

**R62I0005**  
**Aid to Community Colleges**

***Executive Summary***

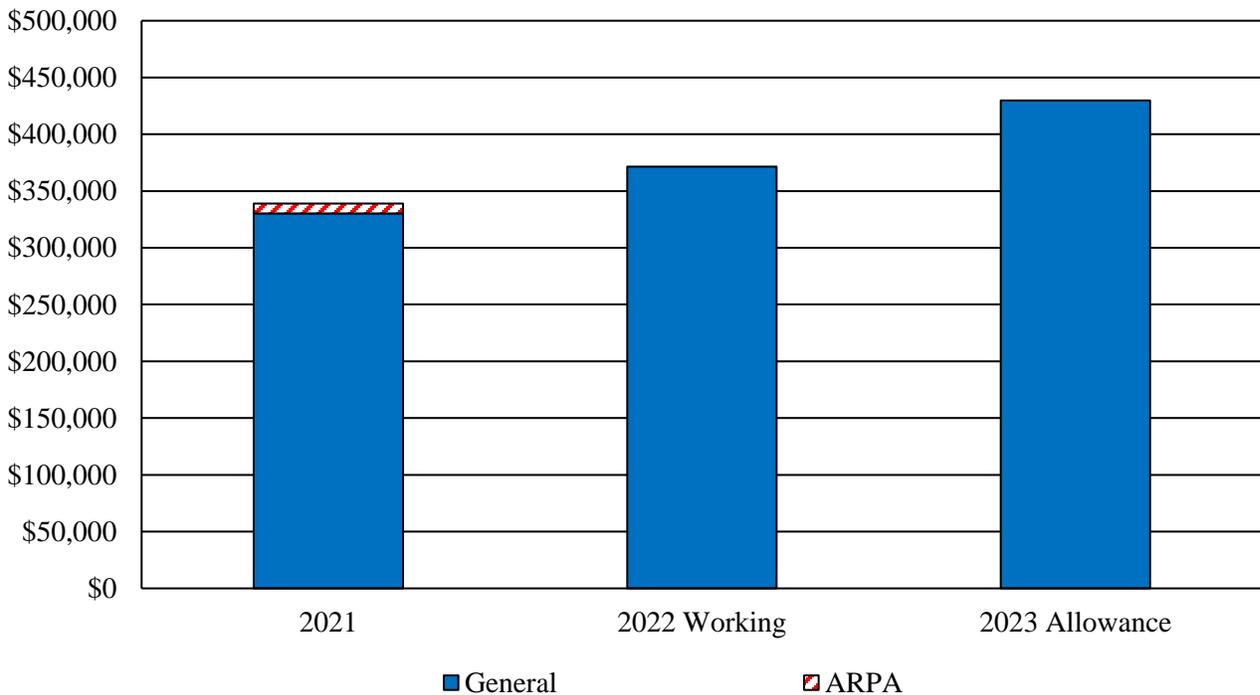
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The Aid to Community Colleges budget contains State funding for local community colleges as administered by the Maryland Higher Education Commission (MHEC). The majority of this funding is determined under various aid programs, most significantly the Senator John A. Cade (Cade) Funding Formula. The budget also contains funding to support retirement payments for employees of local community colleges.

***Operating Budget Summary***

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**Fiscal 2023 Budget Increases \$58.2 Million, or 15.7%, to \$429.7 Million  
(\$ in Thousands)**



ARPA: American Rescue Plan Act

- Funding for community colleges through the Cade Funding Formula increases by \$59.3 million, or 20.5%, in the fiscal 2023 allowance relative to the 2022 working appropriation.

## ***Key Observations***

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- ***Persister Rates Signify Importance of Completing Developmental Coursework:*** Preliminary data shows that the 2016 cohort of students attending Maryland’s community colleges have successfully persisted at a rate of 71.3%, a slight decrease from the prior cohort. Students who complete developmental coursework persist at a rate of 80.4%, while those who do not persist at a rate of only 42.3%. This shows the importance of community college students completing developmental coursework.
- ***Community College Enrollment Continues to Decline:*** In the preliminary opening fall 2021 enrollment dataset, total community college headcount enrollment fell to 97,086, or a 10.3% decline, relative to fall 2020. Total headcount enrollment has fallen by 34.7%, or 51,584 students, when compared to the fall 2011 enrollment high mark.
- ***COVID-19 Financial Impact:*** COVID-19-related revenue loss and expenditures totaled \$121.5 million in fiscal 2022 for the community colleges. Utilizing various Higher Education Emergency Relief Funds (HEERF), the community colleges were able to eliminate those budget shortfalls.
- ***Community College Students Receiving Less Financial Aid:*** In fiscal 2021, total financial aid awarded decreased by \$14.6 million compared to fiscal 2020, when excluding federal emergency student financial assistance. Pell grant awards decreased compared to fiscal 2020, a decrease of \$17.6 million, which was partially offset by an increase in institutional aid of \$3.0 million.

## **Operating Budget Recommended Actions**

1. Concur with Governor’s allowance.

**R62I0005**  
**Aid to Community Colleges**

***Operating Budget Analysis***

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**Program Description**

State aid for the 15 local community colleges is provided through the Cade Funding Formula under Section 16-305 of the Education Article, under the administration of MHEC. The current formula has been used to determine funding since 1998. The amount of aid is based on a percentage of the current year's State aid per full-time equivalent student (FTES) at selected four-year public higher education institutions and the total number of 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. Under current law, funding is based on an amount equal to 29% of the State aid per FTES at the selected four-year schools.

Additional grants are provided through the following programs.

- ***Small Community College Grants:*** distributed to the smallest community colleges in order to provide relief from the disproportionate costs that they incur. Chapter 284 of 2000 increased the grants distributed by MHEC to seven small community colleges beginning in fiscal 2003, and Chapter 330 of 2017 created the requirement that all schools receiving grants receive the same amount. The amount of the unrestricted grants increases annually by the same percentage of funding per FTES at the selected institutions used by the Cade Funding Formula. Additional grants are received by Allegany College of Maryland and Garrett College, which are referred to as Appalachian Mountain grants. These grants do not increase annually.
- ***Health Manpower Shortage Grant:*** permits 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.
- ***English for Speakers of Other Languages (ESOL):*** 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.
- ***Garrett/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 in-county rate tuition waiver reimbursement to colleges permitting students who reside in Somerset County, which has 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. Alternatively, 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.

In fiscal 2023, MHEC is managing the Community College Facilities Renewal Grant, which provides grants for improvements, repairs, and deferred maintenance projects at community colleges. These grants are funded with general obligation bonds in fiscal 2023. Analysis and discussion of this funding can be found in the Community College Facilities Renewal Grant Program analysis (RI0005).

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***

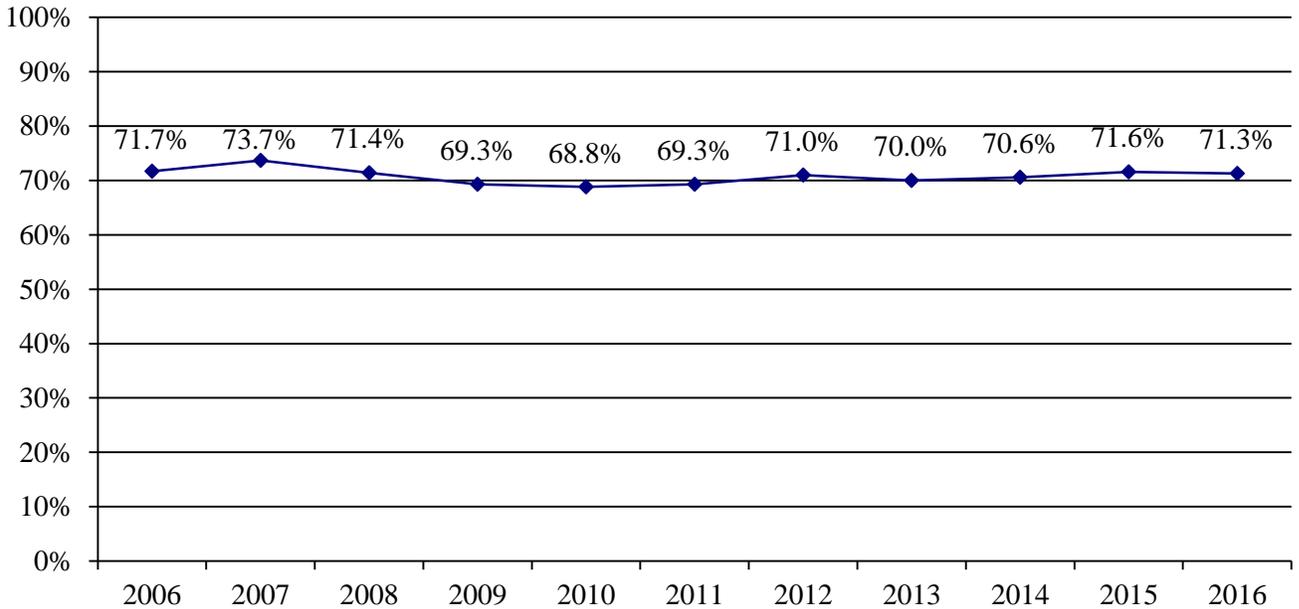
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### **1. Successful Persister Rates**

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

The statewide successful persister rates for the 2006 through 2016 cohorts are shown in **Exhibit 1**. The successful persister rate for the 2016 cohort is 71.3%, a slight decrease compared to the 2015 cohort. However, the 2016 cohort rate is slightly above the 70.8% average over this period.

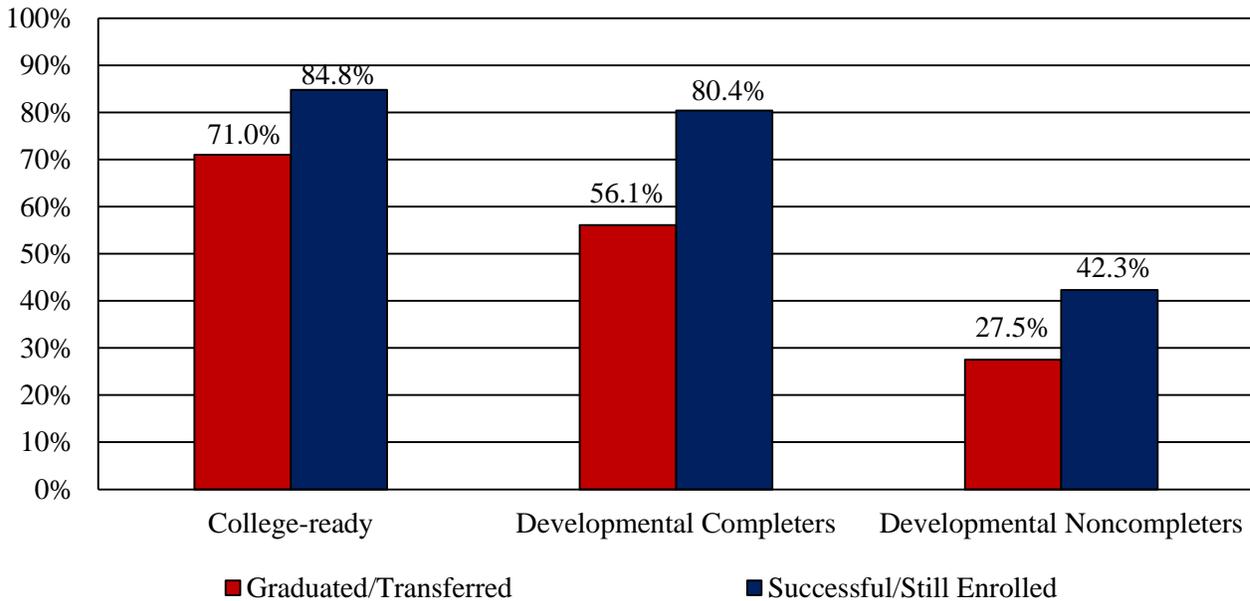
**Exhibit 1**  
**Four-year Successful Persister Rate**  
**2006-2016 Cohorts**



Source: Maryland Higher Education Commission

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 required developmental education and who completed the recommended developmental coursework or completed a college-level course in the recommended areas within four years); and developmental noncompleters (students who failed to complete all recommended developmental coursework after four years). **Exhibit 2** shows the successful persister rates for those three subgroups in the 2016 cohort.

**Exhibit 2**  
**Degree Progress Four Years After Initial Enrollment**  
**Fall 2016 Cohort**

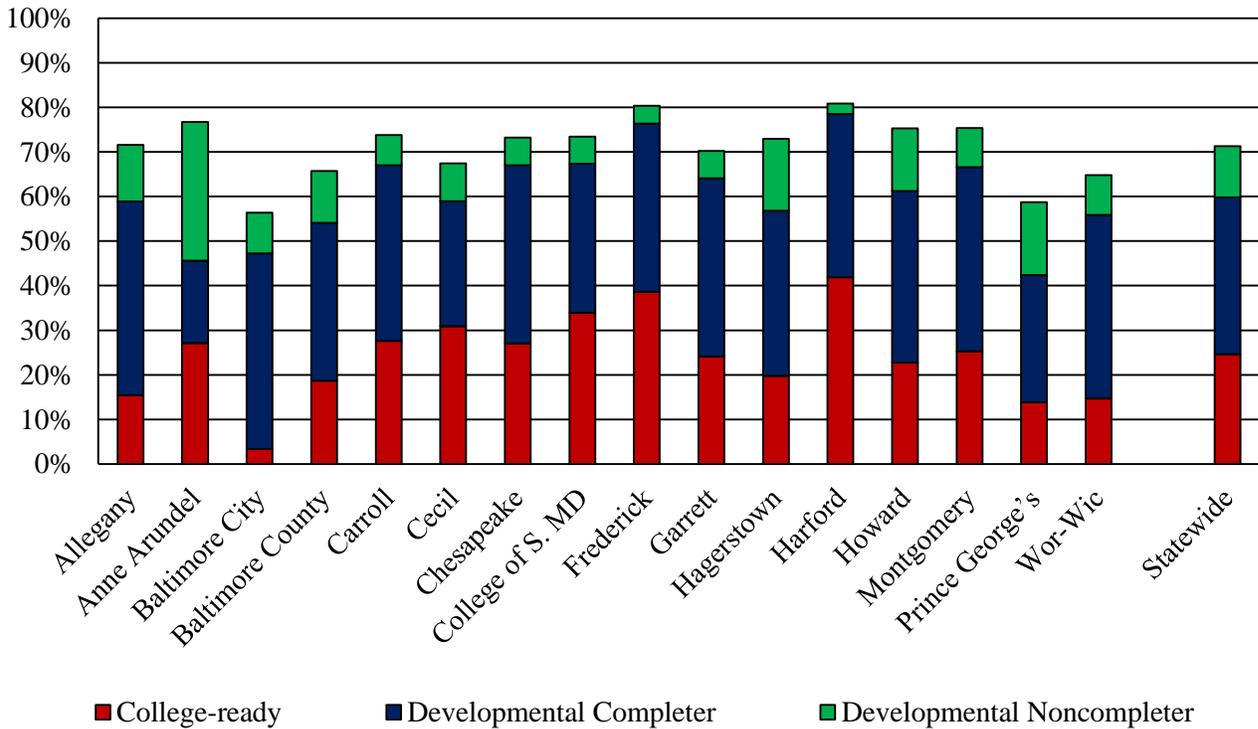


Source: Maryland Higher Education Commission

Results from the successful persister rate data emphasize the importance of students completing developmental coursework. College-ready students and developmental completers both persist at rates over 80% in the 2016 cohort, although actual student outcomes for these groups are slightly less equal, as college-ready students graduate or transfer after four years at a rate of 71.0%, while developmental completers only graduate or transfer after four years at a rate of 56.1%. Meanwhile, outcomes for both college-ready students and developmental completers far outpace those of developmental noncompleters, who only have a persister rate of 42.3% and graduate or transfer at a rate of 27.5%. The importance of getting students to complete developmental coursework is emphasized by the fact that most students (71.0%) in the 2016 cohort tested into developmental education.

**Exhibit 3** shows the college-by-college breakdown of the same three categories of students for the 2016 cohort persister rates. Overall, persister rates by college range from 56% at Baltimore City Community College (BCCC) to 81% at Harford Community College. In general, community colleges with high numbers of college-ready students and students completing developmental coursework had higher overall persister rates. **The executive director should comment on practices utilized by Anne Arundel Community College concerning their successful persister rates for developmental noncompleters and how those practices could potentially be adopted at other community colleges.**

**Exhibit 3**  
**Successful Persister Rate by Community College**  
**Fall 2016 Cohort**



S. MD: Southern Maryland

Source: Maryland Higher Education Commission

**Exhibit 4** provides college-by-college details on students who needed developmental coursework. As shown, BCCC and Wor-Wic Community College had the highest percentage of students who required developmental coursework, at 95% and 84%, respectively, while the Frederick Community College and Harford Community College had the lowest percentage, at 56% and 54%, respectively. In general, there is a connection between an institution’s overall persister rate and the percentage of the cohort that consisted of successful developmental completers. For instance, of the percentage that was required to take developmental coursework at Frederick Community College, 88% successfully completed this work, with the institution having an overall persistence rate of 80%. Conversely, at Prince George’s Community College (PGCC), of the 81% of the cohort that were required to take developmental coursework, only 44% of that cohort successfully completed that work, while the institution had an overall persister rate of 59%. This once more illustrates the importance of successfully completing developmental coursework.

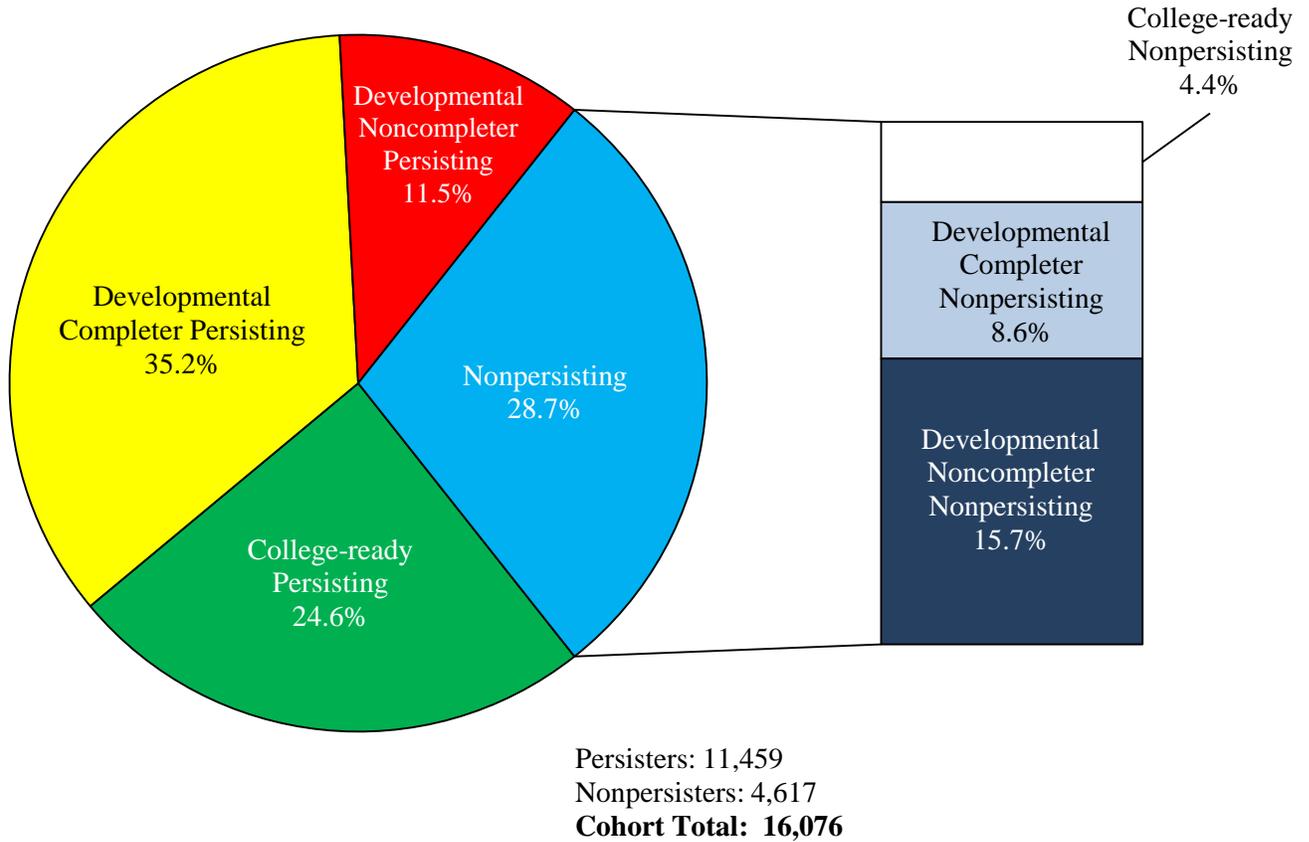
**Exhibit 4**  
**Students Taking Developmental Coursework**  
**Fall 2016 Cohort**

|                              | <u>% of Cohort<br/>Who Required<br/>Developmental Coursework</u> | <u>Developmental<br/>Completers</u> | <u>Developmental<br/>Noncompleters</u> |
|------------------------------|--|-------------------------------------|--|
| Allegany                     | 83%  | 66%                                 | 34%                                    |
| Anne Arundel                 | 70%  | 32%                                 | 68%                                    |
| Baltimore City               | 95%  | 59%                                 | 41%                                    |
| Baltimore County             | 76%  | 58%                                 | 42%                                    |
| Carroll                      | 68%  | 69%                                 | 31%                                    |
| Cecil                        | 62%  | 64%                                 | 36%                                    |
| Chesapeake                   | 68%  | 78%                                 | 22%                                    |
| College of Southern Maryland | 60%  | 70%                                 | 30%                                    |
| Frederick                    | 56%  | 88%                                 | 12%                                    |
| Garrett                      | 75%  | 76%                                 | 24%                                    |
| Hagerstown                   | 77%  | 55%                                 | 45%                                    |
| Harford                      | 54%  | 83%                                 | 17%                                    |
| Howard                       | 73%  | 58%                                 | 42%                                    |
| Montgomery                   | 71%  | 75%                                 | 25%                                    |
| Prince George's              | 81%  | 44%                                 | 56%                                    |
| Wor-Wic                      | 84%  | 62%                                 | 38%                                    |
| <b>Statewide</b>             | <b>71%</b>   | <b>62%</b>                          | <b>38%</b>                             |

Source: Maryland Higher Education Commission

**Exhibit 5** shows the entire fall 2016 cohort sorted into the categories of college-ready, developmental completer, and developmental noncompleter as well as whether or not they are persisting. Comparing persister and nonpersister rates emphasizes how much more likely developmental noncompleters are to become nonpersisters; of students who cease persisting, 54.7% are developmental noncompleters.

**Exhibit 5  
Persisting and Nonpersisting Students  
Fall 2016 Cohort**



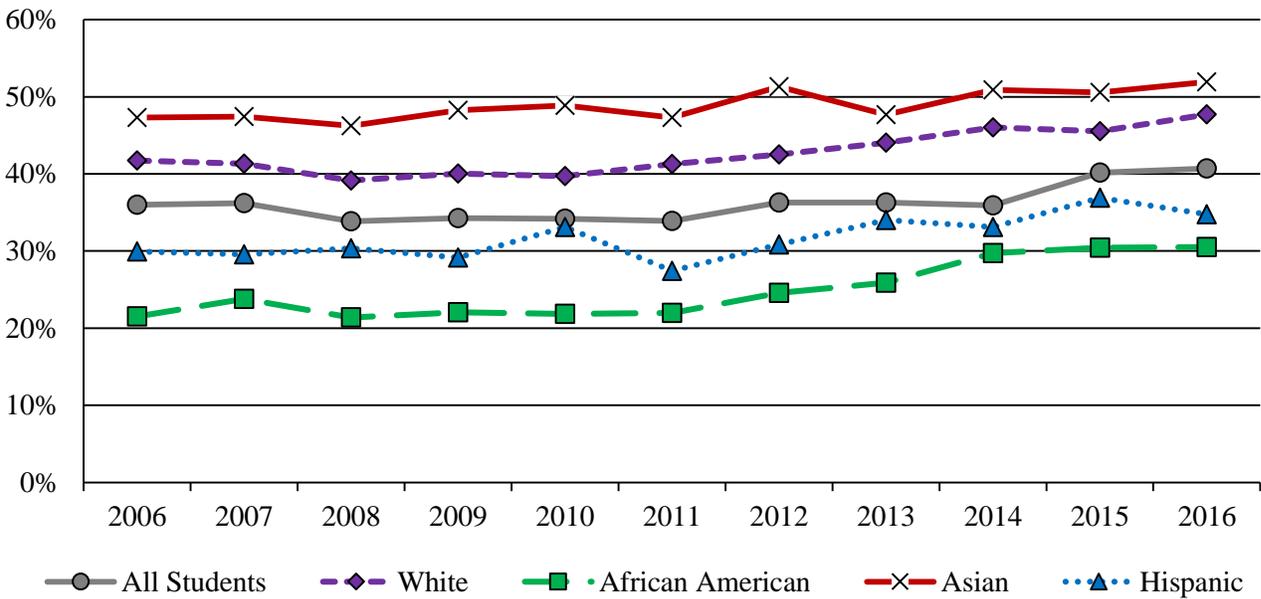
Source: Maryland Higher Education Commission

**2. Achievement Gap for Minority Students**

Another goal of the State is to narrow the achievement gap in the four-year graduation/transfer rate of minority students compared to all students. **Exhibit 6** shows the average rates that first-time, full-time (FT/FT) White, African American, Asian, and Hispanic students graduated or transferred from Maryland community colleges for the 2006 through 2016 cohorts compared to all students. All students graduated or transferred at a rate of 40.7% for the fall 2016 cohort. Among this cohort, Asian students have graduated or transferred at the highest rate in the State, 51.9%; White students at a rate of 47.7%; Hispanic students at a rate of 34.8%; and African American students at a rate of 30.5%. This results in a gap of 10.2 percentage points and 5.9 percentage points below the All Students average for

African American and Hispanic students, respectively. From 2011 through 2014, African Americans had steadily made progress toward closing the gap between the All Student average; however, since 2014, this gap has widened to 10.2 percentage points. Similarly, the gap between the Hispanic average and All Student average had closed from 2011 through 2013, falling just 2.3% behind the All Student average; however, this difference has grown each year since 2014, falling 5.9% behind that the All Student total for the 2016 cohort. While the four-year graduation or transfer rate of African American students remains the lowest in the State, the 30.5% represents the sixth continuous year of improvement, increasing by 8.7 percentage points from the 2010 cohort total.

**Exhibit 6**  
**Four-year Graduation and Transfer Achievement Gap**  
**2006-2016 Cohorts**



Source: Maryland Higher Education Commission

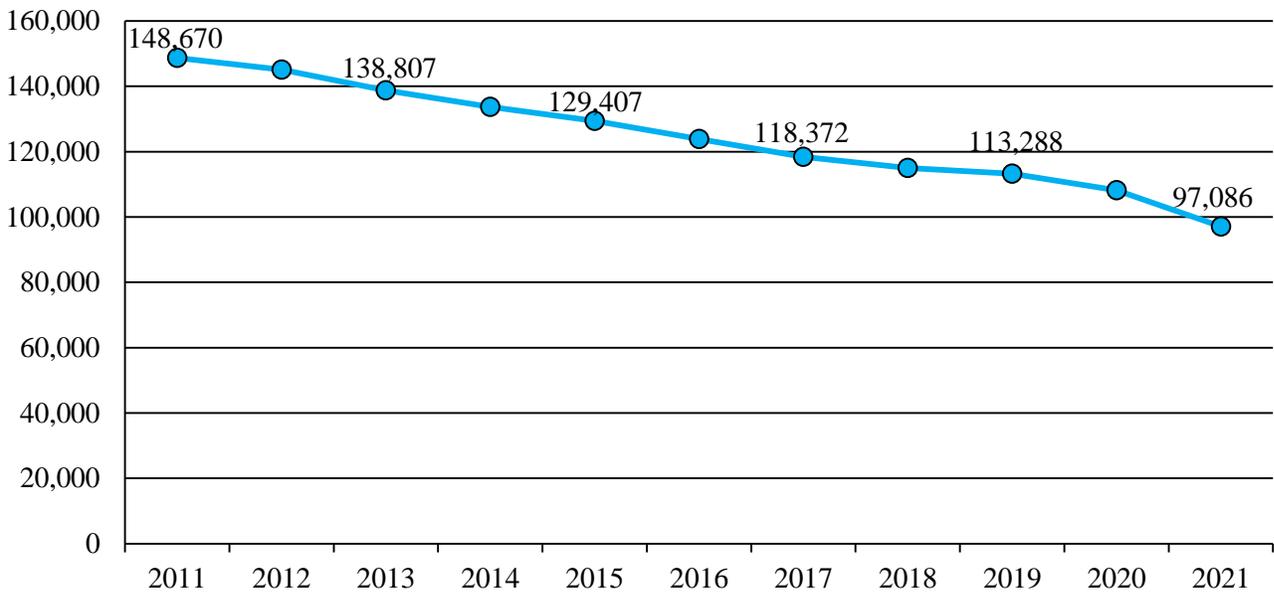
### 3. Community College Enrollment

Enrollment in Maryland community colleges reached its peak in the years following the Great Recession of 2008, as students usually enroll at community colleges in greater numbers when the economy is struggling and job prospects are low. However, the typical recessionary trend has not occurred in fall 2020 or 2021 despite the dramatic economic dislocation caused by the COVID-19-related pandemic, as shown in **Exhibit 7**. Total enrollment decreased by 10.3%, or 11,090 students, between fall 2020 and 2021 and was 14.3% below the fall 2019 level in fall 2021. The

fiscal 2021 total of 97,086 represents a decline of 51,584 students from the fiscal 2011 record high, a decrease of 34.7%. This figure also represents the tenth consecutive year of Maryland community college enrollment declines. **The executive director should comment on the continued decline in community college enrollment, identifying potential marketing strategies or academic programming that could be utilized to attract community college students. The executive director should also comment on financial aid programming in the State, identifying how programs could be better utilized for/by the community college student population.**

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**Exhibit 7**  
**Total Enrollment at Maryland Community Colleges**  
**Fiscal 2011-2021**



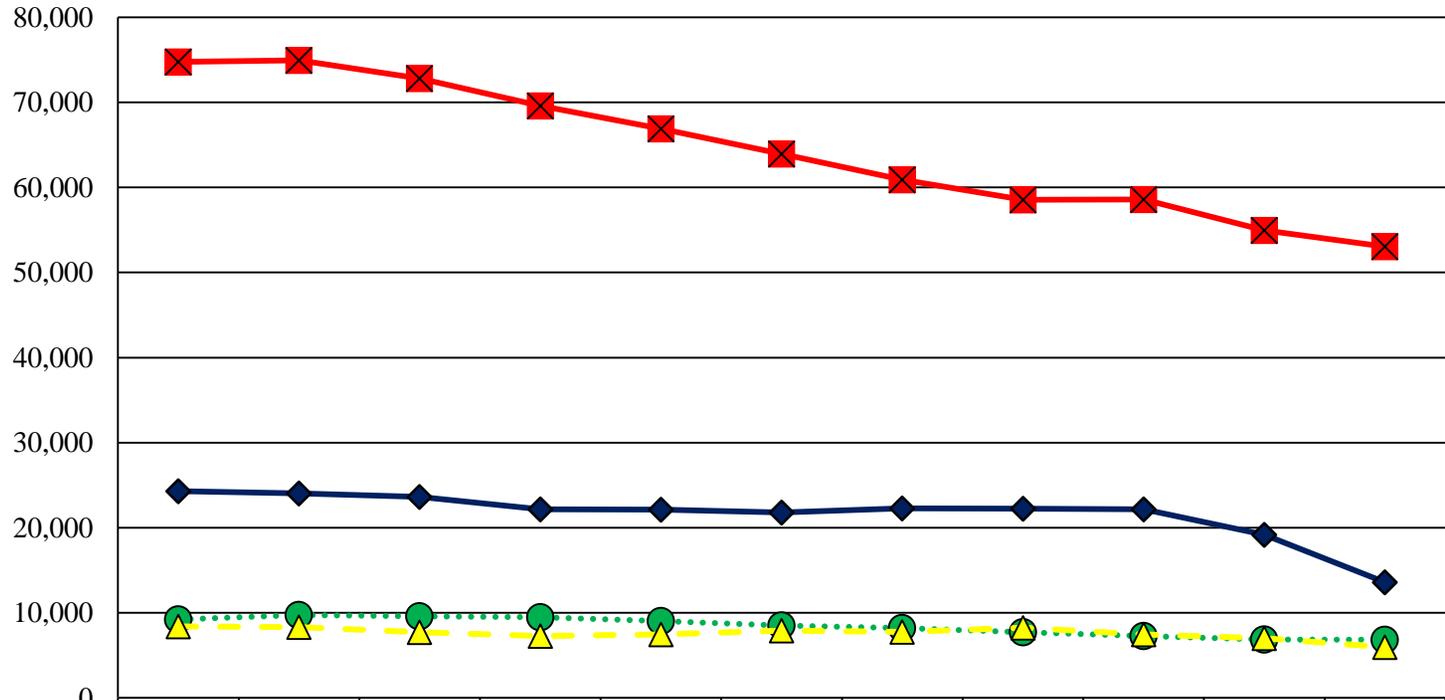
Note: Fall 2021 enrollment reflects opening fall enrollment data and is subject to revision.

Source: Maryland Higher Education Commission

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**Exhibit 8** displays FTES enrollment from fiscal 2011 to 2021 for the three current Cade-eligible enrollments as well as ineligible enrollments, which are primarily composed of out-of-state students. MACC has attributed the noncredit enrollment decline that began in 2019 and continued through 2021 to be a direct result of the COVID-19 pandemic as many noncredit, continuing education courses require more hands-on, face-to-face involvement and were not easily converted to a hybrid or online environment and as a result, many community colleges canceled these courses until the institutions had the ability to accommodate a safe return. Overall, eligible FTES enrollment declined by 9.3%, or 7,556 students, in fiscal 2021 compared to fiscal 2020, and by 16.5%, or 14,546 students, compared to fiscal 2019.

**Exhibit 8  
FTES Enrollment at Maryland Community Colleges  
Fiscal 2011-2021**



|                                     | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>—x— In-county Credit</b>         | 74,752 | 74,950 | 72,789 | 69,571 | 66,910 | 63,934 | 60,887 | 58,533 | 58,584 | 54,971 | 53,042 |
| <b>...●... Out-of-county Credit</b> | 9,221  | 9,738  | 9,598  | 9,493  | 9,030  | 8,504  | 8,205  | 7,721  | 7,271  | 6,859  | 6,838  |
| <b>—◆— Noncredit</b>                | 24,306 | 24,048 | 23,628 | 22,171 | 22,126 | 21,782 | 22,280 | 22,238 | 22,153 | 19,187 | 13,582 |
| <b>- -▲- Ineligible</b>             | 8,394  | 8,299  | 7,706  | 7,268  | 7,446  | 7,894  | 7,749  | 8,259  | 7,460  | 7,002  | 5,964  |

FTES: full-time equivalent student

Source: Maryland Higher Education Commission

## COVID-19 Impact of Maryland Community Colleges

### Fiscal 2021

For the 2020-2021 academic year (fiscal 2021) a varied approach was adopted by the community colleges across the State for education delivery. Some institutions transitioned academic programs and student services fully online, while others reopened for full in-person instruction. Despite this varied educational delivery approach, enrollment continued to decline, resulting in a loss of \$28.5 million in tuition and fee revenue, as shown in **Exhibit 9**. The reduced enrollment directly led to a decrease in auxiliary revenues, which totaled \$7.6 million. In addition, an action approved by the Board of Public Works (BPW) in July 2020 reduced funding to be distributed to the respective community colleges through the Cade Funding Formula by \$36.4 million in general funds, which level funded the formula with fiscal 2020. Institutions also suffered \$17.1 million in unbudgeted COVID-19-related expenses, resulting in an overall shortfall of \$96.6 million.

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### Exhibit 9 Fiscal Impact of COVID-19 Fiscal 2021

#### Revenue Losses and Expenditures

|                                 |                      |
|---------------------------------|----------------------|
| Board of Public Works Reduction | -\$36,393,823        |
| Tuition and Fee Revenues        | -28,549,787          |
| Auxiliary Revenues              | -7,563,158           |
| Other Revenues                  | -7,015,379           |
| COVID-19-related Expenses       | -17,114,478          |
| <b>Total Shortfall</b>          | <b>-\$96,636,625</b> |

#### Stimulus Funding/Transfers

|                             |                     |
|-----------------------------|---------------------|
| Institutional HEERF Funds   | \$72,592,718        |
| GEER Funds                  | 5,677,699           |
| SIP/MSI Funds               | 1,384,708           |
| Transfers from Fund Balance | 16,981,500          |
| <b>Total</b>                | <b>\$96,636,625</b> |

**Total Surplus/Deficit** **\$0**

GEER: Governor’s Emergency Education Relief  
 HEERF: Higher Education Emergency Relief Funds  
 MSI: Minority Serving Institutions  
 SIP: Strengthening Institutions Program

Note: HEERF amounts include Coronavirus Aid, Relief, and Economic Security Act; GEER; Coronavirus Response and Relief Supplemental Appropriations Act; and American Rescue Plan Act institutional relief funds.

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

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The community colleges used a combination of fund balance transfers and funding from the various higher education stimulus subsidy packages to cover their budget deficits. In total, \$74.0 million was utilized from the HEERF packages and \$5.7 million from the Governor’s Emergency Education Relief funding to reduce the outstanding deficit. The remaining balance was offset by transfers from fund balances.

**Fiscal 2022**

For the fall 2021 semester (fiscal 2022), the community colleges continued with a varied education delivery modality. However, the majority of institutions reopened with an all-options (in-person, hybrid, mostly online, all-online) approach. Unlike the public four-year institutions, the community colleges did not require a vaccine for students to return to campus, but some institutions did require temperature screenings or the completion of a daily health screen via a phone application. With enrollment continuing to decline, community colleges experienced a corresponding tuition and fee revenue decrease of \$46.1 million, as shown in **Exhibit 10**. With the decline in enrollment, the institutions also experienced a decline in auxiliary revenues received, totaling \$7.7 million. The largest portion of the shortfall however is related to COVID-19-related expenses, totaling \$53.7 million. These costs included costs associated with the transition to remote learning, personal protective equipment, and expenses related to COVID-19 monitoring and suppression.

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**Exhibit 10**  
**Fiscal Impact of COVID-19**  
**Fiscal 2022**

**Revenue Losses and Expenditures**

|                           |                       |
|---------------------------|-----------------------|
| Tuition and Fee Revenues  | -\$46,112,336         |
| Auxiliary Revenues        | -7,716,515            |
| Other Revenues            | -14,022,452           |
| COVID-19-related Expenses | -53,686,399           |
| <b>Total Shortfall</b>    | <b>-\$121,537,702</b> |

**Stimulus Funding Available**

|                           |                      |
|---------------------------|----------------------|
| Institutional HEERF Funds | \$124,796,584        |
| GEER Funds                | 8,924,362            |
| MSI/SIP/FIPSE Funds       | 6,911,701            |
| <b>Total</b>              | <b>\$140,632,647</b> |
| <b>Total Surplus</b>      | <b>\$19,094,945</b>  |

FIPSE: Fund for the Improvement of Postsecondary Education  
GEER: Governor’s Emergency Education Relief  
HEERF: Higher Education Emergency Relief Funds

SIP: Strengthening Institutions Program  
MSI: Minority Serving Institutions

Note: HEERF amounts include Coronavirus Aid, Relief, and Economic Security Act; GEER; Coronavirus Response and Relief Supplemental Appropriations Act; and American Rescue Plan Act institutional relief funds.

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

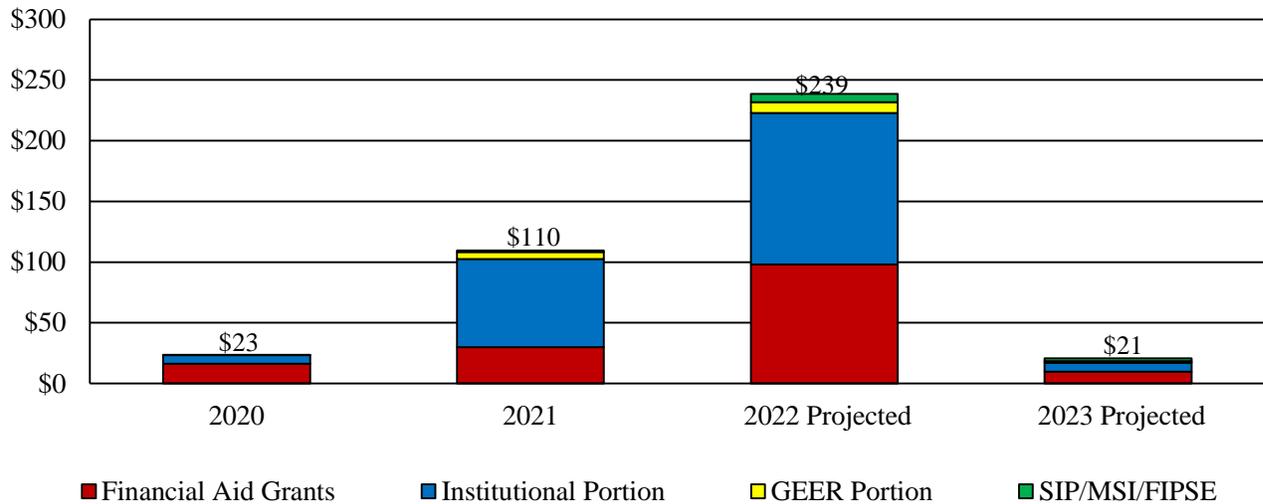
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In fiscal 2022, funding provided to the community colleges through the various institutional HEERF subsidies has currently been able to more than cover the declines. A detailed breakdown of the revenue losses and additional expenditures, by community college, is provided in **Appendix 2** and **Appendix 3**.

In total, the Cade funded community colleges received \$392.2 million in HEERF funds with the actual and planned spending distribution summarized in **Exhibit 11**. In fiscal 2022, the community colleges plan to expend \$238.6 million from these allocations, with non-student financial assistance funds available totaling \$140.6 million. Under current spending plans, the community colleges will have \$20.7 million in HEERF funding remaining to allocate for additional COVID-19-related expenditures and student financial assistance in fiscal 2023.

**Exhibit 11**  
**HEERF Spending Distribution**  
**Fiscal 2020-2023**  
**(\$ in Millions)**



FIPSE: Fund for the Improvement of Postsecondary Education  
 GEER: Governor’s Emergency Education Relief  
 HEERF: Higher Education Emergency Relief  
 MSI: Minority Serving Institutions  
 SIP: Strengthening Institutions Program

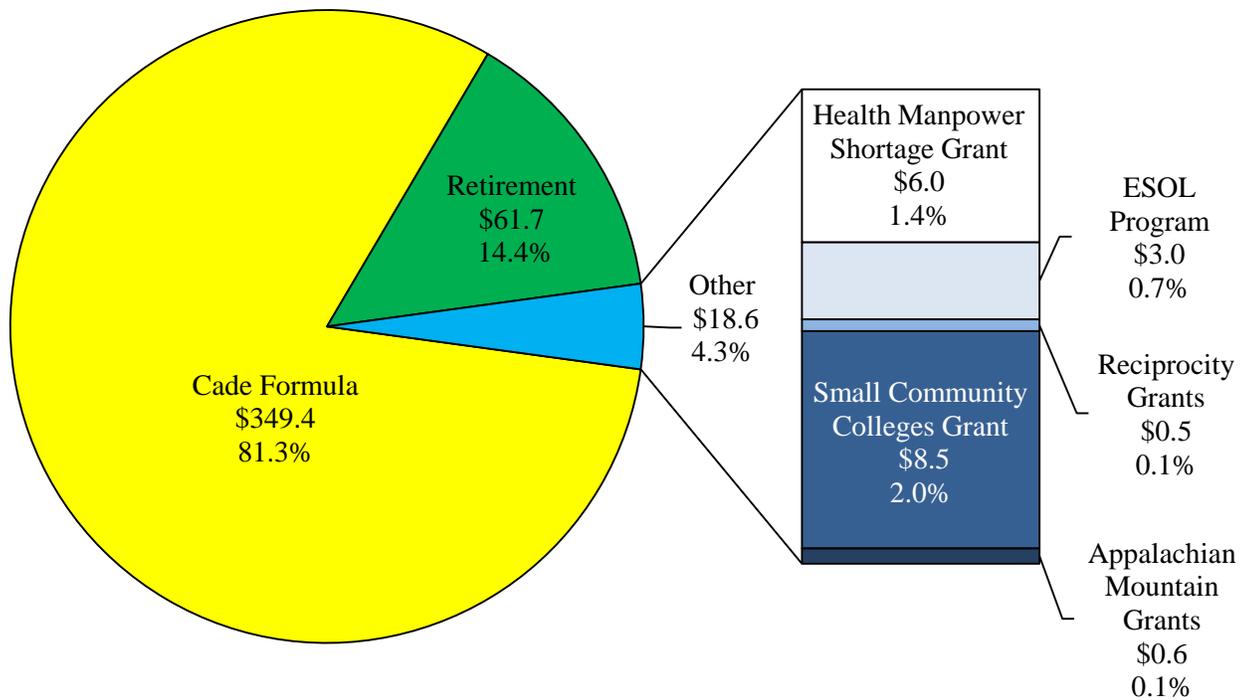
Source: Maryland Association of Community Colleges; Department of Legislative Services

**The executive director should comment on how most of the respective community colleges are planning to return to an operational structure in fiscal 2023 without the added assistance of federal emergency relief funding should pandemic-related expenditures/impacts continue into the 2022 to 2023 academic year. The executive director should also discuss whether the continuing enrollment declines necessitate rescaling of ongoing spending to align with lower revenues from tuition and fees.**

## Fiscal 2023 Proposed Budget

The fiscal 2023 allowance provides \$429.7 million for community colleges in the State. **Exhibit 12** details how this funding is distributed among the various programs that provide funding from the State for community colleges. The most significant amount of funding is for the Cade Funding Formula, which is funded at \$349.4 million, or 81.3% of total funding. Funding for eligible employees participating in either the defined benefit retirement plan or ORP, totals \$61.7 million, or 14.4% of total funding. Other grant programs include the Health Manpower Shortage Grant, ESOL, the Small Community College Grant, the Appalachian Mountain grants, and grants for reciprocity tuition agreements; these receive \$18.6 million altogether, or 4.3% of total funding.

**Exhibit 12**  
**Budgeted Allowance**  
**Fiscal 2023**  
**(\$ in Millions)**



Cade: Senator John A. Cade Funding Formula  
 ESOL: English for Speakers of Other Languages

Note: Numbers may not sum due to rounding.

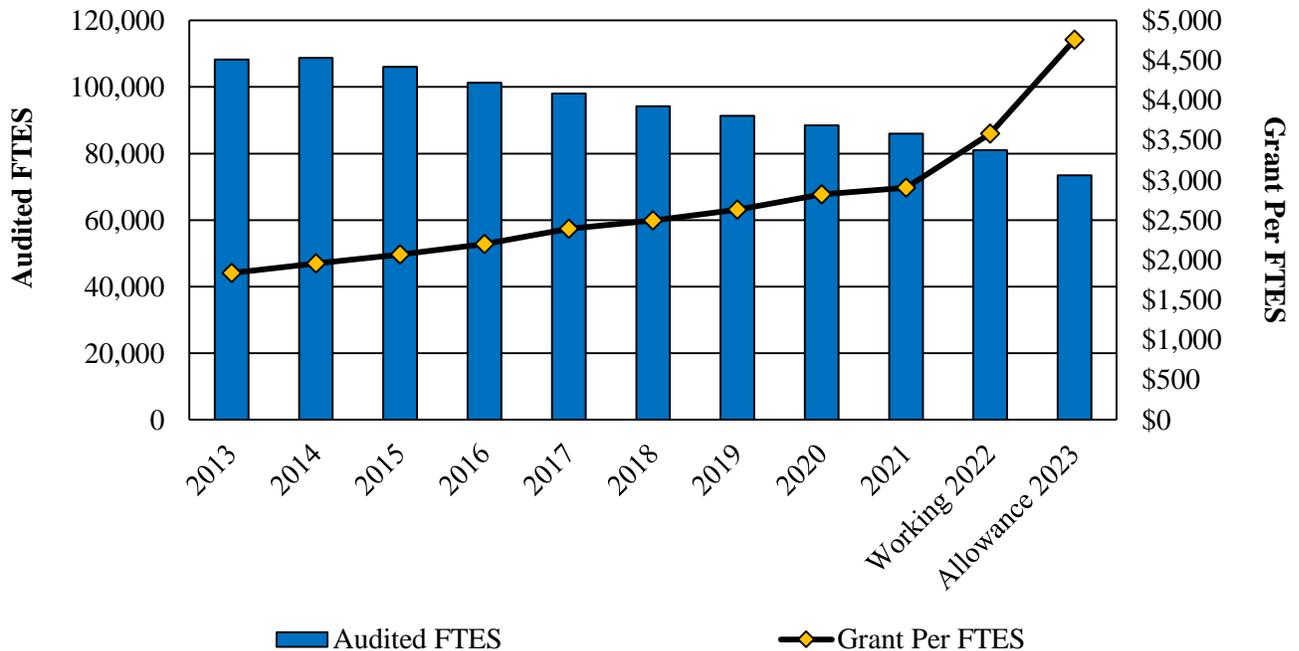
Source: Governor’s Fiscal 2023 Budget Books; Department of Legislative Services

### The Senator John A. Cade Formula

The Cade formula is calculated based on audited community college enrollments from two years prior and a percentage (29.0% for the fiscal 2023 allowance) of the proposed per student funding at selected public four-year institutions. Three different types of enrollment are included in the Cade formula: in-county credit; out-of-county credit; and eligible noncredit. As funding has steadily increased at the selected public four-year institutions, funding provided to the community colleges through the Cade formula has also steadily increased, apart from fiscal 2021 when a BPW action level funded the community colleges at the fiscal 2020 level.

As has been highlighted, enrollment has steadily decreased at the community colleges in Maryland over the past decade. The impact of this enrollment decline, along with the statutorily mandated percentage funding level increasing to the statutory maximum level of 29.0% in the fiscal 2023 allowance from 19.6% in fiscal 2013, is that spending per FTES has grown tremendously, as shown in **Exhibit 13**. The grant amount of \$4,757 per FTES in the fiscal 2023 allowance is 158.6% higher than a decade ago.

**Exhibit 13**  
**Audited Enrollments and Grant Per FTES**  
**Fiscal 2013-2023**



FTES: full-time equivalent student

Source: Governor’s Fiscal 2013-2023 Budget Books; Department of Legislative Services

## Proposed Budget Change

**Exhibit 14** shows the total budget changes for Aid to Community Colleges between the fiscal 2022 working appropriation and the fiscal 2023 allowance. In total, the budget increases by \$58.2 million in general funds, or 15.7%.

**Exhibit 14**  
**Proposed Budget**  
**Fiscal 2023**  
**(\$ in Thousands)**

| <b>How Much It Grows:</b>         | <b>General<br/>Fund</b> | <b>Total</b>   |
|-----------------------------------|-------------------------|----------------|
| Fiscal 2021 Actual                | \$338,986               | \$338,986      |
| Fiscal 2022 Working Appropriation | 371,523                 | 371,523        |
| Fiscal 2023 Allowance             | <u>429,713</u>          | <u>429,713</u> |
| Fiscal 2022-2023 Amount Change    | \$58,190                | \$58,190       |
| Fiscal 2022-2023 Percent Change   | 15.7%                   | 15.7%          |

| <b>Where It Goes:</b>                                   | <b>Change</b>   |
|---|-----------------|
| Senator John A. Cade Funding Formula.....               | \$59,337        |
| Small Community College Grants .....                    | 1,821           |
| Garrett County and West Virginia reciprocity grant..... | 15              |
| Somerset County reciprocity grant .....                 | -252            |
| Faculty and staff retirement contributions .....        | -1,180          |
| English for Speakers of Other Languages grant .....     | -1,552          |
| <b>Total</b>  | <b>\$58,190</b> |

Note: Numbers may not sum due to rounding.

Source: Governor’s Fiscal 2023 Budget Books; Department of Legislative Services

## Local Maintenance of Effort

A county government is required to maintain or increase the total dollar support for its local community college or risk losing an increase in State support, including the hold harmless grant. This concept is known as maintenance of effort (MOE). As shown in **Exhibit 15**, in the fiscal 2023 allowance, PGCC is leveled funded at the fiscal 2022 amount due to Prince George’s County failing to meet their required MOE total in fiscal 2022. Had Prince George’s County met the MOE requirement, the amount of Cade Funding Formula in the fiscal 2023 allowance for PGCC would have been \$42.7 million, or \$5.6 million greater, than the current allocation of \$37.1 million.

**Exhibit 15  
Prince George’s County MOE and PGCC Funding Impact  
Fiscal 2018-2023**

|   | <u>2018</u>  | <u>2019</u>  | <u>2020</u>  | <u>2021</u>  | <u>2022</u>  |
|---|--------------|--------------|--------------|--------------|--------------|
| Prince George’s County                  | \$39,866,400 | \$42,620,600 | \$43,922,330 | \$43,922,330 | \$41,726,200 |
| Difference from Previous<br>Fiscal Year |              | 2,754,200    | 1,301,730    | 0            | -2,196,130   |

**2023 Funding**

|                             |                     |
|-----------------------------|---------------------|
| PGCC Cade Grant with MOE    | \$42,694,585        |
| PGCC Cade Grant Without MOE | 37,072,503          |
| <b>Difference</b>           | <b>-\$5,622,082</b> |

Cade: Senator John A. Cade Funding Formula for Community Colleges

MOE: Maintenance of Effort

PGCC: Prince George’s Community College

Source: Prince George’s County Audit Reports, Fiscal 2018-2022; Department of Legislative Services

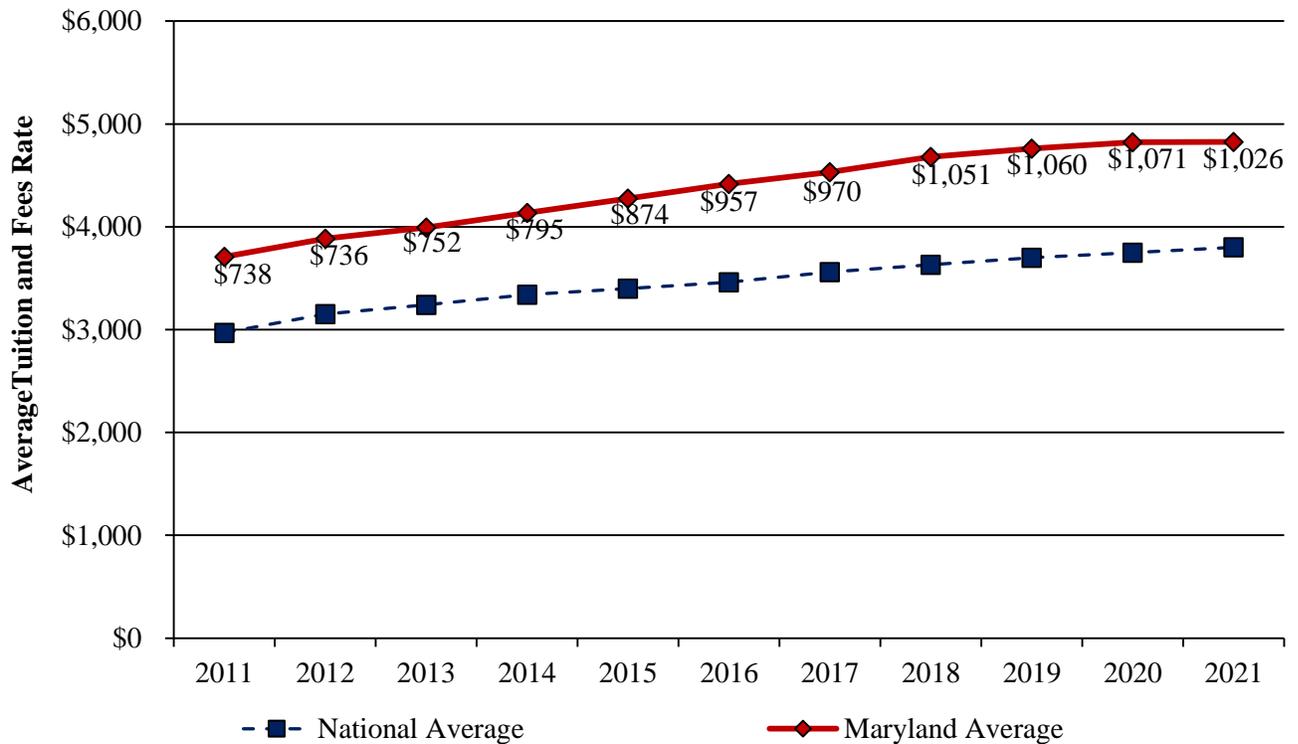
**The Executive Director of MACC should comment on what actions are being taken by Prince George’s County to address the MOE requirement in fiscal 2022.**

## Issues

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

Community colleges offer a significantly lower cost of entry into higher education compared to public four-year institutions for students living within the community college’s service area. According to the College Board, the enrollment weighted average of Maryland public four-year institutions’ tuition and fees was \$10,245 for fall 2021, compared to \$4,826 at the State’s community colleges. This means, on average, community colleges are 53% less expensive. However, the average community college tuition and fee rate in Maryland is higher than the national average. **Exhibit 16** shows the difference between the State and national average from fall 2011 to 2021. In fall 2021, the gap between the national average and the average at Maryland community colleges decreased for the first time since 2012. Despite this, the most recent gap (\$1,026) represents the fourth largest amount for this time period.

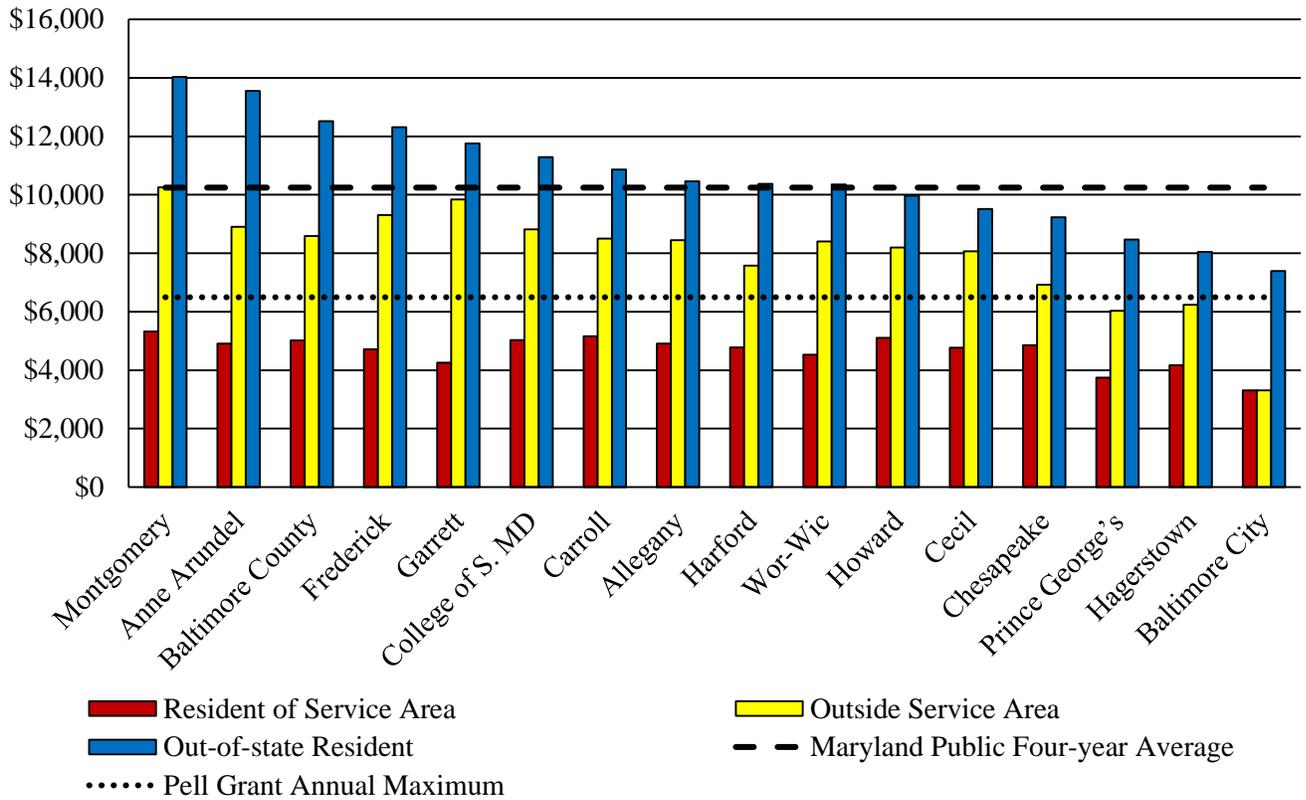
**Exhibit 16**  
**Community College Tuition and Fee Rates**  
**Comparison Maryland Average and National Average**  
**Fall 2011-2021**



Source: The College Board, *Annual Survey of Colleges – Trends in College Pricing, 2021*

**Exhibit 17** shows the annual tuition and fee rates by community college for full-time students for fall 2021. Among the Cade-funded institutions, Montgomery College is the State’s most expensive community college for resident students at \$5,322, while BCCC has the lowest rate, \$3,314. Including BCCC, the statewide average for tuition and fees is \$4,662 for a service-area resident, \$7,962 for all other Marylanders, and \$10,633 for out-of-state residents.

**Exhibit 17**  
**Tuition and Fee Rates by Community College**  
**Fall 2021**



S. MD: Southern Maryland

Source: Maryland Association of Community Colleges; the College Board; U.S. Department of Education

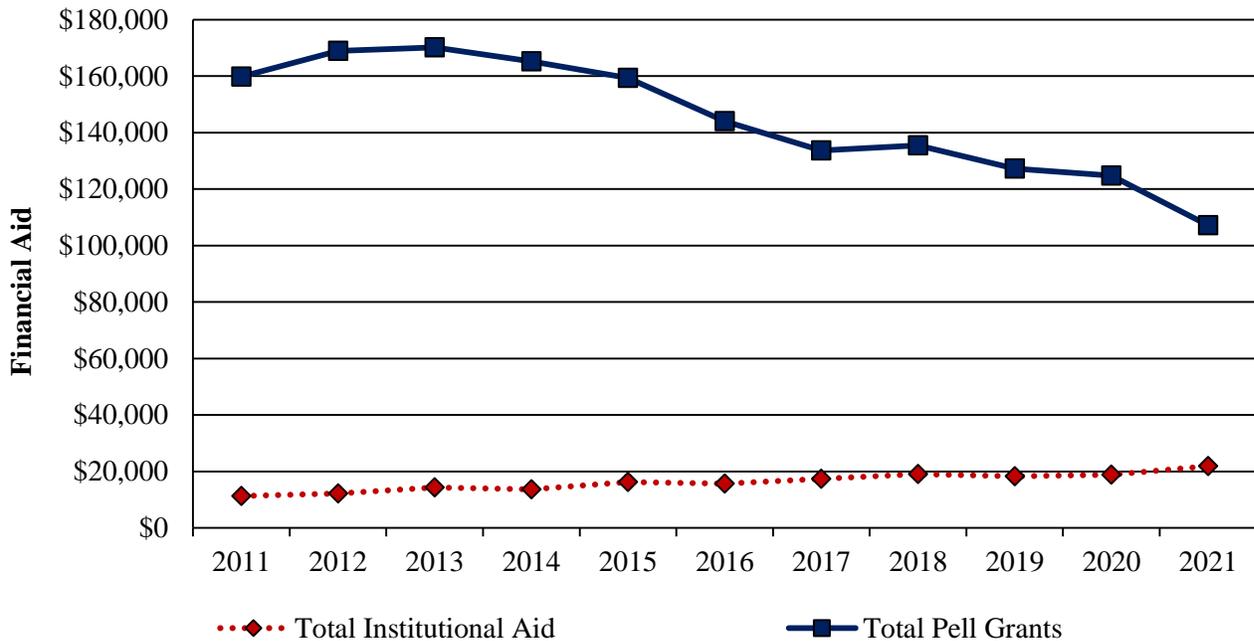
### Institutional Aid Offered to Students

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, housing, 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 18** shows the total amount of need-based and merit aid awarded by community colleges to students from fiscal 2011 to 2021 as well as the amount of Pell grants students received. In fiscal 2021, when excluding emergency financial aid assistance that was provided through the various HEERF stimulus packages, Maryland community colleges awarded \$21.8 million in institutional aid, an increase of \$3.0 million compared to fiscal 2020. The amount of institutional aid provided is dwarfed by Pell grants (83.1% of total aid provided), which totaled \$107.2 million in fiscal 2021 for Maryland students attending community college. Total Pell aid for community college students decreased by \$17.6 million in fiscal 2021, continuing a downward trend that began again in fiscal 2019. This decline in institutional aid awarded reflects the overall general decline in total enrollment at the Maryland community colleges.

**Exhibit 18**  
**Total Institutional Aid and Pell Grants**  
**Fiscal 2011-2021**  
**(\$ in Thousands)**

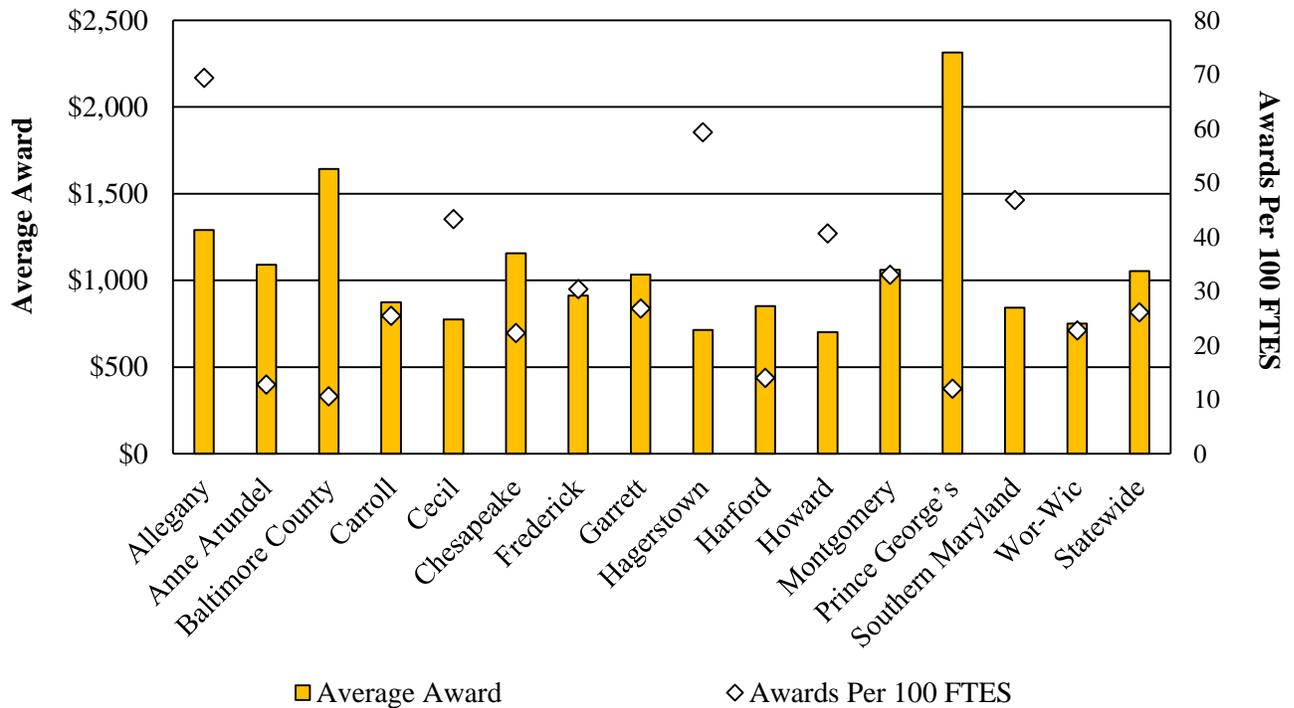


Note: All data is self-reported by the institutions. Data does not include Baltimore City Community College. Institutional aid in fiscal 2020 and 2021 excludes any Higher Education Emergency Relief Funds for emergency student financial assistance from the various stimulus packages.

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

**Exhibit 19** 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, but it is similar to the results from prior years. The exhibit may somewhat overstate awards per FTES and understate the amount received by students, as an individual student may receive both a need-based and merit award, and both awards would be counted separately. Allegany College of Maryland is notable for giving the most awards per 100 FTES, with 69. This is in large part due to scholarship programs in that county that cover the cost after federal aid of community college for FT/FT students at that institution. PGCC gave the largest average award at \$2,314. PGCC implemented a promise scholarship program in fiscal 2018 that may contribute to these large average award amounts. However, as only 12 students per 100 at PGCC received institutional aid in fiscal 2021, the number of students benefiting from this program appears to be limited.

**Exhibit 19**  
**Average Institutional Aid Awards and Awards Per 100 FTES**  
**Fall 2021**



FTES: full-time equivalent student

Note: All data is self-reported by the institutions.

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

## ***Operating Budget Recommended Actions***

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1. Concur with Governor's allowance.

## Appendix 1 Audit Findings

|                              |                                    |
|------------------------------|------------------------------------|
| Audit Period for Last Audit: | November 15, 2015 – March 31, 2020 |
| Issue Date:                  | June 2021                          |
| Number of Findings:          | 8                                  |
| Number of Repeat Findings:   | 5                                  |
| % of Repeat Findings:        | 62.5%                              |

### Career-Based Financial Aid

**Finding 1:** This finding pertains to MHEC Financial Assistance. Further discussion of this audit finding can be found in the MHEC Financial Assistance (R62I00.10) analysis.

**Finding 2:** This finding pertains to MHEC Financial Assistance. Further discussion of this audit finding can be found in the MHEC Financial Assistance (R62I00.10) analysis.

### MDCAPS

**Finding 3:** This finding pertains to MHEC Financial Assistance. Further discussion of this audit finding can be found in the MHEC Financial Assistance (R62I00.10) analysis.

**Finding 4:** This finding pertains to MHEC Financial Assistance. Further discussion of this audit finding can be found in the MHEC Financial Assistance (R62I00.10) analysis.

### Aid to Community Colleges

**Finding 5:** MHEC had not implemented effective procedures for ensuring that all payments made to community colleges for retirement and pension contributions were proper.

**Finding 6:** MHEC did not ensure that community colleges returned unspent ESOL grant funds as required.

### Information Systems Security and Control

**Finding 7:** This finding pertains to MHEC Financial Assistance. Further discussion of this audit finding can be found in the MHEC Financial Assistance (R62I00.10) analysis.

**Finding 8:** This finding pertains to MHEC Financial Assistance. Further discussion of this audit finding can be found in the MHEC Financial Assistance (R62I00.10) analysis.

Note: Recommended Actions associated with these findings is discussed in the Maryland Higher Education Commission Administration (R62I00.01) analysis.

\*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 2**  
**Fiscal 2021 Institutions Breakdown – COVID Financial Impact**  
**Fiscal 2021**

|                                   | <u>Revenue Loss</u>    |                     |                     |                      |                      | <u>COVID-19 Expenses</u> | <u>Total</u>         |
|-----------------------------------|------------------------|---------------------|---------------------|----------------------|----------------------|--------------------------|----------------------|
|                                   | <u>Tuition and Fee</u> | <u>Auxiliary</u>    | <u>Other</u>        | <u>BPW</u>           | <u>Total</u>         |                          |                      |
| Allegany College                  | -\$673,300             | -\$45,637           |                     | -\$827,254           | -\$1,546,191         | -\$560,458               | -\$2,106,650         |
| Anne Arundel Community College    | -1,200,000             | -2,682,346          | -1,916,171          | -4,292,280           | -10,090,797          | -188,908                 | -10,279,705          |
| Carroll Community College         | -1,024,143             | -110,000            |                     | -1,020,349           | -2,154,492           | -402,396                 | -2,556,888           |
| Cecil College                     | -1,275,190             | -932,514            |                     | -708,256             | -2,915,960           | -250,401                 | -3,166,361           |
| Chesapeake College                | -830,423               | -228,945            | -148,751            | -895,052             | -2,103,171           | -503,976                 | -2,607,147           |
| College of Southern Maryland      | -920,780               | -10,400             | -81,531             | -1,403,859           | -2,416,570           | -53,602                  | -2,470,172           |
| CCBC                              | -2,700,000             | -122,403            | -160,262            | -6,343,962           | -9,326,627           | -1,753,907               | -11,080,534          |
| Frederick Community College       | 1,449,317              | -506,034            | -3,443,790          | -1,776,726           | -4,277,233           | -44,600                  | -4,321,833           |
| Garrett College                   | -656,000               | -249,000            |                     | -320,464             | -1,225,464           | -41,000                  | -1,266,464           |
| Hagerstown Community College      | -547,280               |                     |                     | -1,568,125           | -2,115,405           | -1,313,372               | -3,428,777           |
| Harford Community College         | -2,474,597             | -1,336,183          |                     | -1,794,442           | -5,605,222           | -2,284,807               | -7,890,029           |
| Howard Community College          | -3,066,970             | -149,923            | -489,394            | -3,301,048           | -7,007,335           | -1,508,074               | -8,515,409           |
| Montgomery College                | -8,091,362             | -300,000            | -179,324            | -6,266,662           | -14,837,348          | -5,608,535               | -20,445,883          |
| Prince George’s Community College | -4,970,059             | -695,693            |                     | -4,683,032           | -10,348,784          | -2,188,441               | -12,537,225          |
| Wor-Wic Community College         | -1,569,000             | -194,079            | -596,156            | -1,192,312           | -3,551,547           | -412,000                 | -3,963,547           |
| <b>Total</b>                      | <b>-\$28,549,787</b>   | <b>-\$7,563,158</b> | <b>-\$7,015,379</b> | <b>-\$36,393,823</b> | <b>-\$79,522,147</b> | <b>-\$17,114,478</b>     | <b>-\$96,636,624</b> |

Note: All data is self-reported by the institutions.

Source: Maryland Association of Community Colleges

**Appendix 3**  
**Fiscal 2022 Institutions Breakdown – COVID Financial Impact**  
**Fiscal 2022 Working**

|                                   | <u>Revenue Loss</u>    |                     |                      |                      | <u>COVID-19 Expenses</u> | <u>Total</u>          |
|-----------------------------------|------------------------|---------------------|----------------------|----------------------|--------------------------|-----------------------|
|                                   | <u>Tuition and Fee</u> | <u>Auxiliary</u>    | <u>Other</u>         | <u>Total</u>         |                          |                       |
| Allegany College                  | -\$1,474,503           | -\$324,000          | \$0                  | -\$1,798,503         | -\$281,523               | -\$2,080,026          |
| Anne Arundel Community College    | -5,532,164             | -2,607,766          | -1,486,889           | -9,626,819           |                          | -9,626,819            |
| Carroll Community College         | -638,652               | -7,065              |                      | -645,717             | -597,601                 | -1,243,318            |
| Cecil College                     | -1,744,644             | -841,810            |                      | -2,586,454           | -423,479                 | -3,009,933            |
| Chesapeake College                | -924,092               | -227,556            |                      | -1,151,648           | -887,922                 | -2,039,570            |
| College of Southern Maryland      | -1,480,329             | -68,244             | -508,889             | -2,057,462           | -2,466,004               | -4,523,466            |
| CCBC                              | -6,571,257             | -62,748             | -312,753             | -6,946,758           | -5,874,927               | -12,821,685           |
| Frederick Community College       | -1,654,969             | -1,608,366          | -72,267              | -3,335,602           | -3,786,121               | -7,121,723            |
| Garrett College                   | -631,653               | -289,139            |                      | -920,792             | -39,820                  | -960,612              |
| Hagerstown Community College      | -4,347,002             | -149,047            | -1,116,813           | -5,612,862           | -2,795,592               | -8,408,454            |
| Harford Community College         | -748,725               | -629,490            |                      | -1,378,215           | -656,773                 | -2,034,988            |
| Howard Community College          | -8,426,521             | -195,113            |                      | -8,621,634           | -13,099,668              | -21,721,302           |
| Montgomery College                | -7,295,625             | -300,000            | -9,851,746           | -17,447,371          | -1,815,405               | -19,262,776           |
| Prince George's Community College | -3,912,200             | -399,800            | -673,095             | -4,985,095           | -16,961,564              | -21,946,659           |
| Wor-Wic Community College         | -730,000               | -6,371              |                      | -736,371             | -4,000,000               | -4,736,371            |
| <b>Total</b>                      | <b>-\$46,112,336</b>   | <b>-\$7,716,515</b> | <b>-\$14,022,452</b> | <b>-\$67,851,303</b> | <b>-\$53,686,399</b>     | <b>-\$121,537,702</b> |

Note: All data is self-reported by the institutions.

Source: Maryland Association of Community Colleges

**Appendix 4  
Fiscal Summary  
Aid to Community Colleges**

| <u>Program/Unit</u>   | <u>FY 21<br/>Actual</u> | <u>FY 22<br/>Wrk Approp</u> | <u>FY 23<br/>Allowance</u> | <u>Change</u>        | <u>FY 22 - FY 23<br/>% Change</u> |
|---|-------------------------|-----------------------------|----------------------------|----------------------|-----------------------------------|
| 05 Senator John A. Cade Funding Formula for<br>Community Colleges | \$ 276,947,939          | \$ 308,668,810              | \$ 368,038,289             | \$ 59,369,479        | 19.2%                             |
| 06 Aid to Community Colleges – Fringe Benefits                    | 62,038,103              | 62,853,993                  | 61,674,264                 | -1,179,729           | -1.9%                             |
| <b>Total Expenditures</b>   | <b>\$ 338,986,042</b>   | <b>\$ 371,522,803</b>       | <b>\$ 429,712,553</b>      | <b>\$ 58,189,750</b> | <b>15.7%</b>                      |
| General Fund  | \$ 330,203,827          | \$ 371,522,803              | \$ 429,712,553             | \$ 58,189,750        | 15.7%                             |
| Federal Fund  | 8,782,215               | 0                           | 0                          | 0                    | 0.0%                              |
| <b>Total Appropriations</b>                                       | <b>\$ 338,986,042</b>   | <b>\$ 371,522,803</b>       | <b>\$ 429,712,553</b>      | <b>\$ 58,189,750</b> | <b>15.7%</b>                      |