

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

***Executive Summary***

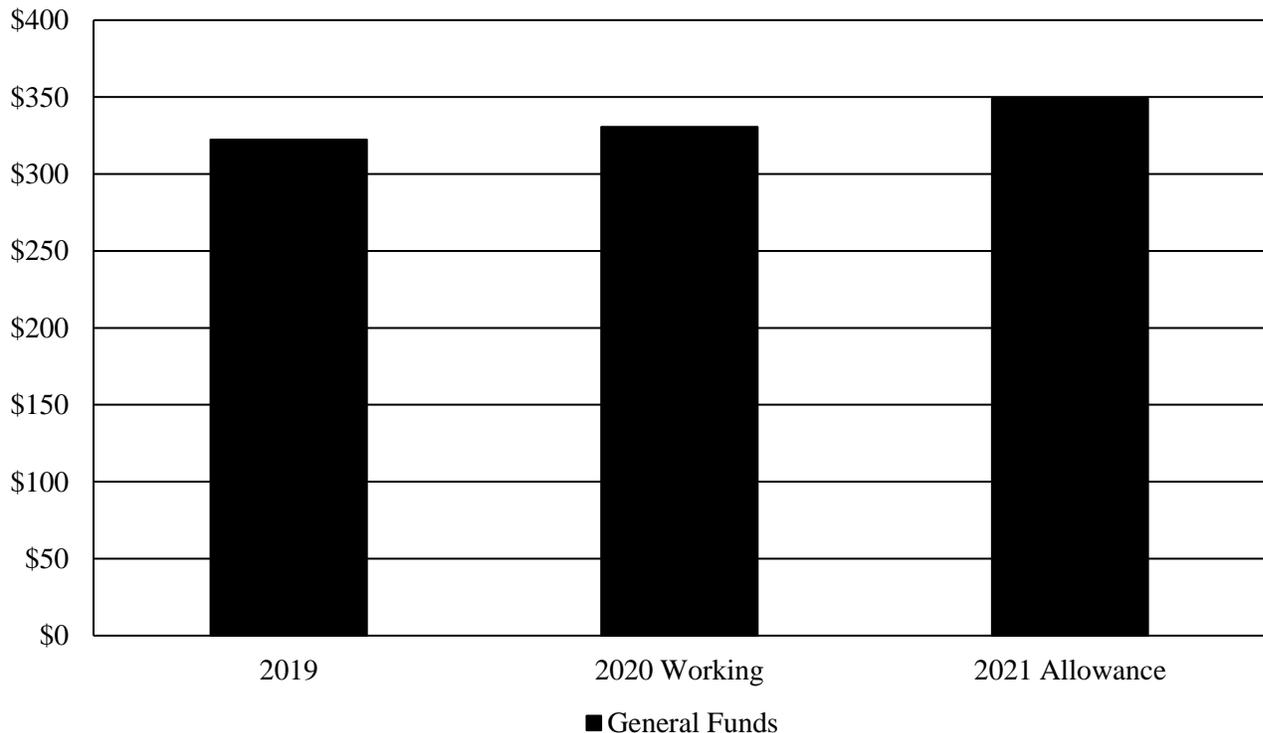
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The Aid to Community Colleges budget contains State funding for local community colleges as administered by the Maryland Higher Education Commission. The majority of this funding is determined under various aid programs, most significantly the Senator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

***Operating Budget Summary***

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**Fiscal 2021 Budget Increases by \$18.4 Million or 5.5% to \$349.0 Million**  
**(\$ in Millions)**



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes planned reversions. The fiscal 2021 allowance includes reductions contingent on legislation.

- The Cade Funding Formula increases by \$18.2 million in fiscal 2021 contingent on the Budget Reconciliation and Financing Act (BRFA) of 2020, which changes the funding formula. This effectively halves the funding that would have been provided under the Cade Funding Formula.

## ***Key Observations***

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- ***Persister Rates Signify Importance of Completing Developmental Coursework:*** The 2014 cohort of students attending Maryland’s community colleges have successfully persisted at a rate of 71%. Students who complete developmental coursework persist at a rate of 83%, while those who do not persist at a rate of only 39%. This shows the importance of community college students completing developmental coursework. For the fall 2014 cohort, 73% required developmental coursework; of these students, only 61% completed the coursework.
- ***Revising Community College Formula Calculations:*** The BRFA of 2020 proposes reducing fiscal 2021 funding to community colleges by \$18.2 million compared to current law. The BRFA also proposes changes to the formula beginning in fiscal 2022, by tying the amount of aid to each community college to the previous fiscal year allocation and increasing that rate by the percentage growth in General Fund revenues, removing the connection to enrollment at the community colleges and public support of selected four-year institutions.
- ***Community College Students Receiving Less Financial Aid:*** Institutional aid awarded by the community colleges decreased by \$0.8 million for fiscal 2019. Pell grants also decreased when compared to fiscal 2018, falling by \$7.0 million.

## **Operating Budget Recommended Actions**

1. Concur with Governor’s allowance.

## **Budget Reconciliation and Financing Act Recommended Actions**

1. Amend the Budget Reconciliation and Financing Act (BRFA) to retain the linkage to the level of enrollment in the community colleges and State support for certain public four-year institutions of higher education in the Senator John A. Cade Funding Formula. Further amend the BRFA to calculate the formula for fiscal 2022 and subsequent years using the percentage of the State’s per full-time equivalent student funding for the selected public four-year institutions of higher education to which the fiscal 2021 Cade funding level approved by the General Assembly equates.

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

***Operating Budget Analysis***

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**Program Description**

State aid for the 15 local community colleges is provided through the Senator John A. Cade (Cade) Funding Formula under Section 16-305 of the Education Article, under the administration of the Maryland Higher Education Commission (MHEC). The current formula has been used to determine funding since 1998. The amount of aid is based on a percentage of the current year's State aid per full-time equivalent student (FTES) at selected four-year public higher education institutions and the total number of FTES at the community colleges. The total is then distributed to each college based on the previous year's direct grant, enrollment, and a small-size factor. Under current law, funding is based on an amount equal to 25% of the State Aid per FTES at the selected four-year schools. This increases to 27% in fiscal 2022 and 29% in fiscal 2023 and thereafter.

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 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 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 (GC), which are referred to as Appalachian Mountain grants. These 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/West Virginia Reciprocity Program allows West Virginia residents to attend GC 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

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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.

MHEC is managing the Community College Facilities Renewal Grant in fiscal 2021, which provides grants for improvements, repairs, and deferred maintenance projects at community colleges. These grants are funded with general obligation bonds in fiscal 2021. Analysis and discussion of this funding can be found in the Community College Facilities Renewal Grant Program analysis (RI0005).

The initial intent of the Cade Funding Formula was that community college costs were to be divided into equal thirds between the State, local government, and the students. The Budget Reconciliation and Financing Act (BRFA) of 2020 would alter the Cade Funding Formula, allocating \$267.9 million to the community colleges in fiscal 2021. Additionally, conditional on the passage of the BRFA, the Cade Funding Formula would also be altered beginning in fiscal year 2022, and each subsequent year, such that the total State operating funds to be distributed to each community college shall be the amount of aid provided in the current fiscal year as approved in the State budget increased by the percentage by which the projected total General Fund revenues for the upcoming fiscal year exceed the revised estimate of total General Fund revenues for the current fiscal year, as contained in the December report of estimated revenues submitted to the Board of Revenue Estimates (BRE).

As a consequence of this alteration, the funding formula would no longer be annually linked to the FTES population, fixed cost, marginal cost, size factor, or hold harmless provision at the respective community colleges. Additionally, the altered formula would no longer be tied to a percentage of funding that is provided per FTES to the four-year public institutions of higher education in the State as designated by MHEC for the purpose of administering the Joseph A. Sellinger Program.

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

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

## ***Performance Analysis: Managing for Results***

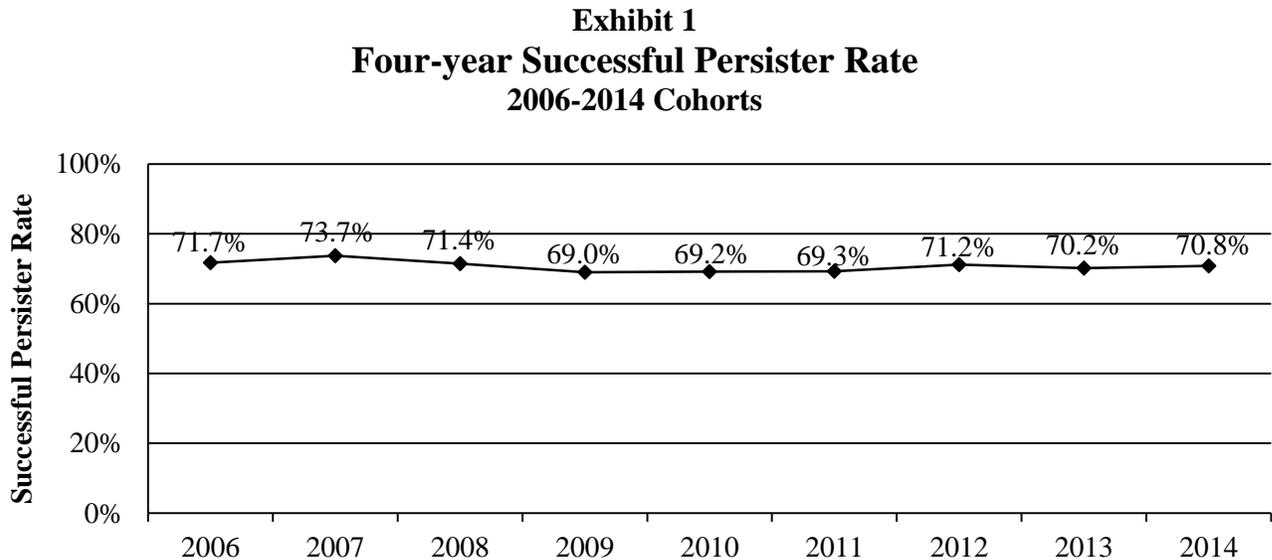
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### **1. Successful Persister Rates**

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

The statewide successful persister rates for the 2006 through 2014 cohorts are shown in **Exhibit 1**. The successful persister rate for the 2014 cohort is 70.8%. This is a decrease of 0.4 percentage points compared to the 2012 cohort but represents an increase of 0.6 percentage points for the State’s community colleges compared to the 2013 cohort.

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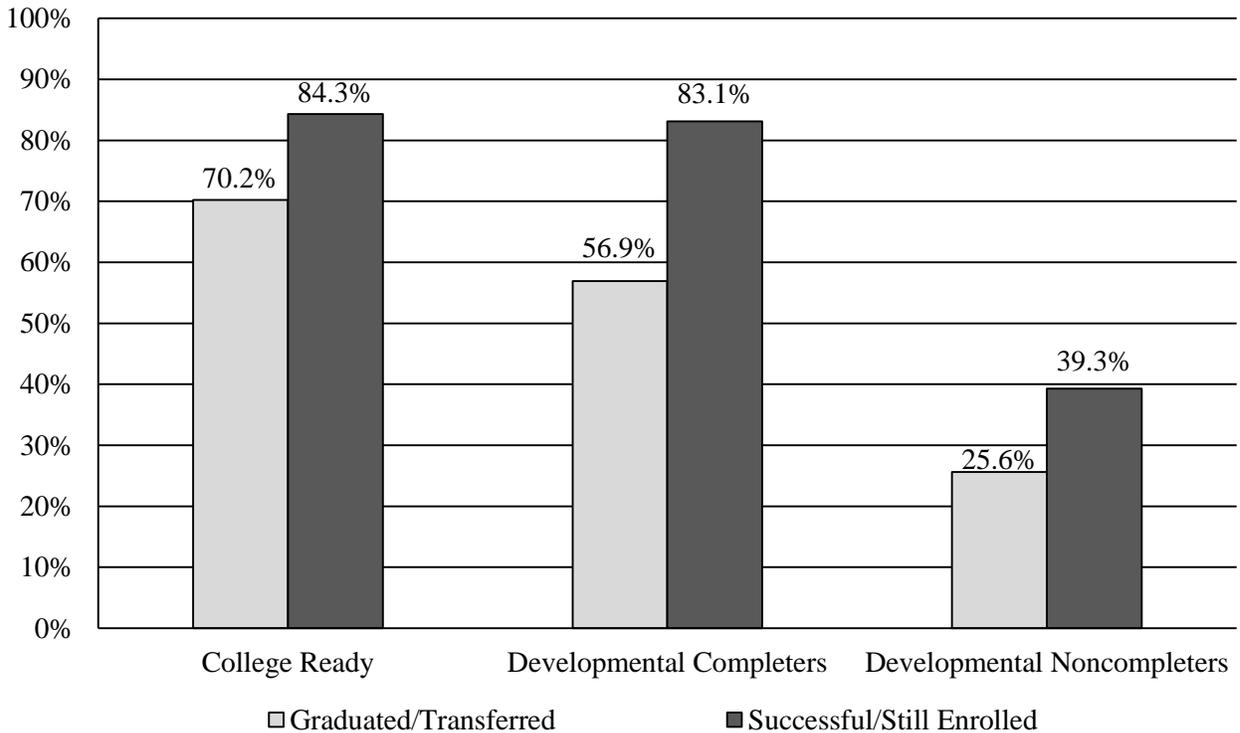


Source: Maryland Higher Education Commission

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The successful persister rates for three separate subgroups of students are tracked by the Maryland Association of Community Colleges – 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 the successful persister rates for those three subgroups in the 2014 cohort.

**Exhibit 2**  
**Degree Progress Four Years After Initial Enrollment**  
**Fall 2014 Cohort**



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

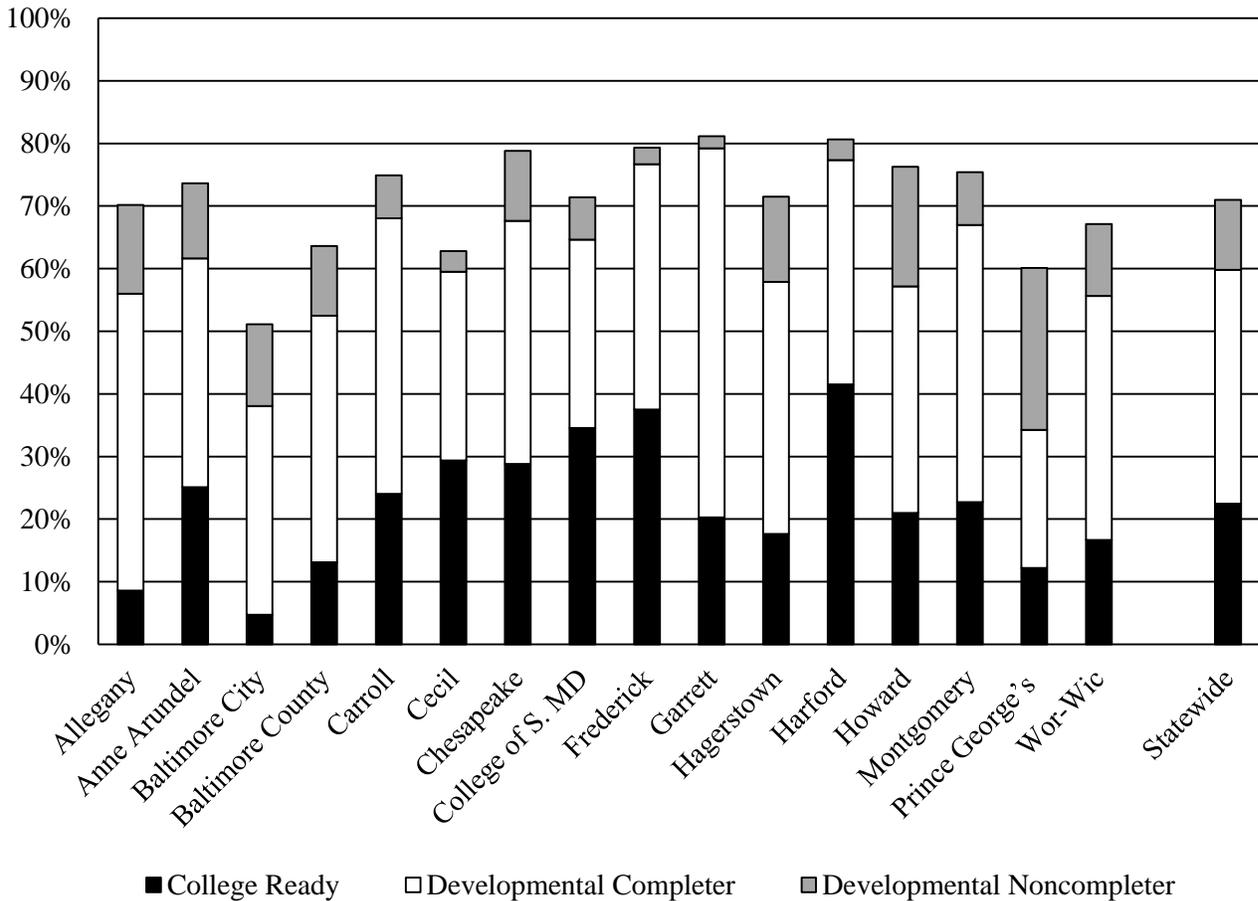
Source: Maryland Higher Education Commission

Results from successful persister rate data emphasize the importance of students completing developmental coursework. College-ready students and developmental completers both persist at rates over 80% in the 2014 cohort, although actual student outcomes for these groups are slightly less equal, as college-ready students graduate or transfer at a rate of 70.2%, while developmental completers only graduate or transfer at a rate of 56.9%. Meanwhile, outcomes for both college-ready students and developmental completers far outpace those of developmental noncompleters, who only have a persister rate of 39.3% and graduate or transfer at a rate of only 25.6%. The importance of getting students to complete developmental coursework is emphasized by the fact that most students (73.3%) in the 2014 cohort tested into developmental education.

**Exhibit 3** shows the college-by-college breakdown of the same three categories of students for the 2014 cohort persister rates. Overall, persister rates by college range from 51% at Baltimore City

Community College (BCCC) to 81% at GC and Harford Community College. In general, community colleges with high numbers of college-ready students and students completing developmental coursework had higher overall persister rates. **Exhibit 4** provides college-by-college details on students who need developmental coursework. As shown, Allegany College of Maryland and BCCC had the most students who required developmental coursework, at over 90%, while Harford Community College had the least, with 54%. For students who needed developmental coursework, GC had the highest rate of completion with 90%, while Prince George’s Community College (PGCC) had the lowest with 29%. This low rate of completion likely had an effect on PGCC’s low overall persister rate of 60%.

**Exhibit 3**  
**Successful Persister Rate by Community College**  
**Fall 2014 Cohort**



S. MD: Southern Maryland

Source: Maryland Higher Education Commission

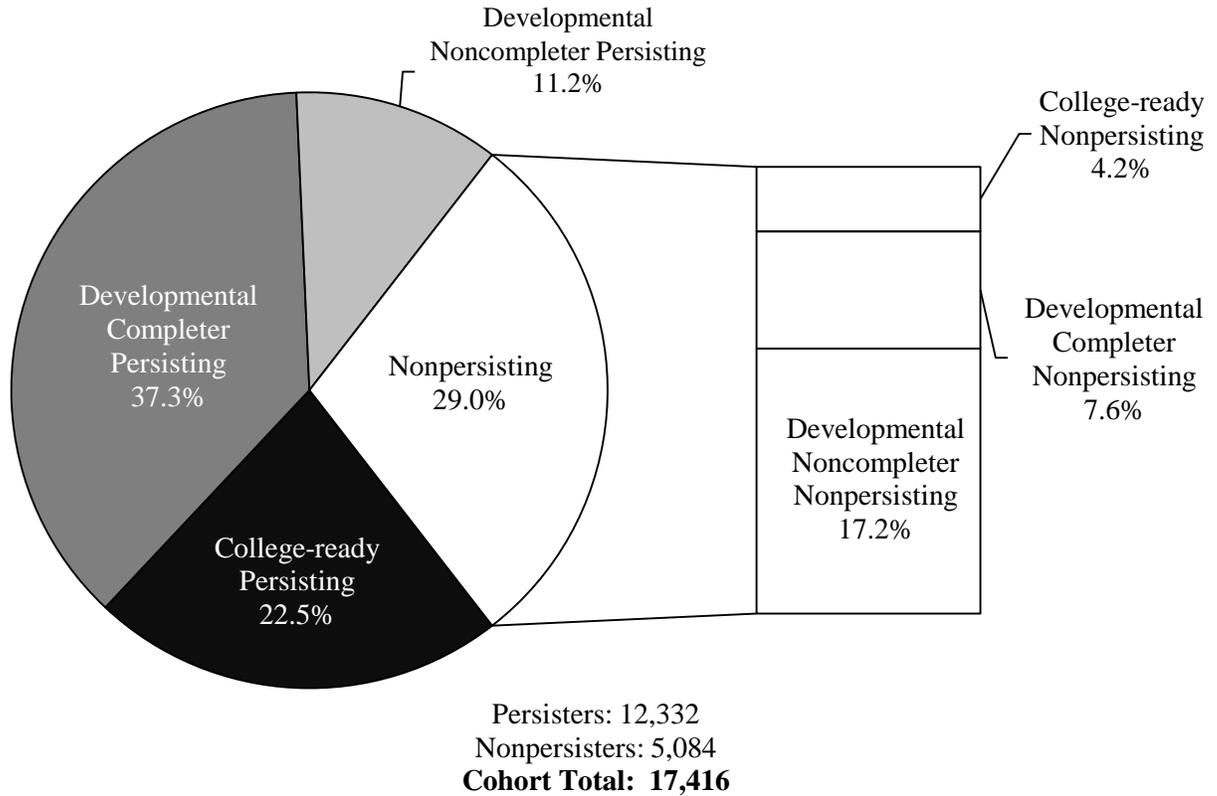
**Exhibit 4**  
**Students Taking Developmental Coursework**  
**Fall 2014 Cohort**

	<b>% of Cohort Who Required Developmental <u>Coursework</u></b>	<b>% of Developmental <u>Completers</u></b>	<b>% of Developmental <u>Noncompleters</u></b>
Allegany	91%	64%	36%
Anne Arundel	70%	60%	40%
Baltimore City	94%	48%	52%
Baltimore County	82%	59%	41%
Carroll	73%	70%	30%
Cecil	68%	70%	30%
Chesapeake	68%	66%	34%
College of Southern Maryland	58%	66%	34%
Frederick	57%	85%	15%
Garrett	78%	90%	10%
Hagerstown	79%	62%	38%
Harford	54%	79%	21%
Howard	75%	52%	48%
Montgomery	74%	72%	28%
Prince George's	83%	29%	71%
Wor-Wic	82%	60%	40%
<b>Statewide</b>	<b>73%</b>	<b>61%</b>	<b>39%</b>

Source: Maryland Higher Education Commission

**Exhibit 5** shows the entire fall 2014 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 these students who cease persisting, 59.3% are developmental noncompleters.

**Exhibit 5  
Persisting and Nonpersisting Students  
Fall 2014 Cohort**



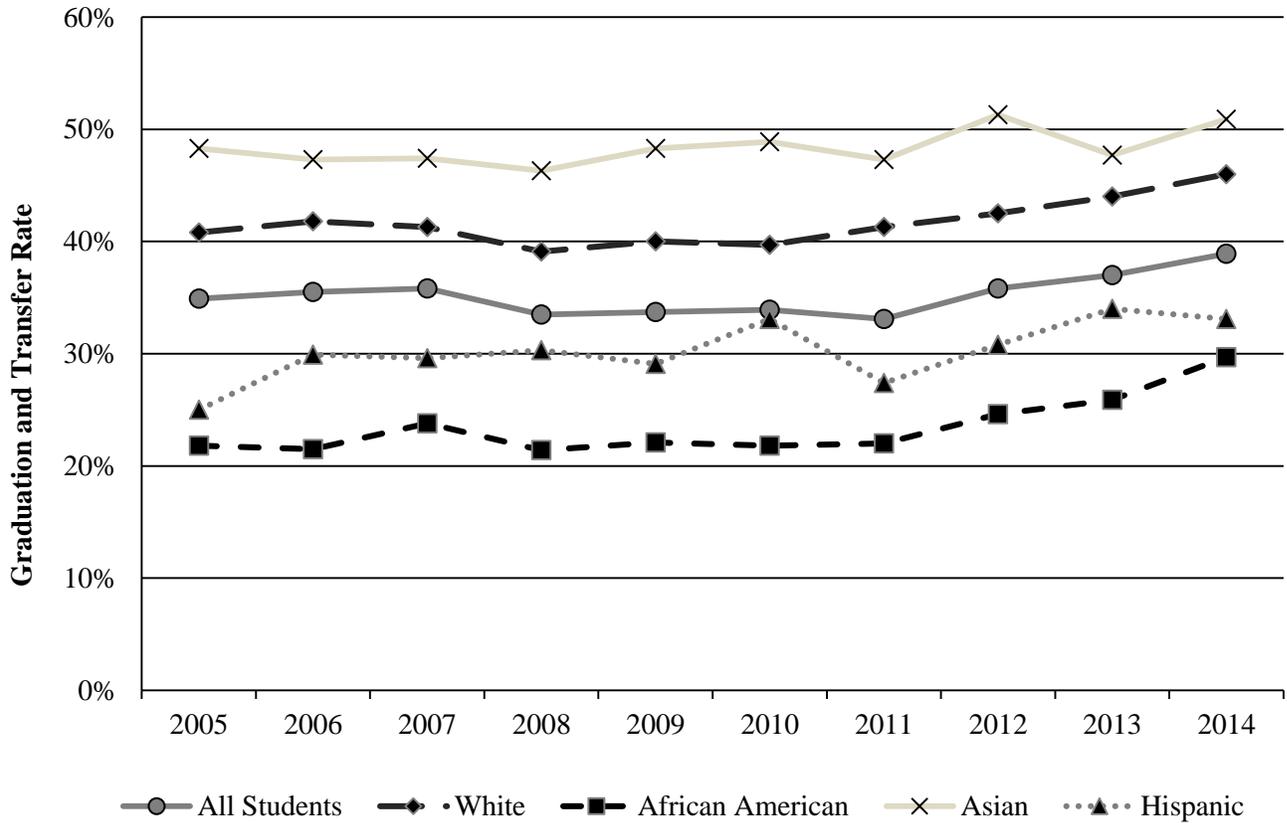
Source: Maryland Higher Education Commission

**2. Achievement Gap for Minority Students**

Another goal of the State is to narrow the achievement gap in the four-year graduation/transfer rate of minority students compared to all students. **Exhibit 6** shows the average rates that White, African American, Asian, and Hispanic students graduated or transferred from Maryland community colleges for the 2005 cohort through the 2014 compared to all students. For the 2014 cohort, Asian students have graduated or transferred at the highest rate in the State, 50.9%, White students at a rate of 46%, Hispanic students at a rate of 33.1%, and African American students at a rate of 29.7%. All students graduated or transferred at a rate of 38.9% for the fall 2014 cohort. This results in a gap of 9.2 percentage points and 5.8 percentage points below the all students average for African American and Hispanic students, respectively. While the four-year graduation or transfer rate of

African Americans remains the lowest in the State, the 29.7% rate represents the fourth continuous year of improvement, increasing from by 7.9 percentage points from the 2010 cohort total.

**Exhibit 6**  
**Four-year Graduation and Transfer Achievement Gap**  
**2005-2014 Cohorts**

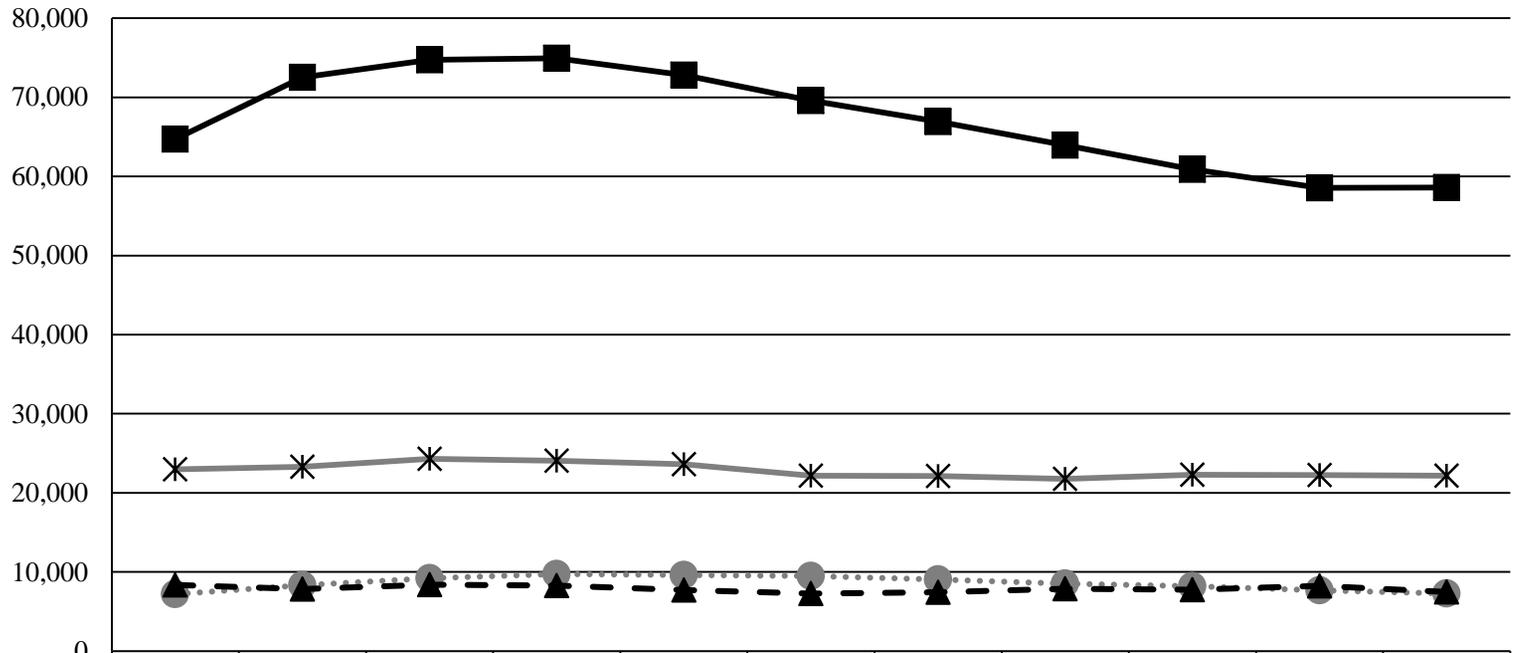


Source: Maryland Higher Education Commission

### 3. Community College Enrollment

Enrollment in Maryland community colleges reached its peak in the years following the Great Recession of 2008 as students usually enroll at community colleges in greater numbers when the economy is struggling and job prospects are low. **Exhibit 7** displays FTES enrollment from fiscal 2009 to 2019 for the three current Cade-eligible enrollments as well as ineligible enrollments, which are primarily composed of out-of-state students, while **Exhibit 8** provides the total enrollment at Maryland community colleges.

**Exhibit 7**  
**FTES Enrollment at Maryland Community Colleges**  
**Fiscal 2009-2019**

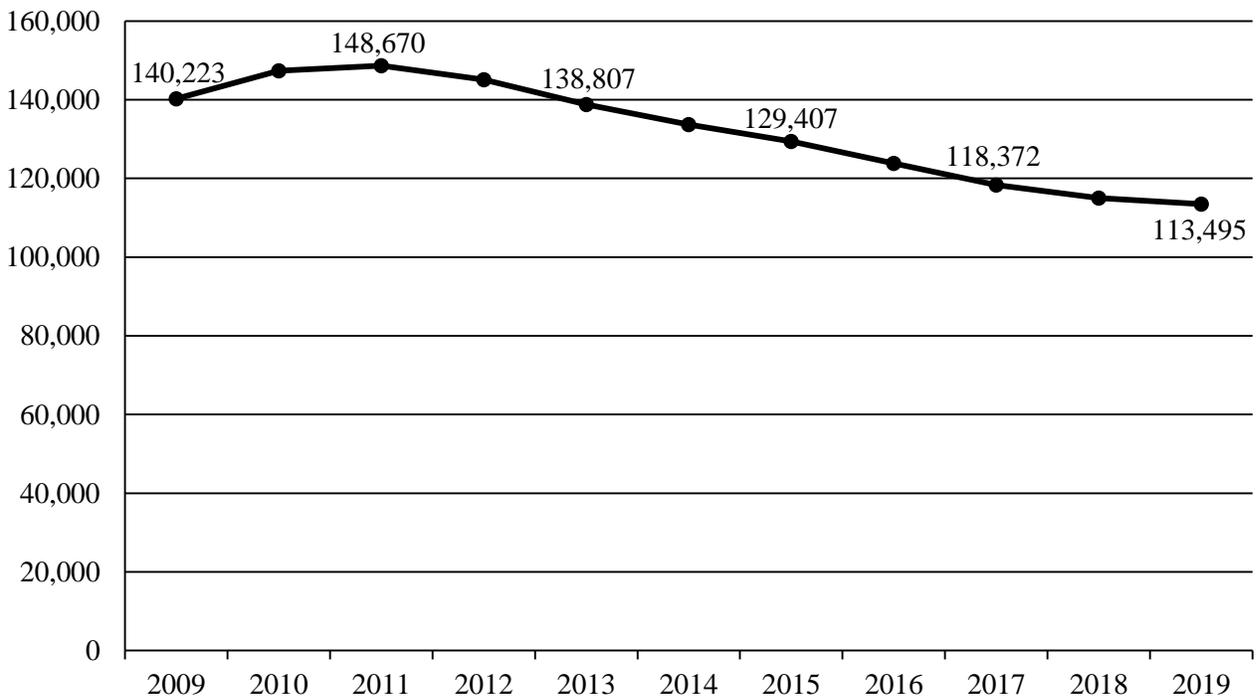


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
■ In-county Credit	64,695	72,529	74,752	74,950	72,789	69,571	66,910	63,934	60,887	58,569	58,584
● Out-of-county Credit	7,199	8,311	9,221	9,738	9,598	9,493	9,030	8,504	8,205	7,684	7,271
* Noncredit	22,961	23,277	24,306	24,048	23,628	22,171	22,126	21,782	22,280	22,238	22,153
▲ Ineligible	8,379	7,822	8,394	8,299	7,706	7,268	7,446	7,894	7,749	8,259	7,460

FTES: full-time equivalent student

Source: Maryland Higher Education Commission

**Exhibit 8**  
**Total Enrollment at Maryland Community Colleges**  
**Fiscal 2009-2019**



Note: Fall 2019 enrollment reflects opening fall enrollment data and is subject to revision.

Source: Maryland Higher Education Commission

Community college enrollment in Maryland decreased by 2,526 students, or 2.2%, in 2019. The 2019 total of 113,495 represents a decline of 35,209 students from the 2011 record high of 148,704, or 23.7%. This figure also represents the eighth consecutive year of Maryland community college enrollment declines as well as a 17-year total enrollment low.

**Fiscal 2020 Working Appropriation**

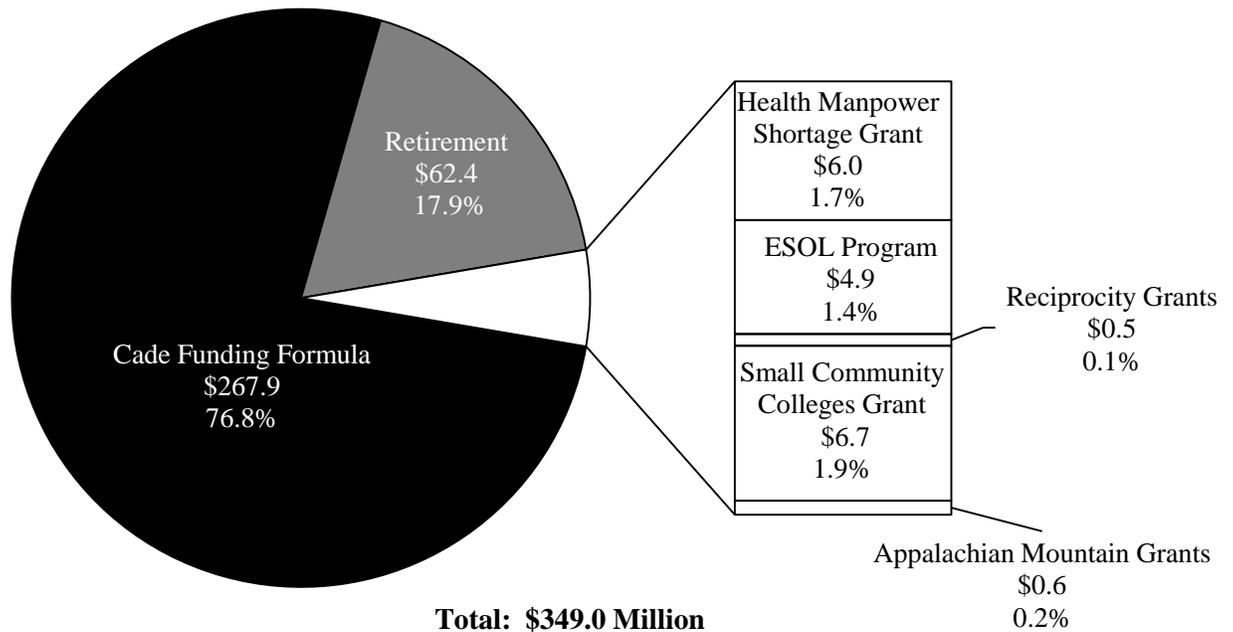
An agency reversion of \$328,000 was applied to the community college optional retirement program, resulting in a decrease of 0.5% in the fiscal 2020 working appropriation.

## Fiscal 2021 Allowance

### Overview of Agency Spending

The fiscal 2021 allowance, adjusted for contingent reductions, provides \$349.0 million for community colleges in the State. **Exhibit 9** details how this funding is distributed among the various programs that provide funding from the State for community colleges. The most significant amount of funding is from the Cade Funding Formula, which is funded at \$267.9 million, or 76.8% of total funding. Funding for eligible employees participating in either the defined benefit retirement plan or ORP totals \$62.4 million, or 17.9% of total funding. Other grant programs include the Health Manpower Shortage Grant, ESOL, the Small Community College Grant, the Appalachian Mountain Grants, and grants for reciprocity tuition agreements; these receive \$18.7 million altogether, or 5.4% of total funding.

**Exhibit 9**  
**Budgeted Allowance Adjusted for Contingent Reduction**  
**Fiscal 2021**  
**(\$ in Millions)**



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

Note: Numbers may not sum due to rounding. The fiscal 2021 allowance includes reductions contingent on legislation.

Source: Governor’s Fiscal 2021 Budget Books; Department of Legislative Services

**Proposed Budget Change**

**Exhibit 10** shows the budget changes for Aid to Community Colleges between the adjusted fiscal 2020 working appropriation and the adjusted fiscal 2021 allowance. In total, the budget grows by \$18.4 million in general funds, or 5.5%.

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**Exhibit 10**  
**Proposed Budget Contingent on Legislation**  
**Aid to Community Colleges**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Total</b>
Fiscal 2019 Actual	\$321,796	\$321,796
Fiscal 2020 Working Appropriation	330,670	330,670
Fiscal 2021 Allowance	<u>349,020</u>	<u>349,020</u>
Fiscal 2020-2021 Amount Change	\$18,350	\$18,350
Fiscal 2020-2021 Percent Change	5.5%	5.5%

<b>Where It Goes: Changes</b>	<b><u>Change</u></b>
Senator John A. Cade Funding Formula.....	\$18,197
Small Community College grants.....	582
English for Speakers of Other Languages grant .....	-305
Faculty and staff retirement contributions .....	-255
Somerset county reciprocity grant .....	95
Garrett County and West Virginia reciprocity grant.....	36
<b>Total</b>	<b>\$18,350</b>

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes planned reversions. The fiscal 2021 allowance includes reductions contingent on legislation.

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**The Cade Funding Formula**

As noted above, the current Cade Funding Formula is calculated based on actual community college enrollments from two years prior and a percentage of the proposed per student funding at selected public four-year institutions. Under this formula, funding to the Cade Funding Formula in fiscal 2021 was to grow by 14.6%, or \$36.4 million, increasing from \$249.7 million to \$286.1 million. The BRFA of 2020 would limit growth in the Cade formula in fiscal 2021 by half that amount, \$18.2 million or 7.3% as shown in **Exhibit 11**.

**Exhibit 11**  
**Senator John A. Cade Funding Formula Totals**  
**Fiscal 2020-2021**

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Current Law</u>	<u>2020-2021</u> <u>\$ Difference</u>	<u>2020-2021</u> <u>% Difference</u>	<u>2021</u> <u>BRFA</u>	<u>BRFA to 2020</u> <u>\$ Difference</u>	<u>BRFA to 2020</u> <u>% Difference</u>
Allegany College of Maryland	\$5,189,503	\$6,016,757	\$827,254	15.9%	\$5,603,130	\$413,627	8.0%
Anne Arundel Community College	29,544,083	33,836,363	4,292,280	14.5%	31,690,223	2,146,140	7.3%
Community College of Baltimore County	42,451,318	48,795,281	6,343,963	14.9%	45,623,299	3,171,981	7.5%
Carroll Community College	7,685,147	8,705,496	1,020,349	13.3%	8,195,322	510,175	6.6%
Cecil College	5,400,963	6,109,221	708,258	13.1%	5,755,092	354,129	6.6%
College of Southern Maryland	14,386,506	15,790,365	1,403,859	9.8%	15,088,436	701,930	4.9%
Chesapeake College	6,142,473	7,036,799	894,326	14.6%	6,589,636	447,163	7.3%
Frederick Community Colleges	11,154,005	12,930,731	1,776,726	15.9%	12,042,368	888,363	8.0%
Garrett College	2,867,621	3,188,085	320,464	11.2%	3,027,853	160,232	5.6%
Hagerstown Community College	8,532,323	10,100,448	1,568,125	18.4%	9,316,385	784,062	9.2%
Harford Community College	12,092,900	13,887,341	1,794,441	14.8%	12,990,121	897,221	7.4%
Howard Community College	19,809,410	23,110,458	3,301,048	16.7%	21,459,934	1,650,524	8.3%
Montgomery College	45,255,118	51,521,780	6,266,662	13.8%	48,388,449	3,133,331	6.9%
Prince George's Community College	31,245,262	35,928,295	4,683,033	15.0%	33,586,778	2,341,516	7.5%
Wor-Wic Community College	7,963,409	9,155,721	1,192,312	15.0%	8,559,565	596,156	7.5%
<b>TOTAL</b>	<b>\$249,720,041</b>	<b>\$286,113,141</b>	<b>\$36,393,100</b>	<b>14.6%</b>	<b>\$267,916,591</b>	<b>\$18,196,550</b>	<b>7.3%</b>

BFRA: The Budget Reconciliation and Financing Act

Source: Department of Legislative Services

In addition to the change in the fiscal 2021 funding level, the BRFA proposes to alter the Cade Funding Formula beginning in fiscal 2022, and each subsequent year, such that the total State funds to be distributed to each community college shall be the amount of aid provided to that college in the current fiscal year as approved in the State budget increased by the percentage by which the projected total General Fund revenues for the upcoming fiscal year exceed the revised estimate of total General Fund revenues for the current fiscal year, as contained in the December report of estimated revenues submitted to BRE.

This altered formula calculation would de-link the funding formula from the current system that is based on FTES, fixed cost, marginal cost, size factor, and a hold harmless provision at the respective community colleges and a percentage of State funding that is provided per FTES to selected four-year public institutions of higher education. **Exhibit 12** displays the projected Cade Formula funding level through fiscal 2025, comparing current law to the BRFA of 2020.

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**Exhibit 12**  
**Cade Funding Formula Comparison**  
**Fiscal 2021-2025**  
**(\$ in Millions)**

<u>Cade Funding Formula</u>	<u>Allowance</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>	<u>Projected</u> <u>2024</u>	<u>Projected</u> <u>2025</u>
<b>Current Law</b>	\$286.1	\$319.7	\$374.2	\$397.0	\$424.8
<b>BRFA</b>	\$267.9	\$274.4	\$283.9	\$294.2	\$304.2
<i>Estimated Growth (GF Growth)</i>		2.4%	3.5%	3.6%	3.4%
<b>Difference Current Law/BRFA</b>	<b>-\$18.2</b>	<b>-\$45.3</b>	<b>-\$90.3</b>	<b>-\$102.8</b>	<b>-\$120.6</b>

BRFA: Budget Reconciliation and Financing Act  
 GF: general fund

Source: Department of Legislative Services

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The funding mandate decreases significantly in each successive fiscal year under the BRFA Cade Funding Formula. The proposed change to the Cade Funding Formula is projected to result in mandate relief totaling \$377.2 million from fiscal 2021 through 2025.

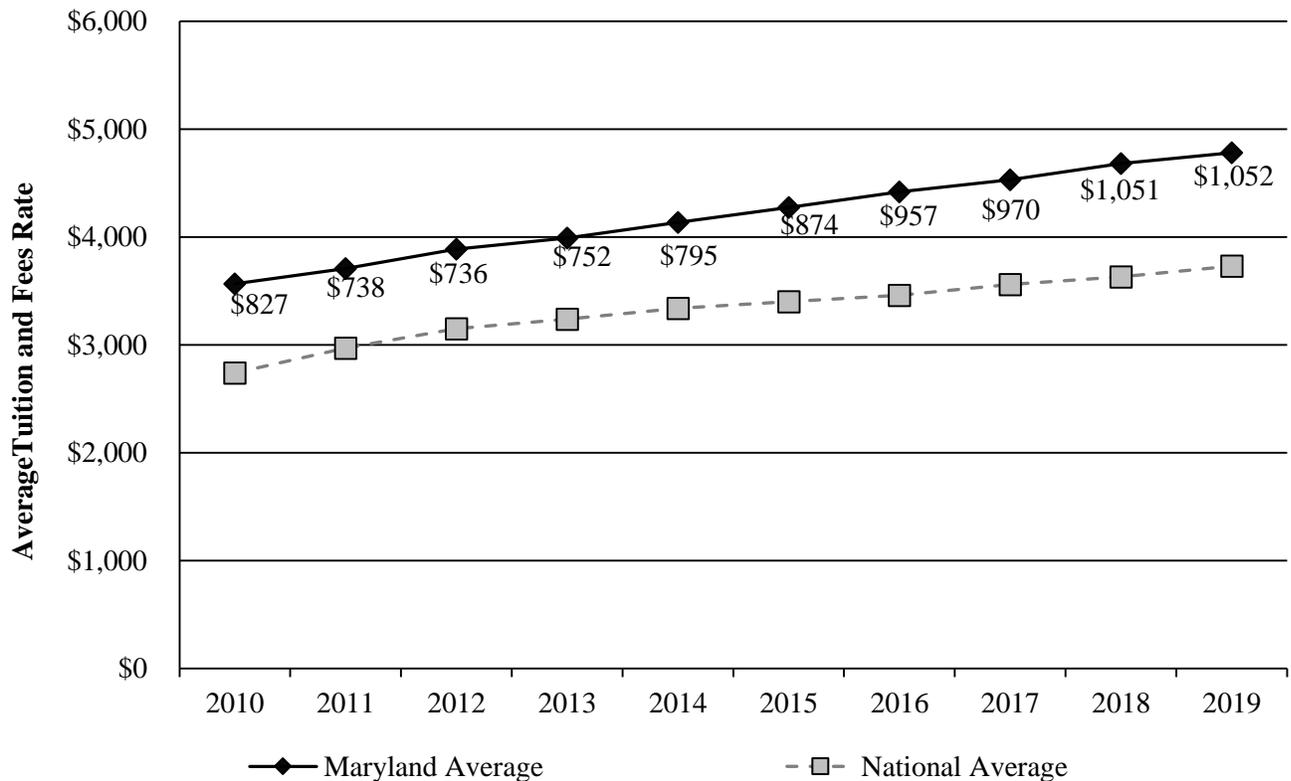
**The Department of Legislative Services (DLS) recommends amending the BRFA to retain the linkage to the level of FTES at the community colleges and State support per FTES at selected public four-year institutions of higher education in the Cade Funding Formula. DLS also recommends permanently calculating the Cade allocation using the percentage of the State’s per FTES funding for selected public institutions of higher education to which the fiscal 2021 Cade funding level approved by the General Assembly equates.**

**Issues**

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

Community Colleges offer a significantly lower cost of entry into higher education compared to public four-year institutions for students living within the community college’s service area. According to The College Board, the enrollment weighted average of Maryland public four-year institutions’ tuition and fees was \$10,115 in fall 2019, compared to \$4,782 at the State’s community colleges; this means, on average, community colleges are 52% less expensive. However, the average community college tuition and fee rate is higher than the national average, and the gap continues to increase. **Exhibit 13** shows the difference between the State and national average from fall 2010 to 2019. The most recent gap for fall 2019 of \$1,052 represents the largest amount for this time period.

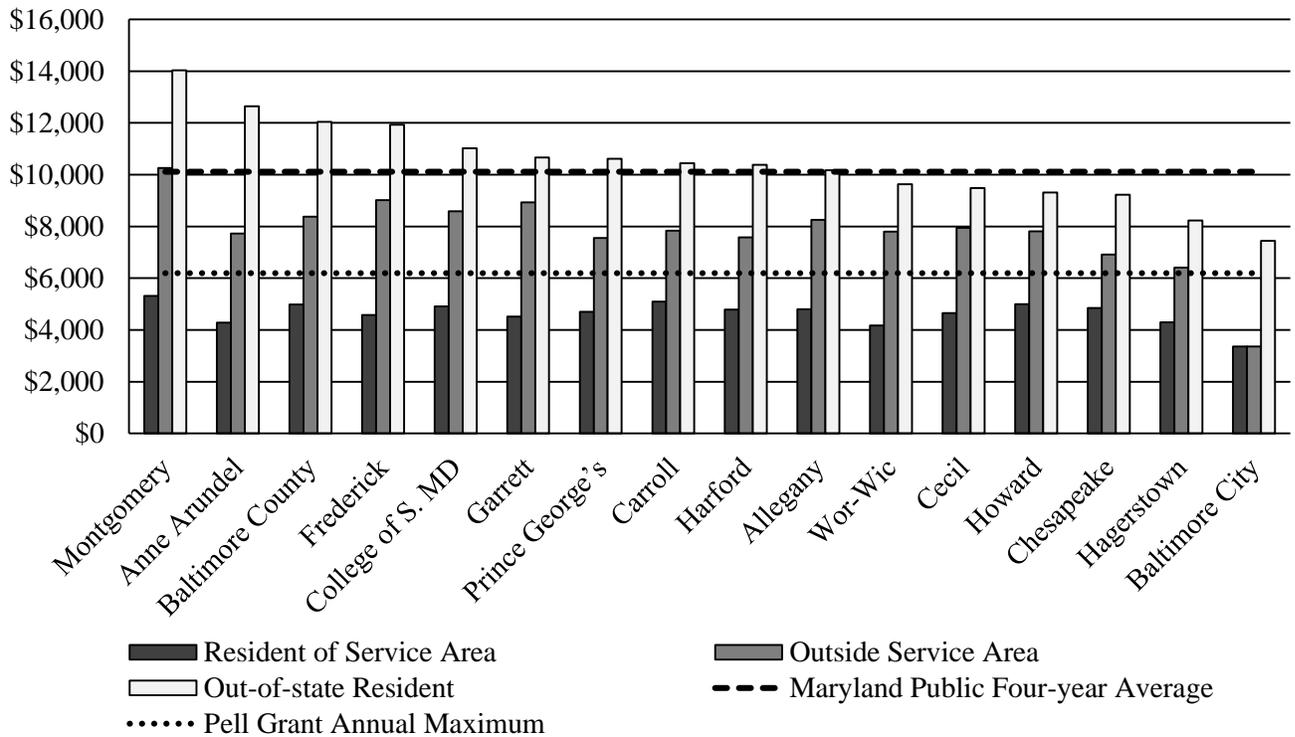
**Exhibit 13**  
**Community College Tuition and Fee Rates**  
**Comparing Maryland Average and National Average**  
**Fall 2010-2019**



Source: The College Board, *Annual Survey of Colleges – Trends in College Pricing, 2019*

**Exhibit 14** shows the annual tuition and fee rates by community college for full-time students for fall 2019. Among the Cade-funded institutions, Montgomery College is the State’s most expensive community college for resident students at \$5,322. State run BCCC has the lowest rate, \$3,364, which is charged to all Maryland residents regardless of the student’s county of residency. Including BCCC, the statewide average for tuition and fees is \$4,644 for a service-area resident, \$7,733 for all other Marylanders, and \$10,455 for out-of-state residents.

**Exhibit 14  
Tuition and Fee Rates by Community College  
Fall 2019**



S.MD: Southern Maryland

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

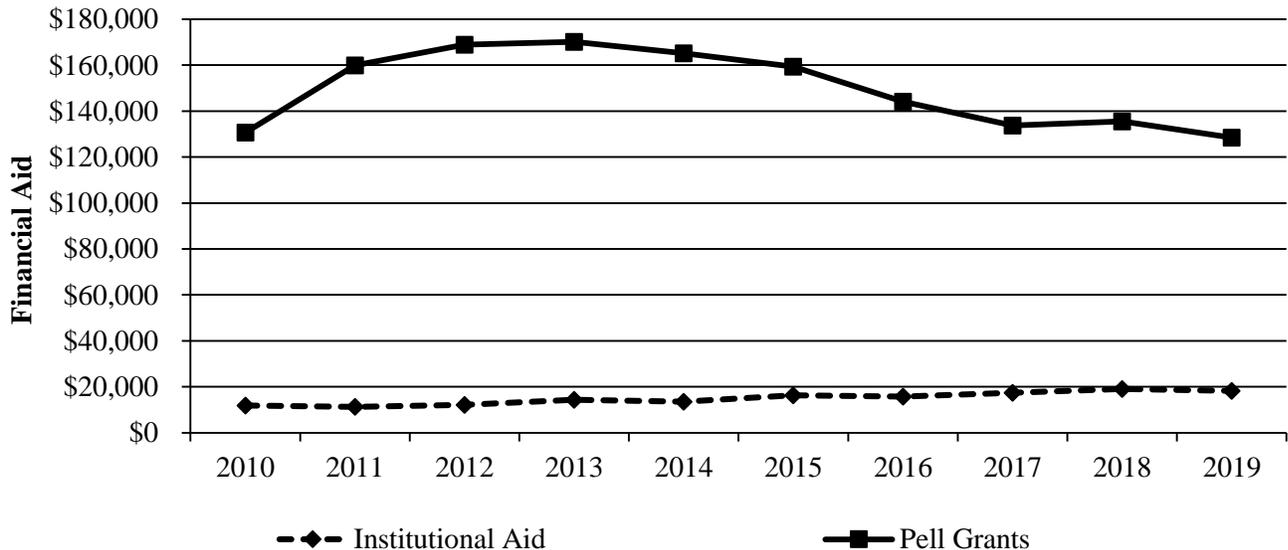
While community colleges may be affordable for students who live in the respective service areas, they continue to be out of the price range of many Marylanders. Pell grant awards, a federal low-income student financial aid program, are valued at a maximum of \$6,195 for fall 2019, meaning that they are unable to cover all tuition and mandatory fees for out-of-service area Marylanders for all community colleges in the State. Montgomery College’s out-of-service area tuition and fees of \$10,254 is actually higher than the weighted in-state average tuition and fees for public four-year institutions as reported by the College Board (\$10,115).

## 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 15** shows the total amount of need-based and merit awarded by community colleges to students from fiscal 2010 to 2019 as well as the amount of Pell grants students received. In fiscal 2019, Maryland’s community colleges awarded \$18.3 million in institutional aid, a decrease of \$0.8 million when compared to fiscal 2018. The amount of institutional aid provided is dwarfed by Pell grants, which totaled \$128.5 million for Maryland students attending community college in fiscal 2019, or 87.6% of total aid provided in fiscal 2019. Total Pell aid for community college students decreased by \$7.0 million in fiscal 2019, reversing the fiscal 2018 gain, and continuing an overall downward trend that began in fiscal 2014. This decline in institutional aid awarded should not be surprising given the overall general decrease in total enrollment at Maryland community colleges.

**Exhibit 15**  
**Total Institutional Aid and Pell Grants**  
**Fiscal 2010-2019**  
**(\$ in Thousands)**

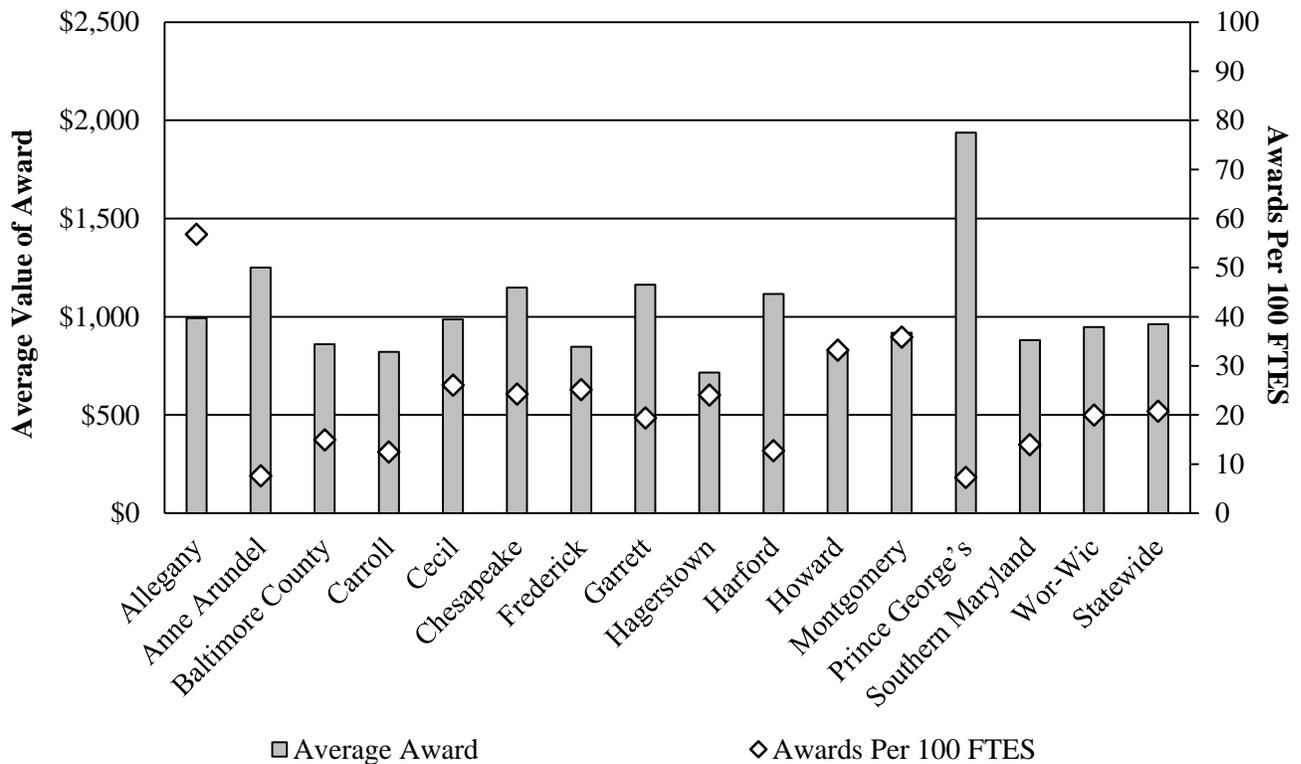


Note: All data is self-reported by the institutions. Data does not include Baltimore City Community College.

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

**Exhibit 16** 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 a student, 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 57. This is in large part due to scholarship programs in that county that cover the cost after federal aid of community college for first-time, full-time students at that institution. PGCC gave the largest average award at \$1,937. PGCC implemented a promise scholarship program in fiscal 2018 that may contribute to these large average award amounts. However, as only 7 students per 100 at PGCC received institutional aid in fiscal 2019, the number of students benefiting from this program appears to be limited.

**Exhibit 16**  
**Average Institutional Aid Awards and Awards Per 100 FTES**  
**Fall 2019**



FTES: full-time equivalent student

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

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

## **2. Local Last Dollar Scholarships and the Promise Scholarship**

Promise scholarships address concerns around the increasing cost of college and student debt and send a message that college is affordable. Currently, 16 states have established a tuition-free community college program. The majority are last-dollar scholarship programs in which the grant or scholarship covers any remaining tuition cost after Pell awards and other financial aid are exhausted.

Chapter 554 of 2018 created the Maryland Community College Promise Scholarship Program (MCCPS), a last-dollar scholarship program that was available to applicants in the 2019-2020 academic year. Recipients may receive awards of up to \$5,000 to cover any remaining tuition and mandatory fee expenses after all other nonloan aid has been applied. Awards are available only to students under certain income levels and include a service obligation in that recipients must sign an agreement to work full-time in the State within one year of earning a certificate or degree. For a detailed analysis on the funding and administration for MCCPS, please refer to the MHEC – Student Financial Assistance analysis (R62I0010).

Several promise-like programs were already in existence upon implementation of MCCPS, such as in Allegany, Garrett, and Wicomico counties, for attendance at community colleges. Additionally in 2017, Somerset County received State funding to launch its own program for residents attending Wor-Wic Community College. PGCC implemented a promise scholarship in fall 2017. Additional promise-like programs have been launched in Baltimore City and Baltimore County. Chapter 464 of 2019 clarified that if a recipient is eligible for a local promise scholarship that a MCCPS award must be credited to the recipient’s tuition before the award of the local promise scholarship making qualified local promise scholarships the ultimate “last dollar” scholarship.

In fiscal 2020, the first year of MCCPS, 1,221 awards were made to students at every community college totaling \$4.0 million. The amount of awards distributed by MHEC for the MCCPS was well below the initial \$15 million allowance that was mandated to fund the program. **In light of this underutilization of the MCCPS, DLS requests the Executive Director of the Maryland Association of Community Colleges to discuss what actions the respective community colleges undertake to market MCCPS and the local promise-like programs.**

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

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1. Concur with Governor's allowance.

## ***Budget Reconciliation and Financing Act Recommended Actions***

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1. Amend the Budget Reconciliation and Financing Act (BRFA) to retain the linkage to the level of enrollment in the community colleges and State support for certain public four-year institutions of higher education in the Senator John A. Cade Funding Formula. Further amend the BRFA to calculate the formula for fiscal 2022 and subsequent years using the percentage of the State's per full-time equivalent student funding for the selected public four-year institutions of higher education to which the fiscal 2021 Cade funding level approved by the General Assembly equates.

**Appendix 1  
Object/Fund Difference Report  
Aid to Community Colleges**

<u>Object/Fund</u>	<u>FY 19 Actual</u>	<u>FY 20 Working Appropriation</u>	<u>FY 21 Allowance</u>	<u>FY 20 - FY 21 Amount Change</u>	<u>Percent Change</u>
<b>Objects</b>					
12 Grants, Subsidies, and Contributions	\$ 321,795,547	\$ 330,998,276	\$ 367,216,919	\$ 36,218,643	10.9%
<b>Total Objects</b>	<b>\$ 321,795,547</b>	<b>\$ 330,998,276</b>	<b>\$ 367,216,919</b>	<b>\$ 36,218,643</b>	<b>10.9%</b>
<b>Funds</b>					
01 General Fund	\$ 321,795,547	\$ 330,998,276	\$ 367,216,919	\$ 36,218,643	10.9%
<b>Total Funds</b>	<b>\$ 321,795,547</b>	<b>\$ 330,998,276</b>	<b>\$ 367,216,919</b>	<b>\$ 36,218,643</b>	<b>10.9%</b>

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

**Appendix 2  
Fiscal Summary  
Aid to Community Colleges**

<u>Program/Unit</u>	<u>FY 19 Actual</u>	<u>FY 20 Wrk Approp</u>	<u>FY 21 Allowance</u>	<u>Change</u>	<u>FY 20 - FY 21 % Change</u>
05 Senator John A. Cade Funding Formula for	\$ 260,993,424	\$ 268,037,522	\$ 304,838,789	\$ 36,801,267	13.7%
06 Aid to Community Colleges – Fringe Benefits	60,802,123	62,960,754	62,378,130	-582,624	-0.9%
<b>Total Expenditures</b>	<b>\$ 321,795,547</b>	<b>\$ 330,998,276</b>	<b>\$ 367,216,919</b>	<b>\$ 36,218,643</b>	<b>10.9%</b>
General Fund	\$ 321,795,547	\$ 330,998,276	\$ 367,216,919	\$ 36,218,643	10.9%
<b>Total Appropriations</b>	<b>\$ 321,795,547</b>	<b>\$ 330,998,276</b>	<b>\$ 367,216,919</b>	<b>\$ 36,218,643</b>	<b>10.9%</b>

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.