

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 698 (Senator Young, *et al.*)
Education, Health, and Environmental Affairs

Community Colleges - Vocational Certificates and Associate's Degrees - Tuition
Waiver

This bill establishes a voluntary community college tuition waiver program for vocational certificates and associate's degrees in which counties can *elect* to participate. Under the program, a resident of a county that elects to participate who enrolls at a community college as a candidate for a vocational certificate, to be completed within three years, or an associate's degree, to be completed within five years, will be exempt from paying tuition and specified fees. The tuition waiver applies to the difference between tuition and any financial aid award received by a student, not including a student loan. Beginning in fiscal 2018 and each fiscal year thereafter, the Governor must annually appropriate an amount at least equal to a baseline per student State appropriation multiplied by the number of students participating in the program. Community colleges are also entitled to reimbursement of any forgone tuition revenue that exceeds the amount appropriated, with the remainder paid 50% by the participating county and 50% by the State.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: If counties decide to participate in this tuition waiver program for community colleges, general fund expenditures increase, potentially significantly, as early as FY 2018 due to the new per student State appropriation and reimbursing community colleges for a portion of tuition waivers for eligible students. Expenditures increase further as early as FY 2020 for the Senator John A. Cade Funding Formula if additional students enroll as a result of the bill (as discussed below). **If a county decides to participate, this bill establishes a mandated appropriation beginning as early as FY 2018.**

Local Effect: If a county decides to participate in this tuition waiver program, county expenditures increase potentially significantly as early as FY 2018. Local community college revenues and expenditures may increase if additional students enroll due to the tuition waiver program created under the bill.

Small Business Effect: None.

Analysis

Bill Summary: Tuition includes any fees for registration, application, administration, and laboratory work.

An individual who participates in the program must be counted in computing full-time equivalent enrollment for the Senator John A. Cade Funding Formula. (Baltimore City Community College (BCCC) is not included in the bill.)

An individual can continue to receive a tuition waiver until the individual is awarded a vocational certificate or an associate's degree. However, an individual will be required to pay tuition if the individual does not earn a minimum grade point average of 2.0 or earns below a "C" grade or its equivalent in a course.

To participate in the program, an individual must submit a timely application for any State or federal student financial aid, other than a student loan, for which the student may qualify. On request, the community college must assist any individual required to submit an application for State or federal student financial aid. Any student financial aid, other than a student loan, received by an individual who receives a tuition waiver must be applied first to pay the individual's tuition.

By August 1, 2016, the Maryland Higher Education Commission (MHEC) must determine the amount per student of financial aid that was awarded in fiscal 2014, 2015, and 2016 to students who attended community colleges. MHEC must average the amounts to create the baseline per student State appropriation for the program.

Current Law: 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. (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.

Senator John A. Cade Funding Formula

The State's annual contribution for the Senator John A. 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. The Cade funding formula bases per pupil funding 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 community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

Specifically, the number of FTES is calculated as the number of student credit hours produced in the fiscal year two years prior to the fiscal year for which the State share is calculated divided by 30. "Student credit hours" are defined as student credit hours or contact hours which are eligible, under the regulations issued by MHEC.

Background:

Tuition Waiver Programs in the State

A tuition waiver reduces or eliminates the need for a student to pay for tuition and mandatory fees at public institutions. The rules for each waiver vary significantly, but several are set in State statute. It is important to note that waivers are not generally funded by the State through MHEC or any other means. Instead, eligible students simply cannot be charged tuition and mandatory fees by the public institution they attend.

Current waivers established by the General Assembly include:

- Senior Citizens: residents older than age 60, provided course space is available;
- Disabilities: individuals receiving certain disability benefits;
- National Guard: members and dependents receive a half tuition waiver and do not pay fees if the courses are at a National Guard site, provided space is available;
- Foster Care Recipients: covers tuition and fees;
- Unaccompanied Homeless Youth: covers tuition and fees;
- Dual Enrollment: high school students from the service area; and
- Health Manpower: reduces tuition to the in-county rate if the student is enrolled in an eligible State-designated program.

Community College Tuition Programs in the United States

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 one 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 complete the federal Free Application for Federal Student Aid, 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. Tennessee Promise estimates that between 16,000 and 18,000 students completed the requirements to enroll in the program during its first semester (fall 2015). An article in *The Atlantic* reported that, even with free tuition, some of the poorest students are still finding attending community college a challenge because they need to work 30 to 40 hours a week to afford books and meet basic living expenses, which can cost between \$5,000 to \$10,000 per year.

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 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. President Obama reiterated his support for such a program during his 2016 State of the Union address.

Tuition and Fees for Maryland Community Colleges

As shown in **Exhibit 1**, the average statewide in-county tuition and fees for Maryland's community colleges was \$4,094 in fall 2015. However, tuition and fees are only part of the costs associated with attending a community college. For example, students must obtain books and other educational materials in addition to room and board.

Exhibit 1
In-county Tuition and Fees at Community Colleges
Based on 30 Credit Hours per Year
Fall 2015

<u>College</u>	<u>In-county</u>
Allegany	\$3,835
Anne Arundel	3,920
Baltimore City	2,980
Baltimore County	4,252
Carroll	4,524
Cecil	3,390
Chesapeake	4,520
College of Southern Maryland	4,428
Frederick	4,165
Garrett	3,890
Hagerstown	3,930
Harford	4,176
Howard	4,623
Montgomery	4,728
Prince George's	4,550
Wor-Wic	3,600
Statewide	\$4,094

Source: Maryland Association of Community Colleges

State and Federal Financial Aid Available for the Neediest Students

For the 2015-2016 academic year, the maximum federal Pell grant for the most financially needy students is \$5,775, and the minimum is \$577. The Pell grant amount depends on the cost of attendance (including tuition and fees, room and board, books, etc.) at the institution and the expected family contribution, which results in a student's financial need. The State also provides financial assistance to students, totaling \$105.1 million in fiscal 2016 and \$105.2 million in the proposed fiscal 2017 budget. Most of the aid is distributed based on financial need through the Educational Excellence Awards program. Students receiving Pell grants 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 award in fiscal 2014 was \$16,100, and

the maximum award in fiscal 2015 was \$16,500. Students that meet all program criteria, such as enrolling full time directly from high school and family income limits, are guaranteed funding. Students who do not qualify for the GA grant may be eligible to receive an Educational Access grant, which provides up to \$3,000 per year to students attending a Maryland higher education institution full time.

State Expenditures: If counties decide to participate in this tuition waiver program for community colleges, general fund expenditures increase, potentially significantly, due to providing a new per student grant for eligible students, reimbursing community colleges for a portion of tuition waivers for eligible students, and the Senator John A. Cade Funding Formula if additional students enroll in community colleges due to the bill. The amount cannot be reliably estimated, but if even a few counties elect to participate in the program, general fund expenditures could be significant.

For illustrative purposes only, if Anne Arundel County elects to participate in the program beginning with the 2017-2018 academic year, general fund expenditures increase by an estimated \$1,475 per student participating beginning in fiscal 2018. If additional students enroll in Anne Arundel Community College (AACC) due to the program in fall 2017 (fiscal 2018), general fund expenditures increase by \$2,918 per FTES in fiscal 2020 due to the Senator John A. Cade Funding Formula. The State share was calculated using the following information and assumptions.

- Financial aid data for fiscal 2015 and 2016 are not currently publicly available. Statewide, the State awarded approximately \$17.1 million in grants and scholarships to students attending community colleges in Maryland, including BCCC. Total headcount enrollment at community colleges in the State in fall 2013 (fiscal 2014) was 138,807. Thus, each community college student enrolled received an average of \$123 in financial aid from State-supported grants and scholarships. Therefore, beginning in fiscal 2018, the State must appropriate at least \$123 per student participating in the tuition waiver program.
- For the calculation above, although not specified in the bill, it is assumed that “per student financial aid that was awarded in fiscal years 2014, 2015, and 2016 to students who attended community colleges in the State” refers to State grants and scholarships granted to the total headcount of community college students in Maryland.
- To participate in the tuition waiver program, a student must apply for State and federal financial aid. In fiscal 2014, community college students in the State were awarded \$184.9 million in federal financial aid, of which \$177.3 million was Pell grants. Based on total headcount enrollment at community colleges in the State in fall 2013 (fiscal 2014), each community college student in the State received an average of \$1,332 in federal financial aid.

- Tuition and fees are \$3,920 per year at AACC. Assuming a 3% annual increase, tuition and fees will be \$4,159 for the 2017-2018 academic year (fiscal 2018).
- Thus, assuming federal financial aid remains level (\$1,332), on average, tuition and fees for each FTES attending AACC in fall 2017 (fiscal 2018) will be \$2,827. For the purposes of this estimate, it is assumed that students participating in the tuition waiver program do not receive private or institutional aid since private donors and institutions would not be motivated to award financial aid to students eligible for the tuition waiver program. However, for informational purposes, on average each community college student received \$54 in private grants and scholarship and \$98 in institutional aid.
- For the purposes of this estimate, it is assumed that students enrolled in the tuition waiver program do not receive any State financial aid, since it is assumed that the State appropriation of \$123 per student replaces State financial aid for students receiving a tuition waiver.
- Due to the required State appropriation of an estimated \$123 per student (calculated above), the remaining tuition and fees will be \$2,704. Under the bill, the State is responsible for 50%, or \$1,352 of the remaining tuition and fees. Thus, under the bill, the State pays an average of \$1,475 for each student attending AACC. However, for students who would have attended regardless of the tuition waiver, only \$1,352 per FTES will be additional State expenditures.
- In addition, for each *additional* student who attends AACC full time due to the tuition waiver in fall 2017 (fiscal 2018), general fund expenditures increase by an estimated \$2,918 in fiscal 2020 due to the Senator John A. Cade Funding Formula. Since the Cade funding formula is based on the number of FTES, general fund expenditures will be less than \$2,918 for each student who attends less than full time.
- The Department of Legislative Services estimates that approximately 11,890 FTES eligible for Cade funding will attend AACC in fiscal 2018. Assuming that 75% of these FTES are eligible for the tuition waiver program, general fund expenditures increase by an estimated \$12.1 million in fiscal 2018. Any *additional* students who choose to enroll due to the tuition waiver increase general fund expenditures by an estimated \$1,475 in fiscal 2018 due to the State appropriation and by \$2,918 in fiscal 2020 due to the Senator John A. Cade Funding Formula.

Local Fiscal Effect: If a county decides to participate in this tuition waiver program, county expenditures increase potentially significantly as early as fiscal 2018. Local community college revenues and expenditures may increase if additional students enroll due to a tuition waiver program created under the bill.

For illustrative purposes only, if Anne Arundel County elects to participate in the program beginning with the 2017-2018 academic year, local expenditures increase by an estimated \$1,352 per FTES beginning in fiscal 2018 due to a participating county being responsible for 50% of the remaining tuition as explained above. If additional students enroll in AACC due to the program in fall 2017 (fiscal 2018), local community college revenues increase by an estimated \$1,475 in fiscal 2018 due to the State appropriation and an estimated \$2,918 in fiscal 2020 due to the Senator John A. Cade Funding Formula. AACC expenditures may increase if additional students enroll.

Additional Comments: MHEC reports that institutions of higher education can continue to award federal aid for fiscal 2016 as late as September 2016, so institutions are not required to submit financial aid data to MHEC until mid-November. By August 1, 2016, the most current data available to MHEC will be for fiscal 2015.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Baltimore City Community College, Department of Budget and Management, *The Atlantic*, tennessean.com, Department of Legislative Services

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Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510