R62I0005

Aid to Community Colleges

Operating Budget Data

($ in Thousands)

	FY 15 Actual	FY 16 Working	FY 17 Allowance	FY 16-17 Change	% Change Prior Year
General Fund	$290,264	$296,129	$314,335	$18,206	6.1%
Deficiencies and Reductions	0	1,340	0	-1,340	
Adjusted General Fund	**$290,264**	**$297,469**	**$314,335**	**$16,866**	**5.7%**
Adjusted Grand Total	**$290,264**	**$297,469**	**$314,335**	**$16,866**	**5.7%**

- There is a fiscal 2016 deficiency for $1.3 million to supplement the Optional Retirement Program (ORP) for community college personnel in fiscal 2016.
- There are also two proposed deficiencies for prior year unfunded liabilities totaling $4.4 million. The first is $2.7 million for a workforce development grant for community college students and the other is $1.7 million for the ORP.
- After adjusting for the one ORP deficiency that directly impacts fiscal 2016 spending, total general fund support for local community colleges grows $16.9 million, or 5.7%, in fiscal 2017.

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

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Analysis in Brief

Major Trends

Successful Persister Rate Falls to New Low: 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. 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 decreased 0.3 percentage points for the 2010 cohort. After fluctuating between 8.8 percentage points and 10.1 percentage points for several years, the gap has remained at 7.5 percentage points or less for the past six years.

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, two institutions in Western Maryland have already done this.

The Decline of Credit Enrollment and Rise of Dual Enrollment: Credit enrollment eligible for the Cade formula peaked in fiscal 2012 and since then almost all institutions have struggled with enrollment declines. One opportunity to increase enrollment in a previously untapped population is the statewide effort to boost dual enrollment opportunities for high school students.

The Separate World of Noncredit Education: About one-quarter of eligible students for the Cade 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

		Funds
1.	Add language restricting Cade formula funding.	
2.	Reduce general fund support for the Cade formula grant.	$ 466,018
3.	Adopt narrative for a report on continuing education outcomes.	
	Total Reductions	**$ 466,018**

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 in determining 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 2004. The amount of the unrestricted grants increase annually by the same percentage of funding per FTES at the selected institutions used by the Cade 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 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 administration costs.

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

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

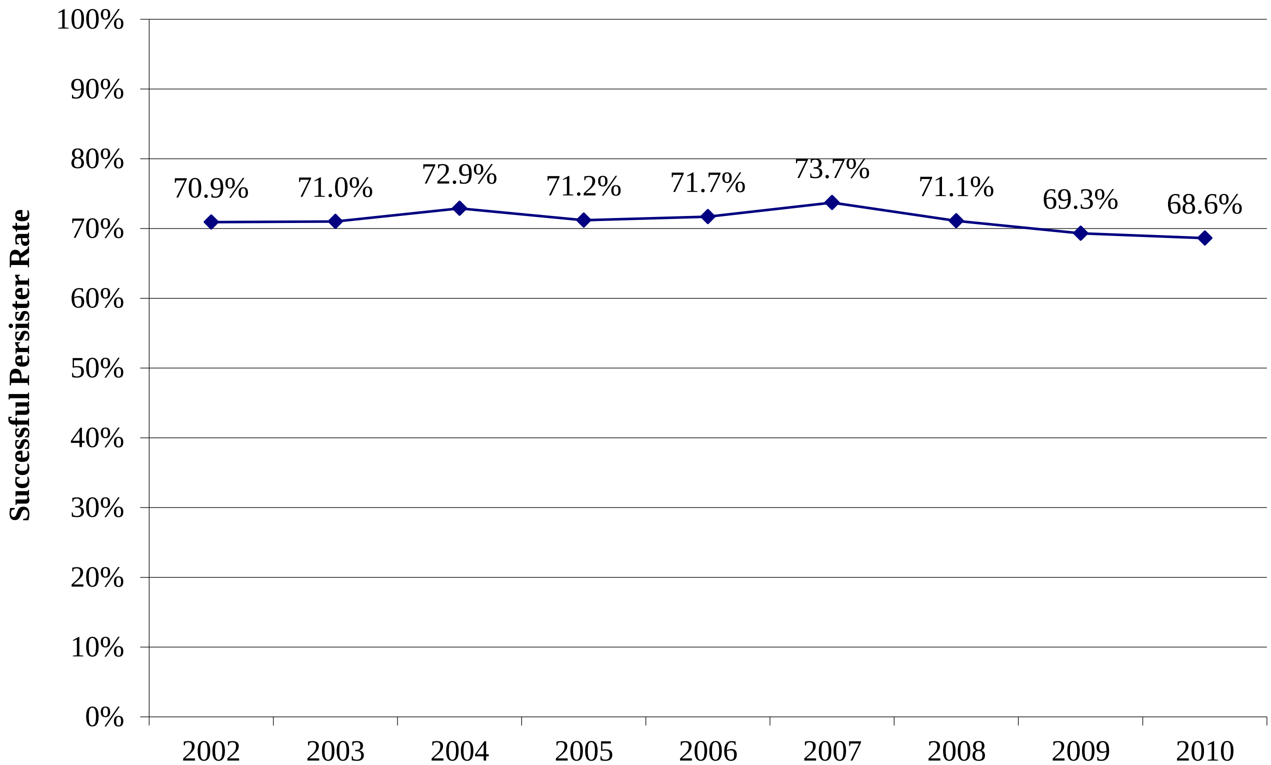
Performance Analysis: Managing for Results

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 and obtaining an associate's degree may not be the top priority. 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 in his or her first two years, and who, after four years, is still enrolled, has graduated, or has transferred.

1. Successful Persister Rate Falls to New Low

The statewide successful persister rate for the 2002 through 2010 cohorts is shown in **Exhibit 1**. The rate declined by 0.7 percentage points to 68.6% from the 2009 to 2010 cohort, making this the lowest rate since at least 2002. Increasing this rate is necessary to meet the State's degree completion goals. However, from the 2007 cohort to the 2010 cohort, the rate has decreased 5.1 percentage points, indicating that the larger cohorts entering during the recession years had poorer outcomes, even when using the broader definition for success within the persistence rate.

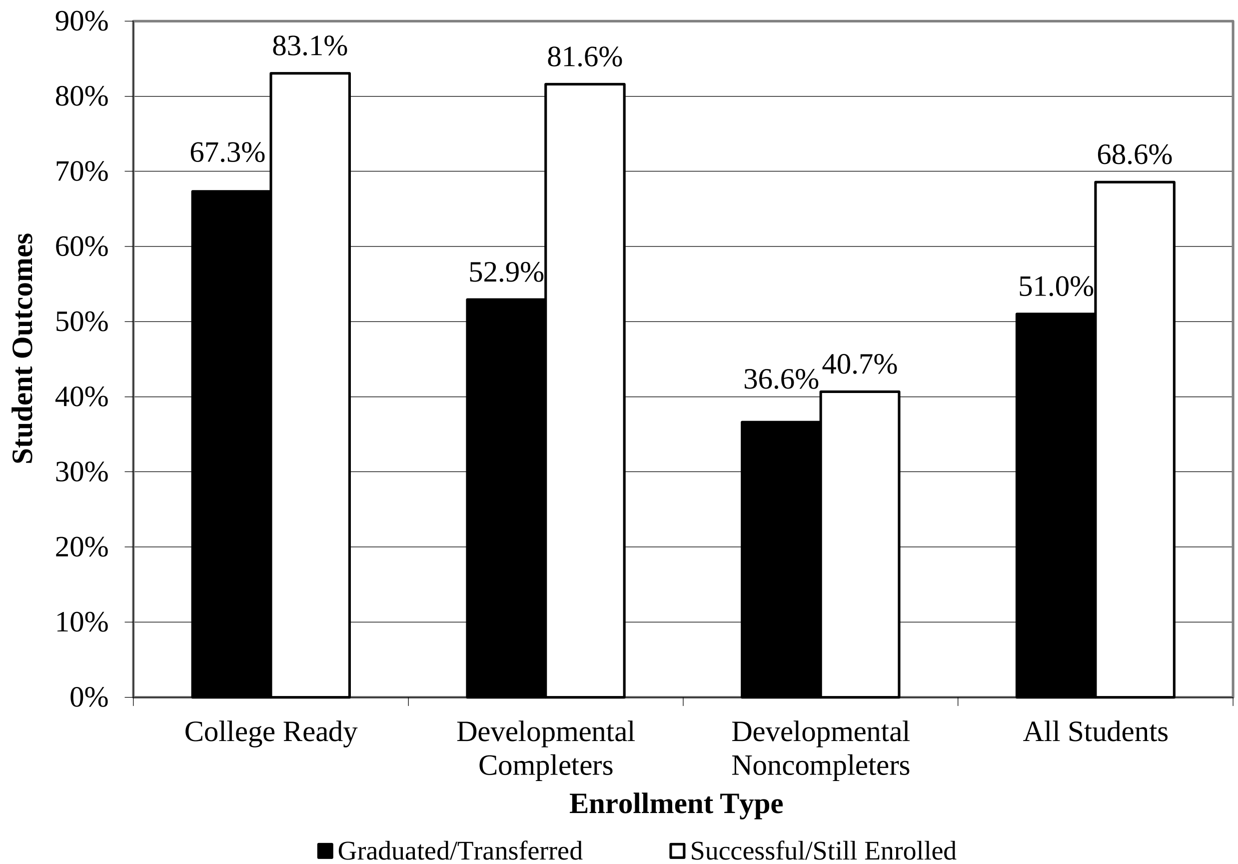
Exhibit 1
Four-year Successful Persister Rate
2002-2010 Cohorts



Source: Maryland Association of Community Colleges

The successful persister rates for three separate subgroups of students are tracked by the Maryland Association of Community Colleges (MACC) – college ready students, developmental completers (students who require developmental education and who complete it within four years), and developmental noncompleters (students who require developmental education and have not completed coursework after four years). **Exhibit 2** shows successful persister rates for those three subgroups and for all students in the 2010 cohort.

Exhibit 2
Degree Progress Four Years after Initial Enrollment
Fall 2010 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 course hours in their first two years.

Source: Maryland Association of Community Colleges

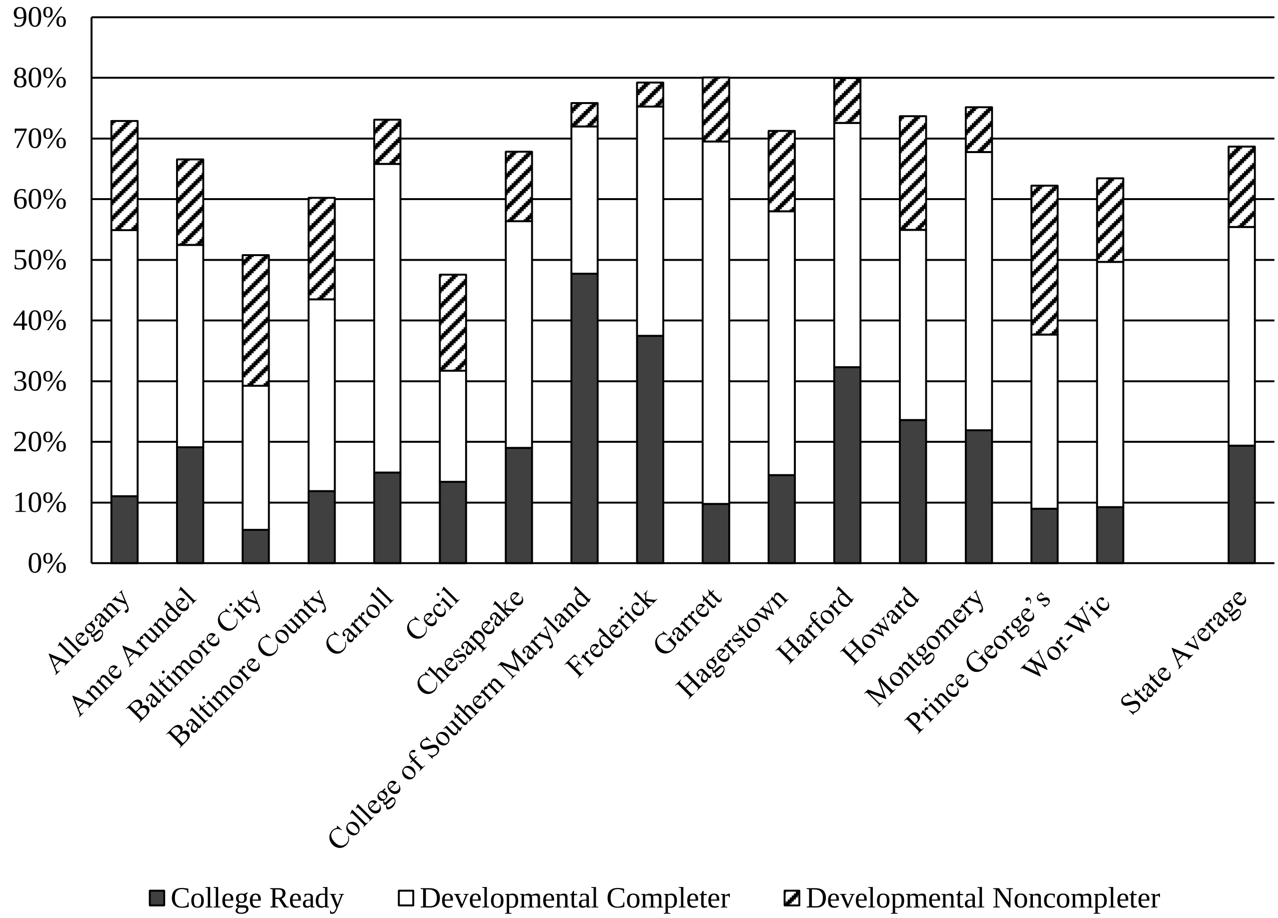
Prior to the 2010 cohort, the highest success rate in the 2005-2009 cohorts had been for developmental completers, or students who required and completed developmental education before beginning credit-bearing coursework. The successful persister rate for this type of student had been between 1.4 percentage points to 2.6 percentage points higher than college ready students. The 2010 cohort represents a shift back to the 2004 cohort in that the college ready students are again outperforming developmental completers. As both the 2004 and 2010 cohorts enrolled during economic recessions, it may be that growth in enrollment during recessions brings more students to community colleges with developmental needs who also persist at lower rates than their peers during nonrecession years.

The rate of students who graduated or transferred increased 0.1 percentage point among college ready students in the 2010 cohort, but declined 5.8 percentage points for developmental completers in the same cohort. 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. While overall persistence is good for successful students, the fact that more students are not transferring or graduating and instead are only persisting is cause for concern.

The declines in the developmental completer rates are discouraging 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 nearly as successful 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 2008 cohort of noncompleters was about 7,500, while the 2010 cohort of noncompleters was only 6,500, a decline of 1,000 students, or about 13.0%, over two years. At the same time, the size of the total cohort under analysis grew by almost 2,000 students, or 10.9%, in the 2010 cohort over the 2008 cohort. Over the same two cohorts, the number of students who are developmental completers, grew by 1,300, or over 17.0%. This suggests more students are completing developmental coursework, but fewer are persisting. While that change in persistence is in the wrong direction, given the increase in community college enrollment during the recession and the expected positive impact of community colleges improving developmental courses, the number of students in each persister category may in fact be much more important than slight changes in the percent persisting. As 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 and transition courses in high school will reduce the need for developmental education in college, the number of students needing developmental education should decrease greatly, but that will not be seen in the persistence data until at least the 2014 cohort, four years from now.

Exhibit 3 shows the college-by-college breakdown of the same three categories of student for the 2010 cohort persister rates. Overall, colleges range from 48.0% at Cecil College and 50.8% at Baltimore City Community College (BCCC) up to 80.0% at Harford Community College and 80.1% at Garrett College. Most schools, 11 of the 16 colleges, have persister raters above 65.0%. Differences are expected given varying demographics and, generally, the colleges with a higher number of students requiring developmental education have lower successful persister rates although 4 community colleges (Allegany, Carroll, Garrett, and Hagerstown) have below average numbers of college ready students and relatively high persister rates. In the 2010 cohort, 11 community colleges saw the successful persister rate decrease by at least 1 percentage point, while 12 had decreased in the prior year. Cecil College, in particular, declined 14 percentage points in the 2010 cohort, partly due to having a very small cohort size of between 350 and 450 students in most years of data. Only Harford and Montgomery colleges saw improvement of at least 1 percentage point in persister rates in the 2010 cohort, both about 2 percentage points.

Exhibit 3
Successful Persister Rates by College
Fall 2010 Cohort



Source: Maryland Association of Community Colleges

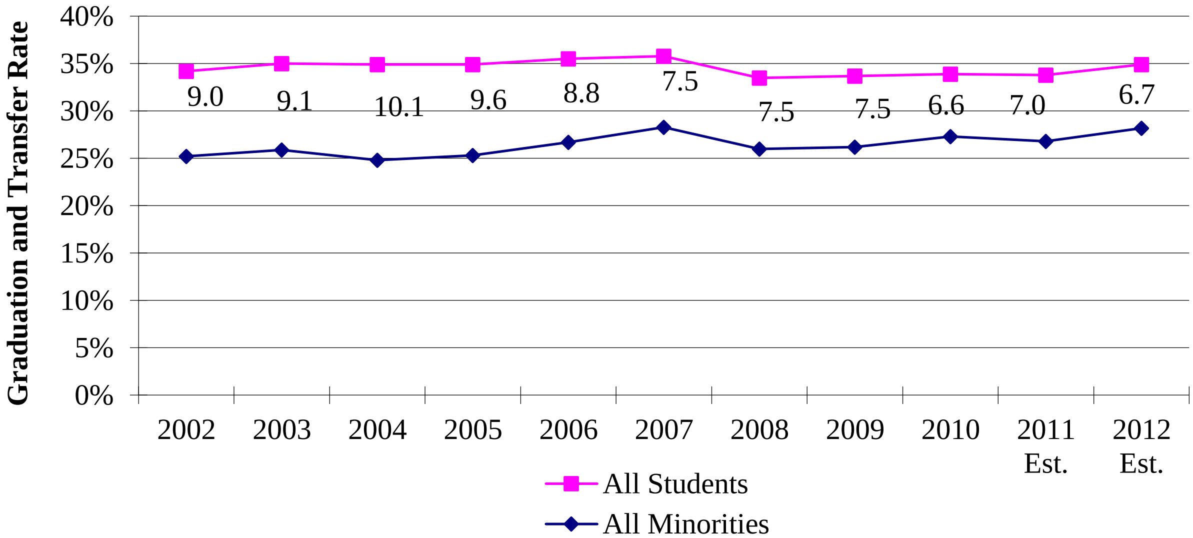
It is interesting to note from Exhibit 3 that the two most successful colleges have relatively different student outcomes: at Garrett College, 75% of the successful persisters are developmental completers, whereas more students enter college ready at Harford Community College. At Prince George's Community College (PGCC) and State-run BCCC, about 40% 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 so long in postsecondary education.

The director of MACC should comment on what successful outcomes are possible for a developmental noncompleter still enrolled in courses, how likely those are to occur, and why this group of students is considered a successful persister. In addition, MACC should comment on how the requirements 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 student enrollment grew from 45% of total community college enrollment in fall 2004 to 53% in fall 2012 according to the most recently available MACC data. **Exhibit 4** shows that gap had grown to 10.1 percentage points in the 2004 cohort, but narrowed to 7.5 for the 2007 cohort and was unchanged for two more cohorts. The gap narrowed to 6.6 percentage points in the 2010 cohort, the smallest gap in the period shown, before growing slightly to 6.7 percentage points in the 2012 cohort. Comparing the 2012 cohort to the 2002 cohort, the achievement gap has narrowed by 2.3 percentage points. Many of the 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 discussed in Issue 2, may also lead to a reduction in the gap as students will enroll with familiarity in higher education.

Exhibit 4
Four-year Graduation and Transfer Achievement Gap
Fall 2002-2012 Cohorts



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

Source: Governor's Budget Books, Fiscal 2003-2016; Maryland Higher Education Commission

Fiscal 2016 Actions

Proposed Deficiencies

The fiscal 2017 budget provides a $2.7 million deficiency for the Statewide and Health Manpower (SHM) grant programs. These programs have had liabilities since fiscal 2012. The liabilities grew over several years as each year's appropriation did not fully fund the program. The grant reimburses colleges for admitting out-of-county students at in-county rates when they are enrolling in degree programs that are considered a workforce shortage for the State and are not offered at the students' local community college. This grant was changed in the Budget Reconciliation and Financing Act (BRFA) of 2011 from mandated to discretionary spending. Before the change, statute required the Governor to include a deficiency appropriation for the program if the original appropriation did not fully fund the program in that year. The BRFA of 2011 removed that requirement beginning in fiscal 2012 and requires that funds be prorated among the colleges if funding is not sufficient. However, some accumulated liability remains.

Specifically, while the fiscal 2014 budget included a $3.0 million deficiency appropriation for fiscal 2013 to address an accrued liability within the SHM grants, no additional funding was provided in the fiscal 2015 budget or fiscal 2016 budget to reduce outstanding obligations charged by this program. The outstanding liability of the grant reached over $9.0 million in fiscal 2011 but has declined, according to MHEC, to about $2.7 million in fiscal 2015. Because the grants send students to shortage programs mostly at larger colleges, 58% of the funding will go to the Community College of Baltimore County (CCBC), 12% to Anne Arundel Community College, and 11% to Howard Community College. The other 19% of funding will be sent to the remaining dozen colleges per prior billing requests.

The ORP also had an accrued liability as high as $5.9 million in fiscal 2010. Starting in fiscal 2011, the appropriation has been higher than anticipated expenses, which helped to pay down the liability. While MHEC has reported that the liability would be fully paid down by the end of fiscal 2014, this has not occurred. Although excess funds were available to make a final payment in fiscal 2015, the funding was instead reverted to the General Fund. There are two deficiencies for retirement in the fiscal 2017 budget. One is for prior year deficits amounting to $1.7 million and $1.3 million is to supplement the fiscal 2016 budget.

Cost Containment

While MHEC received a 2% across-the-board reduction in general funds in fiscal 2016 cost containment, no cuts were made to State aid for community colleges.

Proposed Budget

Exhibit 5 shows the budget changes for Aid to Community Colleges between the fiscal 2016 working appropriation, adjusted for the ORP deficiency appropriation that directly impacts fiscal 2016 spending, and the fiscal 2017 allowance. Total budget growth is $16.9 million, 5.7%, all in general funds.

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

How Much It Grows:	General Fund	Total
Fiscal 2015 Actual	$290,264	$290,264
Fiscal 2016 Working Appropriation	297,469	297,469
Fiscal 2017 Allowance	314,335	314,335
Fiscal 2016-2017 Amount Change	$16,866	$16,866
Fiscal 2016-2017 Percent Change	5.7%	5.7%

Where It Goes:

Changes	
Senator John A. Cade Funding Formula	$11,631
Faculty and staff retirement	4,450
Optional Retirement Program	2,143
Small Community College grants	79
Garrett and Somerset reciprocity grants	4
English for Speakers of Other Languages grants	-101
Removal of fiscal 2016 retirement deficiency	-1,340
Total	**$16,866**

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

There are three components to State support for community colleges. The first and largest source of State support is the Cade formula, calculated based on actual community college enrollments from two years prior and a percentage (20.5% for fiscal 2017) of the proposed per student funding at selected public four-year institutions. Cade formula funding grows $11.6 million, or 5.2%, over the fiscal 2016 working appropriation. This significant growth amongst other things reflects the nearly

10% growth in State funds per FTES in the 2017 allotment. One institution, Chesapeake College, receives hold harmless funding totaling almost $170,000 in the allowance.

The second major component of funding is comprised of the miscellaneous grant programs, such as the SHM grants, Small College grants, and ESOL. Exhibit 5 shows that there are minimal funding changes within these programs and, when combined, they decline slightly more than $18,000, primarily due to a decline of $0.1 million in ESOL. This is the first time since at least fiscal 2005 that ESOL funding has declined, representing a change in the enrollment of the population that uses this service. Finally, State support for both community college employee benefits programs grows $6.6 million.

The Senator John A. Cade Formula

Comparing fiscal 2016 and 2017 funding through the Cade formula is more complicated than a simple comparison of the percentage of per student State funding at selected public four-year institutions used in the formula. **Exhibit 6** shows the Cade formula in the fiscal 2016 allowance and the legislative appropriation. The Governor's BRFA of 2015 reduced aid by $9.0 million and did not include hold harmless funding. The legislative appropriation provided an increase of $4.0 million versus the BRFA that included hold harmless funding. This accounted for fiscal 2016 cost containment actions at the four-year institutions, which lowered the per FTES funding by $819, or 7.2%. This effectively increased Cade's statutory percentage to 20.6% in order for the formula to meet the fiscal 2016 funding specified in the BRFA, $222.7 million. Neither the allowance nor legislative appropriation figure shown here reflect the restoration of cost-of-living adjustment (COLA) funding at the beginning of fiscal 2016, but the fiscal 2017 allowance reflects the annualized COLA.

Exhibit 6 also shows two alternatives for fiscal 2017: the original allowance and the allowance adjusted to reflect the across-the-board health insurance reductions in the back of the budget bill, which reduces funding to the selected public four-year institutions, as well as the final allocation of University System of Maryland enhancement funding (Department of Legislative Services (DLS) proposal). Personnel increments for public universities, while budgeted within the Department of Budget and Management rather than within the institutions, were included in calculating fiscal 2017 Cade formula funding in both alternatives. The exhibit also shows that the audited enrollments used in the 2017 formula, which are from fiscal 2015, decreased by almost 3,200 students, or 3.1%, from fiscal 2014. This is a smaller decline than the prior year, when community colleges lost nearly 4,800 students, or 4.5%.

Exhibit 6
Cade Aid Formula
Fiscal 2016-2017

	2016		2017	
	Allowance[1]	**Appropriation**	**Allowance**	**DLS Proposal**
Per FTES State Funds Per Selected Public Institutions	$11,425	$10,606	$11,650	$11,626
Statutory Cade Percentage	20.00%	20.60%[2]	20.50%	20.50%
General Funds x Percentage	$2,285	$2,185	$2,388	$2,383
Audited Enrollment	101,235	101,235	98,068	98,068
Cade Appropriation	$231,327,495	$221,191,832	$234,207,672	$233,719,295
Hold Harmless	$462,640	1,552,788	167,519	189,878
Total	**$231,790,135**	**$222,744,620**	**$234,375,191**	**$233,909,173**
Difference over 2016 Appropriation			**$11,629,559**	**$11,163,541**
			5.2%	**5.0%**

DLS: Department of Legislative Services
FTES: full-time equivalent student

[1]The Budget Reconciliation and Financing Act (BRFA) of 2015 proposed to reduce the allowance to $218,744,620 in fiscal 2016.
[2]Fiscal 2016 funding was specified in the BRFA of 2015; had the final amount been achieved by running the Cade formula, the percentage in statute would have been 20.6%. The actual percentage in statute was 20.0%.

Source: Governor's Budget Books, Fiscal 2017; Department of Legislative Services

It is the combination of the reduced per student State funding at public four-year institutions in fiscal 2016 and the higher per student State funding in fiscal 2017, coupled with declining community college enrollment, that drives the 9.1% increase in per student Cade funding and overall 5.2% increase in Cade funding in fiscal 2017. Thus, although the percentage in statute does increase 0.5 percentage points, the overall formula growth really occurs due to the increase in per student State funding at selected public four-year institutions. There is no BRFA of 2016, so no modifications to the funding amount or formula are proposed by the Governor in the 2016 legislative session. The DLS proposal reduces the Cade formula by about $470,000, or 0.2%, from the allowance as per FTES funding declines $24, also 0.2%, when including the health insurance reduction. Overall, Cade funding still increases 5.0% in fiscal 2017 under the DLS proposal.

Exhibit 7 shows the resulting college-by-college distribution of funding from the Cade formula in fiscal 2016 and 2017, 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 to ensure that no college receives less than it did the prior year. In the fiscal 2017 allowance, Chesapeake College does not receive at least as much as the college did in the prior year, so the college receives hold harmless funding totaling about $170,000. This action holds the school harmless to the fiscal 2016 legislative appropriation. Under the DLS proposal, Allegany College of Maryland would also receive hold harmless funding totaling about $10,000. Anne Arundel Community College grows by less than $25,000 under the DLS proposal, so three colleges are essentially flat funded. The remaining dozen colleges receive increases ranging from 4% to 10.5%.

Exhibit 7

Per Student Funding Analysis of Fiscal 2017 Allowance

Community College Formula
Fiscal 2016-2017
($ in Thousands)

College	Working Approp. 2016	Allowance 2017	DLS Proposal 2017	% Change (DLS) 2016-17	% Change Enrollment 2016-17	% Change $ Per FTES 2016-17
Allegany	$4,850	$4,851	$4,850	0.0%	-3.4%	3.5%
Anne Arundel	28,715	28,800	28,740	0.1%	-4.6%	4.9%
Baltimore County	38,638	40,414	40,330	4.4%	-4.9%	9.8%
Carroll	7,346	7,613	7,597	3.4%	-4.0%	7.7%
Cecil	5,108	5,245	5,234	2.5%	-3.6%	6.2%
CSM	13,018	13,806	13,777	5.8%	-4.0%	10.2%
Chesapeake	6,142	6,142	6,142	0.0%	-17.9%	21.8%
Frederick	8,975	9,644	9,624	7.2%	0.4%	6.8%
Garrett	2,561	2,734	2,728	6.5%	1.5%	4.9%
Hagerstown	7,620	8,129	8,112	6.4%	0.3%	6.2%
Harford	10,866	11,475	11,451	5.4%	-4.0%	9.8%
Howard	15,723	17,412	17,375	10.5%	0.7%	9.7%
Montgomery	40,001	42,264	42,176	5.4%	-4.0%	9.8%
Prince George’s	26,073	28,500	28,441	9.1%	0.3%	8.7%
Wor-Wic	7,108	7,347	7,332	3.1%	2.8%	0.4%
Total	**$222,745**	**$234,375**	**$233,909**	**5.0%**	**-3.1%**	**8.4%**

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

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

Overall enrollment declined 3.1% in the most recent audited data, though there is wide variation among the colleges. Nine of 15 local community colleges had declines in Cade-eligible enrollment. Chesapeake College declined nearly 18%, while Garrett College and Wor-Wic Community College had increases of 1.5% and 2.8%, respectively. Because of falling enrollment, overall funding per student grows nearly $200, or 8.4%, in the DLS proposal. While overall enrollment is declining, State support is increasing. Given that opening enrollments were also broadly down in fall 2015, it is likely that State support per community college student will go up again in fiscal 2018.

DLS recommends that the Cade formula be recalculated to include the across-the-board health insurance reduction to public four-year institutions and to include hold harmless funding for all eligible community colleges. This would be a reduction from the allowance of $466,018. This will provide every college with at least as much State funding in fiscal 2017 as they are receiving in fiscal 2016.

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 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 (Chesapeake College and Garrett College). While 3 colleges were effectively level funded by their local governments in fiscal 2014 and 2015, none of them actually lost local support. This is important because local jurisdictions must maintain or increase local support to community colleges for their respective institutions to receive *increases* in State support including hold harmless grants. Chesapeake College and Garrett College have not met MOE in the fiscal 2016 working numbers. However, the colleges received a small increase and hold harmless grant, respectively, in fiscal 2016; Chesapeake College received a Cade formula increase of $1,674, and Garrett College received $12,021 in hold harmless funding. While the 2017 allowance contains the full formula funding for these two institutions, these funds could be reduced from the fiscal 2017 allowance if the local governments do not meet MOE. This will be a much bigger issue for both colleges in fiscal 2017, as Chesapeake College has about $168,000 in hold harmless funding in the allowance and Garrett College receives a $173,000 increase. 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.

Exhibit 8
Local Support of Community Colleges
Fiscal 2011-2016
($ in Thousands)

College	2011	2012	2013	2014	2015	Working 2016	Change 2015-16	% Change 2015-16	Change 2011-16	% Change 2011-16
Allegany	$7,425	$7,425	$7,425	$7,555	$7,555	$7,555	$0	0.0%	$130	1.8%
Anne Arundel	33,823	28,556	32,048	35,820	38,320	38,388	68	0.2%	4,565	13.5%
Baltimore County	38,263	38,463	38,463	38,463	39,363	41,428	2,065	5.2%	3,165	8.3%
Carroll	8,492	8,479	8,542	9,059	9,328	9,544	217	2.3%	1,053	12.4%
Cecil	8,044	8,026	8,025	8,197	8,442	8,803	361	4.3%	760	9.4%
CSM	15,741	16,120	16,947	17,648	17,884	18,450	566	3.2%	2,710	17.2%
Chesapeake	5,886	5,886	5,886	6,236	6,431	6,395	-36	-0.6%	509	8.6%
Frederick	13,533	13,415	13,967	14,206	14,545	15,161	616	4.2%	1,628	12.0%
Garrett	4,293	4,273	4,523	4,559	4,738	4,731	-7	-0.2%	438	10.2%
Hagerstown	9,045	8,865	8,865	8,965	8,965	9,265	300	3.3%	220	2.4%
Harford	14,513	14,962	14,962	14,962	14,962	15,261	299	2.0%	748	5.2%
Howard	25,195	25,951	27,093	29,132	31,000	31,000	0	0.0%	5,805	23.0%
Montgomery	99,590	95,849	96,264	100,530	116,734	129,426	12,692	10.9%	29,836	30.0%
Prince George's	30,245	29,245	29,545	29,545	30,345	31,649	1,304	4.3%	1,404	4.6%
Wor-Wic	4,442	4,346	4,507	5,273	5,535	5,602	67	1.2%	$1,160	26.1%
Total	**$318,529**	**$309,860**	**$317,061**	**$330,149**	**$354,145**	**$372,658**	**$18,513**	**5.2%**	**$54,129**	**17.0%**

Source: Maryland Higher Education Commission

DLS recommends restricting the fiscal 2017 appropriation for Chesapeake College in the amount of $1,674 and Garrett College in the amount of $12,021 pending final fiscal 2016 local support figures, which are expected in October 2016. If these colleges fail to meet the local support MOE requirement, the funds shall revert to the general fund and may not be used for any other purpose.

It is also worth noting that in February 2016, Chesapeake College filed suit against Caroline County, one of its five local Eastern Shore counties, for $51,280 for maintenance and repair costs for which it has not been paid. This raises the issue that the college may be making a good faith effort to perform its mission and work with its local government. For the State to reduce State funding effectively punishes the community college rather than the county or counties that are not contributing to 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 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.

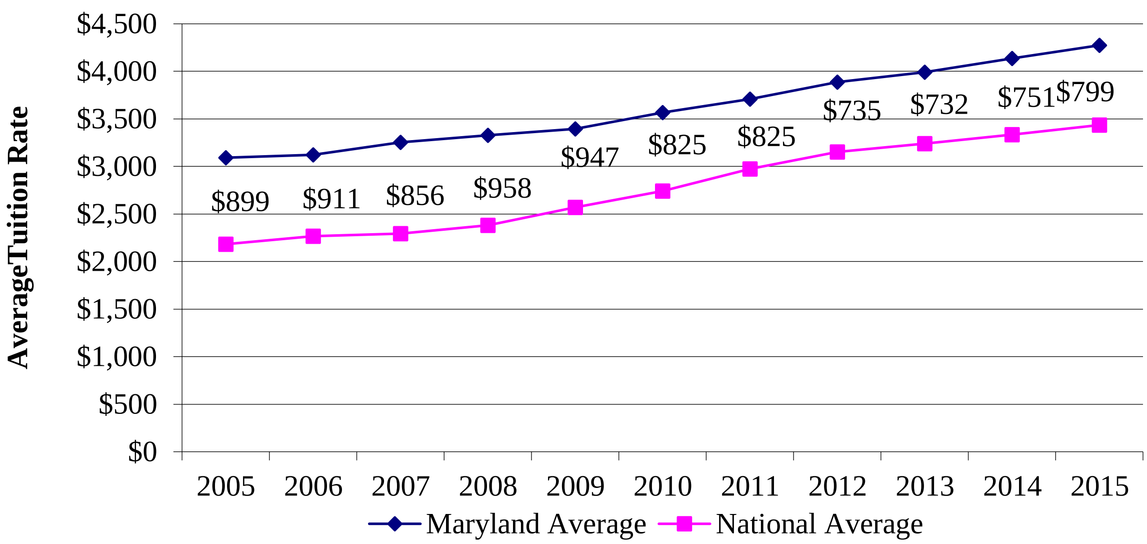
The exhibit also shows changes in funding since fiscal 2011 to show changes since the end of the recession. When the State appropriation was held flat or declined, some local governments chose to reduce appropriations as well, with no risk of losing State funds. From fiscal 2011 to 2012, 11 colleges were either flat funded or had reduced local support. Anne Arundel Community College lost 16% of its local support in just fiscal 2012. However, Anne Arundel County's support bounced back quickly in fiscal 2013. On average, local funding increased only 0.1% between fiscal 2010 and 2014. Almost all of the 17.0% growth from fiscal 2011 to 2016 occurs in fiscal 2015 and 2016. However, Montgomery College's growth distorts these State-level comparisons. Excluding Montgomery College, overall local support grew only 11.1% in this time period. In comparison, State funding increased 14.6% from fiscal 2011 to 2016.

Issues

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

Community colleges offer a significantly lower entry cost into higher education compared to 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 fee rate was $9,163 in fall 2015, compared to $4,274 at the State's community colleges. This means, on average, community colleges are 53% less expensive based upon tuition and fees. However, the State's community college tuition and fee rates are higher than the national average. **Exhibit 9** shows the difference between the State and national average from fiscal 2006 to 2016 in unadjusted dollars. Although the gap has narrowed from a high of $958 in fiscal 2009, Maryland remains $799 higher than the national average according to the College Board data.

Exhibit 9
Community College Tuition and Fee Rates
Maryland and National Average
Fall 2005-2015

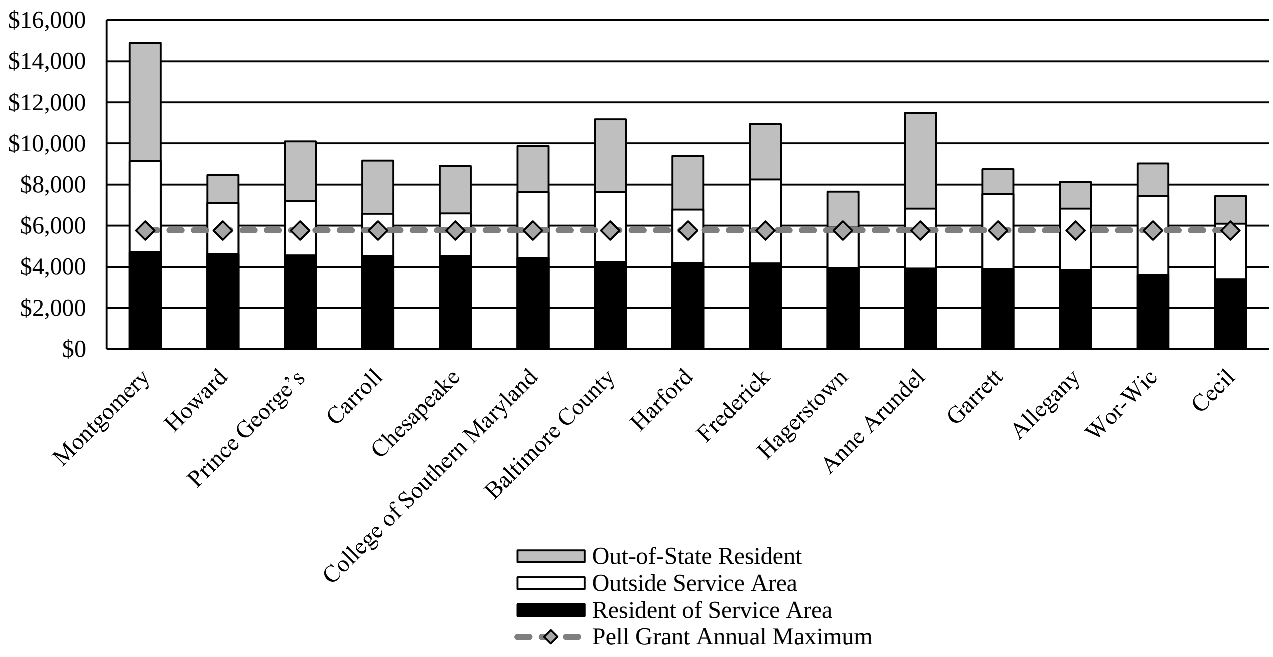


Note: Numbers reflect total enrollment-weighted average tuition and fees paid. Labels reflect the dollar difference between the two points.

Source: The College Board, *Annual Survey of Colleges – Trends in College Pricing 2015*

Exhibit 10 shows that tuition and fee rates in Maryland varied greatly between institutions in fall 2015. Montgomery College is the State's most expensive community college at $4,728 for a full-time annual student taking 30 credits, while Cecil College is only $3,390. State-run BCCC (not shown in Exhibit 10) actually had the lowest tuition and fee rate in fall 2015, but in an unusually timed increase, is raising tuition in spring 2016 to $3,420. BCCC charges the same rate to all in-state students. Including BCCC, the statewide simple average of tuition and fees is $4,094 for a service area resident, $6,911 for all other Marylanders, and $9,519 for out-of-state residents. Fall 2015 is notable as it is the first year in which the maximum annual Pell grant award of $5,775 no longer covers all tuition and mandatory fees for out-of-service area Maryland residents at any community college in the State, creating 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 $9,156 is actually higher than the in-state tuition and fees at seven of Maryland's residential public four-year institutions. The same college's unusually high out-of-state tuition, nearly $15,000, puts its costs above two residential public four-year institutions' out-of-state rates. 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.

Exhibit 10
Community College Tuition and Fee Rates for Three Student Types
Fall 2015



Note: Institutions are ranked from highest to lowest by service area tuition and fees. Most community college students do not enroll in 30 credits per academic year.

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

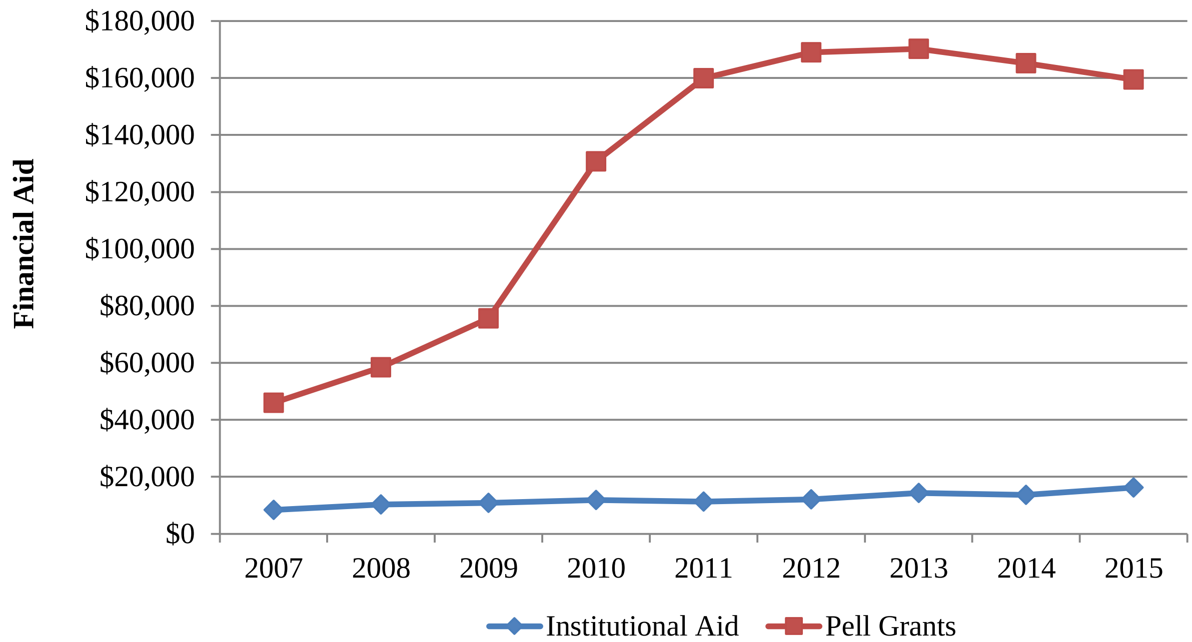
The Secretary and MACC director should comment on the growing unaffordability of out-of-service area tuition and fee rates and what this means for having an open and accessible community college system for all Marylanders given that not all institutions offer all programs.

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 11 shows the total amount of need-based and merit aid awarded by community colleges to students from fiscal 2007 to 2015, in addition to the amount of Pell grants students received. In fiscal 2015, Maryland's community colleges awarded $16.3 million in institutional aid. That amount is dwarfed by Pell grants, a federal low-income student financial aid program that totaled $159.5 million in that same year and still represents over 90% of the aid shown in this exhibit. This is about half of all Pell dollars received in Maryland. 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, after declining 2.9% in fiscal 2014. In stark contrast, Pell grants had grown at an average annual rate of 26.2% over the preceding five years. Its highest year came in fiscal 2013 at $170.2 million. The maximum annual Pell award in fiscal 2015 was $5,730, for a maximum of 12 semesters at all institutions. As noted in the Exhibit 10 discussion of fiscal 2016 tuition and fee rates, a full Pell grant may cover the full cost of tuition and fees at a community college for service area residents but not students attending outside their service area.

Exhibit 11
Total Need-based and Merit Institutional Aid and Pell Grants
Maryland Community Colleges
Fiscal 2007-2015
($ in Thousands)

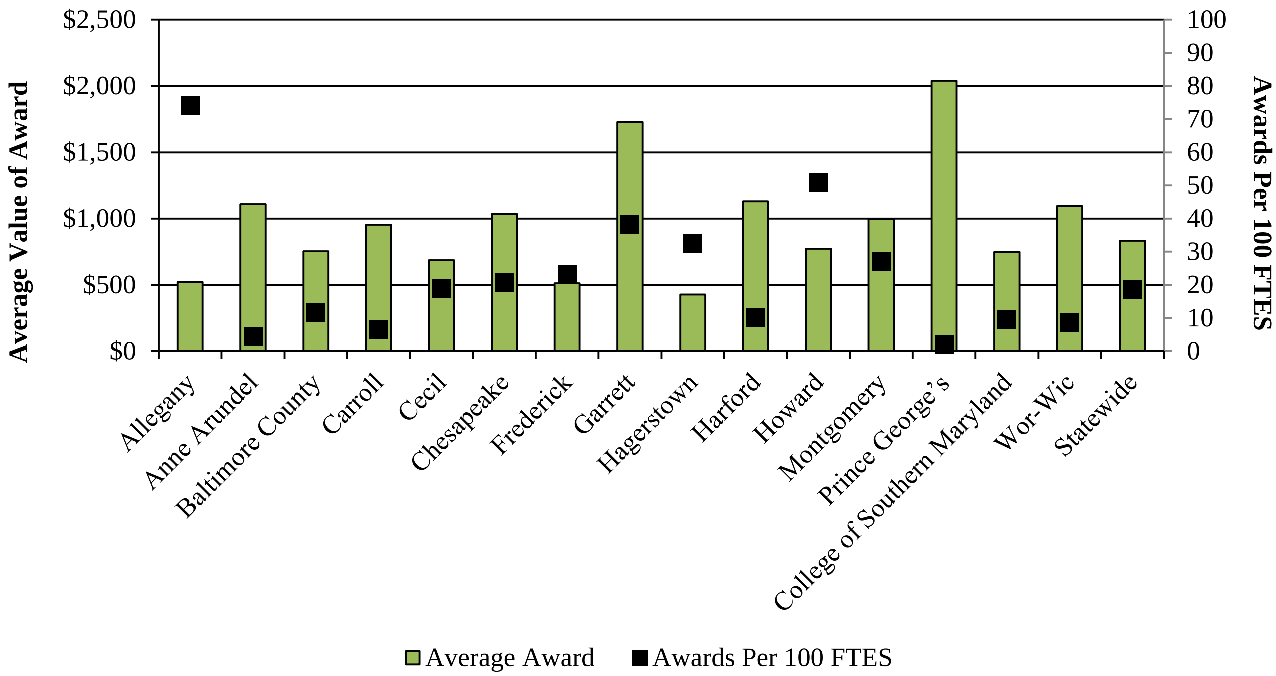


Note: All data is self-reported by the institutions and does not include Baltimore City Community College.

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

Exhibit 12 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 fourth 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. In other words, this shows some duplicated headcount data. Allegany College of Maryland is an outlier, awarding many more awards per 100 FTES, 72.8, than any other college. This is even higher than Allegany College of Maryland's number from the prior year, 64.6. There are two reasons for this: first, it has a large dual enrollment program with students from neighboring counties, each of whom are receiving an institutional aid award; and second, it launched the Allegany County Opportunity Scholarship in fiscal 2015 which covers the post-federal aid cost of community college for first-time, full-time students (sometimes called a "last dollar" approach). Garrett College also has a similar program. Both of these will be discussed in more detail below.

Exhibit 12
Average Institutional Aid Awards and Number of Awards Per 100 FTES
Fiscal 2015



FTES: full-time equivalent student

Note: All data is self-reported by the institutions and does not include Baltimore City Community College. Carroll College is adjusted to reflect support from its foundation.

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

The statewide average institutional aid award is $832, and an average of 18.5 awards is made per 100 FTES. The exhibit shows that colleges vary widely in the amount of aid offered, but most awards average between $700 and $1,000. PGCC has the highest average award, at $2,039, while Garrett College is the second highest at $1,728. Hagerstown Community College and Frederick Community College are the lowest at $428 and $512, while Allegany College of Maryland is the third lowest, at $523. Although PGCC has the highest average award, the college averages only 1.9 awards per 100 FTES, 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 12 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.

Not Just Affordable, but 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. In recent years, Maryland has made a strong commitment to reducing the upfront cost to four-year schools. However, at the two-year level, Maryland funded the Keeping Community Colleges Affordable grant for one year only, fiscal 2012, which split $5 million among colleges that agreed to keep tuition rate increases to 3% or less. The $5 million was distributed based on Cade-eligible enrollments. Nationally, big support for the "make community colleges free" movement came in January 2015 when the Obama Administration promoted America's College Promise (ACP), which it compared to the expansion of free, public high schools a century ago. ACP would cover the cost of tuition and fees for community college students contingent on 25% matching state funds and a commitment from institutions to pursue best practices. ACP would cover students working towards certificates or associate's degrees. Federal grants would be issued to states, then institutions, on a per-student basis. The goal is to cover the national average cost of community college tuition and fees, which ACP publications have pegged at $3,800, and have the state cover any remaining direct cost to the student. There are many details that remain to be worked out if the plan were to be implemented, but it draws inspiration from efforts already underway in Tennessee and Chicago. The $3,800 limit is problematic given that only three Maryland colleges charge less than that rate, as shown in Exhibit 10.

There are local examples of this strategy in Maryland: Garrett County funds the Garrett County Scholarship Program (GCSP) which covers tuition and fees for recent high school graduates or General Equivalency Diploma recipients who pursue associate's degrees. GCSP began in fall 2006 and expanded to include certificate programs in 2010. The program requires students to apply for federal and State aid and covers any remaining cost from county funds. Allegany County has a similar program, but it only began in fiscal 2015.

For the 2013 GCSP cohort, the most recent data available, the average award was only $1,271. Just under 70% of these students required remedial education, more than the general student population. Despite that, GCSP recipients had grade point averages of 0.2 to 0.4 higher than the general student body in all but one semester. Between 30% and 50% of awardees transferred to another institution prior to receiving an associate's degree, suggesting most students are using GCSP as a stepping stone to a bachelor's degree. Two concerns arise: first, many high school graduates in Garrett County who would benefit from a certificate or associate's degree still do not pursue community college even with GCSP; and second, of those who do enroll, about 30% of students still leave Garrett College without completing a degree or transferring to another institution, representing the downside to truly open admissions. This creates difficulty in predicting whether even more generous financial aid offers will lead to better outcomes given that the cost of dropping out or stopping out is $0. Finally, the total number of GCSP awardees declined from over 130 in the 2007 cohort to only 79 in the 2013 cohort, making it difficult to ascertain what the effects would be of scaling up this program in other parts of the State.

MACC made estimates based on an ACP-style program in Maryland which it named Maryland Invests. MACC took fiscal 2015 numbers to estimate an annual cost of about $55 million in the first year, which would be offset by $25 million in existing federal aid and State financial aid programs. In year two, when the program is fully up and running and existing aid sources are backed out, the annual cost would be $60 million to $70 million in new public support. If this was entirely new State support in fiscal 2015, State funding would be close to surpassing local support for community colleges and would likely surpass it given the longer graduation times generally associated with community college students.

The MACC director should comment on whether Maryland Invests is something that can be accomplished within the existing ramp up of the Cade formula to 29% in statute, given that that would increase State support to over $300.0 million.

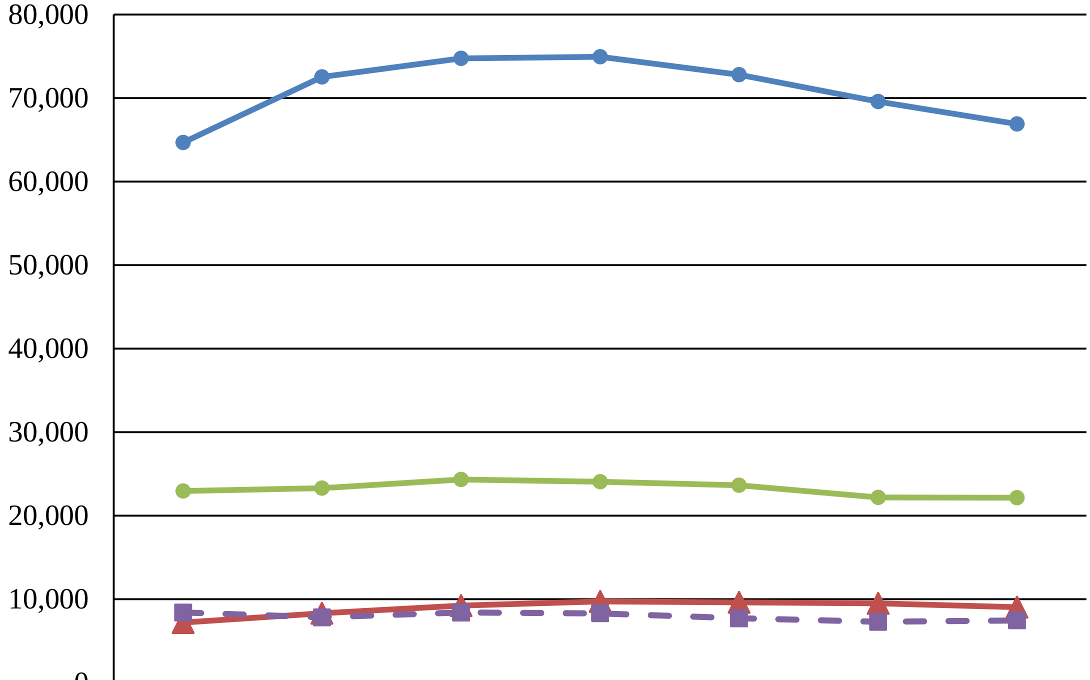
Additionally, since the State and local support split in fiscal 2015 was 43% and 57% respectively, the MACC director should comment on whether the counties are on board for contributing their share, up to $39.9 million, of Maryland Invests. If the counties are not part of this assumption, the MACC director should comment on what it means when the local community college system receives more support from the State than counties, and what the optimal governance system would be in that situation.

The Secretary should comment on the effect free community college would have on access-oriented four-year institutions who are already struggling with enrollment concerns in the current academic year.

2. The Decline of Credit Enrollment and Rise of Dual Enrollment

Over the course of the recession, community colleges experienced a boom in enrollment. **Exhibit 13** 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 2015 is 98,068, the number used in the fiscal 2017 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%, Cade eligible. That percentage split between eligible and ineligible students differed by less than 1 percentage point from fiscal 2009 through 2015, showing that out-of-state student enrollment was affected identically by the recession. The story behind noncredit enrollment will be discussed further in Issue 3 of this analysis.

Exhibit 13
Types of FTES Enrollment
Maryland Community Colleges
Fiscal 2009-2015



	2009	2010	2011	2012	2013	2014	2015
In-county	64,695	72,529	74,752	74,950	72,789	69,571	66,910
Out-of-county	7,199	8,311	9,221	9,738	9,598	9,493	9,030
Noncredit	22,961	23,277	24,306	24,048	23,628	22,171	22,129
Ineligible	8,379	7,822	8,394	8,299	7,706	7,268	7,446

FTES: Full-time equivalent student

Note: Ineligible students are mostly out-of-state students.

Source: Maryland Higher Education Commission

A great concern for community colleges is the decline in credit enrollment, as this is 75% to 80% of Cade-eligible enrollments in the years shown in the exhibit. The community college segment has seen overall declines in enrollment from fiscal 2012 through 2015 and, as was discussed in the fiscal 2017 *Higher Education Overview*, opening enrollment for fiscal 2016 shows another decline. While the statutory contribution percentage in the Cade formula and anticipated support for public four-year institutions will most likely more than offset the decline in enrollment when the Cade formula is calculated, there are operational challenges facing the community college sector as institutions need enrollment to drive their programs' stability and maintain strong outcomes. As community colleges are open access institutions, there is not an immediate way to increase enrollment as anyone who likely was considering a community college already faces minimal entry requirements and lower tuition compared to the four-year segment.

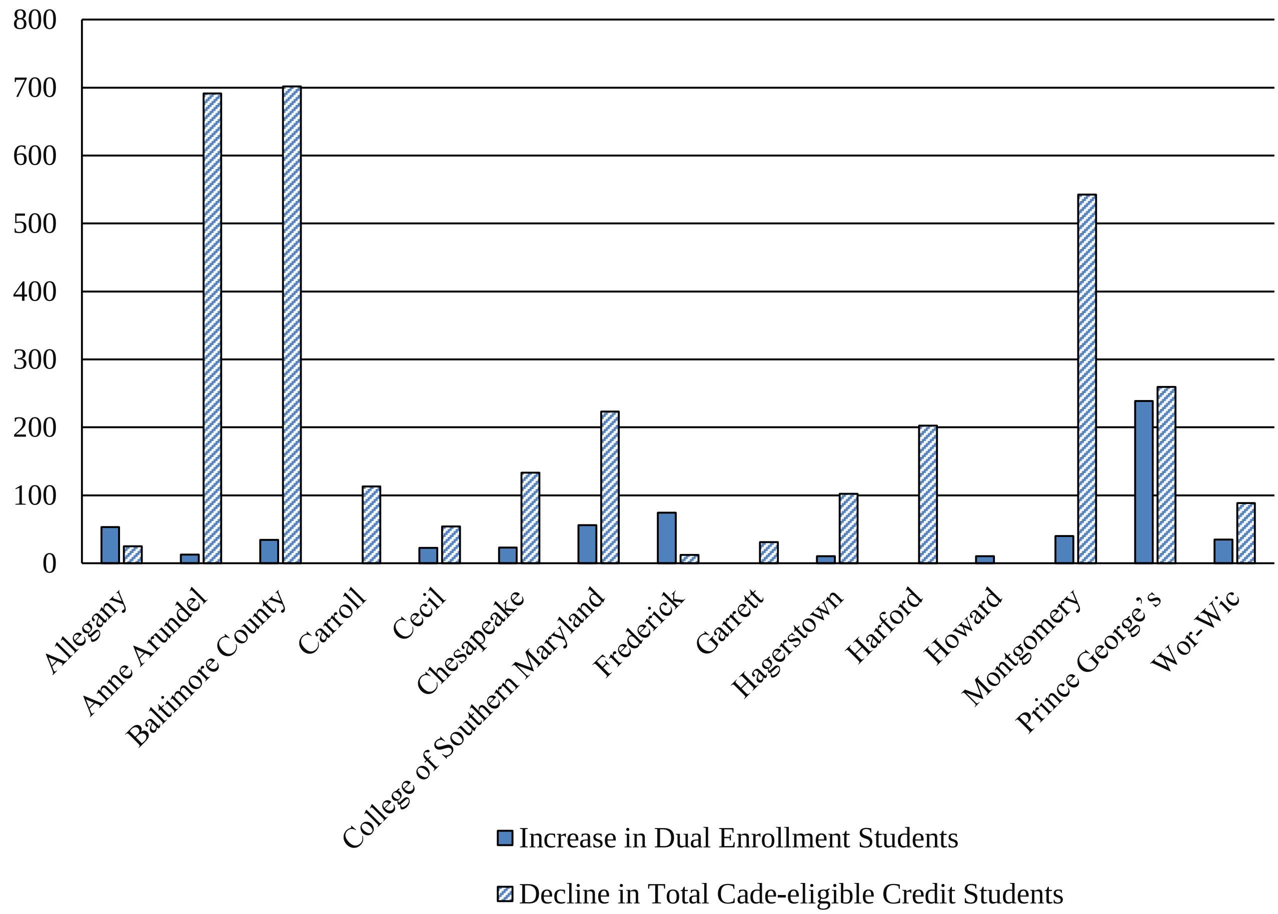
Against this backdrop of declining enrollment, Chapter 533 of 2013, the CCRCCA, explicitly called for standardizing a pathway for high school students to enroll in credit-bearing courses from community colleges, called dual enrollment. While dual enrollment opportunities in Maryland predated the CCRCCA, the legislation made dual enrollment a State goal and codified a way to manage the tuition and fees charged to high school students.

Beginning with the fall 2013 semester, public institutions of higher education may no longer charge tuition to high school students. Instead, each local school system must pay the institution a percentage of the institution's tuition based on how many courses the student takes, and the local school system may charge the student a fee to partially cover these costs. However, the local school system may not charge a fee to students who are eligible to receive free and reduced-price meals (FRPM), and a student's ability to pay must be taken into account when setting any fees.

MACC reports that all colleges have reached a memoranda of understanding with their respective local education agencies and that five school systems are charging students less than authorized by the CCRCCA as a method of encouraging enrollment. Many community colleges are acting as the billing agent for the local school system and collecting fees from the parents of dually enrolled students directly, with the appropriate adjustments being made for the school system to pay for FRPM students while maintaining the confidentiality of students' FRPM status. Similar actions have occurred at the four-year institutions, although about 85% of dual enrollment occurs at community colleges.

Exhibit 14 shows the decline of Cade-eligible credit enrollment side-by-side with the increase in dual enrollment by college in fiscal 2015. Here, dual enrollment headcounts are converted to FTES using the federal method of three part-time students for every FTES. Because dually enrolled students count in the Cade formula as credit-bearing students, they are already incorporated in reported figures, so the enrollment declines in Exhibit 14 are already adjusted for what is, on many campuses, an increase in dual enrollment. What is interesting is that Allegany College of Maryland, Frederick, and PGCC are covering some of their FTES drop with dual enrollment students. At the other end, the largest community colleges, Anne Arundel, Baltimore County, and Montgomery, are enrolling very few dual enrollment students in relation to the total number of FTES those institutions are losing. It would seem to be in the interest of those institutions to increase dual enrollment numbers given both the tuition revenue and classroom space available.

Exhibit 14
Changes in Cade-eligible Credit FTES Enrollment
Maryland Community Colleges
Fiscal 2015



FTES: Full-time equivalent student

Note: Carroll, Garrett, and Harford colleges had declines in dual enrollment in fiscal 2015 but for simplicity are shown only as zero in this exhibit. Likewise, Howard Community College had positive FTES enrollment growth in 2015 and this is also shown as zero. Dual enrollment students count as Cade-eligible credit students.

Source: Maryland Community College Chief Student Affairs Officers; Maryland Higher Education Commission

Challenges to Increasing Dual Enrollment

Currently, the dual enrollment provisions of the CCRCCA do not apply to summer sessions but do apply to winter sessions which fall during the traditional academic year. Additionally, the Maryland

State Department of Education (MSDE) and the Maryland Longitudinal Data System (MLDS) have yet to count workforce apprenticeships, sometimes called career and technical education, as dual enrollment. However, it is possible that MSDE could instruct local school boards to assign the dual enrollment flag to a student in a noncredit apprenticeship program. MHEC has identified as priorities coordinating a statewide dual enrollment outreach campaign that would make all students and parents aware of dual enrollment opportunities and determining whether noncredit certification courses that are part of a Career and Technical Education curriculum or apprenticeship should be included in a dual enrollment program as priorities to be addressed in fiscal 2017.

The Secretary of MHEC and MACC director should comment on whether dual enrollment should be expanded to summer sessions and noncredit opportunities.

3. The Separate World of Noncredit Education

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 agrees, 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. For example, PGCC is currently expanding its Hospitality Express Program in concert with the opening of the MGM Casino at National Harbor to train chefs, hotel managers, casino dealers, and cashiers to meet the expected 3,600 job openings the casino will create. Noncredit enrollment peaked in fiscal 2011, one year before credit enrollment peaked, as shown in Exhibit 13, 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%.

Financial Aid for Noncredit Courses

While no State aid program may be used for noncredit courses at community colleges, the Tolbert Memorial Student Grant Program is expressly established for noncredit programs at private career schools (PCS), and Delegate Scholarships may also be used for noncredit coursework at PCS. Other State aid programs, like Senatorial Scholarships, the Conroy Memorial Scholarship, and the Cryor Memorial Scholarship, which allow enrollment at a PCS, require the student to be in credit coursework that is transferrable to a degree-granting institution. It is unclear if there are any certificate programs that would meet that criteria. The biggest overall source of aid for noncredit students comes from the federal Workforce Innovation and Opportunity Act, which provides some funding for nearly 500 occupation trainings in Maryland across 75 institutions.

The Secretary should comment on how MHEC ensures that recipients of Senatorial, Conroy, and Cryor awards enrolled at a PCS pursue only transferrable credits, per statute. The Secretary should also comment on whether there is a need for a new scholarship program to provide aid for students enrolled in noncredit workforce training.

While it is technically possible to award federal financial aid, including Pell grants, to students enrolled in noncredit/continuing education sequences, it is extremely difficult for community colleges to meet the federal rules associated with this type of award. Noncredit workforce sequences can become eligible in one of two ways. First, a training sequence must be at least 600 clock hours long over 15 weeks. A clock hour is an actual hour of class, which may include a 10 minute break. This 600-hour rule is very limiting as many workforce trainings do not take this much time. Second, sequences that are 300 to 599 clock hours over at least 10 weeks are also eligible for federal aid, but only loans. However, the college must report extensive completion and placement rates, among other reporting requirements, that many institutions find overly burdensome. Additionally, complicating management of programs of either length is that the enterprise software that community colleges typically use is set up to manage federal financial aid on a semester basis (fall, winter, spring, summer), not on a clock hour basis, which can run any time of year based on the needs of the college.

Because PCS are set up to manage student services entirely from a clock hour perspective, their students may have access to federal financial aid programs if they meet either of the clock hour rules mentioned above. Currently, the only community college in Maryland with continuing education sequences that meet federal regulations to allow Pell grants is CCBC. One wrinkle in this is that MHEC's Financial Aid Information System can only receive financial aid information on a semester basis as well, so CCBC's receipt of federal aid is not captured by MHEC and, subsequently, other data repositories like the MLDS Center.

Coincidentally, CCBC is also part of a pilot program authorized by the federal Department of Education that allows CCBC to award Pell grants to some students in nine continuing education sequences with fewer than 600 clock hours. According to CCBC, students must meet all standard Pell eligibility requirements, but because funding is awarded on a random basis, not all eligible students will be awarded. The assistant financial aid director reports that this experiment began in fall 2012, but that a federal study on program outcomes is not expected until the summer of 2017.

A closely related issue is that starting in academic year 2012-2013, the U.S. Department of Education required students using federal financial aid to have a high school diploma or equivalent. However, this decision was reversed for academic year 2015-2016 so long as the student shows an Ability To Benefit, demonstrated by taking certain tests, and enrolls in an Eligible Career Pathway Program. Such programs contain both workforce training and adult education, but only the former is eligible to be considered part of the cost of attendance that may be covered by federal aid. This opens up Pell grants and federal loans to a wider range of prospective students, but it is unclear whether institutions will cover the adult education cost or if students must pay for that out of pocket. All in all, the situation for federal aid for noncredit courses appears overly complicated and burdensome for institutions and students alike.

General Lack of Information on Noncredit Outcomes

While this raises issues of how the State can measure outcomes for noncredit students since their financial aid is not all tracked, the data issue is actually much bigger. MHEC submitted a *Joint Chairmen's Report* in December 2015 entitled *Report on Credit-free Courses and Programs*. In the report, MHEC stresses that while some continuing education sequences are highly structured, others are not. Because of the minimal regulation of this postsecondary area, there is maximum flexibility for institutions to alter course content and offer it only when needed. Sequences do not have standard lengths or common requirements, while for-credit academic programs do. The corollary to this is that there is almost no data collected on inputs or outcomes, so while it would seem very useful for MLDS to be able to track workforce outcomes of noncredit students, it currently cannot. The only information currently collected is an aggregate headcount and equated credit hours for those eligible to be counted in the Cade formula. In the fiscal 2015 numbers, used in the fiscal 2017 budget, noncredit students accounted for 22.6% of State-funded FTES, nearly identical to the 22.4% of such students in fiscal 2010.

Exhibit 15 shows some of the limited information MHEC does collect on continuing education programs, divided by type of enrollment. Workforce training actually accounts for 51% of noncredit enrollment, as the remainder is made up of basic skills development (not to be confused with remedial education) and recreational classes (generally taken only for personal enjoyment). In terms of course enrollments, the numbers shift slightly more toward the recreational courses, but are still broadly similar, as workforce training is still 46% of enrollments.

Exhibit 15
Types of Noncredit Enrollment
At Maryland Community Colleges
Fiscal 2014

Type	Unduplicated Annual Headcount	Course Enrollments	Example	Financial Aid: Federal	Financial Aid: State	State Support
Professional licensure or certification	112,951	204,555	real estate, welding	Yes[1]	No	Yes
Basic skills development	38,672	72,224	reading, computer skills	Yes[2]	No	Yes[2]
Recreation or lifelong learning	71,513	170,392	cooking, gardening	No	No	No
Total	**223,136**	**447,171**				

[1] In Maryland, only the Community College of Baltimore County meets regulations to allow federal aid for these sequences.
[2] Only for students taking English for Speakers of Other Languages classes.

Source: Maryland Higher Education Commission

MHEC notes some challenges in collecting more data, as the population of students served by noncredit courses may feel reluctant to respond to requests for more information and it may be difficult to compare data collected in different parts of the State at different times and for trainings conducted in different ways. However, establishing a strong chain of records for students' work is important both for the colleges maintaining accountability and to assist students in workforce placement. To that end, MHEC and the community colleges are working on a more detailed way to report student-level data to MHEC and MLDS by fall 2016. This could include having public and private licensure and certification agencies report information directly to MHEC, rather than have community colleges collect this information from employers.

DLS recommends MHEC submit a report on metrics for noncredit courses, with an emphasis on workforce development sequences; what data is available; and what the State can do to assist in collecting or incentivizing the reporting of any other data.

The Secretary should comment on how MHEC will explore ways of reporting noncredit information.

Recommended Actions

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

    , provided that $13,695 in general funds designated to support the State's local community colleges may not be expended until the Maryland Higher Education Commission (MHEC) submits a report by December 1, 2016, to the budget committees stating whether the counties that support Chesapeake College and Garrett College fulfilled Maintenance of Effort (MOE) requirements for local funding. The report should also provide updates on the other local community colleges. The budget committees shall have 45 days to review and comment on the report. Funds restricted pending receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

    Further provided that if a community college's respective service area county or counties do not meet MOE requirements in fiscal 2016, MHEC shall reduce fiscal 2017 State funding to that college by the amount of any increase in State support received in fiscal 2016, including hold harmless funds.

    Explanation: This language restricts the expenditure of funds that gave hold harmless funding to Chesapeake College and an increase in State support to Garrett College in fiscal 2016 until it can be determined in a report from MHEC that the colleges' respective service area counties fulfilled their MOE requirements for community college funding. If the requirement was not met at an institution, MHEC will decrease fiscal 2017 support to colleges by the respective amount that should not have been disbursed in fiscal 2016.

Information Request	Author	Due Date
Fiscal 2016 Community College Local Aid Report	MHEC	December 1, 2016

	Amount Reduction	
2. Reduce general fund support for the Cade formula grant.	$ 466,018	GF

3. Adopt the following narrative:

    Report on Continuing Education Outcomes: The committees are interested in the Maryland Higher Education Commission's (MHEC) work toward developing more outcomes measures for noncredit programs at Maryland's community colleges, especially those oriented toward workforce development. MHEC should submit a report on what new data it will collect, how often, and what assistance it may need from other public or private agencies to provide better information so that this new data may be included in the Maryland Longitudinal Data System.

Information Request	**Author**	**Due Date**
Report on continuing education outcomes	MHEC	December 15, 2016

Total General Fund Reductions	**$ 466,018**

Appendix 1

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2015					
Legislative Appropriation	$297,326	$0	$0	$0	$297,326
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-6,800	0	0	0	-6,800
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-262	0	0	0	-262
Actual Expenditures	**$290,264**	**$0**	**$0**	**$0**	**$290,264**
Fiscal 2016					
Legislative Appropriation	$296,129	$0	$0	$0	$296,129
Budget Amendments	0	0	0	0	0
Working Appropriation	**$296,129**	**$0**	**$0**	**$0**	**$296,129**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The fiscal 2015 legislative appropriation for Aid to Community Colleges was reduced by $7.1 million. General funds decrease exactly $6.8 million due to across-the-board cost containment efforts by the Board of Public Works which reduced Cade formula spending by $6.6 million and miscellaneous grants spending $0.2 million. About $0.3 million in unspent funds in the two reciprocity programs were reverted.

Fiscal 2016

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

Object/Fund Difference Report
Aid to Community Colleges

Object/Fund	FY 15 Actual	FY 16 Working Appropriation	FY 17 Allowance	FY 16 - FY 17 Amount Change	Percent Change
Objects					
12 Grants, Subsidies, and Contributions	$ 290,263,726	$ 296,129,133	$ 314,335,016	$ 18,205,883	6.1%
Total Objects	**$ 290,263,726**	**$ 296,129,133**	**$ 314,335,016**	**$ 18,205,883**	**6.1%**
Funds					
01 General Fund	$ 290,263,726	$ 296,129,133	$ 314,335,016	$ 18,205,883	6.1%
Total Funds	**$ 290,263,726**	**$ 296,129,133**	**$ 314,335,016**	**$ 18,205,883**	**6.1%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

Fiscal Summary
Aid to Community Colleges

Program/Unit	FY 15 Actual	FY 16 Wrk Approp	FY 17 Allowance	Change	FY 16 - FY 17 % Change
05 Senator John A. Cade Funding Formula for Community Colleges	$ 235,670,050	$ 239,390,853	$ 251,003,343	$ 11,612,490	4.9%
06 Aid to Community Colleges - Fringe Benefits	54,593,676	56,738,280	63,331,673	6,593,393	11.6%
Total Expenditures	**$ 290,263,726**	**$ 296,129,133**	**$ 314,335,016**	**$ 18,205,883**	**6.1%**
General Fund	$ 290,263,726	$ 296,129,133	$ 314,335,016	$ 18,205,883	6.1%
Total Appropriations	**$ 290,263,726**	**$ 296,129,133**	**$ 314,335,016**	**$ 18,205,883**	**6.1%**

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.