fiscal 2017, is a very large source of funding for low-income students applied to a student's cost of attendance before any Promise Scholarship is calculated to meet remaining financial need. Promise programs provide tuition benefits to all students attending community college, including those who cannot afford it and those who can. To the extent that the goal is to help those who can least afford higher education, Promise programs are not the most efficient way to achieve the goal. Recent criticism of Oregon's Promise program, for example, noted that because low-income students already receive federal financial aid, the primary beneficiaries of free community college were disproportionally students from higher-income families who opted for two-year institution over four-year institution enrollment. This has also created friction between the two- and four-year sectors in Oregon, as the four-year institutions believe the community colleges are taking their undergraduate enrollment and State support.

Another concern with Promise programs is that they do not guarantee student success, only access. In the Tennessee Promise program, about one-third of students did not return for the

second year, and of the students who did return, not all were still eligible for continued support through the Promise program because they did not meet grade point average (GPA) or other requirements. Garrett County provides for a more local example. Garrett County began funding the Garrett College Scholarship Program (GCSP) in fall 2006, which funds (1) dual enrollment of high school students and (2) full tuition and fees for county high school graduates enrolling directly into Garrett College. Even with tuition and fees covered, many GCSP students do not complete a degree at Garrett College. While outcome data is available, the most recent cohorts have consisted of only 51 students each, so data is highly variable. One clear trend is that GCSP students have GPAs that are consistently higher by 0.2 to 0.6 points over other students and have slightly less need for remedial coursework, suggesting GCSP students are more prepared and successful than the general student body. GCSP awards averaged between $1,050 and $1,250 from fall 2009 through fall 2015, which also shows that last-dollar awards need not be very large to get students to enroll.

However, Garrett College also has the highest percent of Pell-eligible students of any community college in Maryland, at 61%. Allegany College and Wor-Wic College have the third and fourth highest Pell-eligible student enrollments in Maryland, suggesting that Promise programs there are going to be more affordable given the higher utilization of Pell grants. Maryland's statewide Pell rate is only 36%. While it is possible that some Maryland students are not taking full advantage of Pell grants, institutions have been proactive about getting students to apply to all currently existing financial aid programs.

DLS has estimated the cost for a Promise-like program, most recently in the fiscal and policy note for the Maryland Education Opportunity Act (House Bill 931 of the 2017 regular session). That note estimated a total cost of at least $57.1 million per year for existing FT/FT students in fiscal 2018. This is similar to an estimate from the MACC of at least $60 million for students enrolled in fiscal 2015. These estimates only account for students who were already enrolled at community colleges. In addition to existing community college students, if a Promise program were established in Maryland providing free community college tuition, students who would have otherwise enrolled at a four-year institution or would not have enrolled at all would enroll at community colleges. This affects the cost of the Promise program at community colleges as well as the Cade and BCCC funding formulas. It may also have implications for funding of four-year institutions.

**Because several local jurisdictions in Maryland are already implementing Promise-like programs on their own initiative, the Director of MACC should comment on whether any additional State support is actually needed to make community colleges significantly more affordable for service area residents.**

**The Secretary should comment on the effect free community college would have on access-oriented four-year institutions, such as Coppin State University, which are already struggling with enrollment concerns.**

## 2. Small College Grants Revisited

The State's annual contribution for the Cade funding formula, the largest community college aid program, is determined by enrollment at community colleges and the level of funding received by public four-year institutions. When the Cade funding formula began, it put a greater emphasis on enrollment as the basis for distributing funds and less of a focus on prior-year funding. As a result, State funding to the smaller community colleges decreased. To account for this reduction, Chapter 105 of 1997 provided additional grants to seven small community colleges as specified in statute. The small colleges are:

- Allegany College of Maryland;
- Garrett College;
- Hagerstown Community College;
- Carroll Community College;
- Cecil Community College;
- Chesapeake College; and
- Wor-Wic Community College.

Chapter 570 of 1998 required funding to equal $2.0 million from fiscal 1999 through 2002. Chapter 584 of 2000 increased the small college grants to $2.5 million in fiscal 2003 and provided for annual inflationary adjustments after fiscal 2003. The annual increase is tied to the percentage increase in State funding per FTES at selected public four-year institutions. In the proposed fiscal 2018 State budget, Allegany, Garrett, and Hagerstown will receive approximately $821,200 each, and Carroll, Cecil, Chesapeake, and Wor-Wic receive approximately $410,600 each through the Small College grants.

In addition, Chapter 350 of 2002 provided Allegany College and Garrett College annual unrestricted grants of $360,000 and $240,000, respectively, for a total of $600,000. These grants, known as the Mountain Maryland grants, are not increased for inflation. Including the Mountain Grants, small college aid totals $4.7 million in the fiscal 2018 proposed budget.

**Exhibit 14** shows the change in grants between fiscal 2003, the last time that Small College grant funding was specified in statute, and fiscal 2016, which is the most recent year of actual budget data and audited enrollment figures. From fiscal 2003 to 2016, the Small College grants all grew identically, 60.0%, but enrollment changes varied greatly. Allegany College and Chesapeake College both decreased by 1.0%. Carroll and Wor-Wic grew by 18.0% and 13.0%, respectively, below the sector average of 19.0%. However, Cecil, Garrett, and Hagerstown all grew by at least 30.0% over the

same time period. The share of total enrollment at all small colleges did decline slightly from 15.3% in fiscal 2003 to 15.1% in fiscal 2016.

Aside from Garrett College, which is an outlier with fewer than 800 students, there are two distinct groups of small colleges: three have between 1,500 and 2,000 students; and three are between 2,600 and 2,900 students. The funding levels enacted in fiscal 2003 do not reflect the enrollment reality today, as Hagerstown receives a higher level of funding but is actually the largest of the small colleges. This raises equity issues because Carroll has 201 fewer students than Hagerstown but receives $0.4 million less in funding through small college grants. Several bills have been introduced this session that would alter the grants. **The Secretary and director should comment on how to ensure equity of State support across smaller institutions given enrollment changes over time.**

**Exhibit 14**
**Small College Grant Funding and Enrollment**
**Fiscal 2003 and 2016**

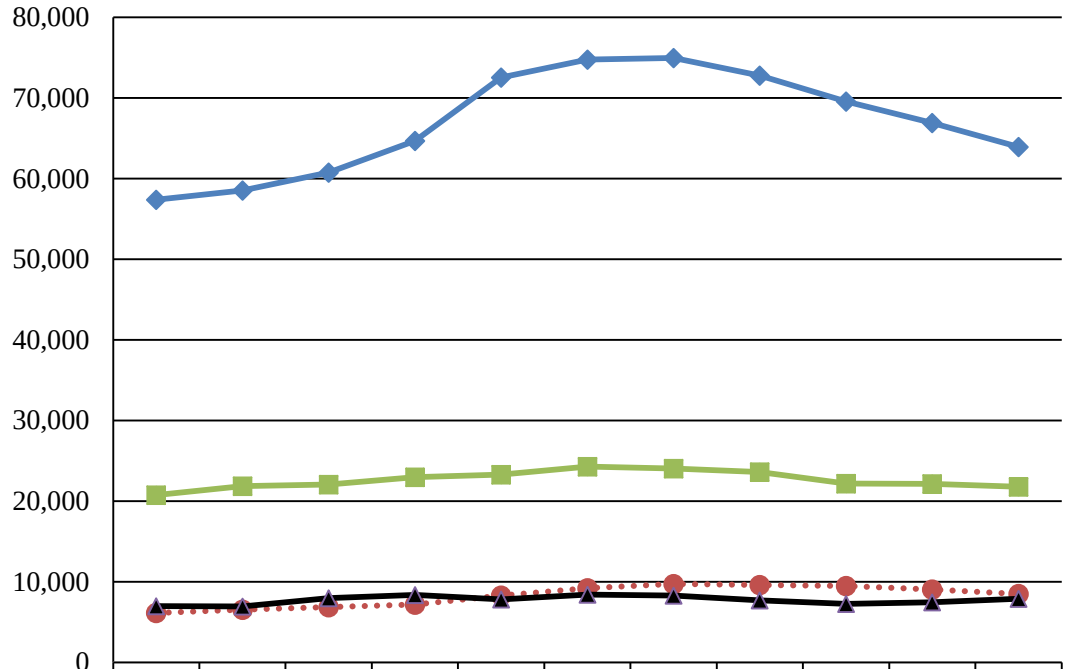
| | Small College Grant Funding | | Cade-eligible Enrollment | | | |
|---|---|---|---|---|---|---|
| | **2003** | **2016** | **2003** | **2016** | **Difference** | **% Change** |
| Allegany | $500,000 | $799,964 | 1,621 | 1,601 | -20 | -1% |
| Carroll | 250,000 | 399,977 | 2,266 | 2,664 | 399 | 18% |
| Cecil | 250,000 | 399,977 | 1,323 | 1,746 | 423 | 32% |
| Chesapeake | 250,000 | 399,977 | 1,927 | 1,910 | -17 | -1% |
| Garrett | 500,000 | 799,951 | 510 | 727 | 217 | 43% |
| Hagerstown | 500,000 | 799,951 | 2,149 | 2,865 | 715 | 33% |
| Wor-Wic | 250,000 | 399,977 | 2,370 | 2,678 | 308 | 13% |
| **Total Small Colleges** | **$2,500,000** | **$3,999,774** | **12,166** | **14,192** | **2,026** | **17%** |
| All Other Colleges | $0 | $0 | 67,191 | 80,029 | 12,838 | 19% |
| **Total All Colleges** | **$2,500,000** | **$3,999,774** | **79,357** | **94,221** | **14,864** | **19%** |

Source: Maryland Higher Education Commission; Department of Legislative Services

## 3. Developments in Noncredit Education

Over the course of the recession, community colleges experienced a boom in enrollment. **Exhibit 15** shows four different student populations in the two-year segment: resident credit students, out-of-county credit students, noncredit students, and Cade-ineligible students. The final category is mostly composed of out-of-state students. The sum of the three Cade-eligible enrollments in fiscal 2016 is 94,221, the number used in the fiscal 2018 Cade formula allowance shown in Exhibit 6. Overall community college enrollment peaked in fiscal 2012 at about 117,000 total students, with 109,000, or 93.0%, Cade eligible. Noncredit enrollment in fiscal 2016 declined by 1.6%, the fifth year in a row of declining enrollment. From fiscal 2006 to 2016, credit enrollment grew 14.1%, but noncredit enrollment is only 4.9% higher.

**Exhibit 15**
**Types of FTES Enrollment at Maryland Community Colleges**
**Fiscal 2006-2016**




| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| In-county Credit | 57,380 | 58,553 | 60,755 | 64,695 | 72,529 | 74,752 | 74,950 | 72,789 | 69,571 | 66,910 | 63,934 |
| Out-of-county Credit | 6,135 | 6,565 | 6,846 | 7,199 | 8,311 | 9,221 | 9,738 | 9,598 | 9,493 | 9,030 | 8,504 |
| Noncredit | 20,770 | 21,851 | 22,066 | 22,961 | 23,277 | 24,306 | 24,048 | 23,628 | 22,171 | 22,126 | 21,782 |
| Ineligible | 6,991 | 6,927 | 7,981 | 8,379 | 7,822 | 8,394 | 8,299 | 7,706 | 7,268 | 7,446 | 7,894 |

FTES: Full-time equivalent student

Source: Maryland Higher Education Commission

This low growth in noncredit training may be a concern because, according to the Lumina Foundation in 2015, about 80% of the jobs lost in the recession were those requiring a high school education or less and newly created jobs increasingly require some level of specialized training. The Georgetown University Center for Education and the Workforce agreed, stating that many more jobs now require "middle skills," that is more than a high school education but less than a postsecondary degree. Such skills are obtained by taking workforce training courses, which are made up of training sequences. These are part of the broader spectrum of noncredit classes offered by community colleges. An entirely different vocabulary helps emphasize the differences between the world of credit programs (associate's degrees and certificates) and continuing education (training, licensure, and certifications). For-credit students enroll in credit hours, while noncredit students enroll in clock hours. Sequences that are approved by MHEC as meeting a State-approved objective for workforce development may be converted to credit hours and then counted in the Cade formula for State funding. Noncredit enrollment peaked in fiscal 2011, one year before credit enrollment peaked, as shown in Exhibit 15, but it did not experience the enrollment boom during the recession, despite being more workforce oriented. For example, in fiscal 2010, when resident credit enrollment grew 12%, noncredit enrollment grew only 1%.

MHEC recently submitted a *Joint Chairmen's Report* (JCR) item titled *Report on Continuing Education Outcomes* to provide an update on collecting information on noncredit education in Maryland. This information is shown in **Exhibit 16**. Overall, enrollments declined, as would be expected from the decline shown in the fiscal 2015 data in Exhibit 15. This is the current extent of collected data and does not allow for much analysis.

**Exhibit 16**
**Noncredit Enrollment at Maryland Community Colleges**
**Fiscal 2014-2015**

| | Unduplicated Annual Headcount | | | |
|---|---|---|---|---|
| **Type** | **2014** | **2015** | **Difference** | **% Change** |
| Professional Licensure or Certification | 112,951 | 109,542 | -3,409 | -3% |
| Basic Skills Development | 38,672 | 38,120 | -552 | -1% |
| Recreation or Lifelong Learning | 71,513 | 68,446 | -3,067 | -4% |
| **Total** | **223,136** | **216,108** | **-7,028** | **-3%** |
| | **Course Enrollments** | | | |
| **Type** | **2014** | **2015** | **Difference** | **% Change** |
| Professional Licensure or Certification | 204,555 | 201,364 | -3,191 | -2% |
| Basic Skills Development | 72,224 | 72,787 | 563 | 1% |
| Recreation or Lifelong Learning | 170,392 | 162,328 | -8,064 | -5% |
| **Total** | **447,171** | **436,479** | **-10,692** | **-2%** |

Source: Maryland Higher Education Commission

MHEC would like to expand its annual data collections to capture more information on this postsecondary education population. However, there are several barriers. For example, there is no standard method for classifying different workforce training sequences. Again, the amount of information collected varies greatly by institution because, historically, this information has not been part of standard reporting requirements. MHEC does suggest that now is a good time to update data practices across the two-year sector to better capture data on individuals who complete training sequences that lead to State licensure or industry certifications. To that end, MHEC will launch a pilot collection of fiscal 2016 completers in fiscal 2017 and follow up with a complete collection of fiscal 2017 completers in fiscal 2018. This slow rollout will allow MHEC and institutions to address potential data quality issues to ensure the fiscal 2017 data is good. In the same JCR, MHEC also identified issues with collecting licensure data from Maryland governmental units. MHEC identified a dozen organizations that issue licenses, as well as two federal agencies. MHEC warns that the amount of resources needed to standardize data collection across these sources likely is not worth the cost. MHEC instead suggests that the Maryland Longitudinal Data System (MLDS) Center is equipped to answer some of these workforce questions because MLDS has access to wage and unemployment data. MHEC already works with MLDS on cross-sector studies and can further explore how to identify, evaluate, and report on Marylanders receiving workplace licensures. While little data is currently available, MHEC anticipates more information will be available a year from now. **DLS concurs with MHEC's expanded data collection on noncredit outcomes and recommends narrative on what MHEC collects and what MHEC plans to do with MLDS with regard to better understanding noncredit student outcomes and job placements.**

## Maryland WorkSmart

Maryland WorkSmart was created in November 2016 as a collaboration between Maryland's community colleges and the Department of Commerce as a single point of contact for businesses to fulfill training needs. While last year community colleges worked with over 1,000 businesses in Maryland, some Maryland businesses struggled to connect with the right workforce training providers. WorkSmart will actively tell the business community what the two-year sector can offer, such as curriculums for new fields of study on the noncredit side. There is no new funding associated with WorkSmart. WorkSmart has 1 position devoted to it which is funded by CCBC, and it has a web page hosted on the MACC website. It is not clear what role the Department of Labor, Licensing, and Regulation's (DLLR) Division of Workforce Development and Adult Learning has with WorkSmart. This division oversees programs like apprenticeships, which involve classroom training at community colleges that connect Marylanders with in-demand occupations. **The Director of MACC should comment on the role of Commerce and DLLR in Maryland WorkSmart. The Director should also comment on how sustainable WorkSmart is as it is currently relying on the generosity of CCBC.**

Maryland WorkSmart is also currently examining workforce training models used by community colleges in other states, such as Colorado, Mississippi, and Virginia. The Virginia Economic Development Partnership's Virginia Jobs Investment Program reduces the human resource development costs for new and expanding companies in that state, serving primarily existing small businesses. These three states, however, have centralized community college systems that are very different from Maryland's system of strong local control. **The Director of MACC should comment**

**on whether WorkSmart has identified any successful workforce training programs in states without centralized community college systems.**

# *Recommended Actions*

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

   , provided that the appropriation made herein for local community colleges be reduced by $296,405.

   **Explanation:** This $0.3 million reduction in general funds for local community colleges corrects for an overstatement of enrollment in the fiscal 2018 allowance.

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

   Further provided that the appropriation made herein for community colleges be reduced by $4,000,000.

   **Explanation:** This action deletes the new $4 million one-time supplemental grant for community colleges.

3. Adopt the following narrative:

   **Report on Noncredit Student Data from Fiscal 2016:** The Maryland Higher Education Commission (MHEC) has informed the budget committees that it is piloting a new data collection effort regarding completion in noncredit workforce training programs in fiscal 2016. The committees request MHEC summarize the data that is received and explain how MHEC and Maryland Longitudinal Data System are working together to determine the effectiveness of noncredit sequences in meeting the State's workforce needs.

| **Information Request** | **Author** | **Due Date** |
|---|---|---|
| Report on noncredit student data from fiscal 2016 | MHEC | December 1, 2017 |

## Appendix 1
## Current and Prior Year Budgets
### Aid to Community Colleges
### ($ in Thousands)

| | General Fund | Special Fund | Federal Fund | Reimb. Fund | Total |
|---|---|---|---|---|---|
| **Fiscal 2016** | | | | | |
| Legislative Appropriation | $296,129 | $0 | $0 | $0 | $296,129 |
| Deficiency Appropriation | 5,750 | 0 | 0 | 0 | 5,750 |
| Budget Amendments | 0 | 0 | 0 | 0 | 0 |
| Reversions and Cancellations | -41 | 0 | 0 | 0 | -41 |
| **Actual Expenditures** | **$301,839** | **$0** | **$0** | **$0** | **$301,839** |
| **Fiscal 2017** | | | | | |
| Legislative Appropriation | $314,335 | $0 | $0 | $0 | $314,335 |
| Cost Containment | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | 0 | 0 | 0 | 0 | 0 |
| **Working Appropriation** | **$314,335** | **$0** | **$0** | **$0** | **$314,335** |

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

## Fiscal 2016

General funds increased $5.8 million due to three deficiency appropriations: $2.7 million to resolve prior year unfunded liabilities in the Statewide and Health Manpower (SHM) programs; $1.7 million to resolve prior year unfunded liabilities in the Optional Retirement Program (ORP); and $1.3 million to fully meet fiscal 2016 obligations of the ORP.

General fund reversions included $30,000 in unspent funds in the SHM grant and $10,000 in unspent funds in the ORP were reverted. In past years these funds would have gone to pay down the ongoing liabilities of the State to the community colleges in those programs, but these funds are no longer needed.

## Fiscal 2017

To date, there have been no changes to the legislative appropriation.

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

| Program/Unit | FY 16 Actual | FY 17 Wrk Approp | FY 18 Allowance | Change | FY 17 - FY 18 % Change |
|---|---|---|---|---|---|
| 05 Senator John A. Cade Funding Formula for Community Colleges | $ 242,058,370 | $ 251,003,343 | $ 256,061,611 | $ 5,058,268 | 2.0% |
| 06 Aid to Community Colleges – Fringe Benefits | 59,780,277 | 63,331,673 | 63,491,619 | 159,946 | 0.3% |
| **Total Expenditures** | **$ 301,838,647** | **$ 314,335,016** | **$ 319,553,230** | **$ 5,218,214** | **1.7%** |
| General Fund | $ 301,838,647 | $ 314,335,016 | $ 319,553,230 | $ 5,218,214 | 1.7% |
| **Total Appropriations** | **$ 301,838,647** | **$ 314,335,016** | **$ 319,553,230** | **$ 5,218,214** | **1.7%** |

Note: Does not include targeted reversions, deficiencies, and contingent reductions.