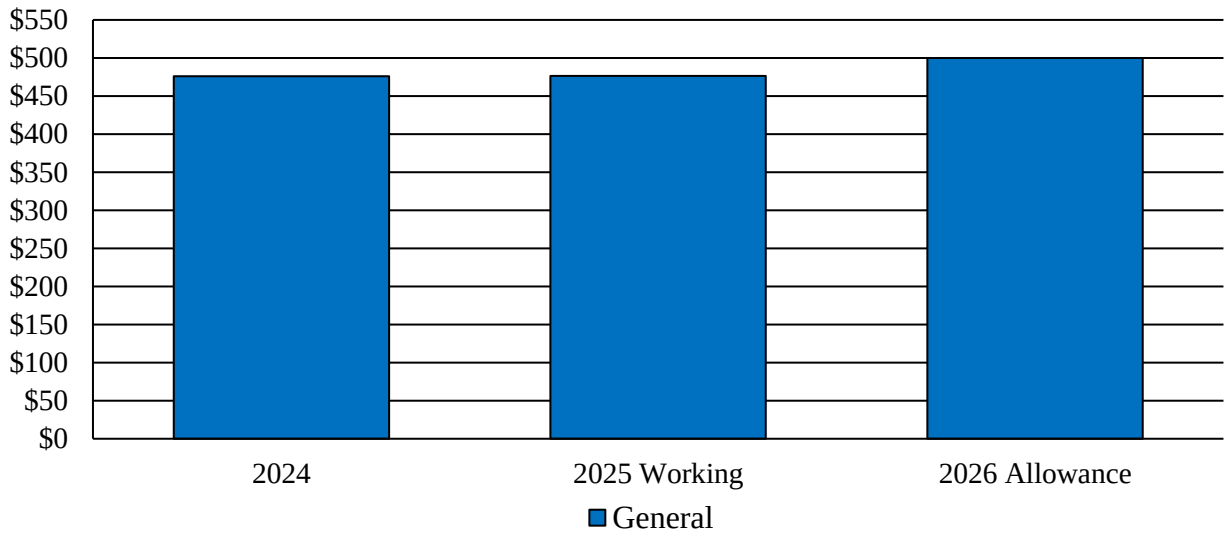
R62I0005
Aid to Community Colleges
Maryland Higher Education Commission

Executive Summary

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

Fiscal 2026 Budget Increases $23.8 Million, or 5.0%, to $500.1 Million
($ in Millions)



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2026 allowance accounts for contingent reductions.

- Language in the fiscal 2026 Budget Bill reduces the appropriation for the State's share of retirement costs at the community colleges by $4.8 million in fiscal 2026, contingent on the Budget Reconciliation and Financing Act (BRFA) of 2025, which changes the cost share between State and local governments.

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- The fiscal 2026 allowance increases funding for community colleges through the Cade Funding Formula by $16.9 million, or 4.4%, relative to the 2025 working appropriation.

Key Observations

- ***Persister Rates Continue to Signify Importance of Completing Developmental Coursework:*** Preliminary data shows that the 2019 cohort of students attending Maryland's community colleges have successfully persisted at a rate of 72.4%, a slight increase from the prior cohort. Students who complete developmental coursework persist at a rate of 76.1%, while those who require but do not complete developmental coursework persist at a rate of only 33.9%.

- ***Community College Enrollment Increases:*** In the preliminary opening fall 2024 enrollment dataset, total community college headcount enrollment grew to 107,245, an increase of 4.5% relative to fall 2023. This marks the second consecutive year of enrollment growth after declining each year since fall 2011. Despite these increases, total headcount enrollment in fall 2024 is 27.9%, or 41,425 students, lower than the fall 2011 enrollment high mark.

- ***Cade Funding Study:*** Pursuant to committee narrative in 2024 *Joint Chairmen's Report* (JCR), the Department of Legislative Services (DLS) conducted a study on the Cade funding formula. DLS recommended that any modernization of the formula be built around metrics that are easy to collect, access, and analyze.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

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Operating Budget Analysis

Program Description

Under the administration of MHEC, State aid for the 15 local community colleges is provided through the Cade Funding Formula under § 16-305 of the Education Article. 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. As amended by Chapter 717 of 2024 (BRFA of 2024) beginning in fiscal 2025, funding is based on an amount equal to 27.2% of the State aid per FTES at the selected four-year schools two years prior (so for example, fiscal 2026 is based on State aid per FTES using fiscal 2024 actual expenditures and FTES).

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. 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 size of the total submissions of all the institutions.

- ***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.

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.

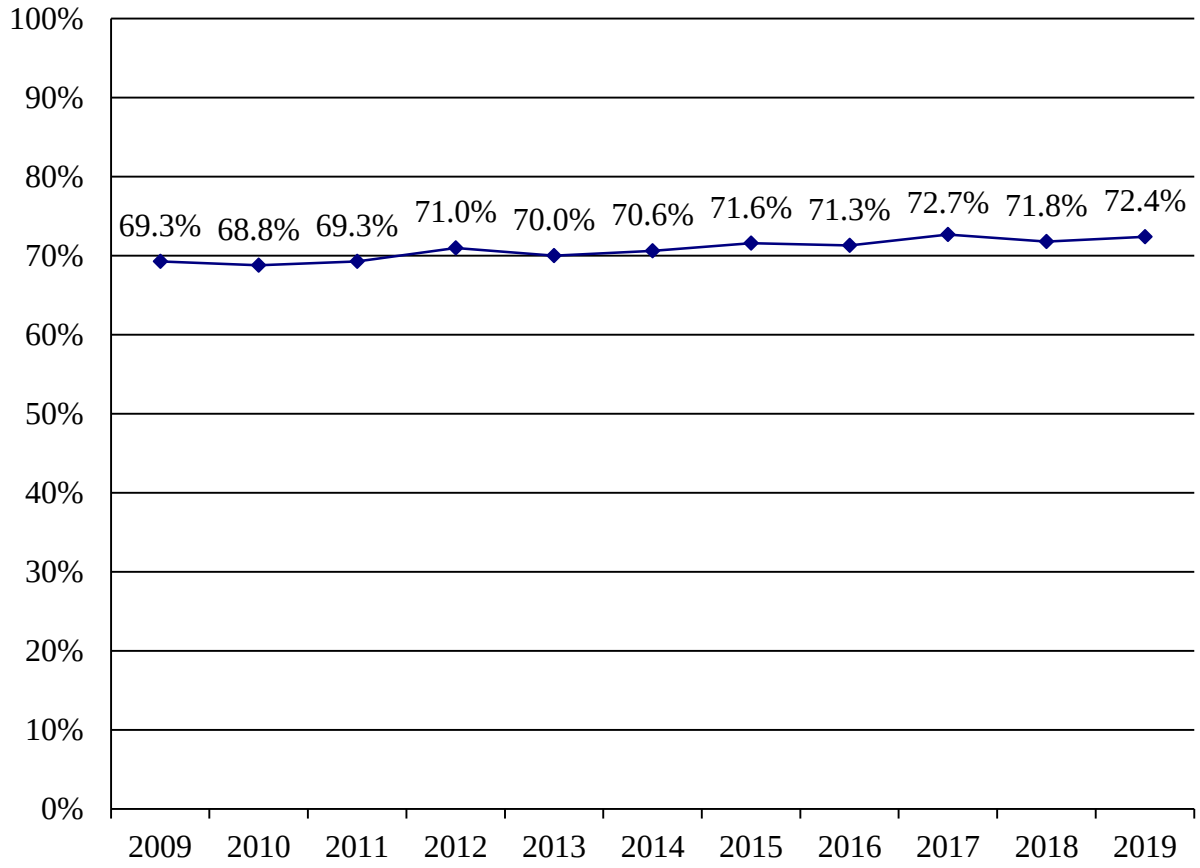
Performance Analysis: Managing for Results

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.

Exhibit 1 shows the statewide successful persister rates for the 2009 through 2019 cohorts. The successful persister rate for the 2019 cohort is 72.4%, a slight increase compared to the 2018 cohort. The 2019 cohort successful persister rate is 1.6 percentage points above the 70.8% average over this period and is the second highest rate since the 2009 cohort.

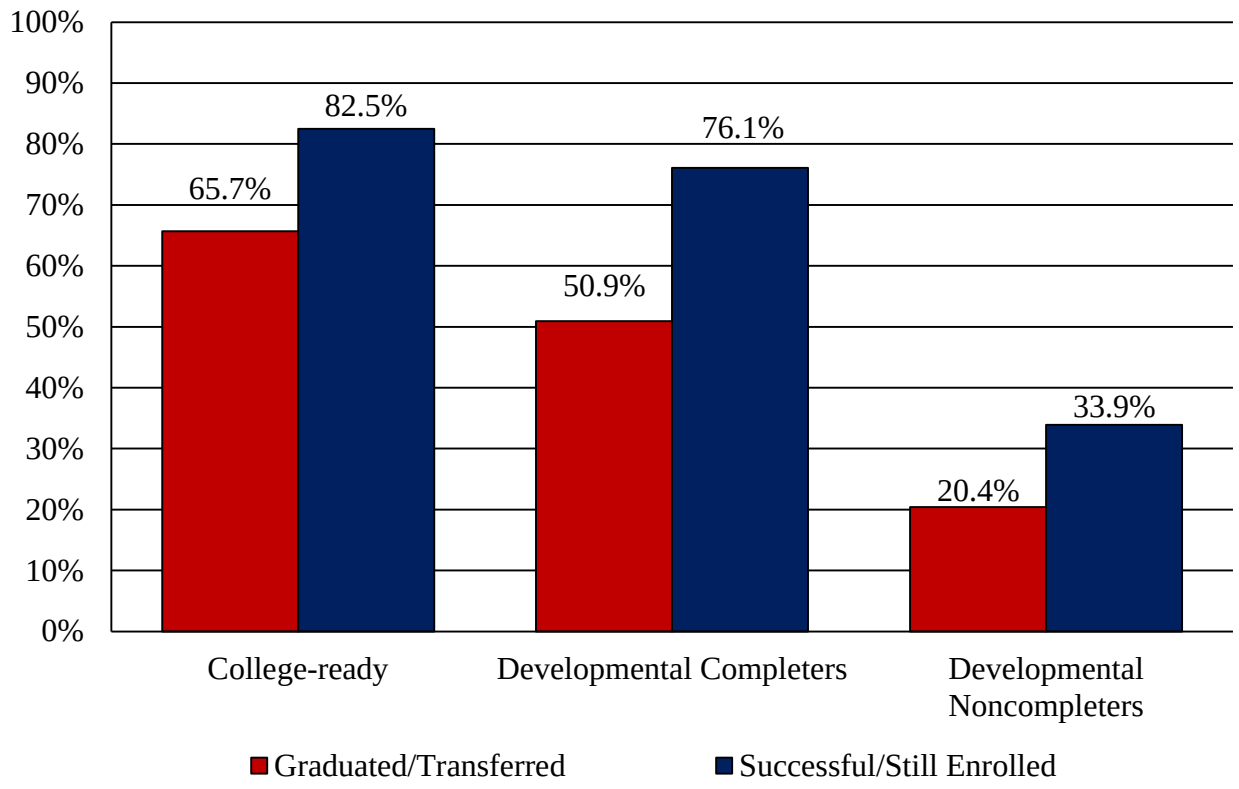
Exhibit 1
Four-year Successful Persister Rate
2009-2019 Cohorts



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): (1) college-ready students; (2) 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 (3) 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 2019 cohort.

Exhibit 2
Degree Progress Four Years after Initial Enrollment
Fall 2019 Cohort



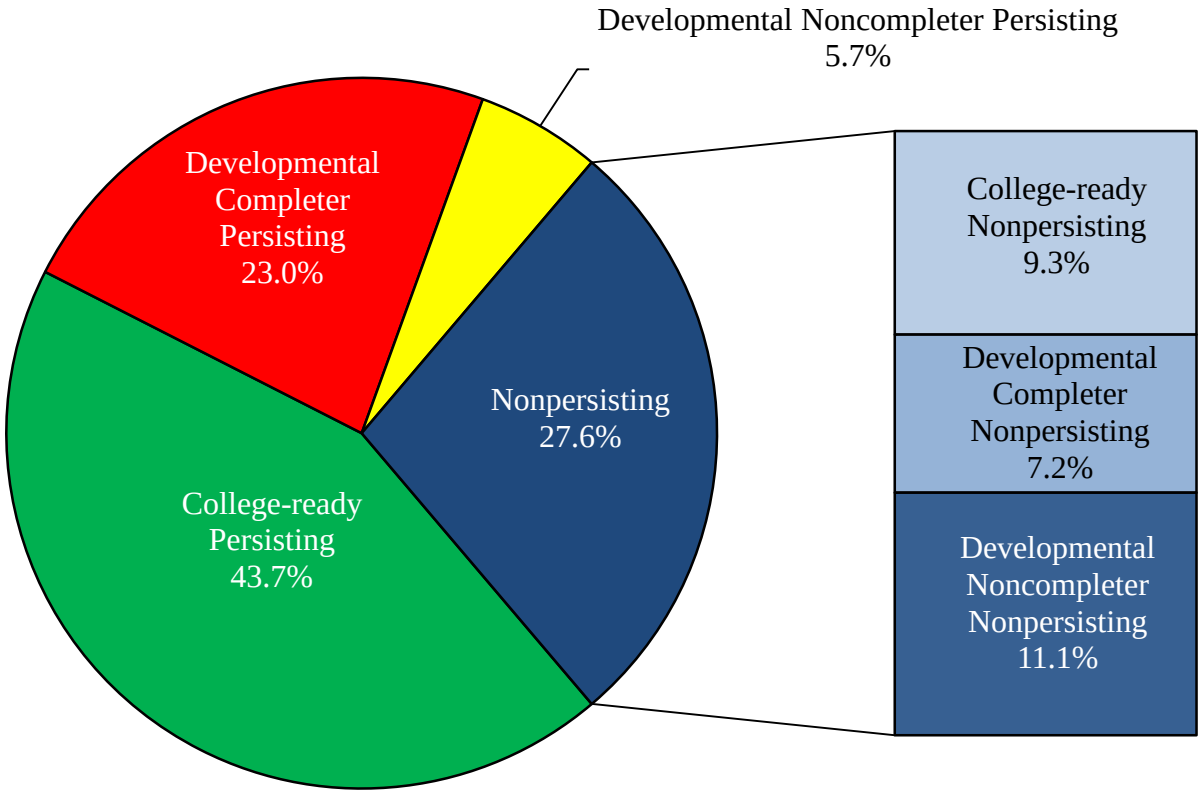
Source: Maryland Higher Education Commission

Results from the successful persister rate data emphasize the importance of students completing developmental coursework. College-ready students and developmental completers both persist and graduate or transfer at rates over 50% for the 2019 cohort. However, actual student outcomes for these groups are not comparable, as college-ready students graduate or transfer after four years at a rate of 65.7%, while developmental completers only graduate or transfer after four years at a rate of 50.9%. Although college-ready students graduate at a significantly higher rate than developmental completers, the gap is smaller between those who are successful or still enrolled. College-ready students are still enrolled at 82.5% and developmental completers are still enrolled at 76.1%, a 6.4 percentage point gap. Meanwhile, outcomes for both college-ready students and developmental completers far outpace those of developmental noncompleters, who successfully persist at a rate of only 33.9% and graduate or transfer at a rate of 20.4%, emphasizing the importance of students completing developmental coursework. In the 2019 cohort

almost half of the students (47.0%) tested into developmental education, making this particularly important for overall successful persister rates.

Exhibit 3 shows the entire fall 2019 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, 40.1% are developmental noncompleters.

Exhibit 3
Persisting and Nonpersisting Students
Fall 2019 Cohort



Source: Maryland Higher Education Commission

Exhibit 4 provides college-by-college details on students who needed developmental coursework in the fall 2019 cohort and the share who completed it. As shown, Baltimore City Community College (BCCC) had the highest percentage of students who required developmental coursework at 95%. The next highest had 77% of students requiring developmental coursework. Anne Arundel Community College (AACC) and Frederick Community College had the lowest percentage, at 16% and 26%, respectively. Statewide, the number of students requiring developmental coursework decreased to 53% for the fall 2019 cohort from 57% in the fall 2018 cohort. However, the change was not consistent across community colleges, with some community colleges experiencing increases. Completion of developmental coursework for those needing it varies among the community colleges, which can impact the successful persister rates. For instance, of the 16% percent of the cohort that was required to take developmental coursework at AACC, 86% successfully completed this work. Conversely, at BCCC, of the 95% of the cohort that were required to take developmental coursework, only 65% successfully completed that work.

Exhibit 4
Student Taking Developmental Coursework
Fall 2019 Cohort

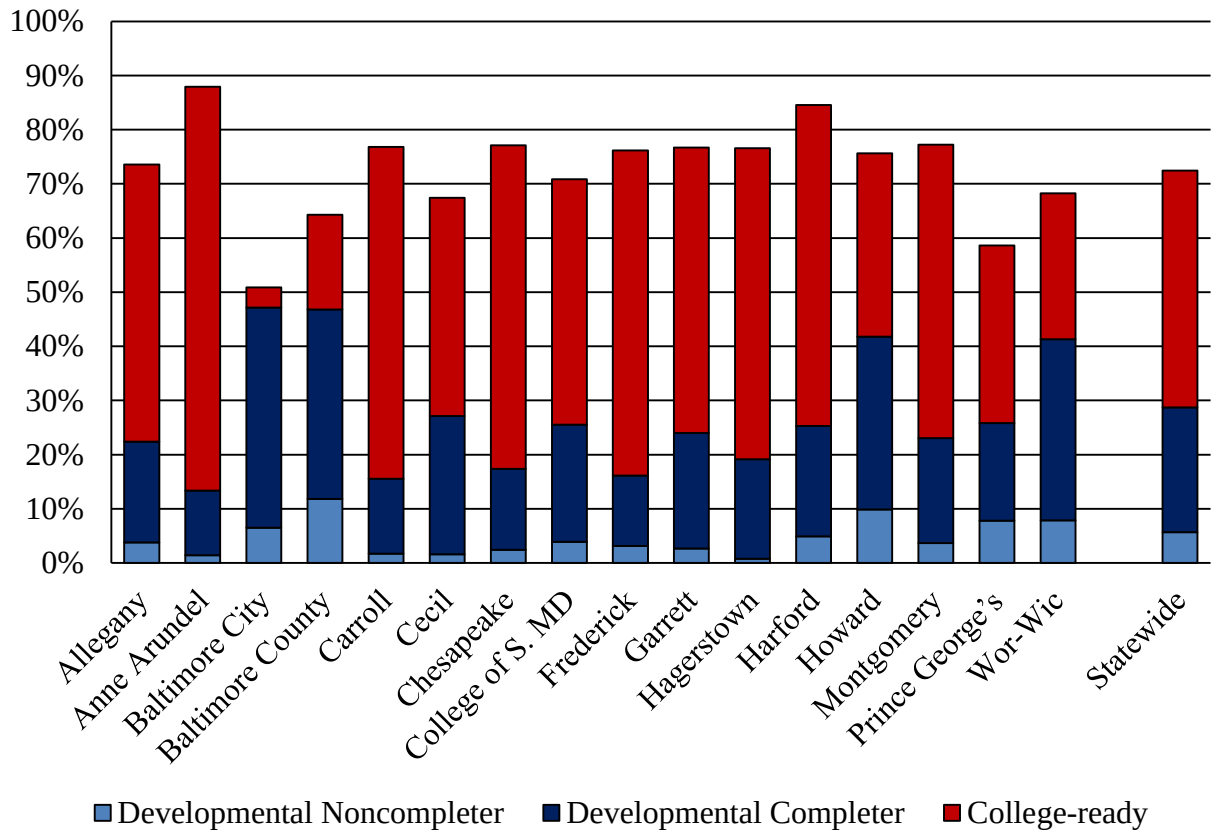
	Cohort Who Required Developmental Coursework	Developmental Completers	Developmental Noncompleters
Allegany	36%	73%	27%
Anne Arundel	16%	86%	14%
Baltimore City	95%	65%	35%
Carroll	28%	73%	27%
Cecil	41%	84%	16%
Chesapeake	28%	74%	26%
College of Southern Maryland	43%	66%	34%
CCBC	77%	56%	44%
Frederick	26%	81%	19%
Garrett	43%	63%	37%
Hagerstown	29%	89%	11%
Harford	34%	75%	25%
Howard	60%	57%	43%
Montgomery	35%	72%	28%
PGCC	56%	55%	45%
Wor-Wic	67%	59%	41%
Statewide	47%	64%	36%

CCBC: Community College of Baltimore County
PGCC: Prince George's Community College

Source: Maryland Higher Education Commission

Exhibit 5 shows the overall 2019 cohort successful persister rates by college and the share of successful persisters in those three categories of the overall cohort. Overall, persister rates by college range from 51% at BCCC to 88% at AACC. Generally, community colleges with high numbers of college-ready students and students completing developmental coursework had higher overall persister rates. In addition, there is a connection between an institution's overall persister rate and the percentage of the cohort that consisted of successful developmental completers, which emphasizes the importance of successfully completing developmental coursework. This pattern is evident because institutions with similar shares of students requiring developmental coursework have similar levels of persistence, such as Allegany (36%) and Harford (34%). Both colleges developmental completers persisted at rates of approximately 20%. Given that nondevelopmental completers continue to display lower persisting rates, it is important to take a deeper look into why some colleges might be performing better than others in the share of those requiring development coursework who complete it and in the percentage of those that successfully persist.

Exhibit 5
Successful Persister Rate by Community College
Fall 2019 Cohort

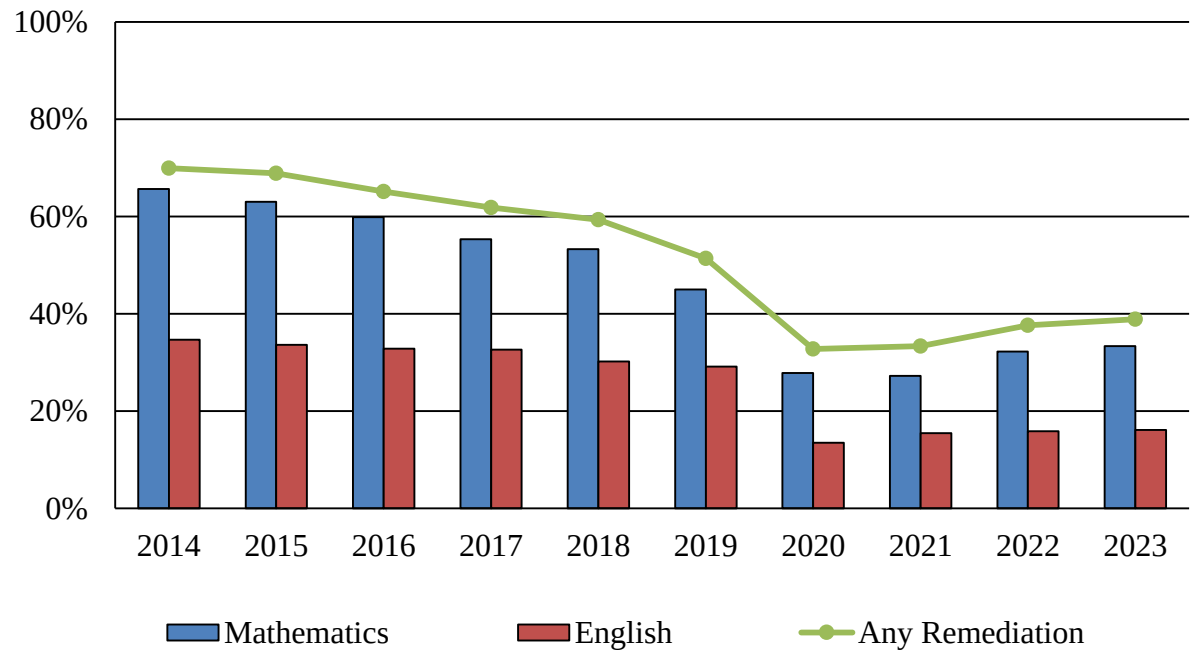


Source: Maryland Higher Education Commission

2. Students Requiring Remediation

In fall 2024, MHEC's Office of Research and Policy Analysis introduced a developmental education data dashboard, which provide additional context on developmental education compared to the data available in the Degree Progress Analysis dashboard. Remediation and developmental education are often used interchangeably, although developmental education is the more commonly used term in recent history. MHEC's dashboard offers a look into the students who are underprepared for college courses and need additional support in mathematics, English, or reading. As shown in **Exhibit 6**, the proportion of community college students needing remediation or developmental education steadily decreased between the 2014 cohort and 2020 cohorts, with the largest decline between the 2019 and 2020 cohorts. This decrease occurred for students who needed remediation in mathematics, English, or any remediation (English, mathematics, and/or reading). Across all three categories, the decrease averaged 17 percentage points. That decline is most likely tied to the COVID-19 pandemic and a change in enrollment patterns. Since the 2020 cohort, the number of students needing developmental education has steadily increased but has not returned to previous levels.

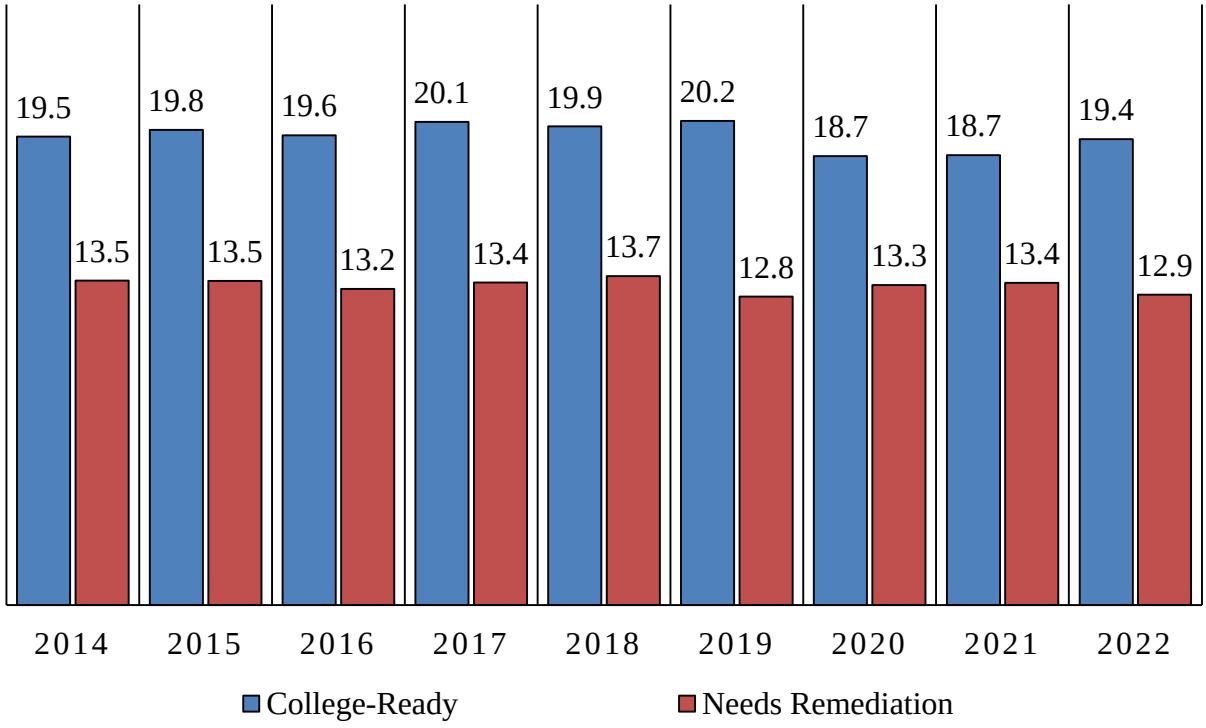
Exhibit 6
Proportion of Students Needing Remediation
2014-2023 Cohorts



Source: Maryland Higher Education Commission, Office Research and Policy Analysis

As shown in **Exhibit 7**, college-ready students, on average, accumulate more college-level credits in their first academic year than students who require remediation. The credits accumulated do not include developmental education courses taken by students. The average credit accumulation in the first academic year among full-time college-ready students has been 19.5 credits, compared to 13.3 credits for full-time developmental education students for the 2014 through 2022 cohorts. Credit accumulation for full-time college-ready students seemed to decline during the pandemic years, decreasing from 20.2 credits for the 2019 cohort to 18.7 credits for the 2020 cohort.

Exhibit 7
Average Credit Accumulation for Full-time First Year Students by Remedial Status
2014-2022 Cohorts

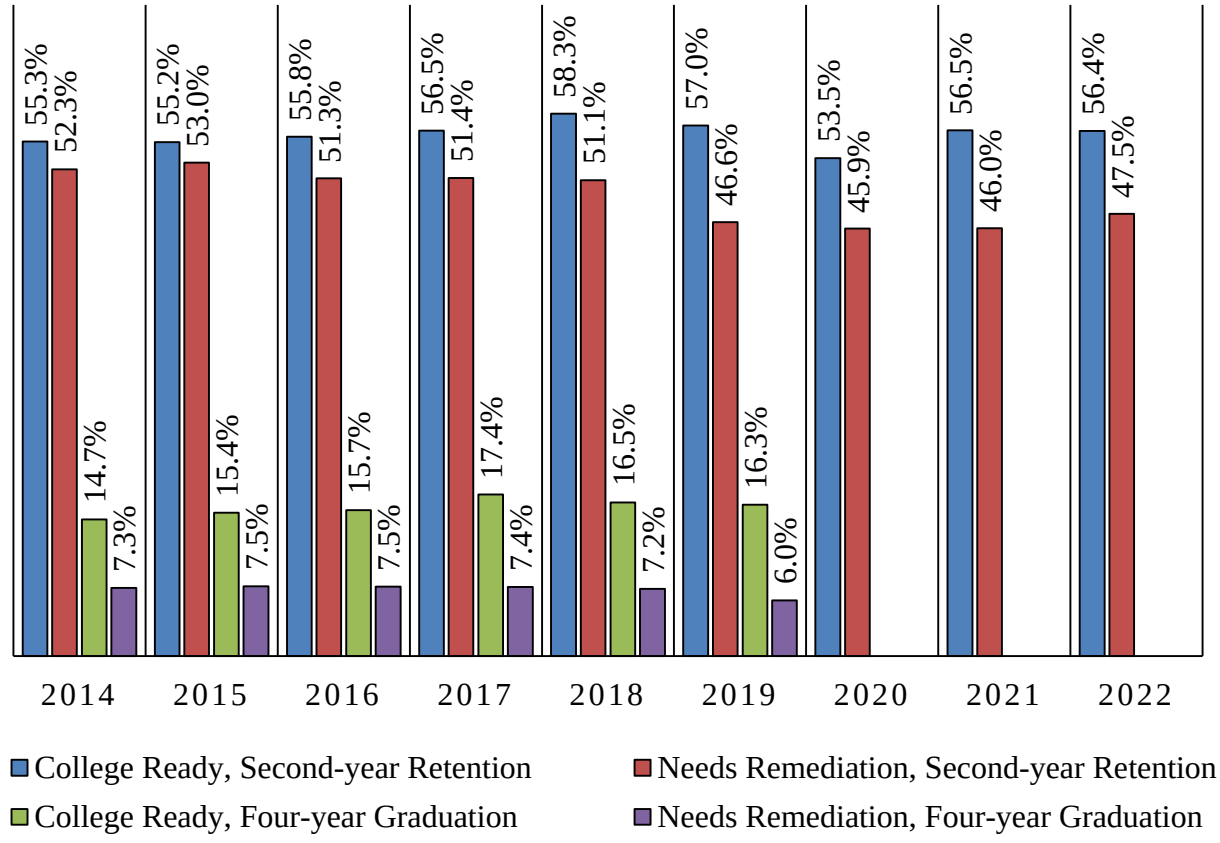


Source: Maryland Higher Education Commission, Office Research and Policy Analysis

Second-year retention rates are higher among college-ready students, averaging 56.1% across the 2014 through 2022 cohorts, compared to 49.5% for students who need remediation. While four-year graduation rates are also higher for college-ready students, both groups' graduation rates are below 20%, as shown in **Exhibit 8**. **MACC should comment on how**

community colleges are seeking to raise graduation rates for both college-ready and students requiring remediation.

Exhibit 8
Retention and Graduation Rates by Remediation Status
2014-2019 Cohorts



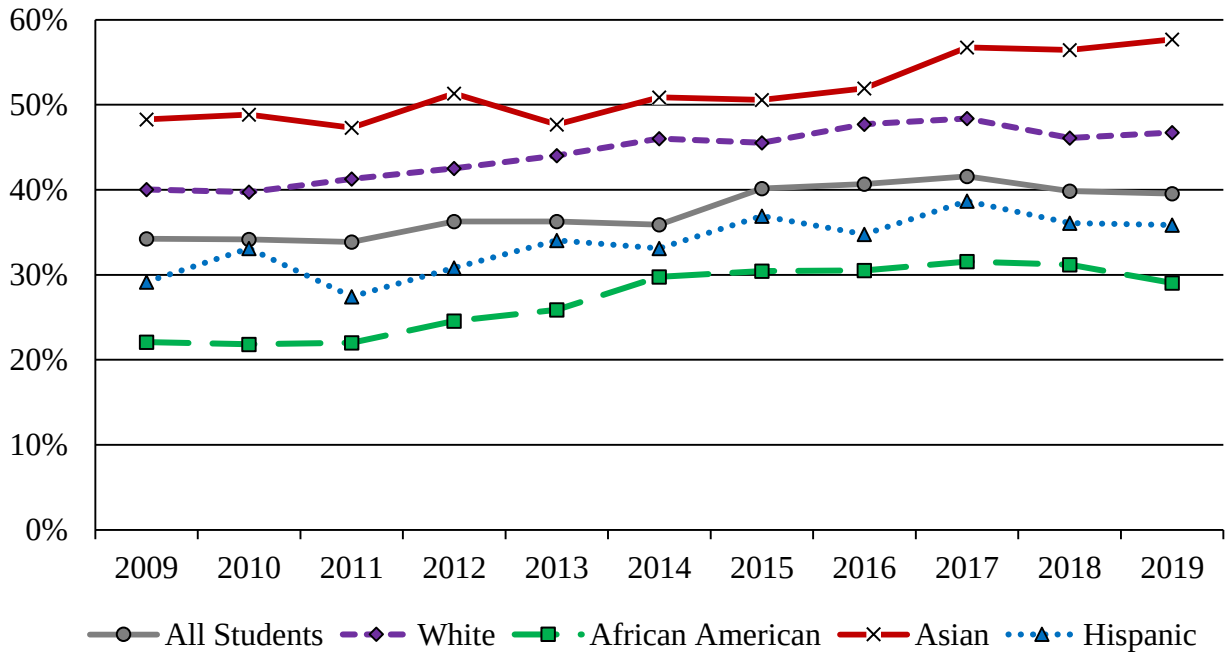
Source: Maryland Higher Education Commission, Office Research and Policy Analysis

3. 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 9** shows the average rates for first-time, full-time White, African American, Asian, and Hispanic students who graduated or transferred from Maryland community colleges for the 2009 through 2019 cohorts compared to all students. All students graduated or transferred at a rate of 39.6% for the fall 2019

cohort, a 0.3percentage point decrease from the 2018 cohort and the second consecutive decrease. Among the fall 2019 cohort, Asian students graduated or transferred at the highest rate, 57.7%; White students at a rate of 46.7%; Hispanic students at a rate of 35.8%; and African American students at a rate of 29.1%. The four-year graduation or transfer rate of African American students remains the lowest in the State with the 2019 cohort as it has been in each cohort in this period. At these levels, the 2019 cohort had a gap of 10.5 percentage points and 3.7 percentage points below the All Students average for African American and Hispanic students, respectively. The achievement gap for African American students grew by 1.8 percentage points since fall 2018, due to a more than 2.0 percentage point decrease in the graduation and transfer rate for these students while the rates increased or only slightly decreased for other racial or ethnic groups.

Exhibit 9
Four-year Graduation and Transfer Achievement Gap
2009-2019 Cohorts



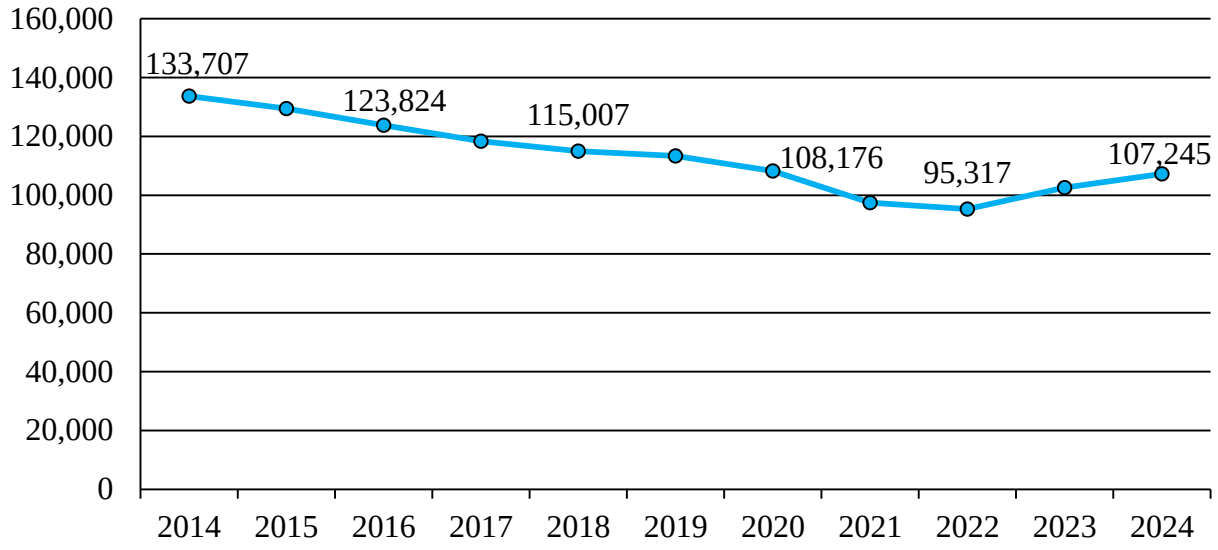
Source: Maryland Higher Education Commission

4. 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, as shown in **Exhibit 10**, the

typical recessionary trend did not occur in fall 2020 or 2021, despite the dramatic economic dislocation caused by the COVID-19 pandemic. However, enrollment trends have recently reversed with total enrollment increasing in fall 2024 for the second consecutive year, an increase of 4.6%, or 4,676 students, between fall 2024 and 2023. Despite this increase, fall 2024 enrollment (107,245) was 5.3% below the fall 2019 level and 41,425 students (27.9%) lower than the fiscal 2011 record high of 148,670.

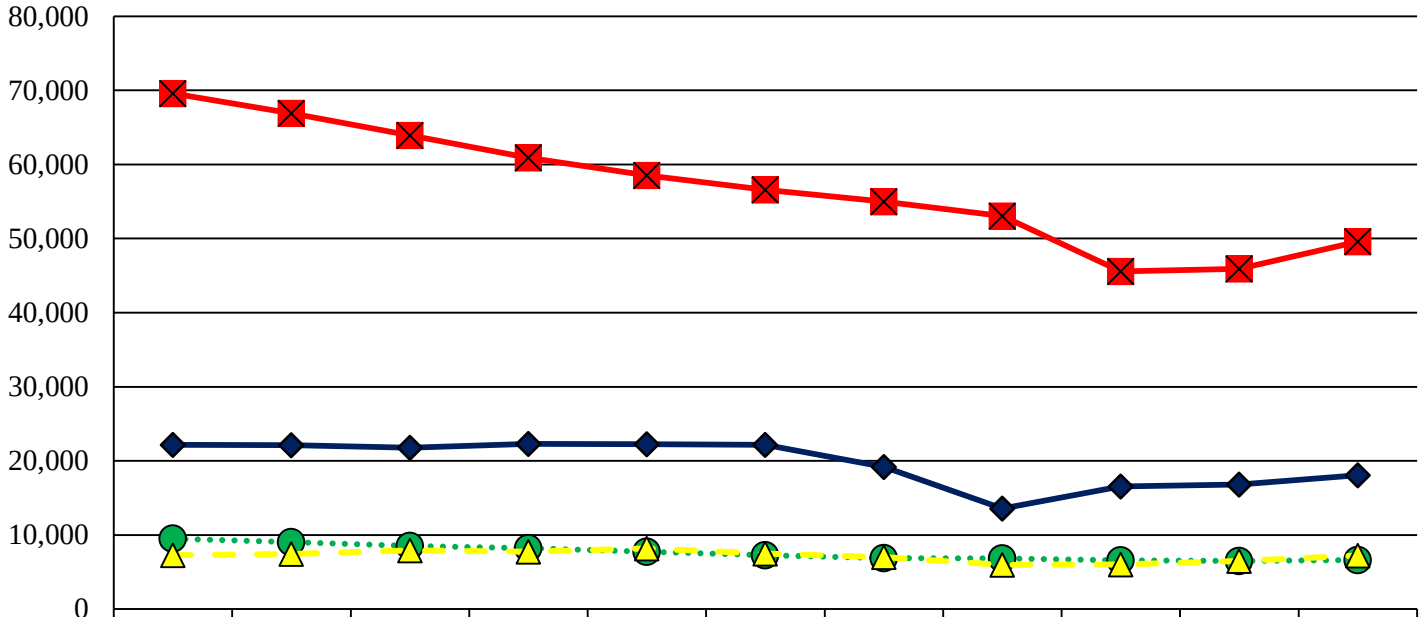
Exhibit 10
Total Enrollment at Maryland Community Colleges
Fall 2014-2024



Source: Maryland Higher Education Commission

Exhibit 11 displays FTES enrollment from fiscal 2014 to 2024 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 fiscal 2019 and continued through fiscal 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. Since that time, noncredit enrollment has experienced three consecutive years of growth, growing by 7.4%, or 1,251 students between fiscal 2023 and 2024 but remains below the fiscal 2020 level of 19,187 students. In-county credit enrollment segment had a slight increase in fiscal 2024, increasing by 8.0%, or 3,677 students, from 45,910 students in fiscal 2023 to 49,587 in fiscal 2024. Overall, eligible FTES enrollment increased by 7.3%, or 5,057 students, in fiscal 2024 compared to fiscal 2023.

Exhibit 11
Full-time Equivalent Students Enrollment at Maryland Community Colleges
Fiscal 2014-2024



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
In-county Credit	69,571	66,910	63,934	60,887	58,533	56,584	54,971	53,042	45,551	45,910	49,587
Out-of-county Credit	9,493	9,030	8,504	8,205	7,721	7,271	6,859	6,838	6,585	6,492	6,621
Noncredit	22,171	22,126	21,782	22,280	22,237	22,153	19,187	13,582	16,537	16,831	18,082
Ineligible	7,268	7,446	7,894	7,749	8,183	7,460	7,002	5,963	6,034	6,480	7,214

Source: Maryland Higher Education Commission

Fiscal 2025

Proposed Deficiency Appropriation

The fiscal 2026 budget includes one proposed deficiency appropriation for fiscal 2025 of $720,000 to provide funds for optional retirement costs. This deficiency increases the optional retirement appropriation to $17.4 million in fiscal 2025, approximately the same amount as fiscal 2024.

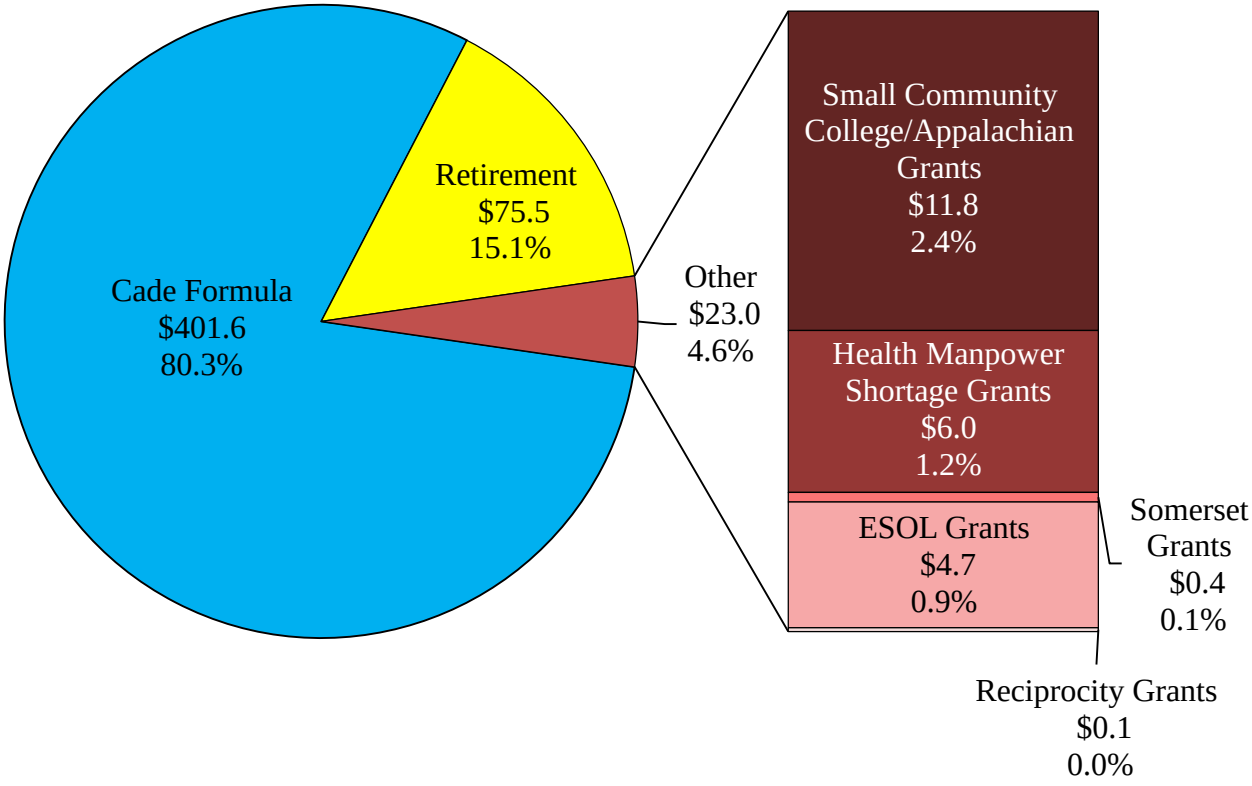
Implementation of Legislative Priorities

The fiscal 2025 budget includes $125,000 in general funds for a facilities study at Hagerstown Community College. **MACC should comment on the status of this study and how much of the funds have been expended.**

Fiscal 2026 Proposed Budget

The fiscal 2026 allowance provides $500.1 million for community colleges, after accounting for the contingent reduction related to retirement costs. **Exhibit 12** details how this funding is distributed among the various programs. The most significant amount of funding is for the Cade Funding Formula, which is funded at $401.6 million, and represents 80.3% of total funding. Funding for eligible employees participating in either the defined benefit retirement plan or ORP totals 15.1%, or $75.5 million, after accounting for the contingent reduction. Other grant programs including Small Community College and Appalachian Grants receive a combined $23.0 million, or 4.6% of total funding.

Exhibit 12
Overview of Spending
Fiscal 2026
($ 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 2026 Budget Books; Department of Legislative Services

Proposed Budget Change

Exhibit 13 shows the changes for Aid to Community Colleges between the fiscal 2025 working appropriation and the fiscal 2026 allowance, accounting for the proposed deficiency appropriation and the contingent reduction in fiscal 2026. In total, the fiscal 2026 allowance increases by $23.8 million in general funds, or 5.0%.

Exhibit 13
Proposed Budget
Maryland Higher Education Commission – Aid to Community Colleges
Fiscal 2026
($ in Thousands)

How Much It Grows:	**General Fund**	**Total**
Fiscal 2024 Actual	$475,965	$475,965
Fiscal 2025 Working Appropriation	476,341	476,341
Fiscal 2026 Allowance	500,104	500,104
Fiscal 2025-2026 Amount Change	$23,763	$23,763
Fiscal 2025-2026 Percent Change	5.0%	5.0%

Where It Goes:	**Change**
Senator John A. Cade Funding Formula	$16,880
Faculty and staff retirement contributions	5,036
Small Community College grants	1,173
English for Speakers of Other Languages grant	770
Garrett County and West Virginia reciprocity grant	29
One-time legislative addition Hagerstown Community College Facilities Study	-125
Total	**$23,763**

Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2026 allowance accounts for contingent reductions.

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

BRFA

The BRFA of 2025 would permanently decrease the State's contribution to the retirement costs of the community colleges and increase the local share. The reduction is 50% of the year-over-year increase in the employer contribution from fiscal 2025 to 2026. The reduction

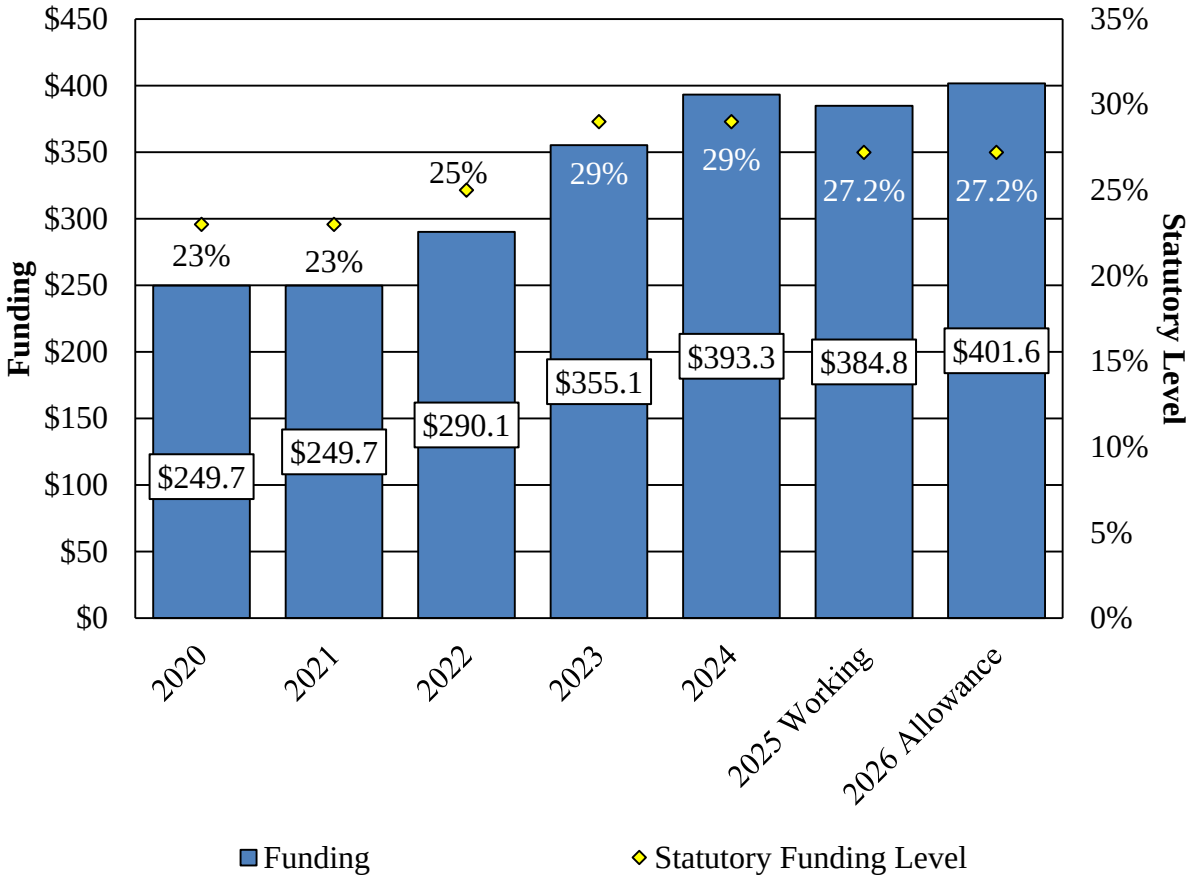
amount will stay the same in future fiscal years and will not be adjusted based on future increases. The fiscal 2026 budget includes a $4.8 million general fund reduction contingent on the provision and would reduce the State allowance to the community colleges fringe benefits to $75.5 million from $80.3 million, a 6.0% decrease.

The Senator John A. Cade Formula

Chapter 717 (the BRFA of 2024) altered the calculation of the Cade funding formula by lowering the statutory funding level and changing the FTES calculation. The Cade formula is calculated based on audited community college enrollments from either two years prior or a three-year average (whichever ever number is higher) and a percentage (27.2%) of the State aid per FTES at the selected four-year schools two years prior (for example, fiscal 2026 is based on State aid per FTES using fiscal 2024 actual expenditures and FTES). Three different types of enrollment are included in the Cade formula: in-county credit; out-of-county credit; and eligible noncredit. As amended by Chapter 717, beginning in fiscal 2025, the Cade formula no longer has a hold harmless provision or a fixed cost component. There is only a base cost and a size factor that gives additional funding to small community colleges.

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. Additionally, the formula reached the 29.0% maximum statutory funding level in fiscal 2023. As shown in **Exhibit 14**, after decreasing in fiscal 2025 with the changes to the formula, funding in fiscal 2026, exceeds the fiscal 2023 level by $8.3 million.

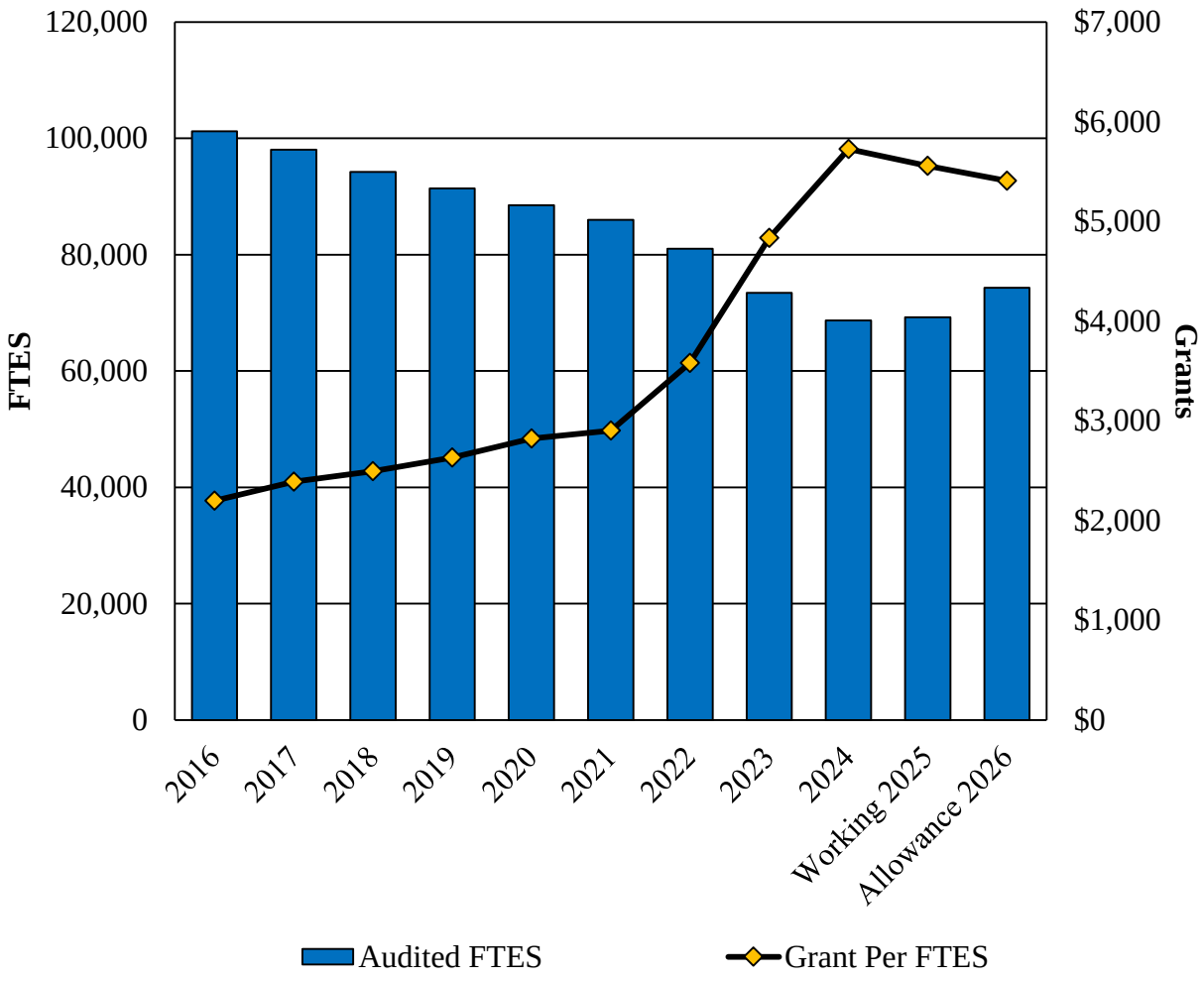
Exhibit 14
Cade Funding and Statutory Level Funding by Fiscal Year
Fiscal 2020-2026
($ in Millions)



Source: Department of Legislative Services; Governor's Fiscal 2022-2026 Budget Books

As shown in **Exhibit 15**, the combined impact of declining enrollment and phase-up of the statutorily mandated percentage of the funding per FTES at select public four-year institutions from 19.6% in fiscal 2013 to 29.0% in fiscal 2023 led to substantial growth in the per FTES spending. However, the enactment of the BRFA of 2024, combined with two years of growth in audited FTES, has led to a decrease in State support per FTES. In fiscal 2026, at $5,406, the grant per FTES decreased by 2.6% compared to fiscal 2025 and by 5.6% compared to fiscal 2024, despite the overall higher level of funding. **Appendix 2** includes the community colleges FTES used in the calculation of the distribution, and **Appendix 3** provides the distribution of the formula by community college.

Exhibit 15
Audited Enrollment and Grant Per Full-time Equivalent Students
Fiscal 2016-2026



FTES: full-time-equivalent student

Note: FTES number are the audited FTES from two years prior, which is used for the calculation of the fiscal year formula (for example, fiscal 2024 FTES is the audited FTES from fiscal 2022).

Source: Governor's Fiscal 2016-2026 Budget Books; Department of Legislative Services

Issues

1. Cade Funding Formula Study

Committee narrative in the 2024 JCR requested that DLS, in consultation with MACC, conduct a study on the Cade Funding Formula for the Distribution of Funds to Community Colleges. To complete the response, DLS looked at the history of community college funding in the State, conducted a survey of the funding mechanisms across the nation, and identified six key considerations for modernizing the community college funding formula. DLS submitted the report in October 2024.

Community College Funding in Other States

DLS took a comprehensive look at the funding mechanisms used by other states. Approximately 14 states do not fund community colleges through a funding formula. However, three funding models emerged as the most common: (1) enrollment-based funding; (2) performance- or outcome-based funding; and (3) equity-based funding. Enrollment-based funding is a method that usually allocates funding on a per FTES basis. Performance- or outcome-based funding allocates funds to community colleges based on achievement of certain student outcomes goals, such as graduation rates. Equity-based funding is built around addressing disparities in higher education by allocating additional funding for colleges that serve higher proportions of underserved and/or underrepresented populations, such as low-income students or racial minorities.

Considerations in Modernizing Funding

Ultimately, DLS did not make any recommendations on how to modernize the community college funding formula. However, DLS did recognize six key considerations to weigh for any future changes to the funding formula.

- ***Incorporating Equity-focused Funding:*** Building on the models of states like Illinois and California, this type of funding could allocate additional resources to colleges serving higher numbers of disadvantaged students, recognizing that institutions with large populations of low-income, minority, or first-generation students face greater challenges in promoting student success. For example, Pell grants (a federal program that provides financial aid to low-income students) could be a metric used to determine institutions serving underserved populations by focusing on the percentage of students receiving Pell Grants to allocate additional resources to colleges serving higher proportions of financially disadvantaged students. An equity-focused model would align with the Blueprint for Maryland's Future's (Blueprint) goals of promoting equity and ensuring institutions serving disadvantaged populations have the necessary resources.

- ***Integrating Performance-based Metrics:*** This type of model could be used to incentivize community colleges to improve student success, particularly for low-income and underrepresented students. The model could focus on student outcomes such as degree completion, retention, and post-graduation employment. However, performance-based funding has potential pitfalls. Colleges with the most vulnerable populations may not be as easily able to meet the metrics as colleges without those populations. Underperforming colleges would receive less funding, making it less likely that those students receive the necessary support and resources. Also, institutions may be incentivized to shift focus away from academic standards to meet outcomes to secure funding.

- ***Reintroduce a Fixed Cost Component:*** Reintroducing a fixed cost component into the funding formula could help Maryland's smaller colleges that have higher per student operational costs, particularly those in rural or underserved areas. A fixed cost component could ensure that essential operational expenses, such as facility maintenance and staff salaries, are adequately covered, even as enrollment fluctuates. This approach could be paired with a percentage change cap that limits year-to-year variations in funding, providing more budgetary stability for smaller institutions. The survey of other states showed that some states, particularly those with large rural populations, provide additional support to smaller community colleges through fixed cost components or special grants.

- ***Consider Decoupling from Funding for the Public Four-year Institutions:*** The current linkage to funding for the State's public four-year institutions has provided a predictable and stable funding structure and integration into the broader higher education ecosystem. However, the State should consider whether this alignment still best serves the unique needs of the State's community colleges due to a distinct mission that focuses on workforce development, technical education, and affordable access to a diverse and increasingly nontraditional student body. Decoupling community college funding from four-year institutions could allow for a more tailored approach that better addresses the unique challenges of community colleges, such as fluctuating enrollment, regional economic demands, and the costs associated with workforce training programs. If the State decouples the funding formula, the Implicit Price Deflator could help community colleges address cost pressures more directly. This approach would protect community colleges from stagnant funding and align resources with actual economic conditions, ensuring they can continue delivering high-quality education as costs rise. It is worth acknowledging that inflation adjustments could be considered whether or not decoupling occurs.

- ***Consider Expanding the Definition of Eligible FTES for Funding Purposes:*** Currently, certain groups, such as adult learners and part-time students, are not included in FTES counts. These groups increasingly make up a significant portion of community college students. Broadening the eligible FTES base could provide more accurate funding that reflects the true scope of student enrollment and institutional costs. This method could include accounting for noncredit workforce training programs, lifelong learning initiatives, and other educational pathways that serve a growing number of students.

- ***Build Around Metrics That Are Easy to Collect, Access, and Analyze:*** Formulas that rely on data already being collected annually (such as student demographics, enrollment, and outcomes) can be implemented quickly, accurately, and fairly without placing a significant additional administrative burden on institutions. When designing or modernizing funding formulas, especially those that incorporate equity components, it is essential to choose readily available and verifiable metrics. This method ensures transparency and consistency without creating complex reporting requirements for institutions.

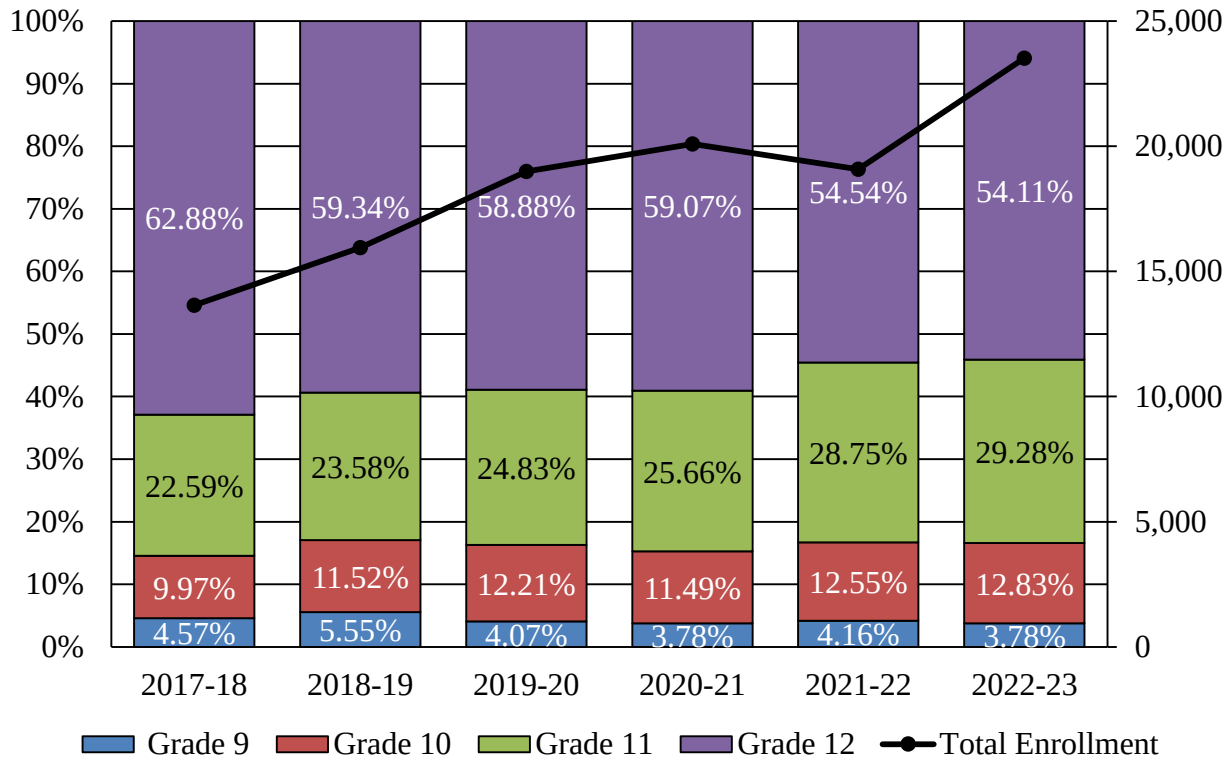
2. Dual Enrollment

Dual enrollment allows high school students to take college courses and earn college credit while attending high school. Dual enrollment is an on-ramp to postsecondary education and pivotal to Blueprint. The Maryland Longitudinal Data System Center (MLDSC) collects data on dual enrollment in Maryland and publishes an annual dashboard. Over 90% of Maryland's dual enrollment students complete their studies at a community college, which contrasts with the national rate of 75% of dual enrollment taking place at a community college.

Characteristics of Dually Enrolled Students

The number of students in grade 12 graduating with dual enrollment has increased. Between academic years 2017-2018 (9,486) and 2021-2022 (12,412), there was an increase of 23.6% or 2,926 students. As shown in **Exhibit 16**, most dually enrolled students are grade 12 students, but dual enrollment rates have grown across grades 10 and 11 since the 2017-2018 academic year. As a result, while grade 12 students comprised 62.9% of dual enrollment in the 2017-2018 academic year, in the 2022-2023 academic year the share was only 54.1%

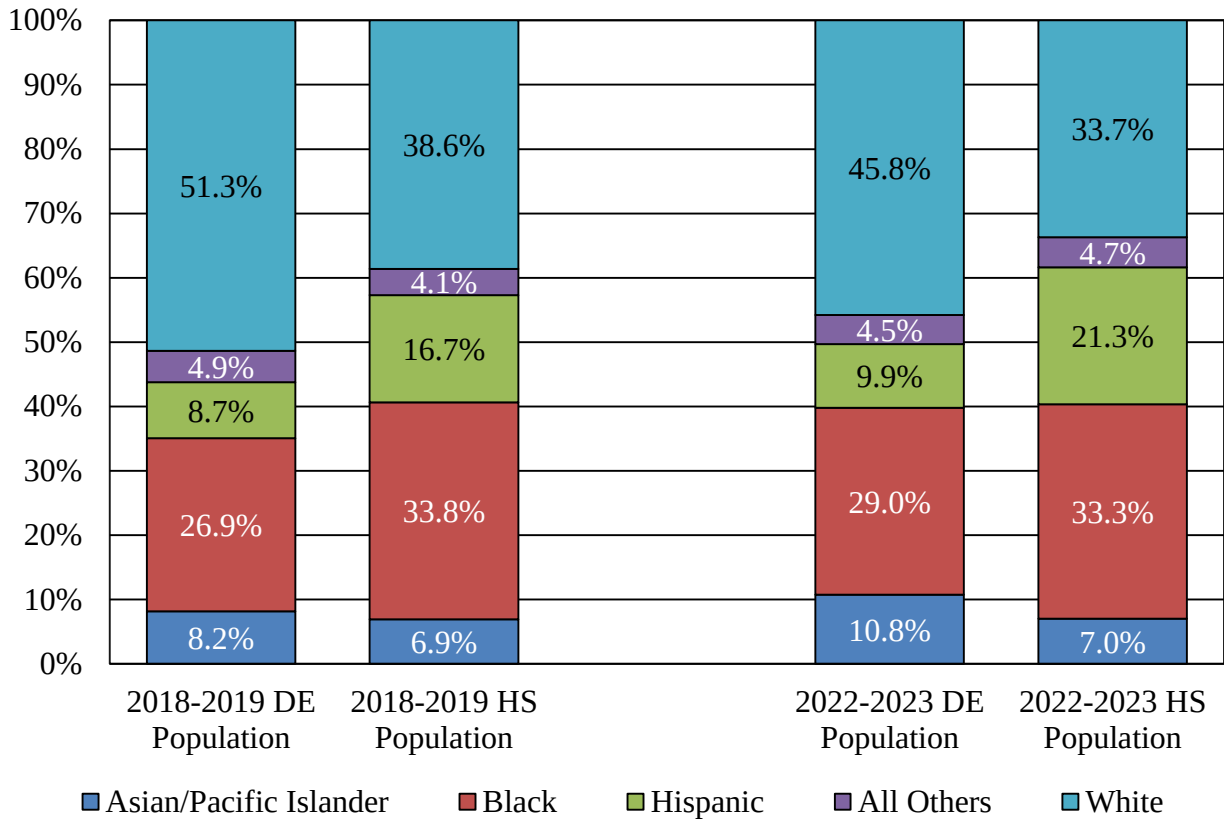
Exhibit 16
High School Grade Composition of Dually Enrolled Students
Academic Year 2017-2018 through 2022-2023



Source: Maryland Longitudinal Data System Center

When comparing MLDSC's dual enrollment to MSDE's public school enrollment, it is evident that there are disparities in dual enrollment when looking at racial and ethnic groups. **Exhibit 17** shows that White students are the largest racial demographic among dually enrolled students. For example, during the 2018-2019 academic year, this group accounted for 51.3% of dually enrolled students but only 38.6% of all high school students. Both Black and Hispanic students are underrepresented among dually enrolled students when compared to overall high school racial/ethnic demographics. While the racial demographics have shifted over time, the makeup of dually enrolled students does not match that of the overall high school population. In the 2022-2023 academic year, the White student proportion of dually enrolled students decreased to 45.8% (compared to 51.3% in the 2018-2019 academic year), but these students accounted for only 33.7% of all high school students that school year (a decrease from 38.6% in the 2018-2019 academic year). According to the Community College Research Center, this is true nationally as well.

Exhibit 17
Racial and Ethnic Demographics of High School Students
Academic Year 2018-2019 and 2022-2023



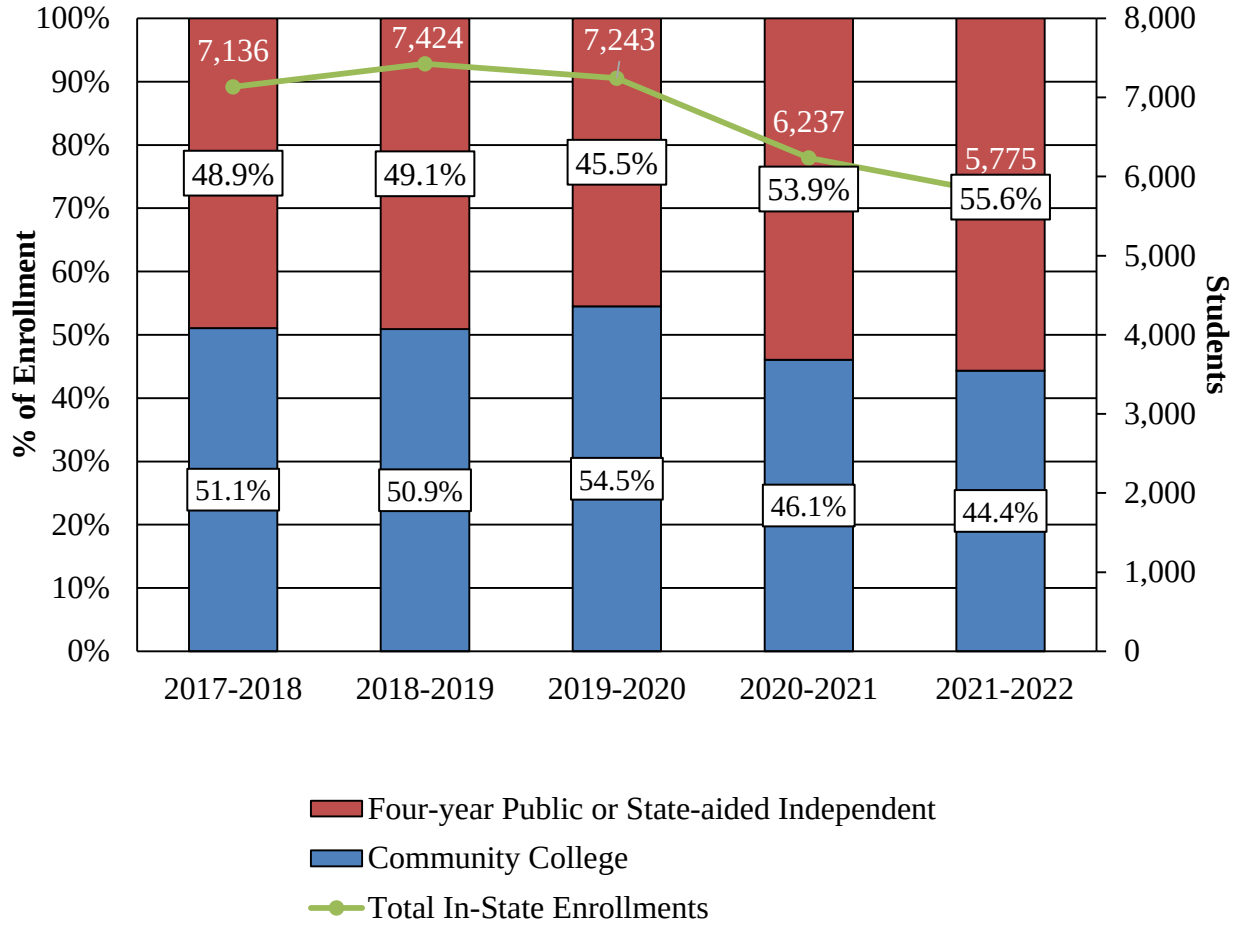
DE: Dual Enrollment
HS: High School

Source: Maryland Longitudinal Data System Center; Maryland Public School Enrollment by Race/Ethnicity and Gender and Number of Schools, 2018-2022, Maryland State Department of Education

Student Outcomes

Between academic years 2017-2018 through 2021-2022, on average, 81% of dually enrolled students enrolled in college immediately after high school graduation. During this time, statewide immediate college enrollment averaged 51%. Approximately 72% of dually enrolled students opted to enroll in-State at either community colleges or four-year institutions. **Exhibit 18** shows the in-State enrollment patterns. For the first three academic years, a slight majority of students enrolled in community colleges, but that trend has reversed, with over 50% electing to enroll at four-year institutions in the 2020-2021 and 2021-2022 academic years.

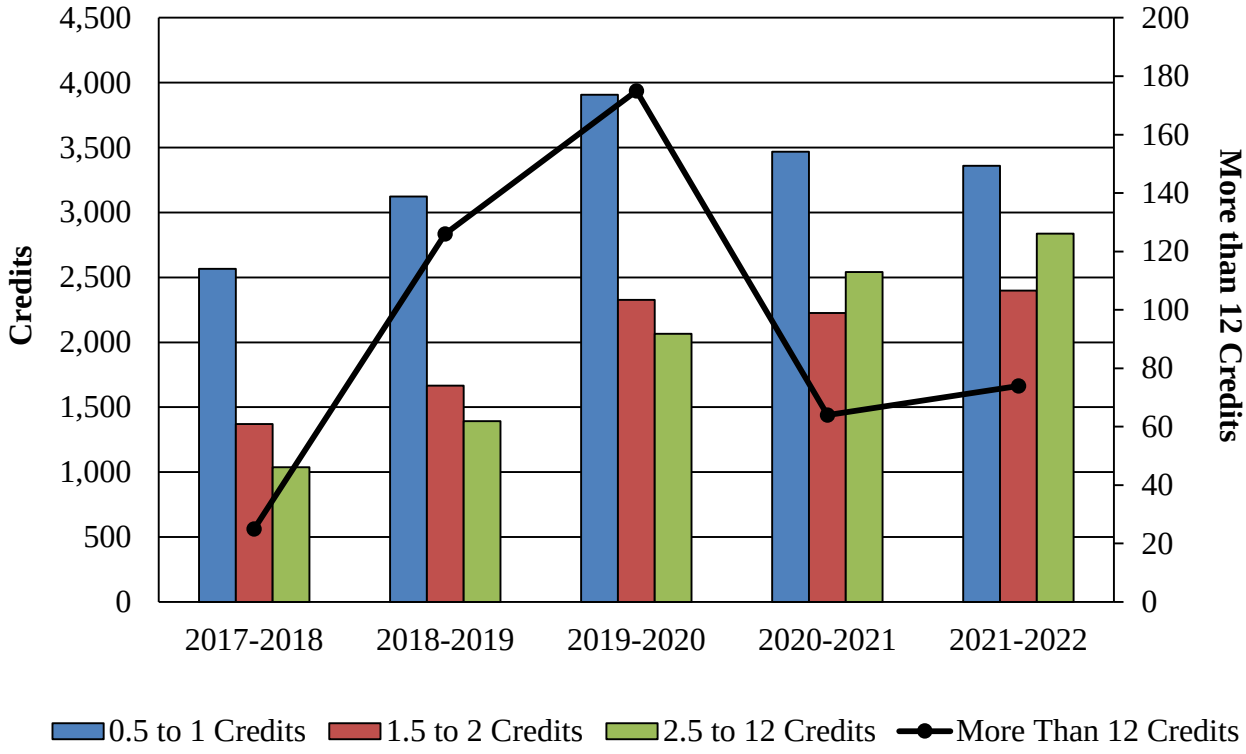
Exhibit 18
In-State College Enrollment Patterns of Dually Enrolled Students Post-High School Graduation
Fall 2018-2022



Source: Maryland Longitudinal Data System Center

Dual enrollment is an avenue to save on future college courses by earning college credits while still in high school. However, on average, dually enrolled students attempt fewer than 3.0 credits and earn less than 2.5 credits. **Exhibit 19** shows that most dually enrolled students only attempt between 0.5 and 1 credit during their high school education. While dually enrolled students are enrolling at higher rates, most are unlikely to benefit from future college cost savings.

Exhibit 19
Credits Attempts by Dually Enrolled Students
Academic Year 2017-2018 through 2021-2022

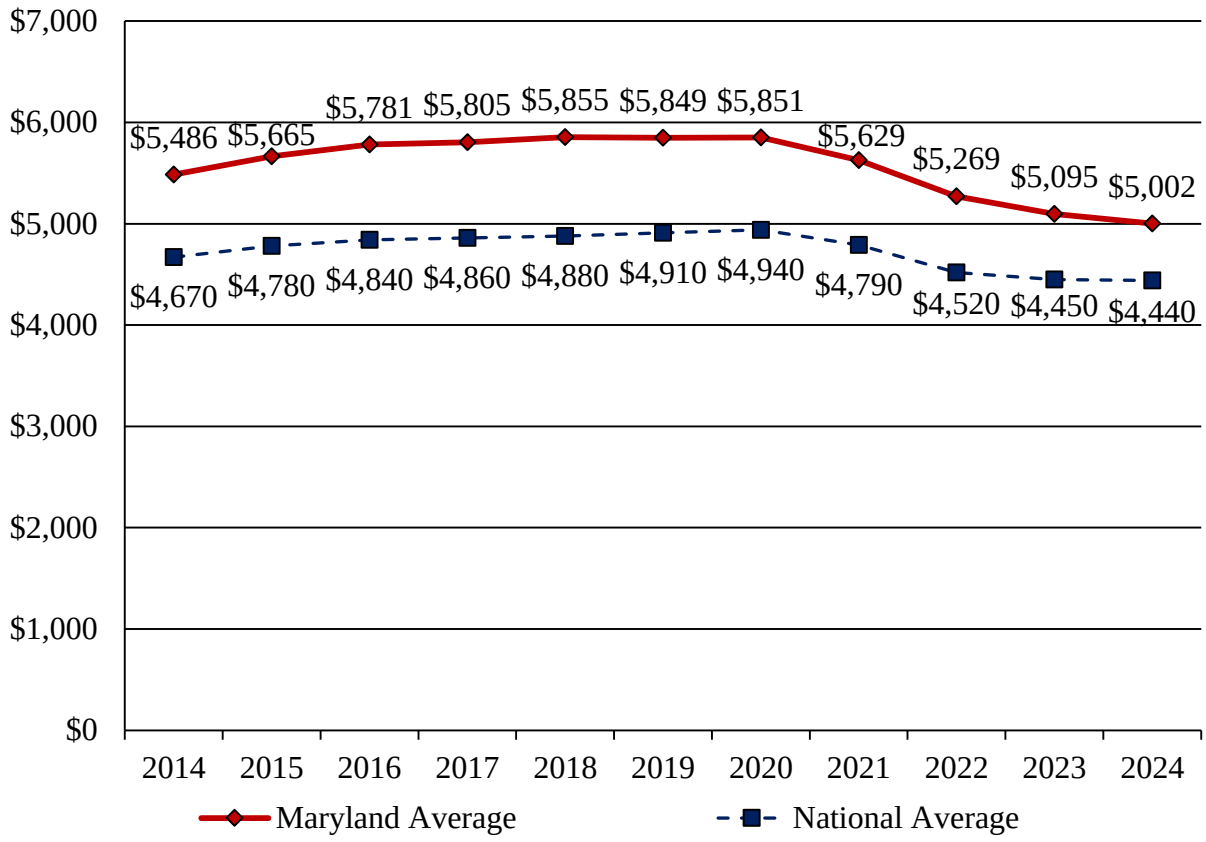


Source: Maryland Longitudinal Data System Center

3. 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 for fall 2024 was $11,156, compared to $5,002 at the State's community colleges. This means, on average, community colleges are 55.2% less expensive. However, the average community college tuition and fee rate in Maryland is higher than the national average. **Exhibit 20** shows the difference between the State and national average from fall 2014 to 2024. In fall 2024, the gap between the national average and the average at Maryland community colleges was $562, the smallest gap during this time period.

Exhibit 20
Community College Tuition and Fee Rates
Comparison Maryland Average and National Average
Fall 2014-2024

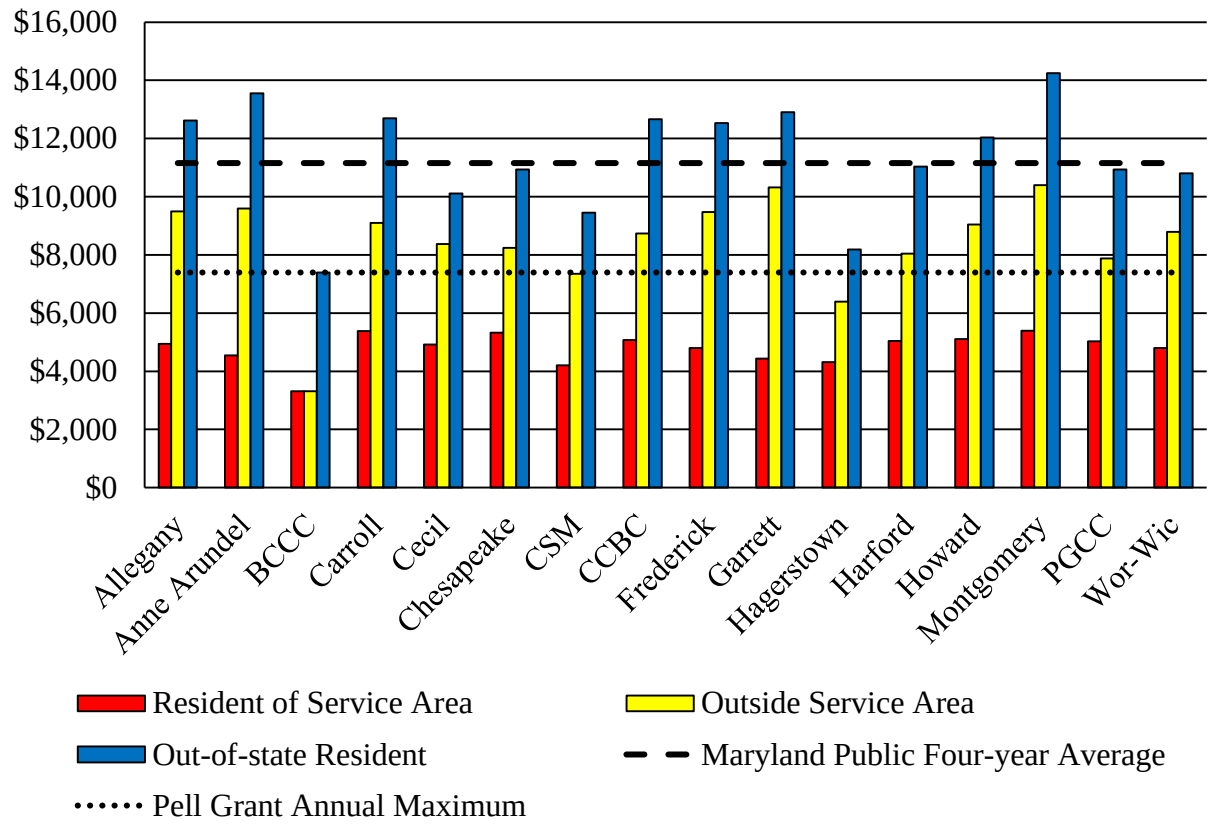


Note: Data presented in 2024 dollars.

Source: The College Board, *Trends in College Pricing and Student Aid, 2024*

Exhibit 21 shows the annual tuition and fee rates by community college for FTES' for fall 2024. Montgomery College is the State's most expensive community college for resident students at $5,394, while BCCC has the lowest rate, $3,314. Including BCCC, the statewide average for tuition and fees is $4,790 for a service-area resident, $8,408 for all other Marylanders, and $11,383 for out-of-state residents.

Exhibit 21
Tuition and Fee Rates by Community College
Fall 2024



BCCC: Baltimore City Community College
CCBC: Community College of Baltimore County
CSM: College of Southern Maryland
PGCC: Prince George's Community College

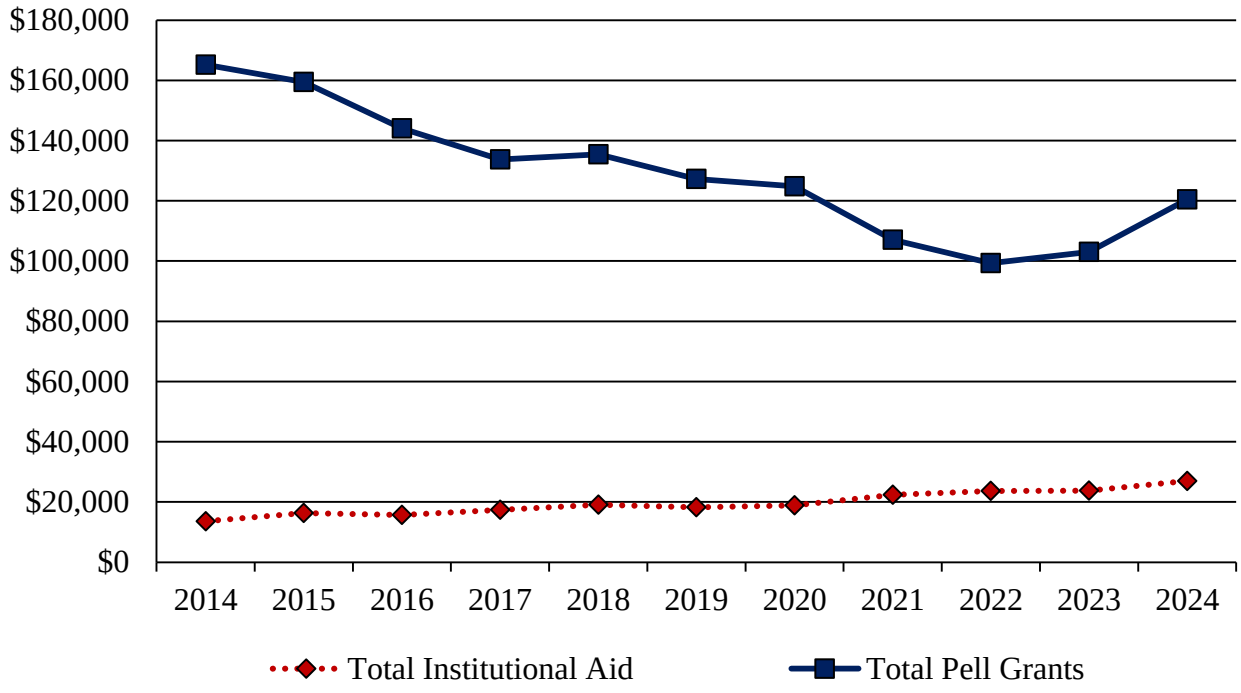
Source: Maryland Association of Community Colleges; the College Board; U.S. Department of Education

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 22 shows the total amount of need-based and merit aid awarded by community colleges to students from fiscal 2014 to 2024, as well as the amount of Pell grants students received. In fiscal 2024, Maryland community colleges awarded $27.0 million in institutional aid, an increase of $3.2 million compared to fiscal 2023. The amount of institutional aid provided is dwarfed by Pell grants for Maryland students attending community college, which totaled $120.5 million (or 81.7% of total aid) in fiscal 2024. In fiscal 2024, total Pell aid for community college students increased by $17.5 million, marking the second consecutive year of increases in Pell aid.

Exhibit 22
Total Institutional Aid and Pell Grants
Fiscal 2014-2024
($ in Thousands)

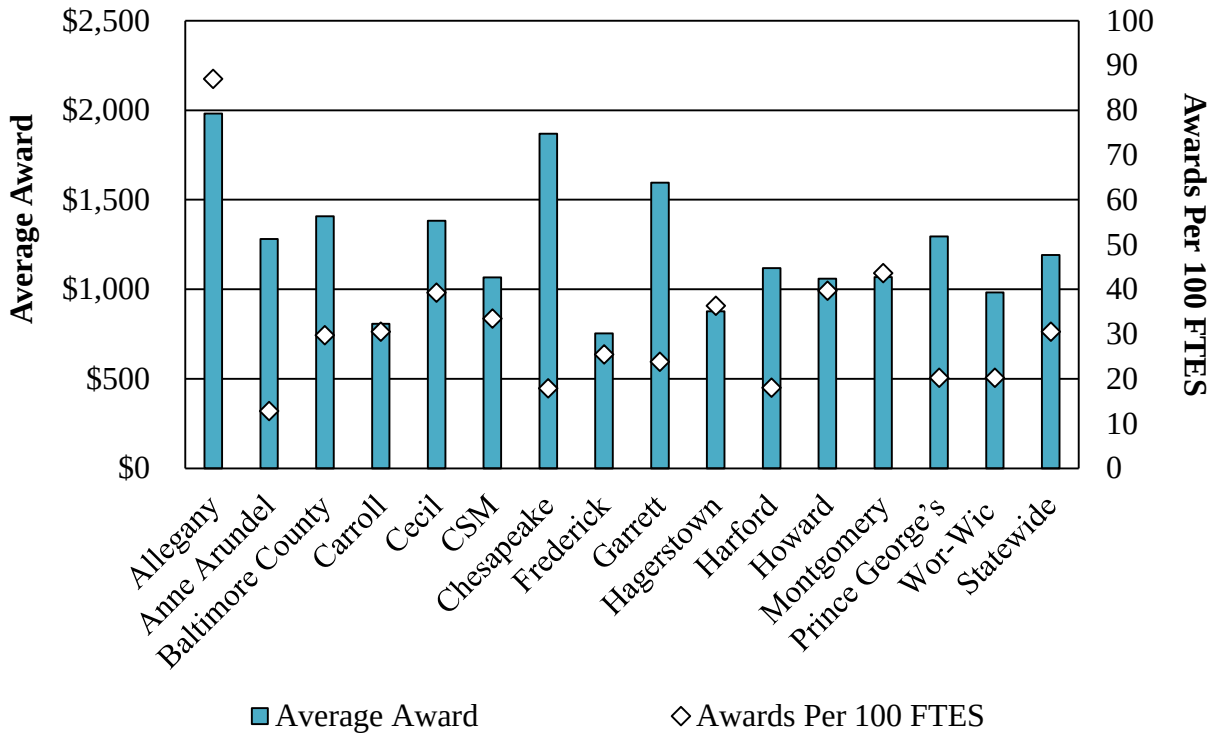


Note: All data is self-reported by the institutions. Data does not include Baltimore City Community College. Institutional aid in fiscal 2020 and 2021 excludes any Higher Education Emergency Relief Funds for emergency student financial assistance from the various stimulus packages.

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

Exhibit 23 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 87 and having the largest average award at $1,981.

Exhibit 23
Average Institutional Aid Awards and Awards Per 100 Full-time Equivalent Student
Fall 2024



CSM: College of Southern Maryland
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

1. Concur with Governor's allowance.

Appendix 1
2024 *Joint Chairmen's Report* Responses from Agency

The 2024 JCR requested that MACC prepare two reports. Electronic copies of the full JCR responses can be found on the DLS website.

- ***Developmental Education at Community Colleges:*** The committees requested a report on developmental education at the community colleges. MACC conducted a comprehensive survey of Maryland's community colleges. The survey included five key sections: (1) developmental education strategies; (2) student outcomes; (3) student support; (4) collaboration and partnerships; and (5) open-ended questions. The results of the survey showed that the community colleges use various methods of developmental education such as traditional developmental courses, corequisite courses, multiple measures placement, and math pathways. The colleges continuously collect student outcome data to determine which methods are best and what could use improvement.

- ***Tuition Waivers and Supplemental Services:*** Committee narrative in the 2024 JCR requested a report on tuition waivers, including those specifically for students with disabilities, and the costs of supplemental services and supports provided by the community colleges. The report summarizes the types of tuition waivers offered at the community colleges, the distribution of those waivers, and the supplemental student services and support available. Fewer than 1% of tuition waiver participants are students with disabilities. The number of students with disabilities receiving tuition waivers decreased slightly from 428 in fiscal 2022, to 391 in fiscal 2024. This decrease in students was accompanied by a decrease in dollar amounts for this tuition waiver, declining by 16.6% from $438,208 to $365,471 over the same period. Overall, the number of tuition waivers received by students has increased by 17.5% in fiscal 2024 compared to fiscal 2022. Student services and support are activities and services that support students outside the classroom. This includes many services to enhance the student experience and support their well-being and success, such as counseling, career services, student activities, academic support, disability services, financial aid administration, student housing and dining services, and orientation and transition programs. Overall, student services expenditures increased by 29.6% from $120.9 million in fiscal 2022 to $156.6 million in fiscal 2024.

Appendix 2
Cade FTES by Institution
Used for Fiscal 2025 and 2026 Formula Calculation

Institution	2025	2026	Change 2024-2025	% Change 2024-2025
Allegany Community College	1,339	1,466	127	9.5%
Anne Arundel Community College	8,101	8,146	45	0.6%
Community College Baltimore County	13,011	12,931	-80	-0.6%
Carroll Community College	2,048	2,162	115	5.6%
Cecil Community College	1,163	1,210	47	4.0%
College of Southern Maryland	3,893	3,716	-177	-4.6%
Chesapeake College	1,496	1,674	179	11.9%
Frederick Community College	3,914	4,250	336	8.6%
Garrett Community College*	458	539	81	17.6%
Hagerstown Community College	2,517	3,296	779	30.9%
Harford Community College	3,406	3,504	99	2.9%
Howard Community College	6,237	6,373	136	2.2%
Montgomery College	13,189	13,614	425	3.2%
Prince George's Community College	8,502	9,332	830	9.8%
Wor-Wic Community College	1,911	2,077	166	8.7%
Total	**71,184**	**74,290**	**3,106**	**4.4%**

Cade: Senator John A. Cade Funding Formula
FTES: Full-time Equivalent Students

Source: Governor's Fiscal 2026 Budget Books

Appendix 3
Cade Funding by Institution
Fiscal 2025-2026

Institution	2025	2026	Change 2024-2025	%Change 2024-2025
Allegany Community College	$8,174,206	$9,123,724	$949,518	11.6%
Anne Arundel Community College	42,926,055	43,359,724	433,670	1.0%
Community College Baltimore County	68,948,700	68,831,280	117,421	-0.2%
Carroll Community College	11,928,011	12,828,120	900,109	7.5%
Cecil Community College	7,242,087	7,758,901	516,814	7.1%
College of Southern Maryland	20,629,234	19,777,947	851,287	-4.1%
Chesapeake College	9,004,793	10,231,072	1,226,278	13.6%
Frederick Community College	20,743,431	22,624,751	1,881,321	9.1%
Garrett Community College	3,506,158	4,187,102	680,943	19.4%
Hagerstown Community College	14,414,261	18,404,431	3,990,170	27.7%
Harford Community College	18,046,557	18,653,246	606,689	3.4%
Howard Community College	33,050,277	33,922,063	871,786	2.6%
Montgomery College	69,889,139	69,889,139	-	0.0%
Prince George's Community College	45,054,348	49,675,434	4,621,086	10.3%
Wor-Wic Community College	11,201,923	12,372,576	1,170,653	10.5%
Total	**$384,759,180**	**$401,639,508**	**$16,880,328**	**4.4%**

Source: Governor's Fiscal 2026 Budget Books

Appendix 4
Object/Fund Difference Report
Maryland Higher Education Commission – Aid to Community Colleges

Object/Fund	FY 24 Actual	FY 25 Working Appropriation	FY 26 Allowance	FY 25 - FY 26 Amount Change	Percent Change
Objects					
12 Grants, Subsidies, and Contributions	$ 475,964,645	$ 475,620,884	$ 504,911,074	$ 29,290,190	6.2%
Total Objects	**$ 475,964,645**	**$ 475,620,884**	**$ 504,911,074**	**$ 29,290,190**	**6.2%**
Funds					
01 General Fund	$ 475,964,645	$ 475,620,884	$ 504,911,074	$ 29,290,190	6.2%
Total Funds	**$ 475,964,645**	**$ 475,620,884**	**$ 504,911,074**	**$ 29,290,190**	**6.2%**

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include contingent reductions.

Appendix 5
Fiscal Summary
Aid to Community Colleges

Program/Unit	FY 24 Actual	FY 25 Work Approp.	FY 26 Allowance	Change	FY 25 - FY 26 % Change
05 Senator John A. Cade Funding Formula for	$ 413,487,037	$ 405,910,952	$ 424,637,683	$ 18,726,731	4.6%
06 Aid to Community Colleges - Fringe Benefits	62,477,608	69,709,932	80,273,391	10,563,459	15.2%
Total Expenditures	**$ 475,964,645**	**$ 475,620,884**	**$ 504,911,074**	**$ 29,290,190**	**6.2%**
General Fund	$ 475,964,645	$ 475,620,884	$ 504,911,074	$ 29,290,190	6.2%
Total Appropriations	**$ 475,964,645**	**$ 475,620,884**	**$ 504,911,074**	**$ 29,290,190**	**6.2%**

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include contingent reductions.