

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Budget and Taxation and Education, Health, and Environmental Affairs

Baltimore City Community College - Tuition Waivers - Graduates of Baltimore City Public High Schools

This bill exempts a graduate of a Baltimore City public high school who is eligible for in-state tuition from paying tuition at Baltimore City Community College (BCCC) for a State-supported class. These students must be counted in computing full-time equivalent enrollment at BCCC.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: General fund expenditures increase by \$1.2 million in FY 2018 due to the BCCC funding formula from additional Baltimore City Public School (BCPS) graduates enrolling in BCCC. BCCC tuition revenues decrease by \$7.4 million beginning in FY 2016 from BCPS graduates who would have enrolled in BCCC regardless of the tuition waiver. BCCC tuition revenues decrease by an additional \$371,700 beginning in FY 2016 from an estimated 176 BCPS graduates who decide to enroll due to the tuition waiver. Accordingly, beginning in FY 2016, BCCC expenditures increase by at least \$1.3 million (shown), but may increase *up to* \$2.7 million due to these additional students. In future years, expenditures increase and revenues decrease due to increased enrollment of eligible students and the BCCC funding formula. **This bill establishes a mandated appropriation beginning in FY 2018.**

(\$ in millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Higher Ed Rev.	(\$7.8)	(\$8.1)	(\$8.4)	(\$8.7)	(\$9.0)
GF Expenditure	\$0	\$0	\$1.2	\$1.6	\$2.2
Higher Ed Exp.	\$1.3	\$1.7	\$2.3	\$3.1	\$3.8
Net Effect	(\$9.2)	(\$9.8)	(\$11.9)	(\$13.3)	(\$15.0)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None. BCCC is a State-operated community college with minimal support from the City of Baltimore.

Small Business Effect: None.

Analysis

Current Law: “Tuition” is defined as the basic instructional charge for courses offered at a community college. It does not include any fees or costs associated with self-supporting program or any fees for registration, application, administration, or laboratory work.

Tuition policies at community colleges are set by the Code of Maryland Regulations and the boards of trustees for the colleges. There are three levels of tuition at community colleges: in-county, out-of-county, and out-of-state. However, as a State-operated college, BCCC only has two tuition levels: in-state and out-of-state. In general, there is a three-month residency requirement for community colleges.

Chapter 191 of 2011, known as the Dream Act, was petitioned to referendum and approved by Maryland voters in November 2012. Therefore, an individual who attended and graduated from a Maryland high school is exempt from paying out-of-state tuition, and in certain instances out-of-county tuition, at community colleges, including BCCC, in Maryland under specified circumstances. Nonimmigrant aliens who are in the country on student visas do not qualify for the exemption, but otherwise the exemption applies regardless of residency status. An individual who graduates from or earns a certain number of credits from a community college under the Dream Act is then exempt from paying out-of-state tuition at a public senior higher education institution in Maryland under specified circumstances.

Background: In 2014, the Tennessee General Assembly passed legislation establishing a program, beginning with the class of 2015, offering two years of tuition-free education at 1 of the state’s 13 community colleges or 27 technical schools. The program, known as Tennessee Promise, is a last-dollar scholarship, meaning it covers costs of tuition and mandatory fees not met by federal Pell scholarships, the Tennessee HOPE scholarship, or the Tennessee Student Assistance Award Program. To be eligible, a student must meet a number of requirements, including completing the federal Free Application for Federal Student Aid (FAFSA), enroll in a college full time for up to five consecutive semesters, maintain a 2.0 grade-point average, and complete eight hours of community service per semester. To pay for the program, the state created an endowment of \$361.1 million using state lottery reserves; it was estimated to cost about \$34 million the first year.

The full impact of the Tennessee Promise is still unknown. About 58,000 students or 90% of Tennessee's high school graduating class applied for the program in the first year – exceeding expectations by thousands of students. To meet the need, community colleges and technical schools are prepared to offer night and weekend courses. However, many of the students who applied could decide to attend four-year universities or pursue other options, or they could fail to meet the eligibility requirements.

The Tennessee Promise program was based on a smaller program at Pellissippi State College, known as Knox Achieves. According to Knox Achieves' program data, matriculation rates at Pellissippi State College increased by 11.5% due to the program. The high matriculation rate is thought to be due, at least in part, to the associated mentoring program.

In 2015, President Obama has proposed a similar program to make two years of community college tuition free. Under President Obama's plan, the offer of free tuition would extend to all students if they attend classes at least half time and maintain a grade point average of 2.5 or better. The federal government would cover up to 75% of the costs of the initiative, while states would pick up the remaining quarter.

As shown in **Exhibit 1**, from the Class of 2010 through the Class of 2013, more than 4,000 students per year have graduated from BCPS using the five-year adjusted cohort graduation rate.

Exhibit 1
High School Diplomas Earned by Baltimore City Public School Students
Five-year Adjusted Cohort
Class 2010 through Class 2013

	<u>Class of 2010</u>	<u>Class of 2011</u>	<u>Class of 2012</u>	<u>Class of 2013</u>
Diplomas Earned	4,295	4,369	4,523	4,390

Source: Maryland State Department of Education

BCCC became a State agency on July 1, 1990, when the State assumed full funding for the institution. Annual State funding for BCCC is determined by a formula that bases per-pupil funding for the college on a set statutory percentage of current-year State appropriations per full-time equivalent student (FTES) at selected public four-year institutions of higher education. The resulting per-student amount is multiplied by the number of FTES enrolled at the college in the second preceding fiscal year to calculate a total formula amount.

Due to budget constraints, the formula percentages were revised in the 2011, 2012, and 2014 legislative sessions. (Chapter 397 of 2011, Chapter 1 of the first special session of 2012, and Chapter 464 of 2014). In addition, fiscal 2011 and 2012 funding levels were set in statute at \$40.2 million per year. Under the most recent modification, the percentage used in the formula is scheduled to phase up to 68.5% by fiscal 2023.

Outside of State funding, the largest source of unrestricted funding for BCCC is student tuition and fees. The Governor's proposed fiscal 2016 budget estimates \$13.1 million in tuition and fee revenue for the college, \$41.8 million in State general funds, and \$13.1 million in other unrestricted revenue.

In-state tuition at BCCC for the 2014-2015 (fiscal 2015) academic year is \$88 per credit hour; thus, a full academic year (24 credits) costs \$2,112. For fiscal 2015, BCCC received State funding through its funding formula for 5,946 FTES enrolled in the 2012-2013 academic year. According to the Maryland Higher Education Commission's (MHEC) place of residence report, approximately 74% of BCCC students live in Baltimore City.

Many BCCC students receive some sort of financial aid. In fall 2011 63.2% of BCCC students received a federal Pell grant. For the 2014-2015 academic year, the maximum Pell grant available is \$5,730, and the minimum is \$573. The Pell grant amount depends on the cost of attendance at the institution and the expected family contribution calculated using FAFSA. Many of these students are also eligible for State financial aid, such as the Guaranteed Access (GA) grant.

The GA grant is a component of the Delegate Howard P. Rawlings Educational Excellence Awards program that covers 100% of need when combined with a federal Pell grant for the State's lowest income students. The maximum amount is capped at the cost of education at the highest cost four-year University System of Maryland institution, excluding the University of Maryland, Baltimore and the University of Maryland University College. The maximum award in fiscal 2013 was \$15,900, and the maximum award in fiscal 2014 was \$16,100. Students that meet all program criteria, such as enrolling directly from high school and family income limits, are guaranteed funding.

Qualified GA applicants must have a cumulative high school grade point average of at least 2.5 on a 4.0 scale. In addition, a recipient must be age 22 or younger at the time of receiving the first award, have successfully completed a college preparatory program in high school, enroll in college as a full-time student, and meet any additional criteria established by MHEC.

MHEC recently extended the income limits for GA renewals to 150% of the federal poverty level to prevent a student who may work in the summertime from exceeding the original 130% income cap. Almost all students receiving aid through this program have expected family contributions of \$3,850 or less.

In the 2012-2013 academic year, the most recent year for which data is available, BCCC enrolled a total of 632 students who graduated from high school during the 2011-2012 academic year. Of those 632 students, 382 or 60.4%, graduated from a Baltimore City public high school. Those 382 students enrolled for 249 full-time semesters and 293 part-time semesters during the 2012-2013 academic year. The exact credit hours attempted by these students is unknown.

BCCC enrollment has declined from nearly 7,000 FTES in the 2010-2011 academic year to an estimated 5,760 FTES in the 2013-2014 academic year.

State Fiscal Effect: General fund expenditures increase by \$1.3 million in fiscal 2018 and by \$2.2 million in fiscal 2020 due to the BCCC funding formula from additional BCPS graduates enrolling in BCCC. BCCC tuition revenues decrease by an estimated \$7.4 million from BCPS graduates who would have enrolled in BCCC regardless of the tuition waiver and by an additional \$371,712 from BCPS graduates who decide to enroll due to the tuition waiver. Correspondingly, in fiscal 2016 BCCC expenditures increase by at least \$1.3 million (shown) but may increase *up to* \$2.7 million due to the additional students. This estimate is based on the following information and assumptions.

- In-state tuition at BCCC for the 2014-2015 academic year is \$88 per credit hour; thus, a full academic year (24 credits) costs \$2,112. It is assumed for the purposes of this bill that tuition at BCCC does not increase, as BCCC tuition has not increased for several years. However, increasing tuition is one option BCCC may need to consider to cover lost tuition revenues as a result of the bill.
- It is assumed that approximately 60% of current BCCC students are BCPS graduates based on the current breakdown of students who enroll in BCCC the semester following high school graduation. It is assumed that the breakdown of BCPS graduates for FTES is the same as it is for headcount.
- BCCC enrolls an estimated 5,879 FTES who are eligible to count under the State funding formula in the 2015-2016 academic year according to projections by the Department of Legislative Services. It is assumed that BCCC tuition is waived for approximately 3,527 FTES (60% of the total) that year for students who would have attended BCCC regardless of the bill. Thus, BCCC loses an estimated \$7.4 million, as shown in **Exhibit 2**, in tuition revenues due to students who would have attended BCCC regardless of the tuition waiver.

- BCCC estimates that enrollment of BCPS graduates increases by 3% annually due to the tuition waiver. Accordingly, approximately 176 additional FTES who are BCPS graduates attend BCCC in the 2015-2016 academic year. Thus, BCCC loses an estimated \$371,712 in tuition revenues due to students who would *not* have enrolled in BCCC without the bill.
 - BCCC is scheduled to receive approximately \$6,894 in general funds per FTES enrolled in the 2015-2016 academic year in fiscal 2018 through its funding formula (without a hold harmless grant). Accordingly, general fund expenditures increase by approximately \$1.2 million in fiscal 2018 for the BCCC funding formula due to the additional 176 FTES who enroll in the 2015-2016 academic year.
 - Due to an estimated additional 176 students enrolling in BCCC for the 2015-2016 academic year, BCCC expenditures increase. Given that expenditures at BCCC are estimated to total \$89.7 million in fiscal 2016 for an estimated 5,879 FTES, BCCC expenditures are approximately \$15,251 per FTES. For the purposes of this estimate, it is assumed that BCCC expenses increase by 50% of that cost (\$7,626) up to \$15,251 for each additional FTES. The actual costs depend on BCCC current capacity to absorb additional students. Thus, in fiscal 2016 BCCC expenditures increase by at least \$1.3 million but may increase *up to* \$2.7 million due to the additional students.
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Exhibit 2 **Total BCCC Tuition Revenue Lost**

	FY 2016	FY 2017	FY 2018
Due to Current Students	\$7,449,024	\$7,628,544	\$7,776,384
Due to Additional Students	371,712	458,304	606,144
Total BCCC Tuition Lost	\$7,820,736	\$8,086,848	\$8,382,528

Source: Department of Legislative Services

In future years BCCC tuition revenues decrease and expenditures increase in accordance with the number of BCPS students who attend BCCC. For the purposes of this bill, it is assumed that 60% of the projected FTES enrollment receives the waiver due to being BCPS graduates. In addition, it is assumed that BCCC enrollment grows by 3% in the out-years due to the tuition waiver.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): *Washington Post, Chronicle of Higher Education, Tennessean, Baltimore City Community College, Maryland State Department of Education, Maryland Higher Education Commission, Baltimore City, Department of Legislative Services*

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