

R62I0005
Aid to Community Colleges

Operating Budget Data

(\$ in Thousands)

	FY 17 <u>Actual</u>	FY 18 <u>Working</u>	FY 19 <u>Allowance</u>	FY 18-19 <u>Change</u>	% Change <u>Prior Year</u>
General Fund	\$313,512	\$317,710	\$322,389	\$4,679	1.5%
Adjustments	0	0	0	0	
Adjusted General Fund	\$313,512	\$317,710	\$322,389	\$4,679	1.5%
Adjusted Grand Total	\$313,512	\$317,710	\$322,389	\$4,679	1.5%

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- Total State support for local community colleges increases \$4.7 million in fiscal 2019, primarily due to increases in the Senator John A. Cade Funding Formula and funding for Small Community College Grants.

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

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Analysis in Brief

Major Trends

Successful Persister Rate Increasing: The successful persister rate for Maryland’s community college students in the 2012 cohort increased to 71.2%, the State’s highest rate since 2008. However, large numbers of students in the State do not complete developmental coursework and are therefore at a much greater risk for not persisting in their education toward transfer, graduation, or program completion. **The Director of the Maryland Association of Community Colleges should comment on what major factors contribute to developmental noncompleters not progressing toward completing their developmental education and ending their studies, and what initiatives may be put in place to improve their results, such as a redesign of remedial courses whereby students can enroll in both remedial and credit courses concurrently.**

Achievement Gap Improving: The gap in the four-year graduation/transfer rate of minority students compared to all students was 6.3 percentage points for the 2012 cohort, compared to 6.4 percentage points for the 2011 cohort.

Issues

Tuition, Fees, and Student Aid at Community Colleges: Though much more affordable than the State’s public four-year institutions, Maryland’s community colleges are more expensive than their national peers and are increasingly unaffordable for Marylanders from outside an institution’s service area. While institutional aid for students increased by \$1.7 million in fiscal 2017, the total amount that students have received from Pell grants decreased by \$10.4 million.

Promise Scholarships: Promise scholarship programs, which generally cover all tuition and fees regardless of income at community colleges, have become popular nationwide and have begun to be implemented in various forms in some Maryland jurisdictions. However, questions remain about the effective benefit of these programs for low-income students, and alternative methods are emerging in the State to allow students to work toward or complete associates degrees through local community colleges while still in high school, thereby greatly reducing costs. **The Secretary of the Maryland Higher Education Commission should comment on the costs and benefits between promise scholarships and alternative methods of providing community college education at lower costs for students.**

Operating Budget Recommended Actions

	<u>Funds</u>
1. Amend language allowing Baltimore City Community College to receive funding for a supplemental grant via budget amendment, and to specify that funds not expended for the supplemental grant shall revert to the General Fund.	
2. Reduce State support for local community colleges due to overfunding in the formula.	\$ 977,902
Total Reductions	\$ 977,902

Updates

Pilot Collection of Noncredit Student Data Has Not Begun: The Maryland Higher Education commission has indicated in the past that it would like to expand its annual data collection to capture more information on students in noncredit training programs and had announced a pilot collection in fiscal 2017. However, due to resistance from community colleges over classification and definition issues in the data being collected, the pilot program has yet to begin.

R62I0005 – Aid to Community Colleges

R62I0005
Aid to Community Colleges

Operating Budget Analysis

Program Description

State aid for the 15 local community colleges is provided through the Senator John A. Cade Funding Formula under Section 16-305 of the Education Article. The current formula has been used to determine funding since 1998. The amount of aid is based on a percentage of the current year's State aid per student to selected four-year public higher education institutions and the total number of full-time equivalent students (FTES) at the community colleges. The total is then distributed to each college based on the previous year's direct grant, enrollment, and a small-size factor. Chapter 333 of 2006 phased in a 5 percentage point increase in the formula over five years, ending in fiscal 2013. State fiscal difficulties have delayed the formula enhancement, and full funding is currently expected in fiscal 2023.

Additional grants are provided through the following programs.

- The Small Community College Grants are distributed to the smallest community colleges in order to provide relief from the disproportionate costs they incur. Chapter 284 of 2000 increased the grants distributed by the Maryland Higher Education Commission (MHEC) to seven small community colleges beginning in fiscal 2003, and Chapter 350 of 2017 created the requirement that all schools receiving grants receive the same amount. The amount of the unrestricted grants increase annually by the same percentage of funding per FTES at the selected institutions used by the Senator John A. Cade funding formula. Additional grants are received by Allegany College of Maryland and Garrett College. These Appalachian Mountain grants do not increase annually.
- The 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.
- The English for Speakers of Other Languages (ESOL) program provides funding for instructional costs and services for ESOL students. Funding is capped at \$800 per eligible FTES and \$8 million in total State aid for the program.
- The Garrett County/West Virginia Reciprocity Program allows West Virginia residents to attend Garrett College at in-county tuition rates and provides reimbursement for tuition waivers. The Somerset County Reimbursement Program similarly provides tuition waiver reimbursement to colleges permitting students who reside in a county with no community college to attend at in-county tuition rates.

R62I0005 – Aid to Community Colleges

Certain community college employees are eligible to participate in a defined benefit retirement plan maintained and operated by the State. Alternately, the employees may participate in the Optional Retirement Program (ORP), a defined contribution plan. Under current law, the State funds the costs associated with the various retirement plans, with the exception of State Retirement Agency administration costs.

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

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

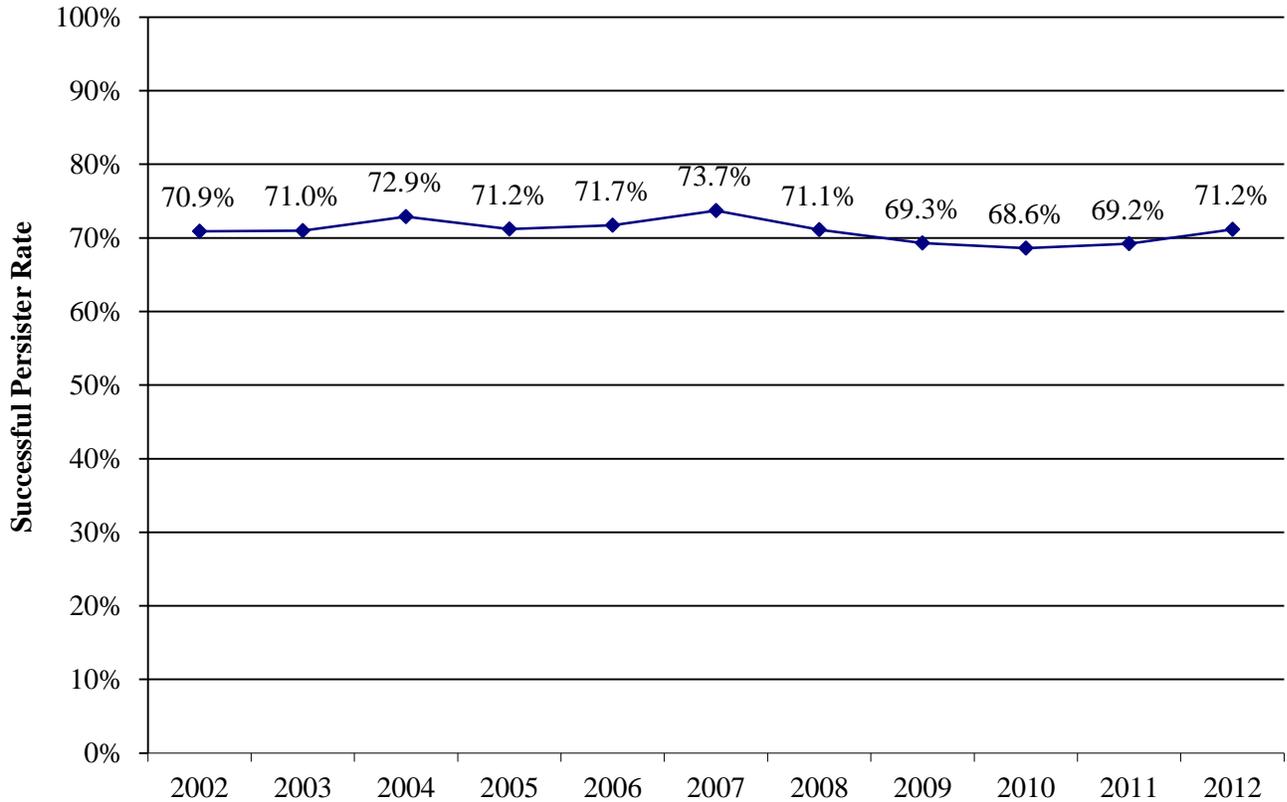
Performance Analysis: Managing for Results

Students enrolling at community colleges often have different goals than those at traditional four-year institutions. Community college students tend to have higher developmental education needs, 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 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.

1. Successful Persister Rate Increasing

The statewide successful persister rate for the 2002 through 2012 cohorts is shown in **Exhibit 1**. From the 2007 through the 2010 cohort, the rate had declined by 5.1 percentage points, which would seem to coincide with the economic recession. This may indicate that the larger cohorts entering during the recession years had poorer outcomes, even when using the very broad definition of success within the persistence rate. However, rates have increased for the 2011 and 2012 cohorts. The 2012 cohort rate is 71.2%, the first time in four years that the rate has been above 70%, and the State's highest rate since 2007.

Exhibit 1
Four-year Successful Persister Rate
2002-2012 Cohorts



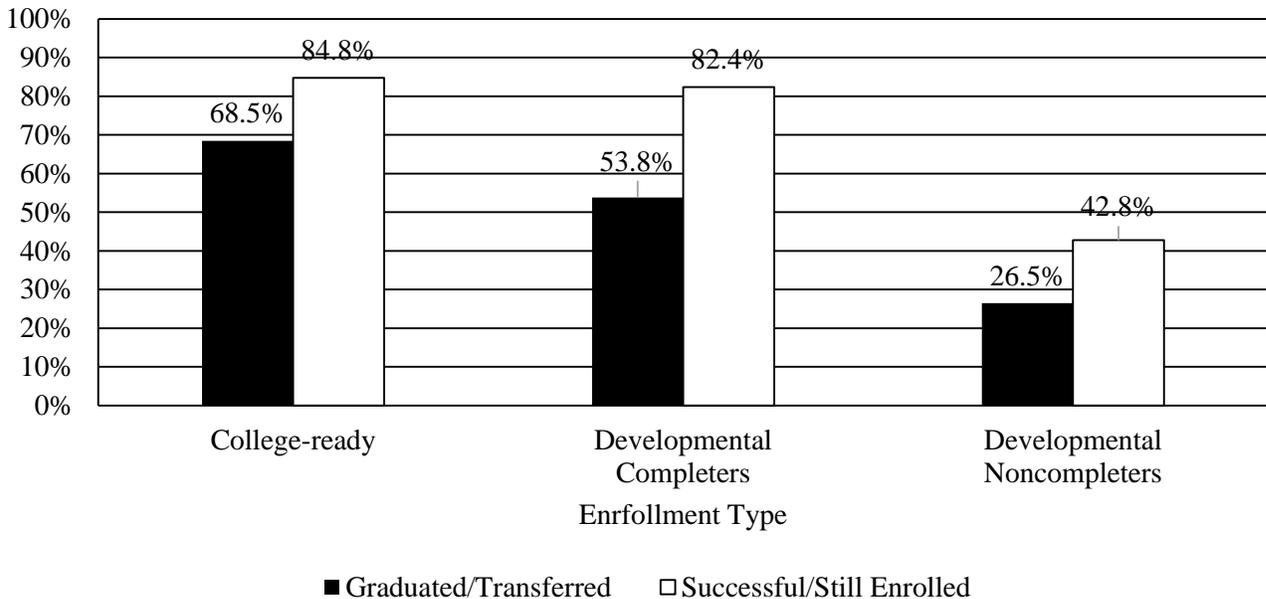
Source: Maryland Association of Community Colleges

The successful persister rates for three separate subgroups of students are tracked by the Maryland Association of Community Colleges (MACC) – college-ready students, developmental completers (students who require developmental education and who complete it within four years), and developmental noncompleters (students who require developmental education and have not completed coursework after four years). **Exhibit 2** shows successful persister rates for those three subgroups in the 2012 cohort.

While college-ready students and developmental completers both persist at rates over 80% in the 2012 cohort, actual student outcomes are not equal. College-ready students graduate or transfer at a rate of 68.5%, while developmental completers only graduate or transfer at a rate of 53.8%. Perhaps more importantly, outcomes for both college-ready students and developmental completers far outpace those of developmental noncompleters, who only have a persister rate of 42.8%, and graduate or

transfer at a rate of only 26.5%. This underscores the importance of getting students through developmental coursework.

Exhibit 2
Degree Progress Four Years After Initial Enrollment
Fall 2012 Cohort



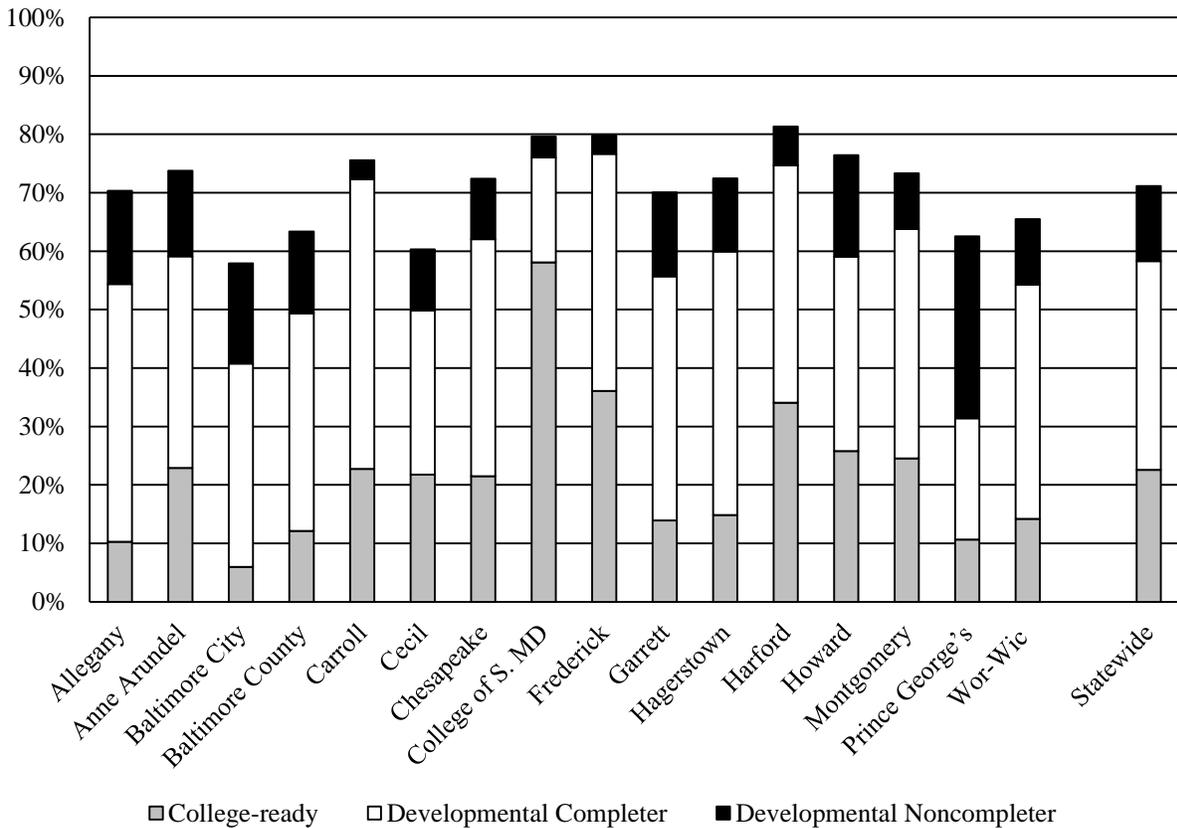
Note: Figures include Baltimore City Community College. The students included in this analysis represent the outcomes of first-time students who attempted at least 18 credit hours in their first two years.

Source: Maryland Association of Community Colleges

The developmental completers' success rates are critical given the important work of community colleges serving as open access institutions where students of all preparedness levels enroll, expecting to make progress toward a degree. The majority of students who enter community colleges test into developmental education, but few of them complete the required coursework. Exhibit 2 shows that the students who do complete developmental education are as persistent as those who enter college ready. Thus, reducing the number of students in the noncompleters category should be a priority for community colleges and may be a better goal to track than the success of the noncompleters themselves. Between the 2011 and 2012 cohort, the number of noncompleters decreased from 6,148 to 5,554, a decrease of 10%. However, it must be acknowledged that part of this drop can be attributed to the 2.2% drop in total enrollment in community colleges between those two cohorts.

Exhibit 3 shows the college-by-college breakdown of the same three categories of students for the 2012 cohort persistor rates. Overall, persistor rates by college range from 58% at Baltimore City Community College (BCCC) to 81% at Harford Community College. In general, institutions with high levels of developmental noncompleters had lower overall persistor rates. Of the seven institutions with persistor rates below the statewide average of 71%, all have a total noncompleter population of 30% or more of their total student population. It is worth mentioning that three institutions had noncompleter populations of 30% or more and persistor rates *above* 71%. These institutions are Anne Arundel Community College, Hagerstown Community College, and Howard Community College. Though this does not necessarily mean students at these institutions have better outcomes, it does indicate that they are willing to work longer in their programs.

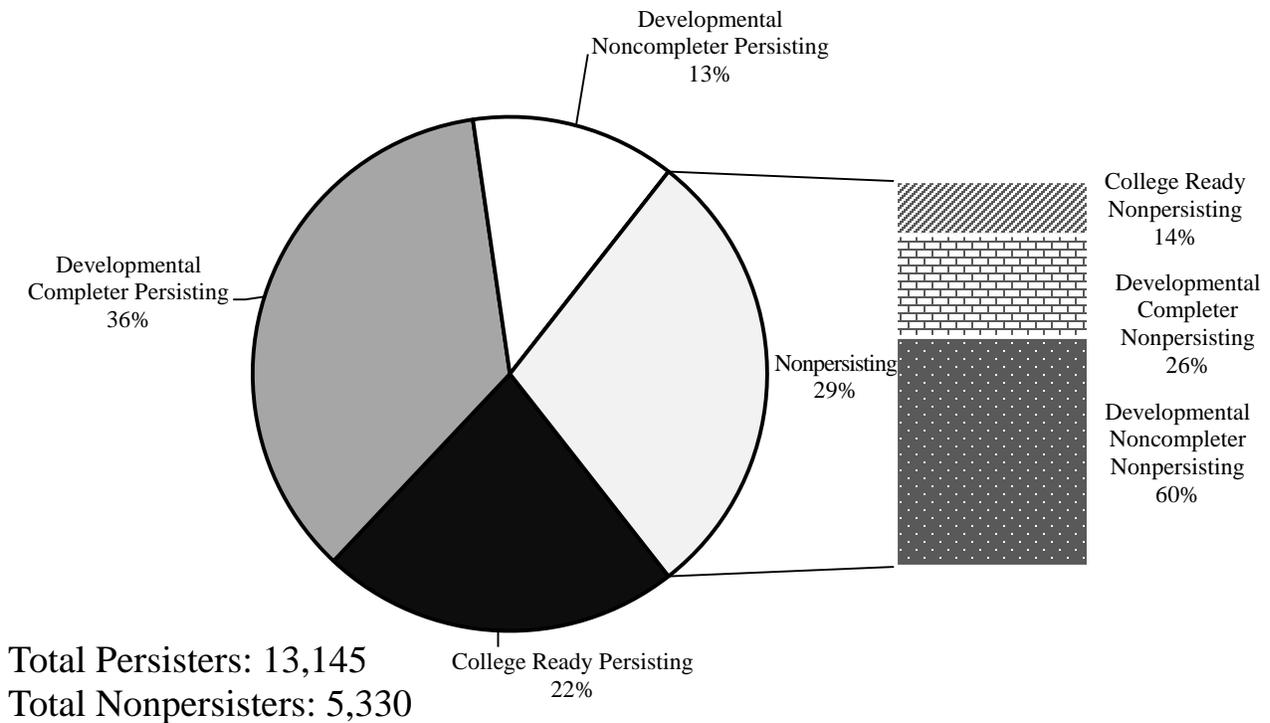
Exhibit 3
Successful Persistor Rate by College
Fall 2012 Cohort



Source: Maryland Association of Community Colleges

Exhibit 4 shows the entire fall 2012 cohort sorted into the categories of college-ready, developmental completer, and developmental noncompleter, as well as whether or not they are persisting. Looking at persister and nonpersister data together shows how much more likely developmental noncompleters are to become nonpersisters. Though developmental noncompleters make up only 18% of the students persisting, they make up 60% of students who cease persisting. **The Director of MACC should comment on what major factors contribute to developmental noncompleters not progressing toward completing their developmental education and ending their studies, and what initiatives may be put in place to improve their results, such as a redesign of remedial courses whereby students can enroll in both remedial and credit courses concurrently.**

**Exhibit 4
Persisting and Nonpersisting Students
Fall 2012 Cohort**

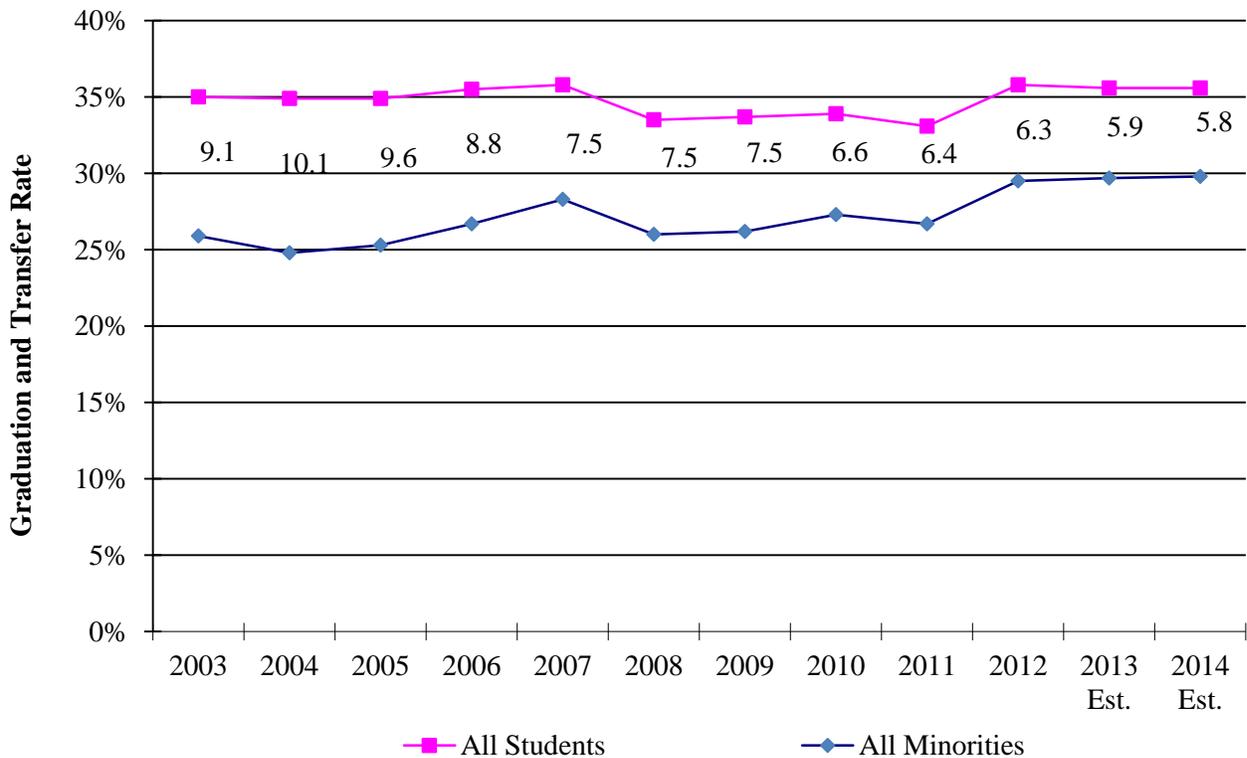


Source: Maryland Association of Community Colleges

2. Achievement Gap Improving

Another goal for the State is to narrow the achievement gap in the four-year graduation/transfer rate of minority students compared to all students. Minority students accounted for about 49% of fall 2016 enrollments according to MACC data. **Exhibit 5** shows that the achievement gap reached its largest point at 10.1 percentage points for the 2004 cohort, but has gradually decreased over time, to 6.3 percentage points for the 2012 cohort. MHEC estimates that the gap will continue to decrease to 5.9 percentage points for the 2013 cohort and 5.8 for the 2014 cohort. Many of the State’s initiatives focused on redesigning developmental courses are expected to have a disproportionately positive impact on minority students, as they are more likely to be enrolled in these courses. Other efforts, including expanding dual enrollment opportunities, may also lead to a reduction in the gap as students will enroll more familiar with higher education.

Exhibit 5
Four-year Graduation and Transfer Achievement Gap
Fall Cohorts 2003-2014 Est.



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

Source: Maryland Higher Education Commission

Proposed Budget

Exhibit 6 shows the budget changes for Aid to Community Colleges between the fiscal 2018 working appropriation and the fiscal 2019 allowance. Total budget growth is \$4.7 million, or 1.5%, all in general funds.

**Exhibit 6
Proposed Budget
Aid to Community Colleges
(\$ in Thousands)**

How Much It Grows:	General Fund	Total
Fiscal 2017 Actual	\$313,512	\$313,512
Fiscal 2018 Working Appropriation	317,710	317,710
Fiscal 2019 Allowance	<u>322,389</u>	<u>322,389</u>
Fiscal 2018-2019 Amount Change	\$4,679	\$4,679
Fiscal 2018-2019 Percent Change	1.5%	1.5%

Where It Goes:

Changes

Senator John A. Cade Funding Formula.....	\$4,315
Small Community College Grants	1,853
Senator John A. Cade Funding Formula overfund	978
English for Speakers of Other Languages.....	49
Garrett Reciprocity and Somerset Reimbursement grants	34
Faculty and staff retirement contributions	-550
Supplemental grant drops from \$4 million to \$2 million.....	-2,000
Total	\$4,679

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

The Senator John A. Cade Formula

The largest source of State support for community colleges is the Senator John A. Cade (Cade) formula, calculated based on actual community college enrollments from two years prior and a percentage (22% for fiscal 2019) 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,

R62I0005 – Aid to Community Colleges

out-of-county credit, and eligible noncredit. A fourth type of enrollment, ineligible, is primarily composed of out-of-state students. The enrollment amounts for these four categories from fiscal 2006 to 2017 are available in **Appendix 2**. Cade formula funding grows in fiscal 2019 by \$4.3 million, or 1.8%, over the fiscal 2018 working appropriation. This increase is primarily driven by increased per pupil funding at the selected public four-year institutions as there is a 3.0% decline in community college enrollment.

However, the amount of funding for the Cade formula in the fiscal 2019 allowance exceeds the mandated formula amount under current law by \$977,902. This is due to a miscalculation in the allowance formula that overstates the total funding for the selected public four-year institutions by:

- including \$2.0 million for the strategic partnership between the University of Maryland, College Park Campus and the University of Maryland, Baltimore Campus; and
- understating the FTES count at the selected four-year institutions by 289.

The impact of these two components is shown in **Exhibit 7**. It is worth noting that while under the fiscal 2019 allowance two institutions receive hold harmless funding totaling nearly \$239,000, hold harmless grants increase to nearly \$419,000 for four institutions under the corrected formula. **Based on using the revised total State funding and FTES count for selected public four-year institutions, and including hold harmless funding for all eligible community colleges, the Department of Legislative Services (DLS) recommends reducing the allowance by \$977,902. This will still provide every college with at least as much State funding in fiscal 2019 as it received in fiscal 2018.**

Exhibit 7
Cade Formula Calculation
Fiscal 2018-2019

	<u>2018</u> <u>Appropriation</u>	<u>2019</u> <u>Allowance</u>	<u>DLS 2019 Corrected</u>	<u>2019</u> <u>Difference</u>
Selected Public 4-year State Funds	\$1,103,858,712	\$1,127,596,504	\$1,125,596,504	\$2,000,000
Selected Public 4-year FTES	94,267	94,363	94,652	-289
Selected Public 4-year State Funds Per FTES	\$11,728	\$11,950	\$11,892	\$58
Statutory Cade Percentage	21%	22%	22%	-
Cade Per FTES Funding	\$2,463	\$2,629	\$2,616	\$13
Community College FTES	94,221	91,372	91,372	-
Cade Appropriation	\$232,055,982	\$240,208,428	\$239,050,742	\$1,157,686
Hold Harmless Grants	\$3,098,759	\$238,882	\$418,666	-\$179,784
Total	\$235,154,741	\$240,447,310	\$239,469,408	\$977,902

DLS: Department of Legislative Services

FTES: full-time equivalent students

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

R6210005 – Aid to Community Colleges

Exhibit 8 shows the resulting college-by-college distribution of funding from the Cade formula in fiscal 2018 and 2019, in addition to each college's change in enrollment. While the Cade formula percentage determines how much is appropriated to community colleges as a whole, the formula distributes funding based on three factors: enrollment; prior year funding; and the size of the community college, along with the hold harmless factor. Under the mandated current law funding, adjusted according to the DLS proposal, Howard Community College receives the largest State support increase at 5.1%. The four colleges receiving hold harmless grants under the DLS proposal are Anne Arundel Community College (\$104,000), the Community College of Baltimore County (\$10,000), Carroll Community College (\$44,000), and Chesapeake College (\$260,000). Primarily due to falling enrollment, overall funding per student increases by \$125, or 5.0%, under the DLS corrected formula funding.

**Exhibit 8
Cade Funding by College
Fiscal 2018-2019**

<u>College</u>	<u>Working Appropriation 2018</u>	<u>Allowance 2019</u>	<u>DLS Corrected 2019</u>	<u>DLS Corrected</u>		
				<u>% Change 2018-19</u>	<u>% Change Enrollment 2018-19</u>	<u>% Change \$/FTES 2018-19</u>
Allegany	\$4,855,584	\$4,943,714	\$4,919,888	1.3%	-7.1%	9.0%
Anne Arundel	28,800,003	28,834,252	28,800,003	0.0%	-2.9%	2.9%
Baltimore County	40,413,996	40,599,741	40,413,996	0.0%	-2.6%	2.6%
Carroll	7,612,538	7,612,538	7,612,538	0.0%	-5.2%	5.5%
Cecil	5,244,580	5,400,962	5,374,933	2.5%	-3.3%	6.0%
College of Southern Maryland	13,805,709	13,996,422	13,928,966	0.9%	-6.5%	7.9%
Chesapeake	6,142,473	6,142,473	6,142,473	0.0%	-1.5%	1.5%
Frederick	9,848,194	10,295,437	10,245,819	4.0%	-3.2%	7.5%
Garrett	2,767,275	2,817,581	2,804,001	1.3%	-9.1%	11.5%
Hagerstown	8,128,628	8,195,651	8,156,151	0.3%	-3.1%	3.5%
Harford	11,475,320	11,884,995	11,827,715	3.1%	-0.8%	3.9%
Howard	17,661,176	18,658,046	18,568,124	5.1%	-1.2%	6.4%
Montgomery	42,511,579	43,926,845	43,715,140	2.8%	-4.2%	7.3%
Prince George's	28,500,296	29,514,627	29,372,381	3.1%	-0.7%	3.8%
Wor-Wic	7,387,391	7,624,026	7,587,281	2.7%	-4.6%	7.6%
Total	\$235,154,741	\$240,447,310	\$239,469,408	1.8%	-3.0%	5.0%

Note: Does not include Small Community College, English for Speakers of Other Languages, or Mountain grants.

Source: Department of Budget and Management; 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). Hold harmless grants were added to the MOE statute for community colleges by the Budget Reconciliation and Financing Act of 2014 (Chapter 464 of 2014). **Exhibit 9** shows local support for community colleges from fiscal 2015 through the 2018 working appropriation. For the fiscal 2018 working appropriation, local support increases statewide by 5.4%. Every institution has received an increased local appropriation from their county governments in fiscal 2018 except Allegany and Chesapeake, whose appropriations have held level. It is worth noting that in the past, community colleges would include funds in addition to their local appropriations towards their MOE in their reports to MHEC. These included spending for county-owned facilities in which community colleges operate, as well as other in-kind contributions that do not appear in reports on spending towards community college operations. In fiscal 2014, MHEC began requesting that community colleges report these costs separately, in order to make more accurate depictions of whether or not a college is meeting MOE. The numbers, as shown in the exhibit, only portray the local appropriations, and do not include in-kind contributions. **The Secretary of MHEC should comment on what kinds of in-kind contributions could be included in calculations of whether or not a county has met MOE requirements, and whether any counties since fiscal 2014 have not met MOE when accounting for these kinds of contributions.**

Exhibit 9
Local Support of Community Colleges
Fiscal 2015-2018

<u>College</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Working 2018</u>	<u>Change 2017-18</u>	<u>% Change 2017-18</u>
Allegany	\$7,555,000	\$7,555,000	\$7,630,550	\$7,630,550	\$0	0.0%
Anne Arundel	37,637,700	38,387,700	40,387,700	41,987,700	1,600,000	4.0%
Baltimore	39,362,513	41,427,542	44,329,042	46,929,216	2,600,174	5.9%
Carroll	7,608,220	7,827,680	8,523,370	9,403,070	879,700	10.3%
Cecil	8,441,940	8,706,940	9,934,415	10,901,992	967,577	9.7%
CSM	17,884,025	18,450,337	18,579,957	18,635,757	55,800	0.3%
Chesapeake	6,032,731	6,038,620	6,153,385	6,153,385	0	0.0%
Frederick	14,544,914	14,676,502	15,376,502	16,560,897	1,184,395	7.7%
Garrett	4,523,000	4,480,270	4,673,000	4,734,000	61,000	1.3%
Hagerstown	8,965,010	9,265,010	9,543,050	9,743,000	199,950	2.1%
Harford	14,961,612	15,261,612	15,561,612	16,411,612	850,000	5.5%
Howard	31,000,287	31,000,287	32,240,298	33,965,130	1,724,832	5.3%
Montgomery	116,733,727	129,426,027	136,004,459	141,267,452	5,262,993	3.9%
Prince George's	30,345,300	31,648,800	34,872,800	39,866,400	4,993,600	14.3%
Wor-Wic	5,534,684	5,602,049	6,702,049	7,313,033	610,984	9.1%
Total	\$351,130,663	\$369,754,376	\$390,512,189	\$411,503,194	\$20,991,005	5.4%

Note: These numbers reflect local appropriations for community college operating as they are reported to the Maryland Higher Education Commission. They do not include funds community colleges receive as in-kind contributions, which are also provided in these reports.

Source: Maryland Higher Education Commission

Return of Supplemental Grant

The fiscal 2019 allowance includes a supplemental grant for community colleges that increase tuition by no more than 2% in the 2018-2019 academic year. This is the second straight year such a grant has been introduced. The fiscal 2018 grant was \$4 million, while the grant in the fiscal 2019 allowance is \$2 million. In the fiscal 2018 budget bill, the General Assembly added language to the appropriation to require that the funding be distributed among eligible institutions in proportion to each institution’s formula-eligible enrollments, language specifying that the supplemental grant funding should not be built into an institution’s formula funding, language allowing funds to be transferred to BCCC should it be found eligible, and language to specify that unexpended funds may only be reverted to the General Fund. Though the fiscal 2019 allowance includes the language regarding the distribution of funds and exclusion from formula funding, it does not include the language regarding BCCC or specifications for unexpended funds. **Exhibit 10** shows how the Department of Budget and Management has reported the distribution of grant funds for fiscal 2018, as well as the proportions of enrollments by community college, and how funds would be expected to be distributed under the same assumptions in fiscal 2019. As shown, no funds have been reserved for BCCC. MHEC reports this is because BCCC had a tuition increase of more than 2% for the 2017-2018 academic year. Had BCCC been eligible for the grant in fiscal 2018, it would likely have received \$187,400. If BCCC is eligible based on its 2018-2019 academic year tuition, it would be expected to receive \$95,720 in fiscal 2019. **DLS recommends that language in the fiscal 2019 allowance be amended to include the provisions regarding BCCC and unexpended funds that were added to the fiscal 2018 grant.**

Exhibit 10
Distribution of Supplemental Grant
Fiscal 2018-2019

	2018		2019	
	<u>% of Statewide FTES</u>	<u>Reported Grant Amount</u>	<u>% of Statewide FTES</u>	<u>Estimated Grant Amount</u>
Allegany	1.6%	\$67,979	1.6%	\$31,016
Anne Arundel	11.8%	493,481	11.8%	235,349
Baltimore City*	4.7%	0	4.8%	95,720
Baltimore County	16.5%	693,818	16.6%	331,834
Carroll	2.7%	113,103	2.6%	52,620
Cecil	1.8%	74,114	1.8%	35,177
College of Southern Maryland	5.9%	246,807	5.7%	113,266
Chesapeake	1.9%	81,092	2.0%	39,218
Frederick	4.3%	178,615	4.2%	84,847
Garrett	0.7%	30,879	0.7%	13,778
Hagerstown	2.9%	121,611	2.9%	57,866

R62I0005 – Aid to Community Colleges

	2018		2019	
	% of Statewide FTES	Reported Grant Amount	% of Statewide FTES	Estimated Grant Amount
Harford	4.8%	201,469	4.9%	98,131
Howard	7.6%	319,049	7.7%	154,734
Montgomery	18.2%	764,145	18.0%	359,450
Prince George's	11.9%	500,130	12.2%	243,722
Wor-Wic	2.7%	113,709	2.7%	53,272
Total	100.0%	\$4,000,000	100.0%	\$2,000,000

FTES: full-time equivalent students

*Baltimore City did not receive a supplemental grant in fiscal 2018, as its tuition increased by more than 2% for the 2017-2018 academic year.

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

Other Changes

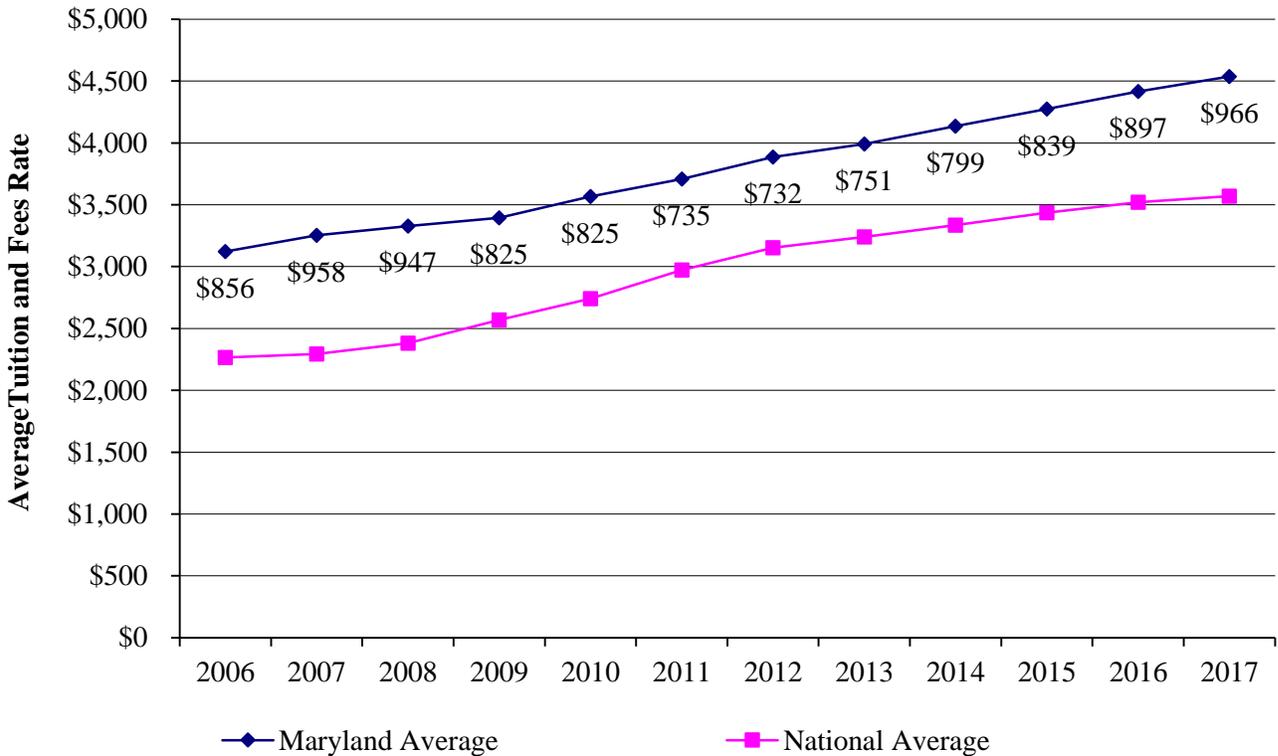
Funding for institutions receiving Small Community College Grants increases by \$1.9 million in fiscal 2019. This is primarily due to Chapter 330 of 2017, which increased the amount for all seven institutions receiving the grant to \$851,300, when previously four of the institutions would have received \$425,600. Funding for faculty and staff retirement contributions decreases by \$550,000 in fiscal 2019 due to a reduction in the State's contribution rate. Funding increases for ESOL by \$49,000 and for Garrett and Somerset counties reciprocity grants by \$34,000 in fiscal 2019.

Issues

1. Tuition, Fees, and Student Aid at 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 \$9,575 in fall 2017, compared to \$4,536 at the State’s community colleges. This means, on average, community colleges are 47% less expensive in Maryland. However, the average Maryland community college tuition and fee rate is higher than the national average and has been for over a decade. **Exhibit 11** shows the difference between the State and national average from fiscal 2006 to 2017. The most recent gap for fall 2017 of \$966 represents the largest amount for this time period.

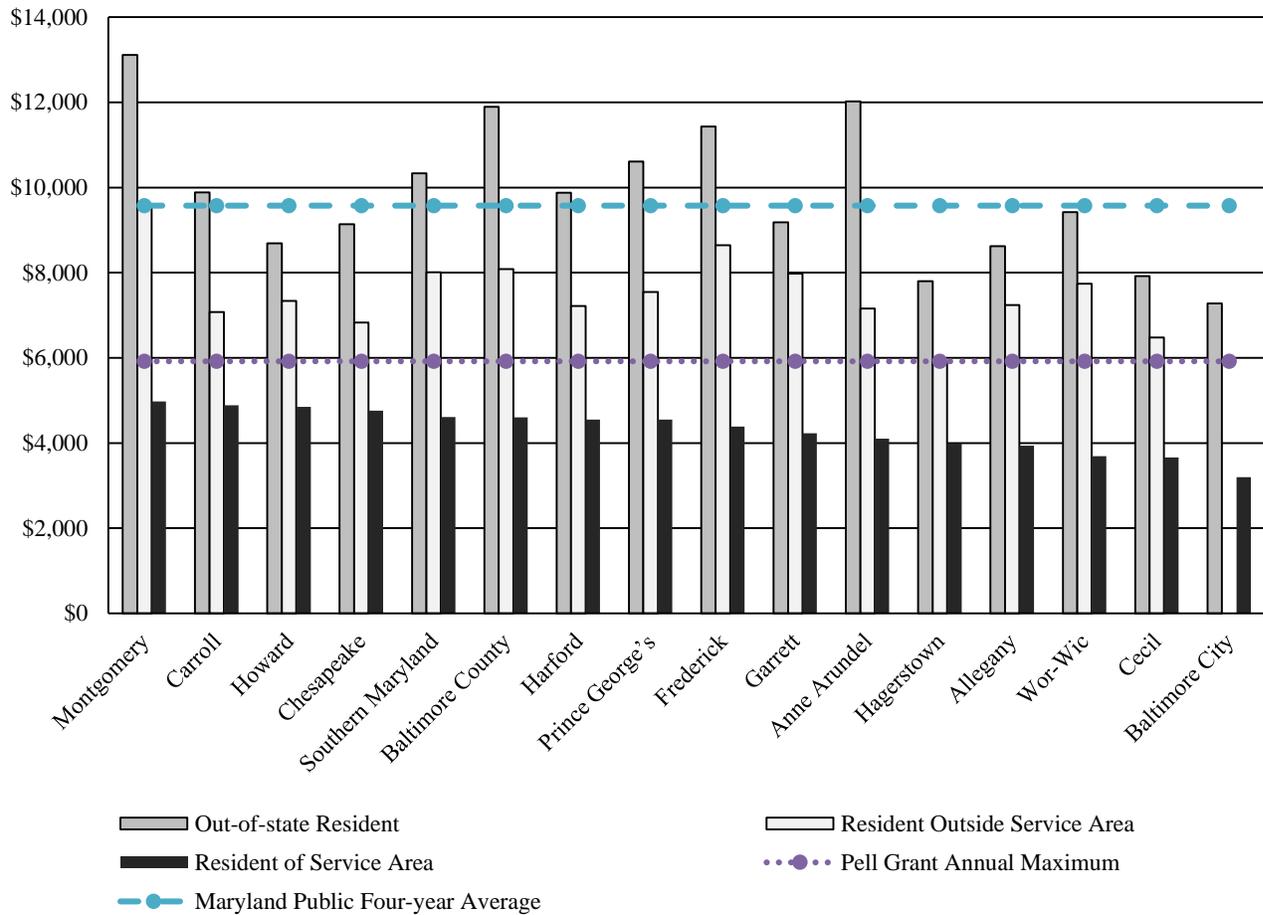
Exhibit 11
Community College Tuition and Fee Rates
Fall 2006-2017



Source: The College Board, *Annual Survey of Colleges – Trends in College Pricing 2017*

Exhibit 12 shows that tuition and fee rates in Maryland varied greatly between colleges in fall 2017. Amongst the Cade funded institutions, Montgomery College is the State’s most expensive community college for resident students at \$4,974. State-run BCCC has the lowest rate, \$3,196, which is charged to all Maryland residents regardless of the student’s county of residency. Including BCCC, the statewide simple average of tuition and fees is \$4,331 for a service area resident, \$7,255 for all other Marylanders, and \$9,826 for out-of-state residents.

**Exhibit 12
Tuition and Fee Rates by Community College
Fall 2017**



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

While community colleges may be affordable for students who live in the respective service areas, they continue to be out of the price range of many Marylanders. Maximum Pell grant awards, valued at \$5,920 for fall 2017, are unable to cover all tuition and mandatory fees for out-of-service area

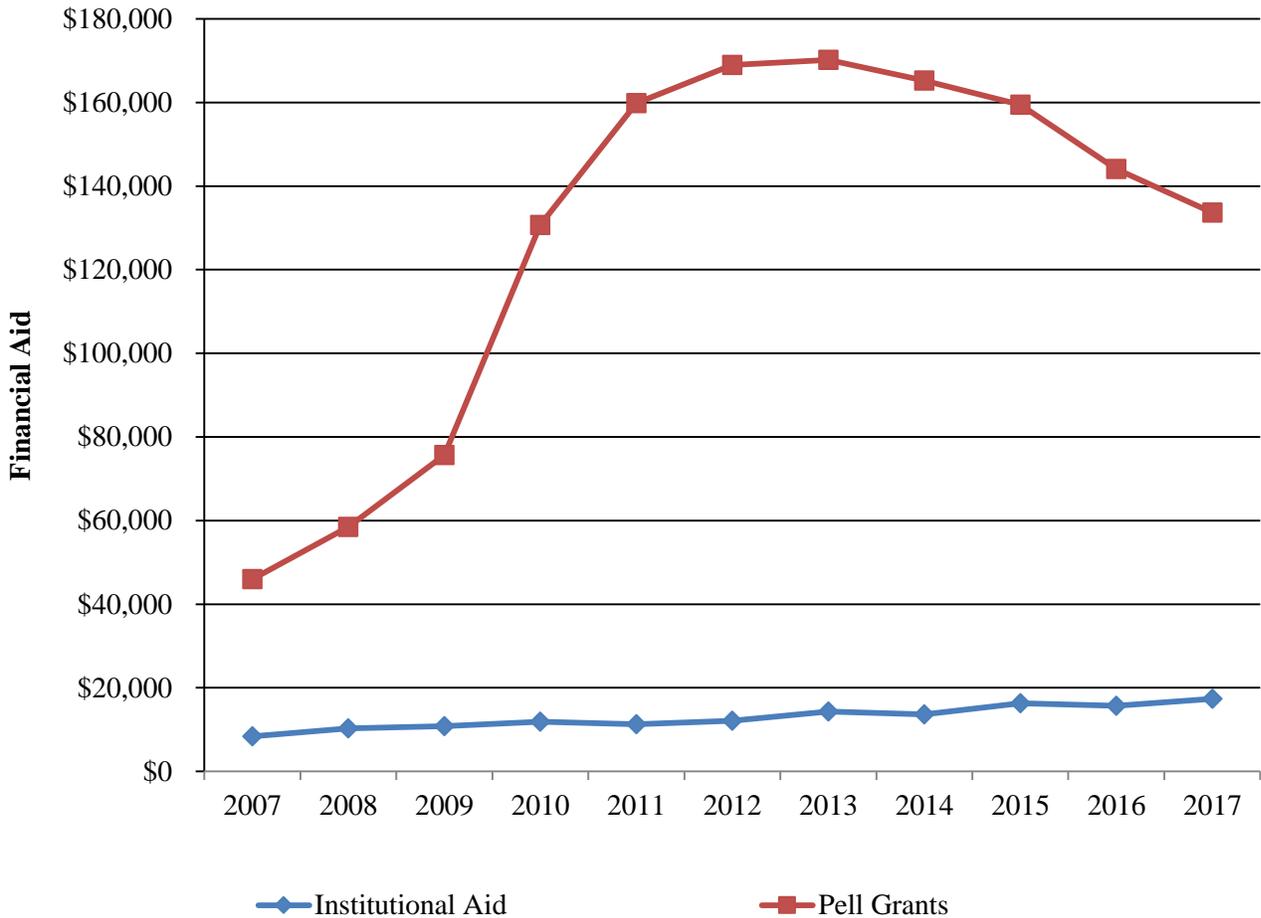
Marylanders for all community colleges in the State except Hagerstown Community College. Montgomery College's out-of-service area tuition and fees of \$9,618 is actually higher than the weighted in-state average tuition and fees for public four-year institutions as reported by College Board (\$9,575). This is unfortunate because not all community colleges are large enough to offer all programs and students may end up transferring to another two-year institution to complete their studies, but end up paying significantly more. The Health Manpower Shortage Grant is meant to assist students studying in in-demand degree programs with the difference between in-county and out-of-county. It has been flat funded at \$6 million since fiscal 2010. Indeed, at fiscal 2017 closeout, about \$70,000 in funding for the Health Manpower Shortage Grant was reverted as declining community college enrollment has reduced demand for the grant. If more students were aware of this grant, it may be more fully utilized.

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 (FAFSA), 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 13 shows the total amount of need-based and merit aid awarded by community colleges to students from fiscal 2007 to 2017, as well as the amount of Pell grants students received. In fiscal 2017, Maryland's community colleges awarded \$17.4 million in institutional aid, an increase of \$1.7 million when compared fiscal 2016. The amount of institutional aid provided is dwarfed by Pell grants, a federal low-income student financial aid program, which totaled \$133.7 million for Maryland students attending community college in fiscal 2017, or 88% of total aid provided in fiscal 2017. However, total Pell aid for community college students decreases by \$10.4 million in fiscal 2017, continuing a trend since fiscal 2013. This is in contrast to the actual maximum value of an individual Pell grant, which increased between fiscal 2016 and 2018 from \$5,775 to \$5,920, or 2.5%. As noted previously, a full Pell grant covers the full cost of tuition and fees at a community college for service area residents in Maryland, but not for students attending outside their service area.

Exhibit 13
Total Institutional Aid and Pell Grants
Fiscal 2007-2017
(\$ in Thousands)



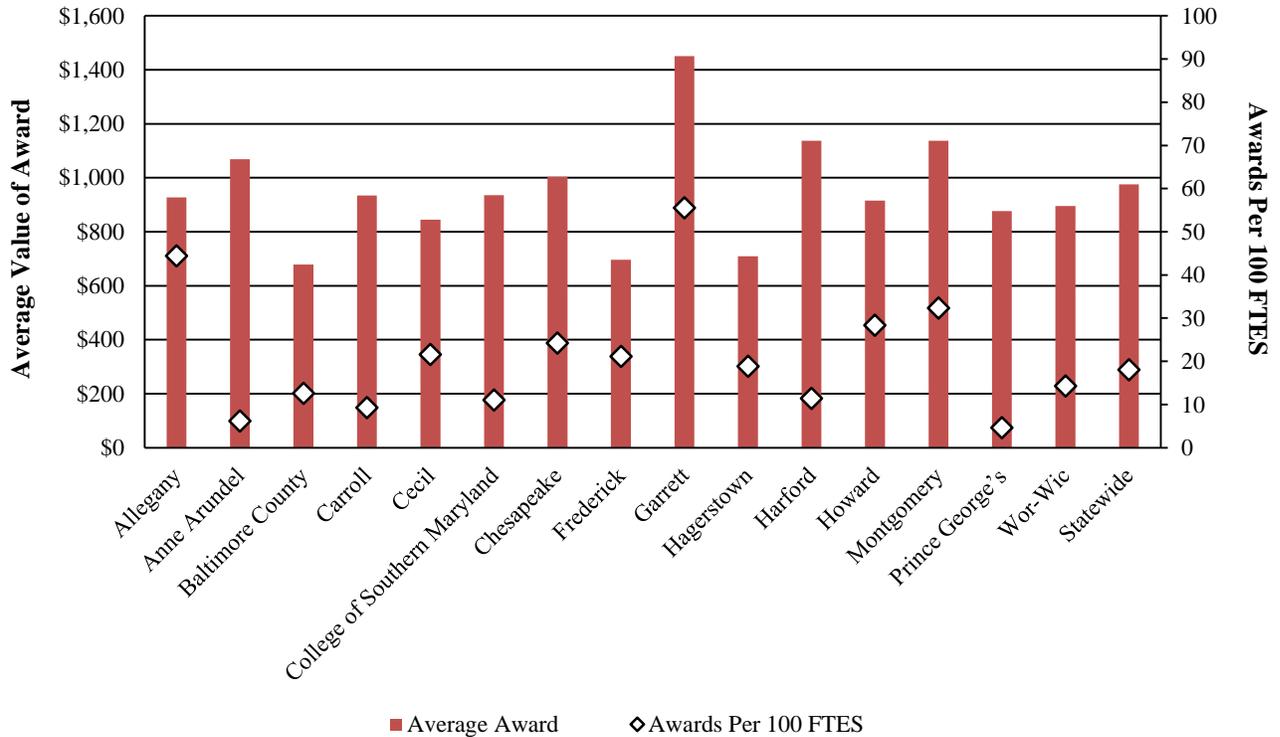
Note: All data is self-reported by the institutions and does not include Baltimore City Community College.

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

Exhibit 14 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 results from prior years. The exhibit may somewhat overstate awards per FTES and understate the amount received by a student, as an individual student may receive both a need-based and merit award, and both awards would be counted separately. Allegany and Garrett colleges are notable for giving the most awards per 100 FTES, with 44 for Allegany and 56 for Garrett. This is in large part due to scholarship programs in those counties that cover the cost after federal aid of community college for

first-time, full-time students at those institutions. The average award at Garrett College is the largest in the State at \$1,451. Statewide, institutional awards averaged \$975 per award.

Exhibit 14
Average Institutional Aid Awards and Number of Awards Per 100 FTES
Fiscal 2017



FTES: full-time equivalent students

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

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

2. Promise Scholarships

Promise scholarship programs, which generally cover all tuition and fees regardless of income at community colleges, have become popular nationwide. According to the University of Pennsylvania’s Alliance for Higher Education and Democracy, as of May 2017, over 230 programs exist in various forms across 43 states. One of the most studied has been Tennessee Promise, which

launched in fall 2014 for students pursuing associate’s degrees and workforce training. Early reporting from Tennessee indicates that 17% fewer students originated federal loans in fall 2015 over the prior year, and the average federal student loan amount decreased approximately 12%. Another benefit of Tennessee Promise is that Tennessee now leads the nation in the percent of students filing a FAFSA due to so many students applying for the Tennessee Promise program. This ensures that students are maximizing all available federal financial aid. However, student retention rates were almost unchanged. In fall 2017, New York launched its own statewide promise program, called the Excelsior Scholarship, which covers tuition for any student whose expected family income is no more than \$100,000. This will increase to \$125,000 by fall 2019. What makes the Excelsior Scholarship different is that students may use it to attend any undergraduate program, including public four-year institutions.

While no statewide promise program exists in Maryland, several promise-like programs already exist at the local level in Allegany, Garrett, and Wicomico counties for attendance at community colleges. Additionally, in fiscal 2018, Somerset County received State funding to launch its own program in fall 2017 for residents attending Wor-Wic Community College. Similarly, after recent legislation created the Task Force to Study a Promise Scholarship Program in Prince George’s County (Chapter 647 of 2016), Prince George’s Community College launched a promise scholarship in the fall 2017 semester with 87 credit students and 2 noncredit students. Finally, the Mayor of Baltimore has announced that Baltimore City Community College will implement a free community college program beginning in fall 2018.

Program requirements and eligibility details vary across all programs, and one of the more difficult aspects of a promise program is estimating how much it will cost in a jurisdiction or statewide. Various bills have been introduced in Maryland over the past several years to implement a statewide promise program for community colleges. Assuming that Maryland splits the cost of a promise program with local jurisdictions, and that most students will graduate in two years, DLS estimates a total annual cost to the State of \$60 million to \$70 million.

Questions to resolve for a statewide Maryland program include who would be eligible, whether the program would cover students outside of their service area, and how noncredit programs would fit in. Like tuition moderation, one potential downside to promise scholarships is that the benefit primarily flows to students with some ability to pay for college as the federal Pell grant fully covers the cost of tuition and fees for many low-income students. Also, alternative methods like early college programs are emerging in the State to allow students to work toward or complete associates degrees through local community colleges while still in high school, thereby greatly reducing costs. **The Secretary of MHEC should comment on the costs and benefits between promise scholarships and alternative methods of providing community college education at lower costs for students.**

Operating Budget Recommended Actions

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

General Fund Appropriation, provided that \$2,000,000 of this appropriation made herein for the one-time supplemental grant for community colleges shall be used only for that purpose. A community college is eligible to receive a portion of funding from this grant if it raises tuition by no more than 2% for the 2018-2019 academic year. Total grant funding is to be distributed among eligible institutions, as determined by the Maryland Higher Education Commission (MHEC), in proportion to each institution's share of ~~Cade~~ formula-eligible enrollments in fiscal 2017, also as determined by MHEC. If found eligible, Baltimore City Community College (BCCC) (R95C00) may receive funding from this grant through a budget amendment. Funding for the one-time grant shall not be incorporated into the Cade formula or in BCCC's funding formula when calculating State support in fiscal 2020. Funds restricted for this specific purpose may not be transferred by budget amendment or otherwise to any other purpose and if not expended for this purpose shall revert to the General Fund.

Explanation: There is a \$2 million grant for community colleges in fiscal 2019. To be eligible for the grant, community colleges must meet the requirement of not raising tuition by more than 2% in fall 2018. This is the second straight fiscal year in which this type of grant has been in place. This amended language restores language from the fiscal 2018 budget bill that allows for transferring a portion of funding to Baltimore City Community College, which is budgeted under a separate program code, if that institution is determined to be eligible, and that funds that are not expended shall revert to the general fund. Funding is one-time only and shall not be included in any funding formulas for community colleges in fiscal 2020.

	<u>Amount Reduction</u>	
2. This reduction corrects the Senator John A. Cade Funding Formula for the fiscal 2019 allowance.	\$ 977,902	GF
Total General Fund Reductions	\$ 977,902	

Updates

1. Pilot Collection of Noncredit Student Data Has Not Begun

MHEC has indicated in the past that it would like to expand its annual data collection to capture more information on students in noncredit training programs. However, there have been several barriers. For example, there is no standard method of classifying different workforce training sequences. The amount of information collected varies greatly by institution because it has not historically been part of standard reporting requirements. Therefore, MHEC announced that it would launch a pilot data collection from fiscal 2016 noncredit completers in fiscal 2017 and follow up with a complete collection of fiscal 2017 noncredit completers in fiscal 2018. MHEC also suggested that the Maryland Longitudinal Data System Center (MLDS) be utilized to collect licensure data, as it is already equipped to answer workforce-related questions. In anticipation of this data becoming available, the 2017 *Joint Chairmen's Report* requested that MHEC submit a report in which it summarizes the data that it received and explain how it and MLDS are working together to determine the effectiveness of noncredit sequences in meeting the State's workforce needs.

However, MHEC has announced that it has not been able to conduct its pilot collection, as it continues to be hindered by the classification obstacles it has identified in the past. MHEC did work with continuing education officials to develop a draft collection specification and requested that community colleges submit data to the best of their ability. However, the community colleges requested that classification and definition issues be resolved before beginning the pilot collection. MHEC asked the community colleges to appoint individuals to a workgroup to resolve these problems, which the community colleges have resisted until the technical issues of the collection are better understood. Due to these delays, MHEC has not yet contacted MLDS about strategies to evaluate the effects of continuing education sequences.

Appendix 1
Current and Prior Year Budgets
MHEC – Aid to Community Colleges
(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2017					
Legislative Appropriation	\$314,335	\$0	\$0	\$0	\$314,335
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	-823	0	0	0	-823
Actual Expenditures	\$313,512	\$0	\$0	\$0	\$313,512
Fiscal 2018					
Legislative Appropriation	\$317,710	\$0	\$0	\$0	\$317,710
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$317,710	\$0	\$0	\$0	\$317,710

MHEC: Maryland Higher Education Commission

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

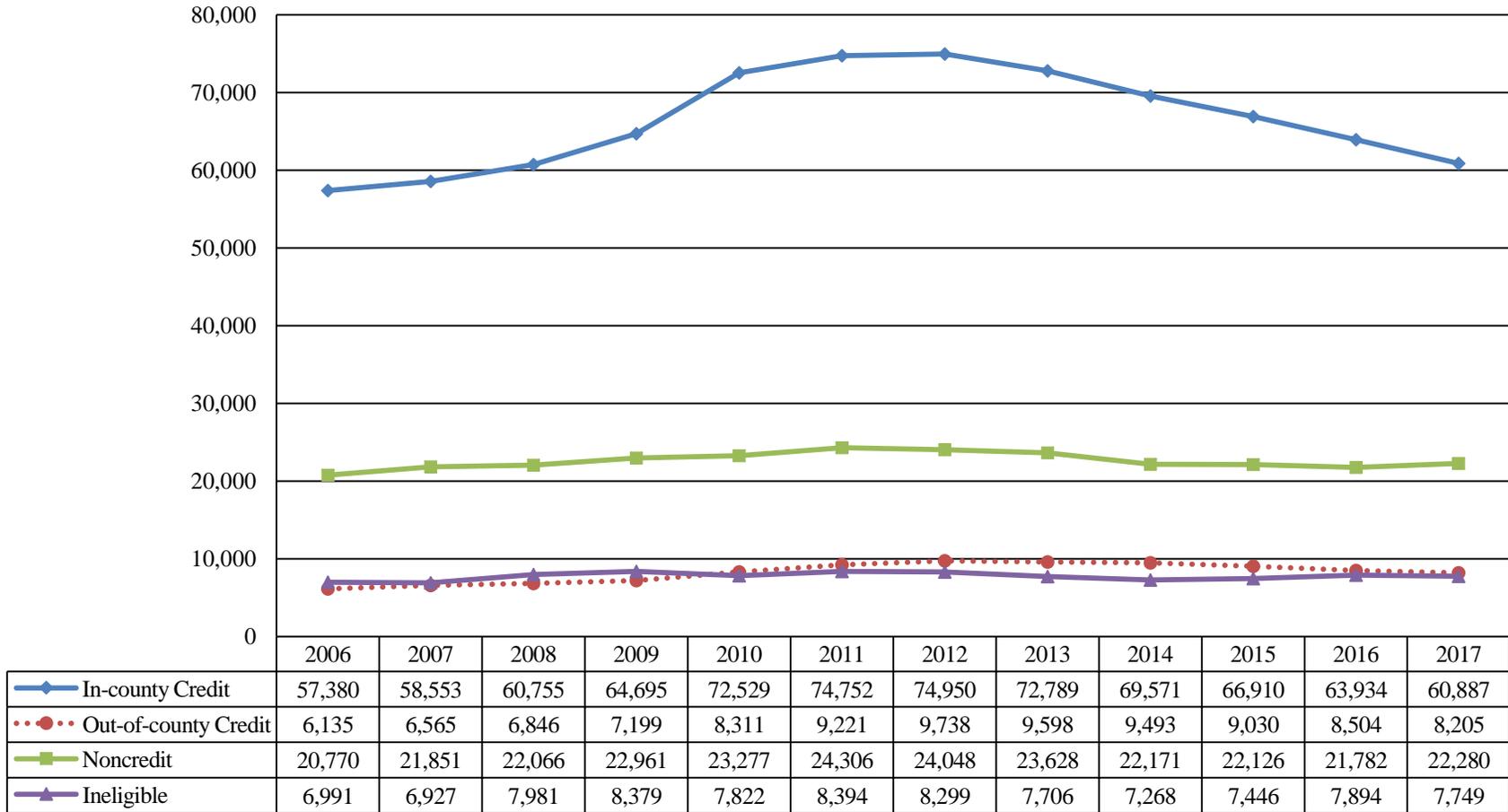
Fiscal 2017

At the end of the fiscal year, general fund reversions totaled approximately \$0.8 million. Of that amount, about \$70,000 was due to lower than anticipated receipts for students using tuition reciprocity programs and the Health Manpower Shortage Grant program and \$753,000 was due to lower than anticipated billing for employee pension contributions among the local community colleges.

Fiscal 2018

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

Appendix 2
Enrollment at Maryland Community Colleges
Fiscal 2006-2017



Source: Maryland Higher Education Commission

**Appendix 3
Object/Fund Difference Report
Aid to Community Colleges**

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, and Contributions	\$ 313,512,171	\$ 317,709,977	\$ 322,388,973	\$ 4,678,996	1.5%
Total Objects	\$ 313,512,171	\$ 317,709,977	\$ 322,388,973	\$ 4,678,996	1.5%
Funds					
01 General Fund	\$ 313,512,171	\$ 317,709,977	\$ 322,388,973	\$ 4,678,996	1.5%
Total Funds	\$ 313,512,171	\$ 317,709,977	\$ 322,388,973	\$ 4,678,996	1.5%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

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

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
05 Senator John A. Cade Funding Formula for	\$ 250,933,480	\$ 255,765,206	\$ 260,993,802	\$ 5,228,596	2.0%
06 Aid to Community Colleges – Fringe Benefits	62,578,691	61,944,771	61,395,171	-549,600	-0.9%
Total Expenditures	\$ 313,512,171	\$ 317,709,977	\$ 322,388,973	\$ 4,678,996	1.5%
General Fund	\$ 313,512,171	\$ 317,709,977	\$ 322,388,973	\$ 4,678,996	1.5%
Total Appropriations	\$ 313,512,171	\$ 317,709,977	\$ 322,388,973	\$ 4,678,996	1.5%

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.