

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 869 (Senator Klausmeier, *et al.*)

Education, Health, and Environmental Affairs
 and Budget and Taxation

Higher Education - Community Colleges - Workforce Development Sequence
 Grants and Scholarships

This bill establishes a Workforce Development Sequence program, with grants that are disbursed to community colleges to award scholarships to eligible students who (1) are enrolled in a program composed of courses that are related to job preparation, licensure or certification, or job skill enhancement and (2) demonstrate financial need. The Governor must annually include an appropriation of \$2.0 million in the State budget for the Maryland Higher Education Commission (MHEC) to disburse Workforce Development Sequence grants to community colleges.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: General fund expenditures increase by \$100,000 in FY 2018 for MHEC to administer the program and update its scholarship system. Beginning in FY 2019, general fund expenditures increase by \$2.0 million annually (plus administrative costs) for MHEC to distribute grants to community colleges. Out-year expenditures for State aid increase to the extent enrollments increase due to the scholarships. Revenues and expenditures for Baltimore City Community College (BCCC) increase beginning in FY 2019, based on its share of the grants. **This bill establishes a mandated appropriation beginning in FY 2019.**

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Higher Ed Rev.	\$0	-	-	-	-
GF Expenditure	\$100,000	\$2,048,900	\$2,051,500	\$2,054,200	\$2,057,100
Higher Ed Exp.	\$0	-	-	-	-
Net Effect	(\$100,000)	(\$2,048,900)	(\$2,051,500)	(\$2,054,200)	(\$2,057,100)

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

Local Effect: Local community college revenues and expenditures increase by as much as \$2.0 million annually beginning in FY 2019 due to receiving Workforce Development Sequence grants from MHEC to distribute to eligible students as Workforce Development Sequence scholarships. Out-year revenues and expenditures may increase from State aid to local community colleges if enrollments increase due to the scholarships.

Small Business Effect: None.

Analysis

Bill Summary:

Eligible Students

To be eligible for a scholarship, a student must be a Maryland resident or have graduated from a Maryland high school and be enrolled at a community college in the State in a Workforce Development Sequence.

Maryland Higher Education Commission

By October 1 of each year, each eligible institution must provide MHEC with specified information regarding the number and amount of scholarships awarded for the prior fiscal year. By December 1 of each year, MHEC must compile the information and submit it to the Governor and the General Assembly.

Distribution of Grants

The Office of Student Financial Assistance (OSFA) within MHEC must determine the number of eligible students in the State and at which institution each eligible student is enrolled. OSFA must disburse Workforce Development Sequence grants to each eligible institution based on the number of eligible students enrolled at each eligible institution.

Develop Guidelines for Workforce Development Sequence Scholarships

MHEC, in consultation with the Maryland Association of Community Colleges, must develop need-based financial aid guidelines for the awarding of the scholarships to eligible students.

Distribution of Scholarships

In awarding Workforce Development Sequence scholarships, an eligible institution must consider (1) an eligible student's financial need relative to the guidelines developed by MHEC and (2) local workforce needs.

Use of Scholarships

An eligible student who receives a Workforce Development Sequence scholarship may use the award for tuition, mandatory fees, and other associated costs of attendance at the eligible institution, as determined by the eligible institution.

Current Law: OSFA is responsible for the administration of State financial assistance programs. Although the State supports a number of financial aid programs including ones related to workforce development, none of the financial aid programs is for noncredit certificate programs at community colleges.

Background: In addition to associate degree programs, community colleges offer courses related to apprenticeship programs in such things as plumbing, heating, air conditioning, and electrical, as well as certificates in areas such as building maintenance, forklift operation, casino table games dealing, and child care. The courses in these programs are generally noncredit bearing. These noncredit course programs are often called workforce development sequences or certificate programs. Additionally, community colleges offer certificate programs for job skill enhancement that consist of a few credit courses in areas such as accounting, bookkeeping, and project management.

Most certificate programs (both credit and noncredit) take less than a year to complete, and the majority are designed to be completed in less than two years. According to a 2012 report by the Center on Education and the Workforce (CEW) as reported by the U.S. Bureau of Labor Statistics, people who have a certificate as their highest level of education earned, on average, 20% more than those whose highest education level is a high school diploma. However, to reap that benefit, individuals must work in the same field as their certificate. The CEW report says that individuals working in the same field as their certificate earn 37% more than workers with a high school diploma and almost as much as workers with an associate's degree. Certificate holders who are not working in the same field as their certificate earn about the same amount as those whose highest level of schooling is a high school degree.

The financial reward of certificate programs also varies by program of study. Individuals who hold a certificate in computer information services and work in that field earned an average of \$70,400 based on the combined 2004 and 2008 Survey of Income and Program

Participation data, while individuals with a certificate in food service and working in that field only earned an average of \$17,600.

Federal financial aid, like Pell grants, is generally *not* available to students who take noncredit courses except in limited circumstances. Most State scholarships are limited to programs that lead to a degree, although a few (including the senatorial and delegate scholarships) may be used to earn a certificate from a private career school. Without access to financial aid, even relatively inexpensive certificate programs can remain out of reach to low-income individuals.

According to MHEC, 8,922 students enrolled in noncredit courses classified by MHEC for “workforce development” in fiscal 2016. In addition, 174,674 students enrolled in credit courses classified by MHEC for “workforce development.” MHEC further divides courses classified for “workforce development” as belonging to one of the following three categories: job preparatory, licensure or certification, or job skill enhancement.

State Fiscal Effect: General fund expenditures increase by \$100,032 in fiscal 2018 for MHEC to hire a half-time administrative specialist to administer the program and to update its scholarship system known as MDCAPS. General fund expenditures increase by the mandated \$2.0 million in fiscal 2019 and beyond for awards. The information and assumptions used in this estimate are shown below.

- MHEC advises that updating its scholarship system to distribute the grants costs \$60,000 for one-time contractual services in fiscal 2018.
- MHEC must develop guidelines for eligible students and approve eligible programs during the 2017-2018 academic year (fiscal 2018) before the first awards are made for the 2018-2019 academic year (fiscal 2019). In fiscal 2019 and beyond, MHEC needs to continue to approve programs, determine the number of eligible students at each eligible institution to distribute funding to community colleges, make awards to community colleges, and compile the required report. Annually determining the number of eligible students at each community college may be challenging since students in noncredit course sequences generally do not complete a Free Application for Federal Student Aid (FAFSA) since they are not generally eligible for financial aid. Thus, MHEC may require students to complete a FAFSA to be eligible or develop an alternative method of determining financial need.
- MHEC advises that an additional administrative specialist is needed to meet the requirements of the bill. The Department of Legislative Services advises that only a half-time position is needed. Thus, in fiscal 2018, general fund expenditures increase by \$35,157 for salary and fringe benefits and by \$4,875 in start-up and

operating costs, which reflects a 90-day start-up delay following the July 1, 2017 effective date of the bill.

- Future year expenditures reflect elimination of one-time expenses after fiscal 2018, annualization, a half-time salary with annual increases in employee turnover, as well as annual increases in ongoing operating expenses.
- The bill requires the Governor to annually include an appropriation of \$2.0 million in the State budget for MHEC to disburse Workforce Development Sequence grants to eligible institutions. Thus, general fund expenditures increase by an additional \$2.0 million annually beginning in fiscal 2019.
- BCCC advises that Workforce Development Sequence scholarships may increase demand for eligible programs, which may increase community college enrollments, revenues, and expenditures. Thus, to the extent that the scholarships encourage more students to enroll in community college, State aid through the Senator John A. Cade and BCCC formulas increases. Students enrolled in credit and eligible noncredit courses in the second prior fiscal year are counted in the formulas (*e.g.*, fiscal 2019 enrollment would be used to calculate fiscal 2021 State aid). Thus, beginning in fiscal 2021, State aid may increase by \$3,243 for each additional full-time equivalent student (FTES) enrolled in a local community college and \$8,366 for each additional FTES enrolled at BCCC.

Local Fiscal Effect: Local community college revenues and expenditures increase due to receiving Workforce Development Sequence grants from MHEC to distribute to eligible students as Workforce Development Sequence scholarships. Only community colleges in the State with eligible students may receive Workforce Development Sequence grants. Local community colleges can distribute scholarships using existing resources. Out-year revenues and expenditures may increase from State aid to local community colleges if enrollments increase due to the scholarships.

Additional Comments: The Department of Labor, Licensing, and Regulation advises federal Workforce Innovation and Opportunity Act funds are available through the 12 local workforce areas in the State to fund participation in a workforce class or training listed on the State's Eligible Training Provider List. Some community college programs are on the list.

Additional Information

Prior Introductions: SB 38 of 2016 received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

Cross File: HB 868 (Delegate Jones, *et al.*) - Ways and Means.

Information Source(s): U.S. Bureau of Labor Statistics; Center on Education and the Workforce; Maryland Higher Education Commission; Baltimore City Community College; Department of Budget and Management; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2017
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