

**R62I0005**  
**Aid to Community Colleges**  
**Maryland Higher Education Commission**

***Executive Summary***

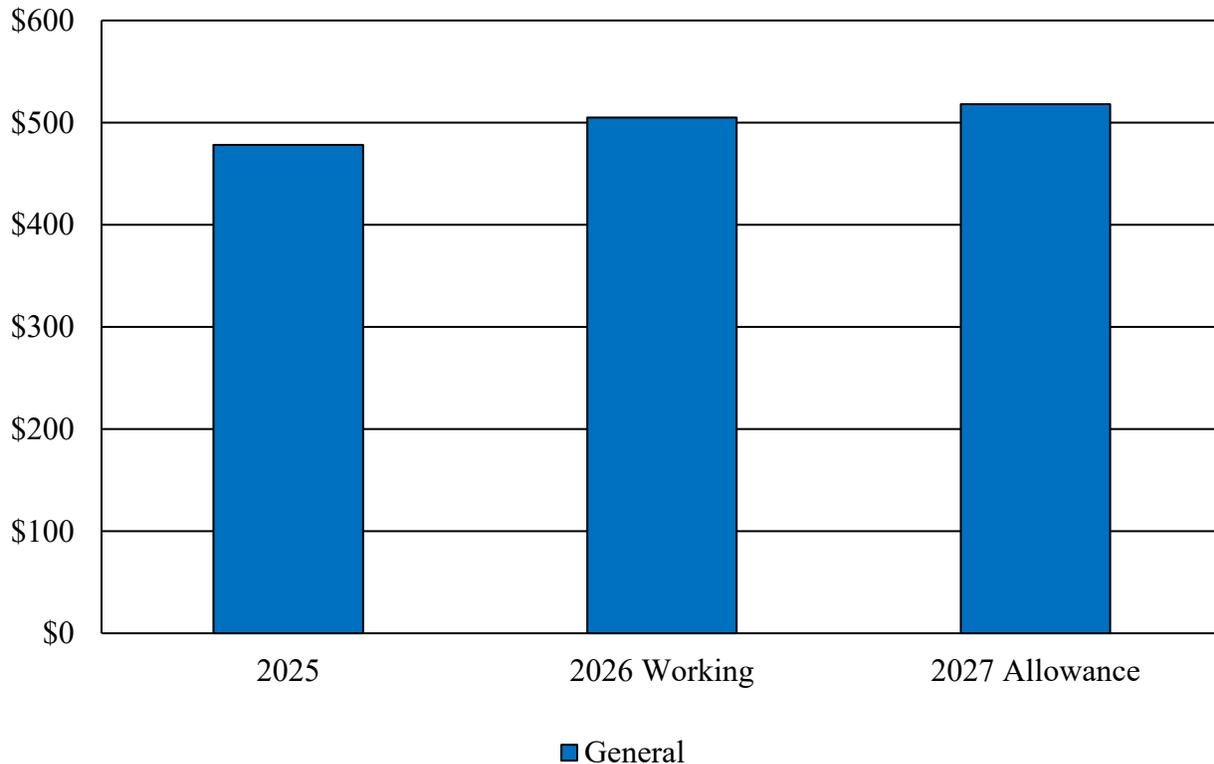
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The Aid to Community Colleges budget contains State funding for local community colleges as administered by the Maryland Higher Education Commission (MHEC). The majority of this funding is determined under various aid programs, most significantly the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

***Operating Budget Summary***

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**Fiscal 2027 Budget Increases \$13.0 Million, or 2.6%, to \$518.1 Million**  
**(\$ in Thousands)**



Note: Numbers may not sum due to rounding. The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions.

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- The fiscal 2027 allowance for Aid to Community Colleges increases by \$13.0 million compared to fiscal 2026 after accounting for proposed deficiency appropriations and contingent reductions. Two provisions in the Budget Reconciliation and Financing Act (BRFA) of 2026 impact this budget. One provision impacting the Cade Funding Formula places a 3% cap on the year-over-year increase in funding that each community college can receive for fiscal 2027 to 2029, a reduction of \$21 million in general funds is contingent on this provision. Another provision reduces the State’s share of retirement costs for teachers, community colleges, and librarians by 50% of the growth between fiscal 2026 and 2027, which for Aid to Community Colleges is a reduction of \$2.3 million contingent on this provision.
- Absent the reductions associated with these provisions, the fiscal 2027 allowance would increase by \$36.4 million, or 7.2%, compared to the fiscal 2026 working appropriation after accounting for proposed deficiency appropriations.

## ***Key Observations***

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- ***Community College Enrollment Increases for a Third Consecutive Fall:*** Using the preliminary opening fall 2025 enrollment, the total community college headcount increased by 4.2% (4,256) compared to fall 2024, to 112,195. Despite these gains, headcount is 13.3% (17,212 students) below the fall 2015 level.
- ***Persister Rates for First-time, Full- and Part-time Students Reaches Highest Mark in 10 Years:*** As tracked by MHEC, the successful persister rate for first-time, full- and part-time students in the 2020 cohort reached 76.4%, a 4.0 percentage point increase from the 2019 cohort, and a 7.6 percentage point increase from the 2010 cohort.
- ***Dual Enrollment Continues to Grow:*** The number of dually enrolled high school students at community colleges increased by 45% (10,138 students) between the 2021 to 2022 and 2023 to 2024 cohorts. This was driven by an increase in the proportion of grade 10 and grade11 students dually enrolling.

## **Operating Budget Recommended Actions**

1. Amend language making a reduction contingent on a provision reducing the State share of community college retirement to increase the reduction that is contingent.

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## ***Operating Budget Analysis***

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### **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 amount of aid is based on a percentage of the 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. As amended by Chapter 717 of 2024 (BRFA) beginning in fiscal 2025, formula funding is based on (1) an amount equal to 27.2% of the State aid per FTES at the selected four-year institutions in the second prior year; (2) FTES enrollment at each community college two-years prior or the average of FTES enrollment from the second, third, and fourth prior year, whichever is greater (for example, fiscal 2027 is based on State aid per FTES at selected four-year schools using fiscal 2025 actual expenditures and FTES enrollment); and (3) a size factor component for each school with less than or equal to 80% of the State's median community college 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:*** Some students are permitted to attend out-of-county community colleges and pay in-county tuition rates. These 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; and
- ***Garrett/West Virginia Reciprocity Program:*** Allows West Virginia residents to attend Garrett College at in-county tuition rates and provides reimbursement for tuition waivers.

- ***Somerset County Reimbursement Program:*** 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 most of the costs associated with the various retirement plans. The State does not fund the administration costs for the State Retirement Agency. 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.

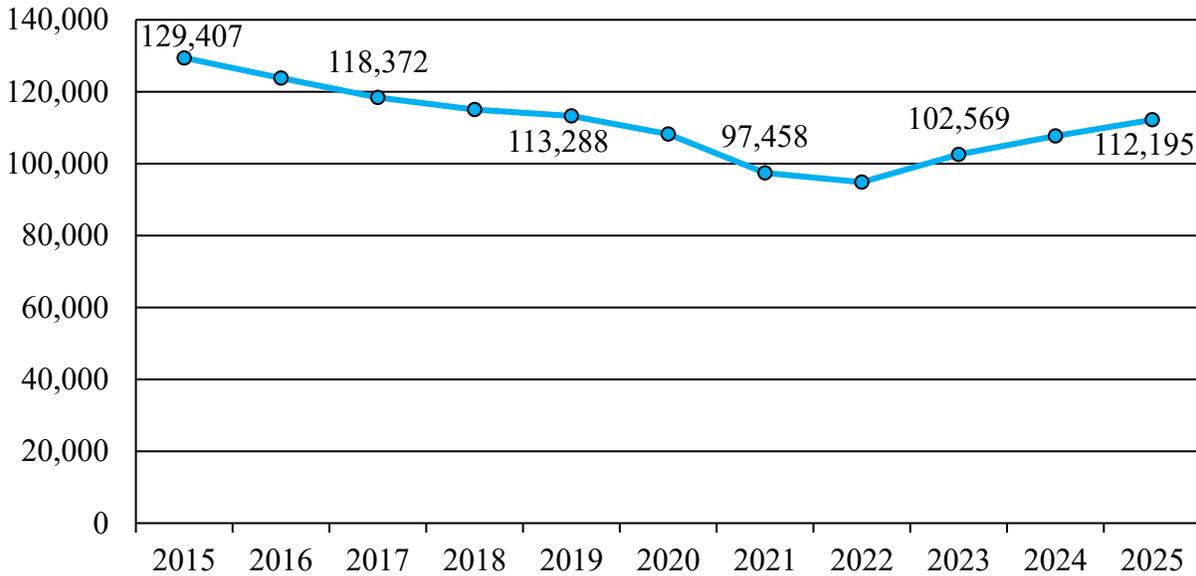
## ***Performance Analysis: Managing for Results***

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### **1. Enrollment Increases**

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. As shown in **Exhibit 1**, total enrollment declined each fall from 2015 (129,407 students) until the lowest point in fall 2022 (94,834 students), a decrease of 26.7%. The typical recessionary trend did not occur in fall 2020 or 2021, despite the dramatic economic dislocation caused by the COVID-19 pandemic, and enrollment did not increase year over year until fall 2023. Since fall 2023, total enrollment has increased each year. From fall 2022 to 2025, enrollment increased by 18.3% (17,361 students). From fall 2024 to 2025, total enrollment increased by 4.2% (4,526).

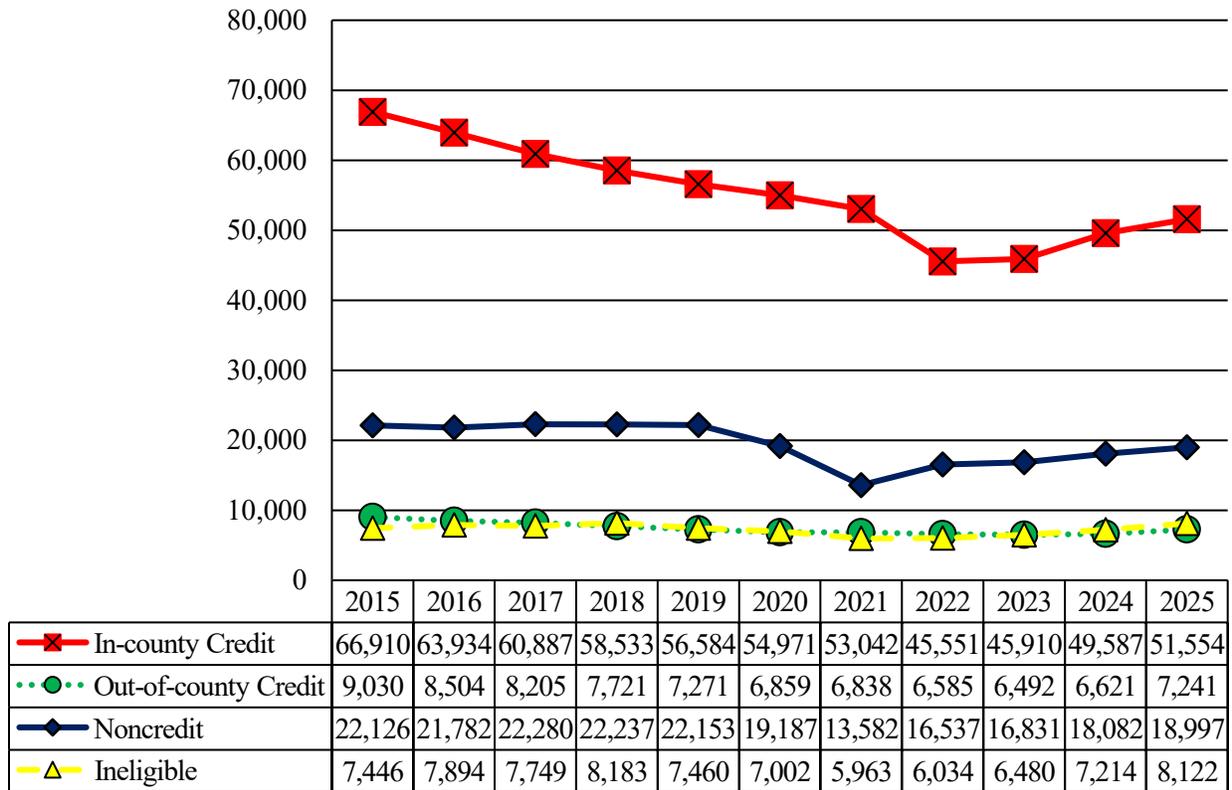
**Exhibit 1  
Total Enrollment at Maryland Community Colleges  
Fall 2015-2025**



Source: Maryland Higher Education Commission

**Exhibit 2** displays FTES enrollment from fiscal 2015 to 2025 for the three Cade-eligible enrollment segments as well as ineligible enrollments, which are primarily composed of out-of-state students. From fiscal 2015 to 2022, in-county credit FTES declined by 20.7% (21,359). After fiscal 2022, in-county credit FTES enrollment has generally increased, with a combined increase from fiscal 2022 to 2025 of 13.2% (6,003), and fiscal 2025 marked the third consecutive year of growth. The trend for noncredit FTES initially differed from in-county credit FTES, as these counts remained between 21,782 and 22,280 FTES from fiscal 2015 to 2019. However, from fiscal 2019 to 2021, noncredit FTES declined by 38.7% (8,571). The Maryland Association of Community Colleges (MACC) has attributed the noncredit enrollment decline in these fiscal years to 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 their return in-person. Since its lowest point in fiscal 2021, noncredit FTES have increased in four consecutive years, growing by 39.9% (55,415) from fiscal 2021 to 2025. However, at 18,997, the fiscal 2025 noncredit FTES remain 14.1% (3,129) below their fiscal 2015 level. Out-of-county credit FTES have increased for two consecutive years, growing by 11.5% (749) from fiscal 2023 to 2025. Overall, there were 77,792 eligible FTES in fiscal 2025, which is 20.7% (20,274) less than in fiscal 2015. Year over year, eligible FTES increased by 4.7% (3,502) in fiscal 2025.

**Exhibit 2**  
**Full-time Equivalent Student Enrollment at Maryland Community Colleges**  
**Fiscal 2015-2025**



Source: Maryland Higher Education Commission

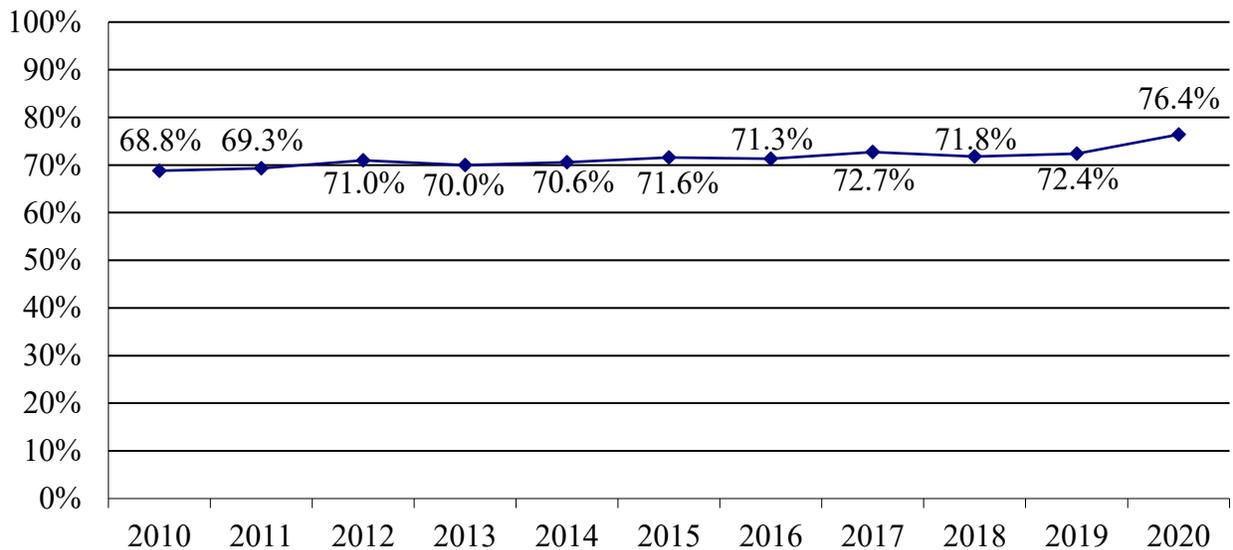
## 2. Persister Rates

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- and four-year institutions. 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 completed at least 30 credits with a grade point average of 2.0 or better, has graduated, or has transferred.

**Exhibit 3** shows the statewide successful persister rates for the 2010 through 2020 cohorts tracked by MHEC. Members of these cohorts are first-time, full- and part-time students who have

attempted at least 18 credit hours within their first two years of enrollment. The persister rates were consistently between 70.0% and 72.7% from the 2012 to 2019 cohorts. However, the persister rate for the 2020 cohort increased by 4.0 percentage points compared to the 2019 cohort. At 76.4%, the 2020 cohort had the highest persister rate during the 2010 to 2020 period. **MACC should discuss the reasons for the increased persister rate with the 2020 cohort.**

**Exhibit 3**  
**Four-year Successful Persister Rate**  
**Fiscal 2010-2020**



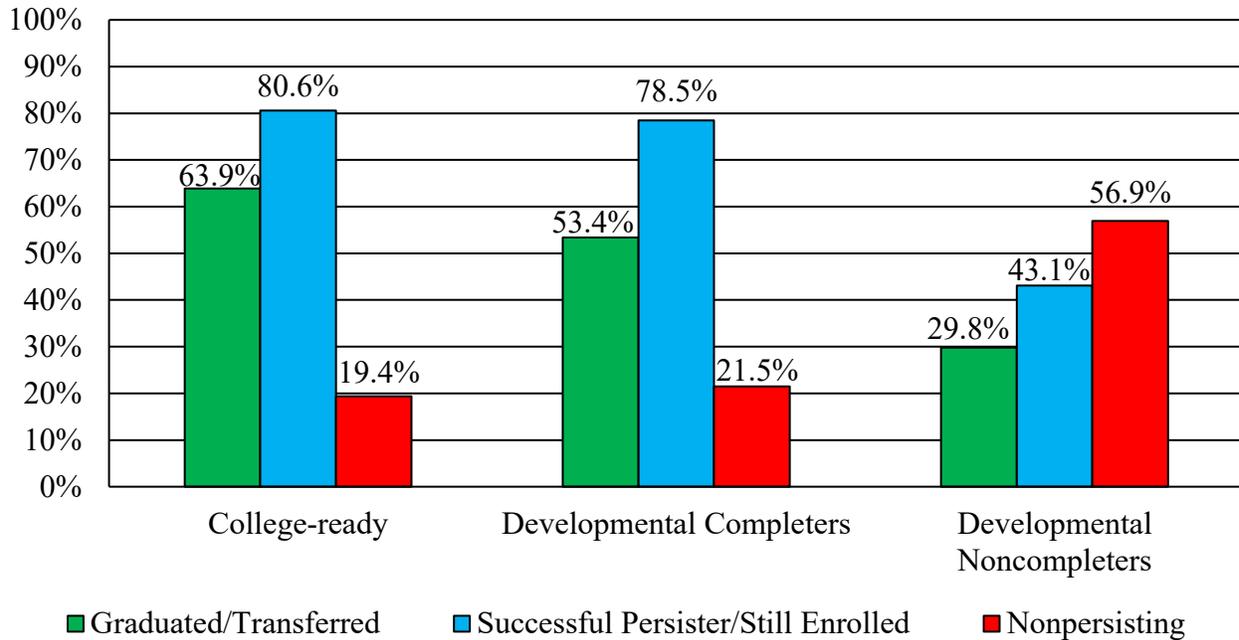
Source: Maryland Higher Education Commission Degree Progress Analysis Dashboard

The successful persister rates after four years for three separate segments of students are also tracked by MHEC: (1) college-ready; (2) developmental completers (students who required and 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 in the recommended areas after four years). Members of these segments are first-time, full- and part-time students who have attempted at least 18 credit hours within their first two years of enrollment.

As shown in **Exhibit 4**, among the 2020 cohort, college-ready students graduated or transferred at the highest rate (63.9%) followed by developmental completers (53.4%). Both of these groups exceeded developmental noncompleters, who only graduated or transferred at a rate of 29.8%. Graduates and transfers are also a component of the successful persister/still enrolled category. Developmental completers (78.5%) almost match college-ready students (80.6%) as

successful persisters. In the 2020 cohort for these two segments, both had nonpersisting rates of 21.5% or lower. On the contrary, the majority of developmental noncompleters (56.9%) were nonpersisting after four years, and only 43.1% were successful persisters.

**Exhibit 4**  
**Degree Progress Four Years after Initial Enrollment**  
**Fall 2020**



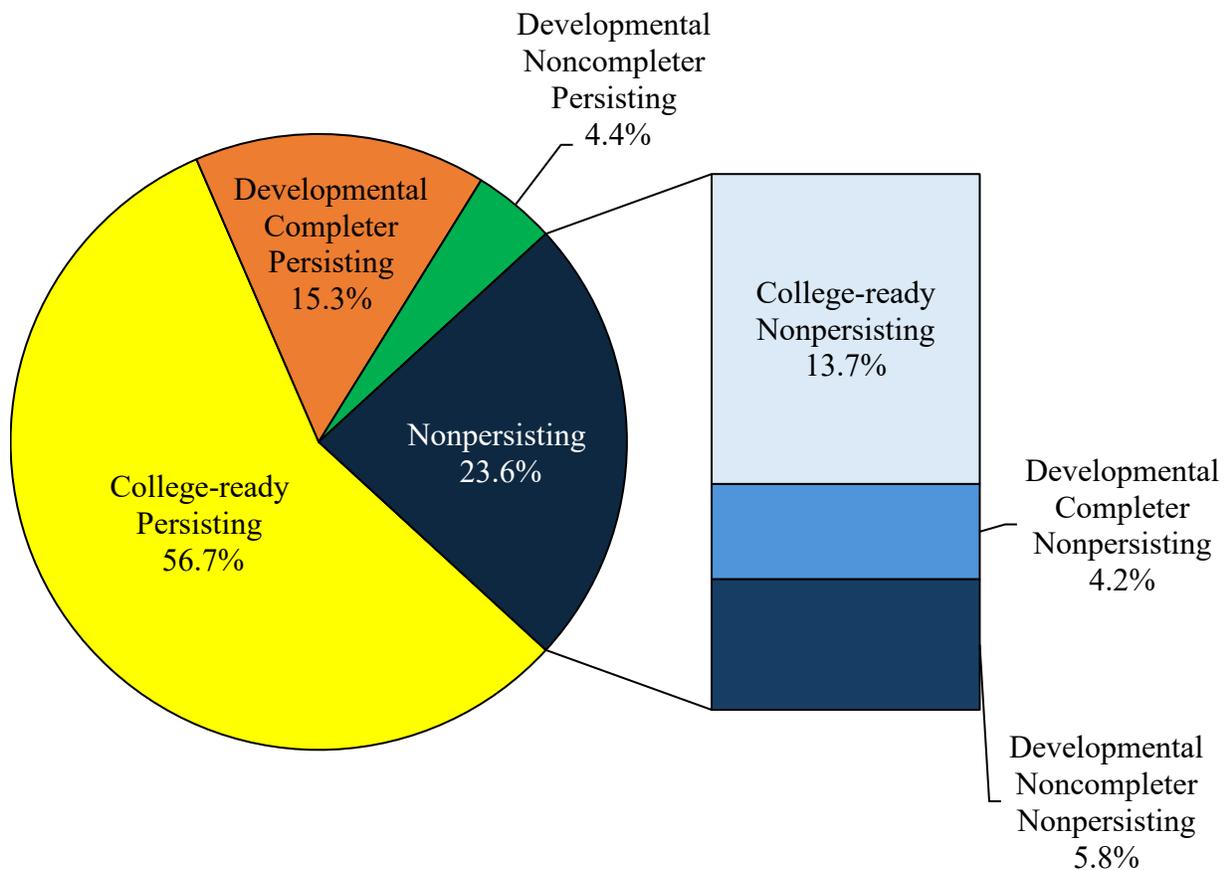
Source: Maryland Higher Education Commission Degree Progress Analysis Dashboard

**Exhibit 5** shows the perister and nonperister rates for college-ready, developmental completer, and developmental noncompleter students in the 2020 cohort as tracked by MHEC. Members of this cohort are first-time, full- and part-time students who have attempted at least 18 credit hours within their first two years of enrollment. The majority of the 2020 cohort were college-ready persisters (56.7%), while persisting developmental completers and persisting developmental noncompleters comprised 15.3% and 4.4%, respectively. Of the fall 2020 cohort, 23.6% did not persist, and this group was primarily made of college-ready nonpersisters. Of the total cohort, 13.7% were college-ready nonpersisters; 5.8% were developmental noncompleters who did not persist; and 4.2% were developmental completers who did not persist. Compared to the fall 2019 cohort, which was comprised of 53% college-ready students, 30% developmental completers, and 17% developmental noncompleters, the fall 2020 cohort was 70% college-ready students (17 percentage point increase), 20% developmental completers (10 percentage point decrease), and 10% developmental noncompleters (7 percentage point decrease). The overall

distribution of the 2020 cohort relative to the 2019 cohort results in college-ready students comprising a large share of both persisting and nonpersisting students. **MACC should discuss if placement tests to determine whether students are college ready or require development coursework for students were different during virtual learning caused by the COVID-19 pandemic compared to the placement system used before virtual learning and any other factor leading to a notable increase in the share of students determined to be college ready.**

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**Exhibit 5**  
**Persisting and Nonpersisting Students**  
**Fall 2020 Cohort**



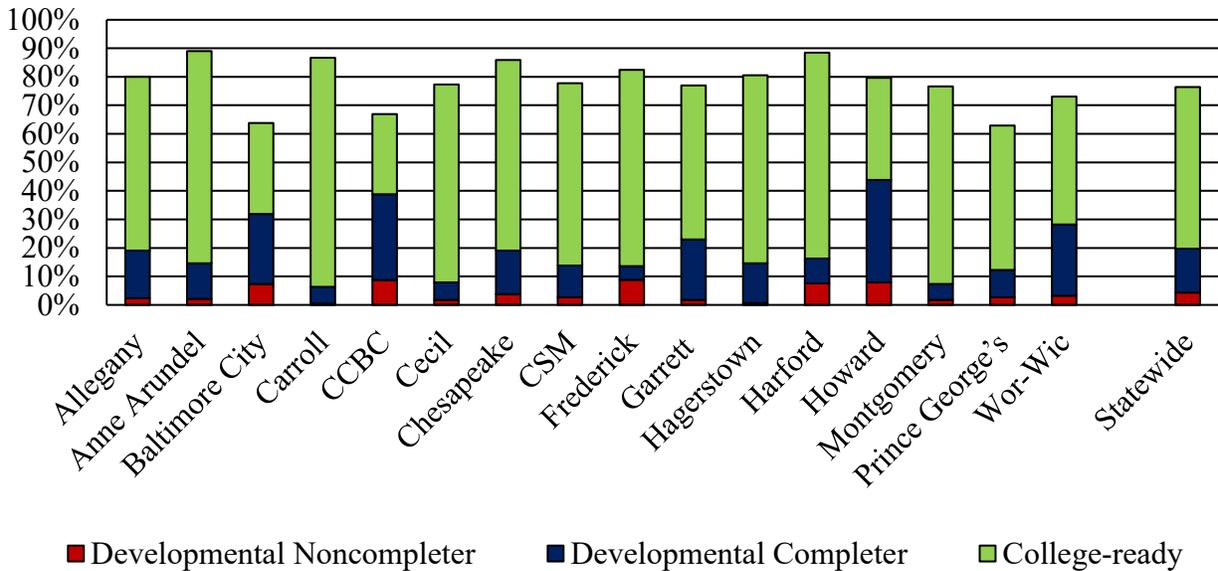
Note: Numbers may not sum due to rounding.

Source: Maryland Higher Education Commission Degree Progress Analysis Dashboard

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**Exhibit 6** shows the percentage of successful persisters out of the 2020 cohort by college and the share of persisters by each group (college-ready, developmental completer, or developmental noncompleter). Members of this cohort are first-time, full- and part-time students who have attempted at least 18 credit hours within their first two years of enrollment. Overall persister rates ranged from 63% at Prince George’s County Community College to 89% at Anne Arundel Community College. Generally, the colleges with the highest overall persister rates have the highest proportion of college-ready students in their cohort, but that is not always the case. Howard Community College had the second lowest share of college-ready students among all community colleges in the 2020 cohort (44.4%), but they have the eighth highest overall persistence out of the 16 colleges. This is largely due to Howard Community College having the highest percentage of developmental completers among their persisting students. Other colleges with significant numbers of developmental completers contributing to their total persister rate are Community College of Baltimore County, Baltimore City Community College (BCCC), and Wor-Wic, which all have at least 25% of persisters coming from this group. The importance of students arriving at higher education institutions as college-ready is evident by their persistence rates eclipsing their peers who do not arrive college-ready.

**Exhibit 6**  
**Successful Persister Rate by Community College**  
**Fall 2020**



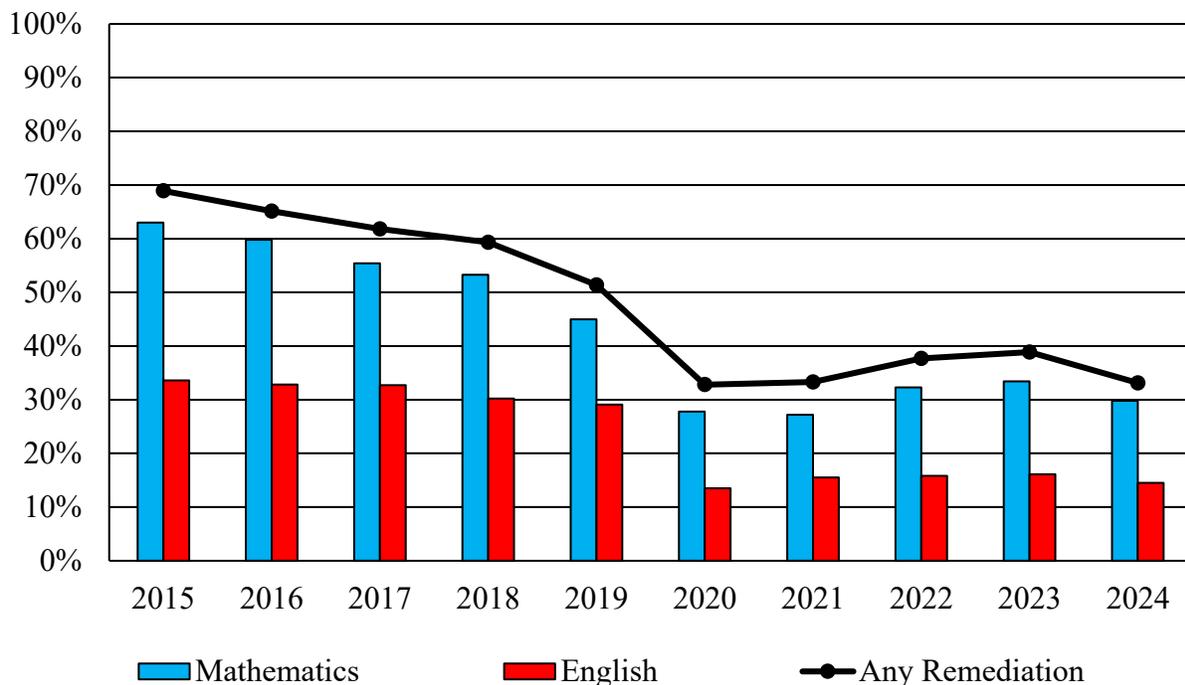
CCBC: Community College of Baltimore County  
 CSM: College of Southern Maryland

Source: Maryland Higher Education Commission Degree Progress Analysis Dashboard

### 3. Students Requiring Remediation

Remediation and developmental education are often used interchangeably, although developmental education is the more commonly used term in recent history. MHEC’s Trends in Remedial Education Dashboard offers a look into the students who are underprepared for college courses and need additional support in mathematics or English. As shown in **Exhibit 7**, the proportion of students requiring any remediation declined each year from the 2015 cohort (69%) to the 2020 cohort (33%) by a total of 36 percentage points. The share of students requiring remediation then increased for three consecutive cohorts to 38.9%. The 2024 cohort once again declined, to 33.1%, near the 2020 cohort level. In every cohort, more students required remediation in mathematics than English, but the proportion of students in each cohort requiring remediation in mathematics has grown since the 2020 cohort, however, the 2024 cohort was the lowest since that year. For the 2015 to 2019 cohorts, there was a difference of 16 to 27 percentage points in the number of students requiring remediation in mathematics than in English. Between the 2020 and 2024 cohorts, there was a difference of 12 to 17 percentage points in the number of students requiring remediation in mathematics than in English.

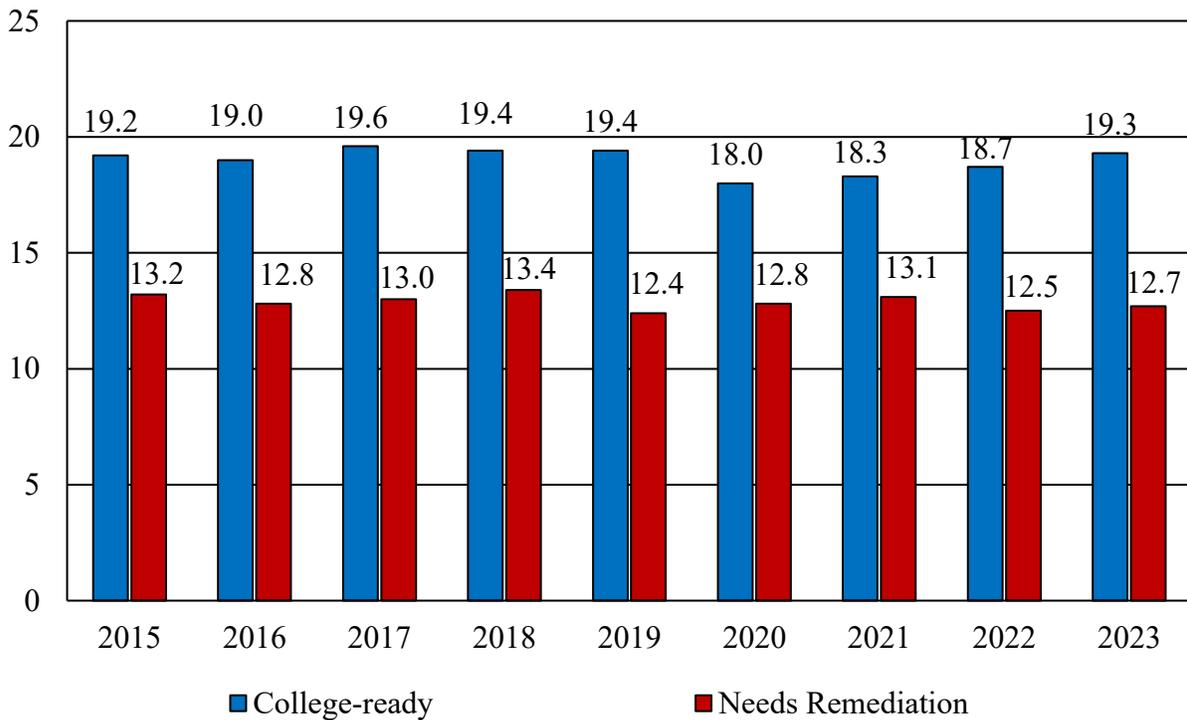
**Exhibit 7**  
**Proportion of Students Needing Remediation**  
**2015 to 2024 Cohorts**



Source: Maryland Higher Education Commission Remedial Education Dashboard

As shown in **Exhibit 8**, college-ready students in the 2015 to 2023 cohorts completed an average of 19.0 credits compared to 12.9 credits for remedial students in their first year, approximately 47% more credits for college ready than students who needed remediation. College-ready students in the 2020 cohort, which was the first cohort during the COVID-19 pandemic, completed 1.4 less credits than the 2019 cohort and were below the historical trend. Although the average credit accumulation for college-ready students remained low in the 2021 cohort, it increased over the prior year, and the average credits completed increased in three consecutive years, with the 2023 cohort reaching historical levels.

**Exhibit 8**  
**Average Credit Accumulation for Full-time First Year Students by Remedial Status**  
**2015 to 2023 Cohorts**



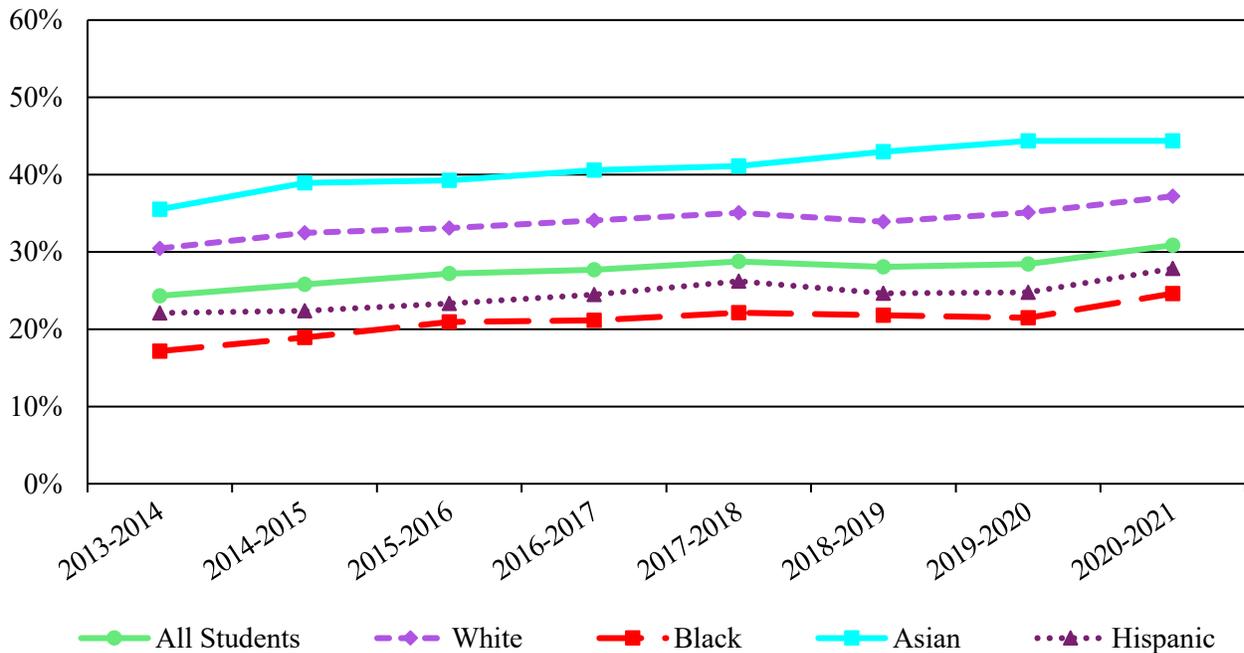
Source: Maryland Higher Education Commission Trends in Remedial Education Dashboard

#### 4. 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

four-year rates for first-time, full- and part-time White, Black, Asian, and Hispanic students who graduated or transferred from Maryland community colleges for the 2013-2014 through 2020-2021 cohorts compared to all students. All students transferred or graduated at a rate of 31% in the 2020-2021 cohort, a 7 percentage point increase from the 2013-2014 cohort and a 3 percentage point increase from the 2019-2020 cohort. Among the 2020-2021 cohort, Asian students graduated or transferred at the highest rate, 44%; White students at a rate of 37%; Hispanic students at a rate of 28%; and Black students at a rate of 25%. Among the 2020-2021 cohort Black students graduated or transferred at a rate that is 6 percentage points below the rate of all students, and Hispanic students graduated or transferred at a rate that is 3 percentage points below the rate of all students. From the 2013-2014 to 2020-2021 cohorts, the graduation or transfer rate has grown by 7 percentage points for Black, White, and all students. Over the same period, it grew by 9 and 6 percentage points for Asian and Hispanic students, respectively. From the 2019-2020 through 2020-2021 cohort, Black and Hispanic students closed the gap between all students by 0.7 percentage points.

**Exhibit 9**  
**First-time Full- and Part-Time Students Four-year Graduation and Transfer Achievement Gap**  
**2013-2014 to 2020-2021 Cohorts**

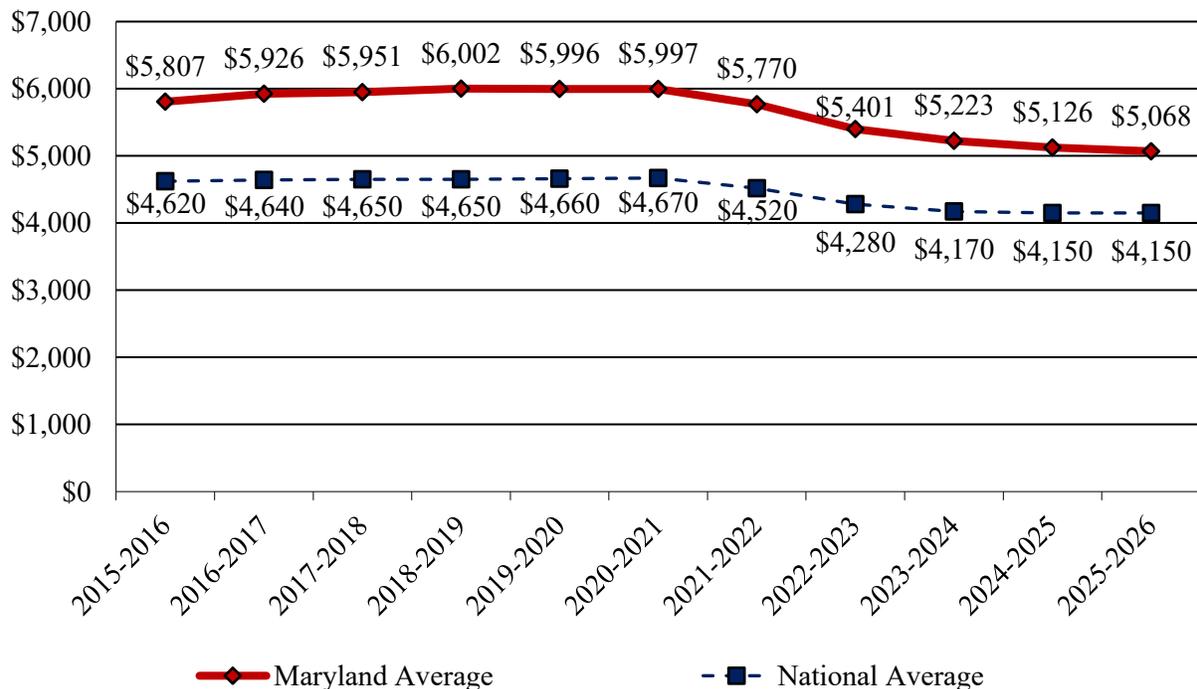


Source: Maryland Higher Education Commission Trends in Graduation and Transfer Rates in Maryland Community Colleges Dashboard

## 5. Tuition, Fees, and Student Aid

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 the 2025-2026 academic year were \$11,479, compared to \$5,068 at the State’s community colleges. This means, on average, community colleges are 55.8% less expensive. The average community college tuition and fee rate in Maryland is higher than the national average, and **Exhibit 10** shows the difference between the State and national average from the 2015-2016 to 2025-2026 academic years. The gap narrowed between the 2021-2022 and 2025-2026 academic years relative to the historical trend. The gap during the 2024-2025 academic year was \$976 and it decreased by 5.9% (\$58) to \$918 in the 2025-2026 academic year. The inflation-adjusted Maryland average has decreased each academic year since 2020-2021.

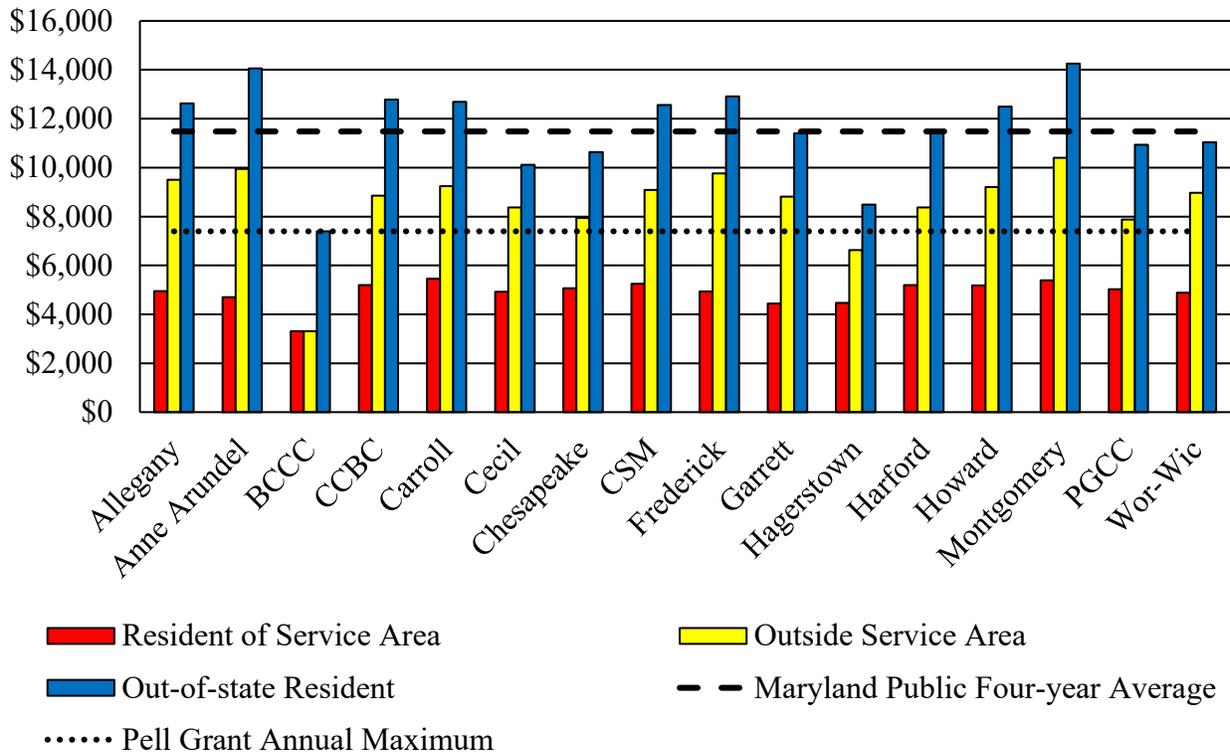
**Exhibit 10**  
**Inflation-adjusted Community College Tuition and Fee Rates**  
**Comparison of Maryland and National Averages**  
**Academic Years 2015-2016 to 2025-2026**



Source: The College Board, Trends in College Pricing and Student Aid, 2025

**Exhibit 11** shows the annual tuition and fee rates by community college for FTES for fall 2025. 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 non-weighted statewide average for tuition and fees is \$4,899 for a service-area resident, \$8,519 for all other Marylanders, and \$11,621 for out-of-state residents. Fall 2025 tuition and fees at each community college are below the annual maximum Pell award of \$7,395.

**Exhibit 11  
Tuition and Fee Rates by Community College  
Fall 2025**



BCCC: Baltimore City Community College  
 CCBC: Community College of Baltimore County

CSM: College of Southern Maryland  
 PGCC: Prince George’s Community College

Note: This assumes a student enrolls in 30 credits per academic year.

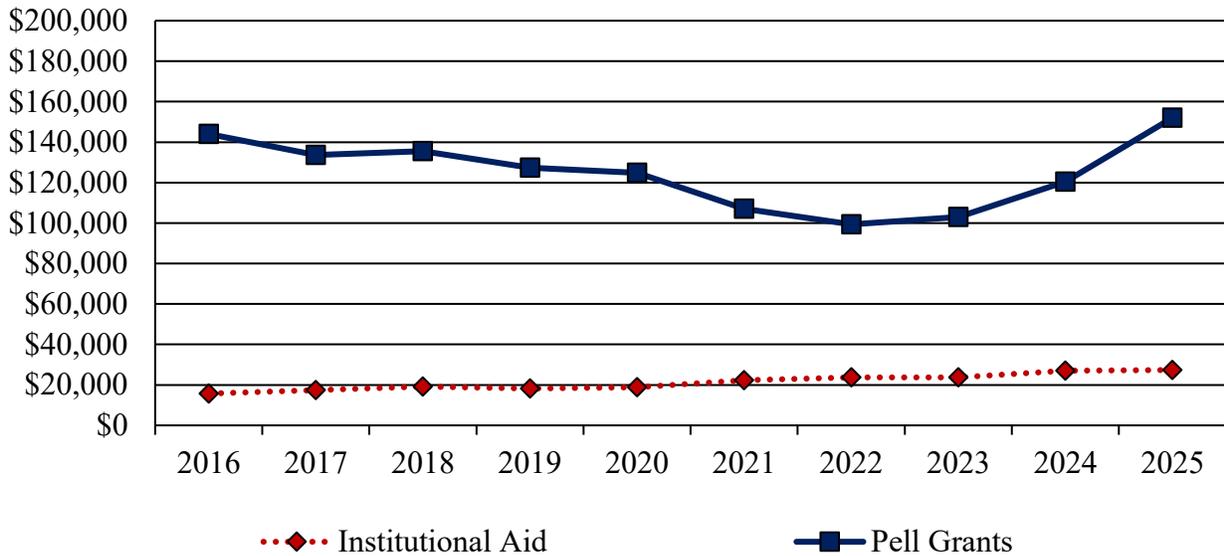
Source: Maryland Association of Community Colleges; the College Board; U.S. Department of Education

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 student aid index, *i.e.*, eligibility for federal need-based assistance.

**Exhibit 12** shows the total amount of need-based and merit aid awarded by community colleges to students from fiscal 2016 to 2025, as well as the amount of Pell grants students received. In fiscal 2025, Maryland community colleges awarded \$27.4 million in institutional aid, an increase of \$0.4 million compared to fiscal 2024. The amount of institutional aid provided is dwarfed by Pell grants for Maryland students attending community college, which totaled \$152.0 million (84.7% of total aid) in fiscal 2025. In fiscal 2025, total Pell aid for community college students increased by 26.2% (\$31.5 million) marking the third consecutive year of increases in Pell aid. There was a 41.5% increase in Pell aid from fiscal 2023 to 2025, which corresponded with a 10.6% growth in the number of Pell recipients. Pell awards ranged from \$740 to \$7,395 in fiscal 2025. The growth from fiscal 2023 to 2025 is partially explained by the increases in minimum and maximum awards and enrollment, but a significant portion of the growth is due to Maryland community college students receiving larger awards on average.

**Exhibit 12**  
**Total Institutional Aid and Pell Grants**  
**Fiscal 2016-2025**  
**(\$ in Thousands)**

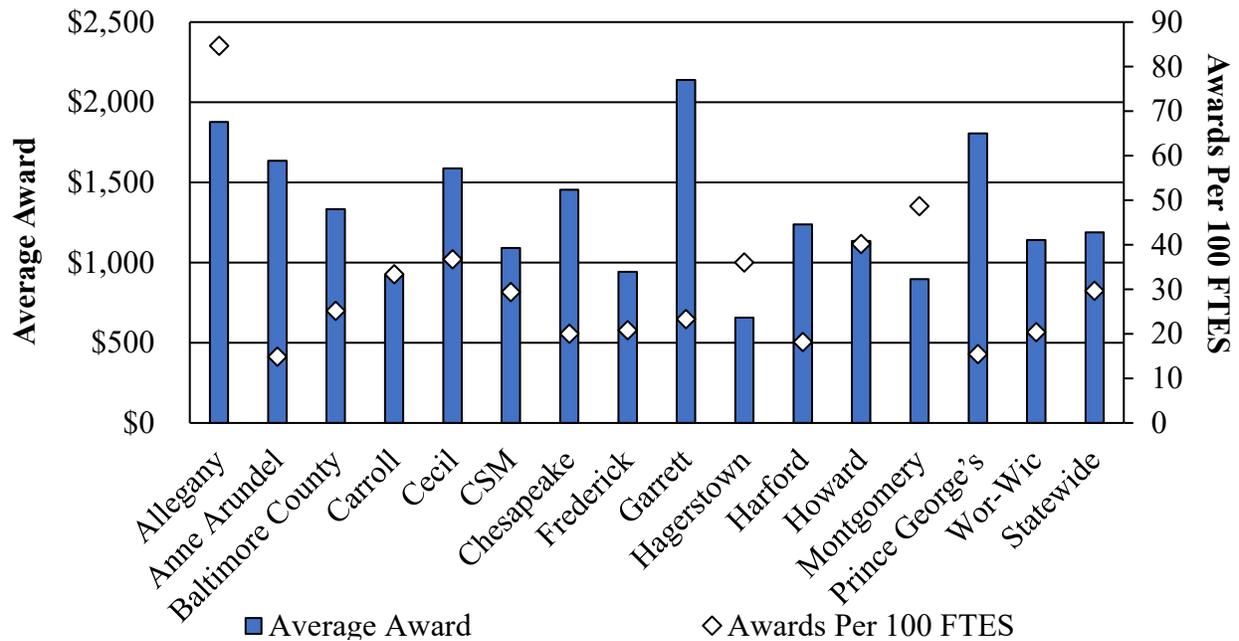


Note: All data is self-reported by the institutions. Data does not include Baltimore City Community College. Institutional aid in fiscal 2020 and 2021 excludes any Higher Education Emergency Relief Funds for emergency student financial assistance from the various stimulus packages.

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

Exhibit 13 shows the average value of institutional aid awards and the average number of awards per 100 FTES by college. Allegany College of Maryland is notable for giving the most awards per 100 FTES (85), and Garrett College has the highest average award at \$2,138. A total of 22,033 awards totaling \$27.4 million were granted in fiscal 2025, with the average award being \$1,189.

**Exhibit 13**  
**Average Institutional Aid Awards and Awards Per 100 FTES**  
**Fall 2025**



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

## Fiscal 2026

### Status of Legislative Additions

Section 21 of the fiscal 2026 Budget Bill added \$300,000 to the appropriation for the Aid to Community Colleges for a grant to the College of Southern Maryland. **MHEC should discuss the status of the grant distribution.**

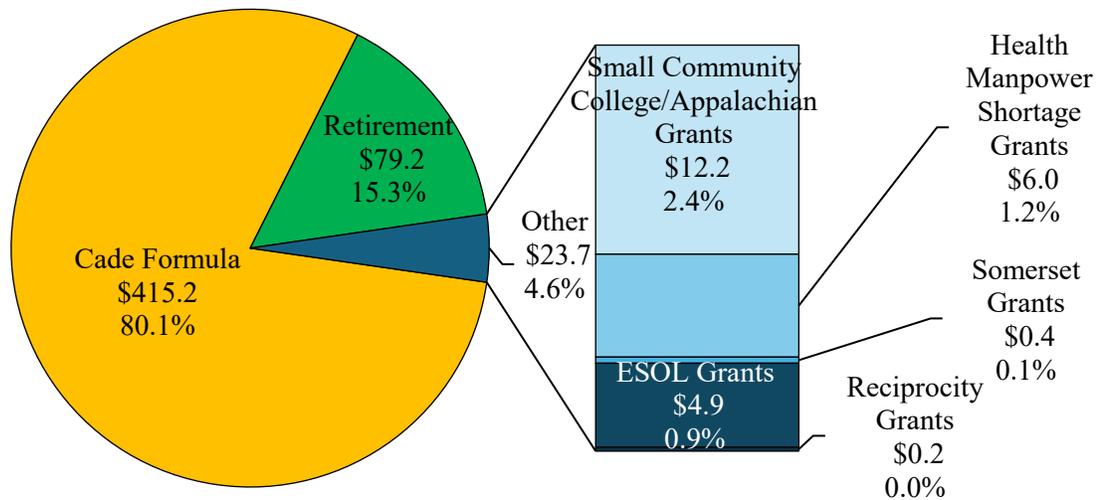
## Proposed Deficiency

The fiscal 2027 budget includes three proposed deficiency appropriations totaling \$1,892,340 in the Aid to Community Colleges budget; of this amount \$750,670 covers a shortfall in optional retirement funding from fiscal 2025. The remaining \$1,141,670 is to align optional retirement costs with anticipated expenditures in fiscal 2026.

## Fiscal 2027 Overview of Agency Spending

The fiscal 2027 allowance contains \$518.1 million for community colleges, after accounting for contingent reductions. **Exhibit 14** details how this funding is distributed among various programs. The Cade Funding Formula accounts for 80.1% (\$415.2 million) of total funding, and retirement costs, which include the defined benefit retirement plan and the optional retirement plan, comprise 15.3% (\$79.2 million). Other grant programs, including the Health Manpower Shortage Grant and the ESOL grant, receive a combined 4.6% (\$23.7 million).

**Exhibit 14**  
**Overview of Agency Spending**  
**Fiscal 2027 Allowance**  
**(\$ 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 2027 allowance accounts for contingent reductions.

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

## Proposed Budget Change

**Exhibit 15** shows the 2.6% (\$13.0 million) increase in Aid to Community Colleges between the fiscal 2026 working appropriation and the fiscal 2027 allowance after accounting for proposed deficiencies and contingent reductions. Cade formula funding comprises 84.0% (\$11.0 million) of the total change, and formula funding would have increased by \$31.6 million if not for the contingent reduction capping funding increases for each community college at 3%. Net faculty and staff retirement contributions account for 13.1% of the change, and these costs would have increased by \$4.1 million if not for the contingent reduction reducing the State’s share of the year-over-year increase by 50%. The Small Community College Grant program increases by \$353,990 because it is required by statute to increase by the same percentage as the percentage increase in funding per FTES to selected four-year public institutions, which was 3.15%. The ESOL program has growth of \$232,448 due to a year-over-year increase in this student population.

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**Exhibit 15**  
**Proposed Budget**  
**Maryland Higher Education Commission – Aid to Community College**  
**(\$ in Thousands)**

| <b>How Much It Grows:</b>  | <u><b>General Fund</b></u> | <u><b>Total</b></u> |
|----------------------------|----------------------------|---------------------|
| Fiscal 2025 Actual         | \$478,252                  | \$478,252           |
| Fiscal 2026 Working        | 505,026                    | 505,026             |
| Fiscal 2027 Allowance      | 518,075                    | 518,075             |
| Fiscal 2026-2027 \$ Change | \$13,049                   | \$13,049            |
| Fiscal 2026-2027 % Change  | 2.58%                      | 2.58%               |

| <b>Where It Goes:</b>   | <u><b>Change</b></u> |
|---|----------------------|
| Senator John A. Cade Funding Formula, net of a contingent reduction.....  | \$10,965             |
| Faculty and staff retirement contributions, net of a contingent reduction.....  | 2,345                |
| Small Community College Grant .....   | 354                  |
| English for Speakers of Other Languages Grant .....   | 232                  |
| Optional retirement contributions, after accounting for proposed deficiency appropriations for fiscal 2026 costs .....  | 115                  |
| Garrett County and West Virginia Reciprocity Grant .....  | 89                   |
| One-time legislative addition for the College of Southern Maryland to partially offset a decrease in funding due to the elimination of the hold harmless provision in Chapter 717 of 2024 ..... | -300                 |
| Deficiency appropriation for fiscal 2025 shortfall in optional retirement contributions .....   | -751                 |
| <b>Total</b>  | <b>\$13,049</b>      |

Note: The fiscal 2026 working appropriation accounts for deficiencies. The fiscal 2027 allowance accounts for contingent reductions.

## Cade Funding Formula

The Cade Funding Formula makes up the majority of State funding for the 15 locally operated community colleges in the State. The total funds to be distributed through the formula are based on a percentage of the State’s funding per FTES for selected public four-year institutions of higher education based on the second prior year enrollment. This per FTES amount is multiplied by the total community college enrollment from the second prior year or the average of the second, third, and fourth prior years, whichever is larger, to arrive at the total formula amount for the colleges. Under current law, the mandated percentage of selected four-year per FTES funding for the Cade Funding Formula is 27.2%. Prior to the 2024 session (fiscal 2025), the percentage was at 29%, after several years of phasing up to that level. Other changes in the 2024 session removed a hold harmless provision; removed fixed costs as part of the calculation; and added a smoothing factor for FTES enrollment (the FTES amount used in the formula is the average FTES enrollment of the second, third, and fourth prior years, if it is larger than the second prior year FTES enrollment).

By statute, once a community college exceeds 80% of the median FTES count, it receives 80% of the size factor grant in the first year, and the percentage decreases by 20 percentage points each subsequent year that the school remains above 80% of the median FTES until the size factor component is 0%. Currently, 6 of the 15 community colleges receive the full-size factor component, which is \$1,423,710 in fiscal 2027. Hagerstown Community College is in its second year of the phase-out and is the only community college currently in it. The fiscal 2027 allowance contains \$517,324 as part of this phase-out. However, the Department of Budget and Management advises that it has recalculated the amount required under the phase-out and expects to provide an additional \$129,331 to Hagerstown Community College in a supplemental budget.

**Exhibit 16** shows the fiscal 2023 to 2025 FTES count for each college, as these are the FTES counts used in the Cade Funding Formula for fiscal 2025 to 2027, respectively. Four schools experienced a decline in year-over-year FTES in fiscal 2025 including Garrett (4.5%), Hagerstown (4.2%), Cecil (0.1%) and Chesapeake (0.1%). All of the other schools had FTES year-over-year growth in fiscal 2025.

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**Exhibit 16**  
**FTES Enrollment at Each College**  
**Fiscal 2023-2025**

|                              | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>Difference</u> | <u>% Difference</u> |
|------------------------------|-------------|-------------|-------------|-------------------|---------------------|
| Allegany                     | 1,339       | 1,466       | 1,492       | 26                | 1.8%                |
| Anne Arundel                 | 7,924       | 8,146       | 8,830       | 684               | 8.4%                |
| Baltimore County             | 12,293      | 12,931      | 13,441      | 510               | 3.9%                |
| Carroll                      | 2,048       | 2,162       | 2,256       | 93                | 4.3%                |
| Cecil                        | 1,163       | 1,210       | 1,209       | -1                | -0.1%               |
| College of Southern Maryland | 3,589       | 3,716       | 3,874       | 158               | 4.3%                |

*R62I0005 – Maryland Higher Education Commission – Aid to Community Colleges*

|                  | <u>2023</u>   | <u>2024</u>   | <u>2025</u>   | <u>Difference</u> | <u>% Difference</u> |
|------------------|---------------|---------------|---------------|-------------------|---------------------|
| Chesapeake       | 1,496         | 1,674         | 1,673         | -1                | -0.1%               |
| Frederick        | 3,914         | 4,250         | 4,514         | 264               | 6.2%                |
| Garrett          | 455           | 539           | 515           | -24               | -4.5%               |
| Hagerstown       | 2,517         | 3,296         | 3,158         | -137              | -4.2%               |
| Harford          | 3,322         | 3,504         | 3,610         | 106               | 3.0%                |
| Howard           | 6,175         | 6,373         | 6,529         | 157               | 2.5%                |
| Montgomery       | 12,610        | 13,614        | 14,162        | 548               | 4.0%                |
| Prince George's  | 8,502         | 9,332         | 10,135        | 803               | 8.6%                |
| Wor-Wic          | 1,885         | 2,077         | 2,394         | 318               | 15.3%               |
| <b>Statewide</b> | <b>69,233</b> | <b>74,290</b> | <b>77,792</b> | <b>3,502</b>      | <b>4.7%</b>         |

FTES: Full-time equivalent student

Source: Governor's Fiscal 2025-2027 Budget Books

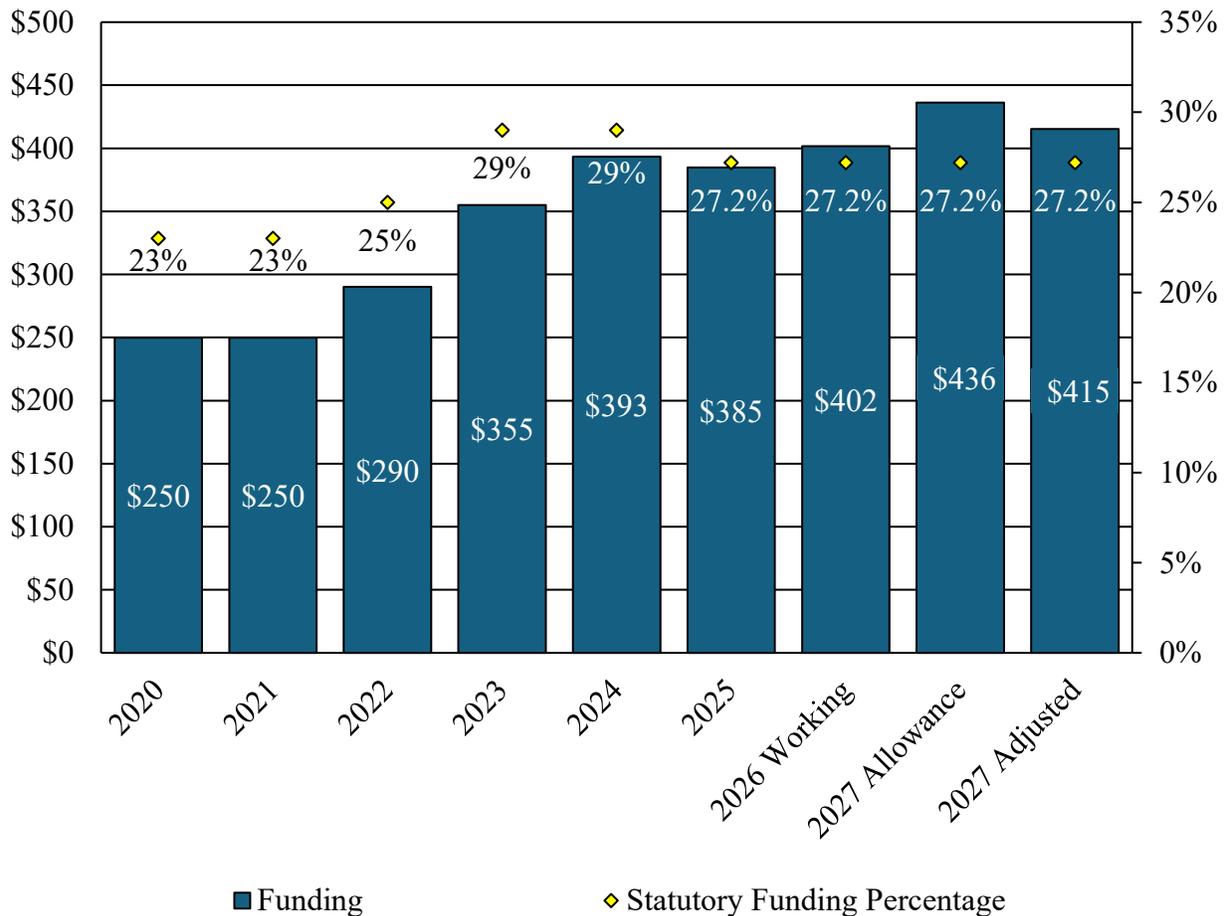
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## **Budget Reconciliation and Financing Act**

The BRFA of 2026 includes a provision that limits the growth in community college aid provided under the Cade Funding Formula to an increase of 3% over the preceding fiscal year for each community college for fiscal 2027 through 2029. Language in the fiscal 2027 Budget Bill reduces funding for the Cade Funding Formula by \$21.0 million in general funds contingent on this provision.

As funding has steadily increased at the selected public four-year institutions, funding provided to the community colleges through the Cade formula steadily increased, until the change from 29% to 27.2% in the per FTES funding percentage between fiscal 2024 and 2025, as shown in **Exhibit 17**. However, even with the change in the calculation, the fiscal 2026 working appropriation increased by 4.3% from fiscal 2025 and was higher than the level from prior to the change, due to enrollment changes along with growth in State funding per FTES at the selected public four-year institutions. Under current law, the fiscal 2027 allowance increases by 8.6% (\$31.7 million) year over year. With the contingent reduction, the fiscal 2027 allowance increases by 3.4%, from \$402 million to \$415 million.

**Exhibit 17**  
**Cade Funding and Statutory Level Funding by Fiscal Year**  
**Fiscal 2020-2027**  
**(\$ in Millions)**



Source: Governor’s Fiscal 2023-2027 Budget Books; Department of Legislative Services

**Exhibit 18** shows the effect on each community college in fiscal 2027. Wor-Wic Community College experiences the largest percentage impact at 12.5% (\$1,825,789) less due to the BRFA provision. Prince George’s Community College has the largest nominal decline (\$4,478,844) and the second largest percentage change (8.0%). Hagerstown and Garrett community colleges are the only institutions that are not affected because their year-over-year increase in Cade formula funding was less than 3%. Both colleges had eligible FTES enrollment decline by at least 4% in fiscal 2025 compared to fiscal 2024, and Hagerstown Community College is also in the second year of its size factor component phase-out due to FTES enrollment exceeding 80% of the State’s median community college FTES count. Despite Cecil and Chesapeake

community colleges having a slight decline in FTES from fiscal 2024 to 2025, they still receive a contingent reduction due to exceeding the 3% cap for two reasons: (1) per FTES funding increased from \$5,323 in fiscal 2024 to \$5,490 in fiscal 2025, so despite slightly fewer FTES, they would receive more overall funding; and (2) the size factor component increased from \$1,318,154 in fiscal 2024 to \$1,423,710 in fiscal 2025.

**Exhibit 18**  
**Distribution of Cade Formula Funding for Local Community Colleges**  
**Fiscal 2027**

| <u>Community College</u> | <u>Current Law</u>   | <u>Allocation under<br/>the BRFA</u> | <u>Difference</u>    | <u>Difference as a %</u> |
|--------------------------|----------------------|--------------------------------------|----------------------|--------------------------|
| Allegany                 | \$9,616,589          | \$9,397,435                          | -\$219,153           | -2.3%                    |
| Anne Arundel             | 48,478,105           | 44,660,516                           | -3,817,589           | -7.9%                    |
| Baltimore County         | 73,796,474           | 70,896,218                           | -2,900,256           | -3.9%                    |
| Carroll                  | 13,807,739           | 13,212,963                           | -594,776             | -4.3%                    |
| Cecil                    | 8,063,445            | 7,991,668                            | -71,776              | -0.9%                    |
| CSM                      | 21,267,665           | 20,371,285                           | -896,380             | -4.2%                    |
| Chesapeake               | 10,609,870           | 10,538,004                           | -71,866              | -0.7%                    |
| Frederick                | 24,783,597           | 23,303,494                           | -1,480,103           | -6.0%                    |
| Garrett                  | 4,250,368            | 4,250,368                            | 0                    | 0.0%                     |
| Hagerstown               | 17,857,106           | 17,857,106                           | 0                    | 0.0%                     |
| Harford                  | 19,821,860           | 19,212,843                           | -609,016             | -3.1%                    |
| Howard                   | 35,848,871           | 34,939,725                           | -909,146             | -2.5%                    |
| Montgomery               | 77,756,640           | 74,640,855                           | -3,115,786           | -4.0%                    |
| Prince George's          | 55,644,541           | 51,165,697                           | -4,478,844           | -8.0%                    |
| Wor-Wic                  | 14,569,542           | 12,743,753                           | -1,825,789           | -12.5%                   |
| <b>Total</b>             | <b>\$436,172,411</b> | <b>\$415,181,931</b>                 | <b>-\$20,990,480</b> | <b>-4.8%</b>             |

BRFA: Budget Reconciliation and Financing Act

CSM: College of Southern Maryland

Source: Department of Budget and Management

**Exhibit 19** shows the Cade Funding Formula with and without the contingent reductions. The fiscal 2027 allowance decreases by 4.8% (\$20,990,480) compared to the adjusted allowance. From the fiscal 2026 working appropriation to the adjusted allowance, funding increases by 2.6% (\$10,664,712). The Department of Legislative Services (DLS) estimates that this BRFA provision will reduce general fund expenditures by \$5.5 million and \$5.4 million in fiscal 2028 and 2029, respectively.

**Exhibit 19**  
**Overall Cade Formula Funding**  
**Fiscal 2027-2029 Forecast**

|                       | <u>2027</u>         | <u>2028</u>        | <u>2029</u>        |
|-----------------------|---------------------|--------------------|--------------------|
| <b>Current Law</b>    | \$436,172,411       | \$429,579,717      | \$441,251,629      |
| <b>BRFA Provision</b> | 415,181,931         | 424,077,039        | 435,850,906        |
| <b>Difference</b>     | <b>\$20,990,480</b> | <b>\$5,502,678</b> | <b>\$5,400,723</b> |

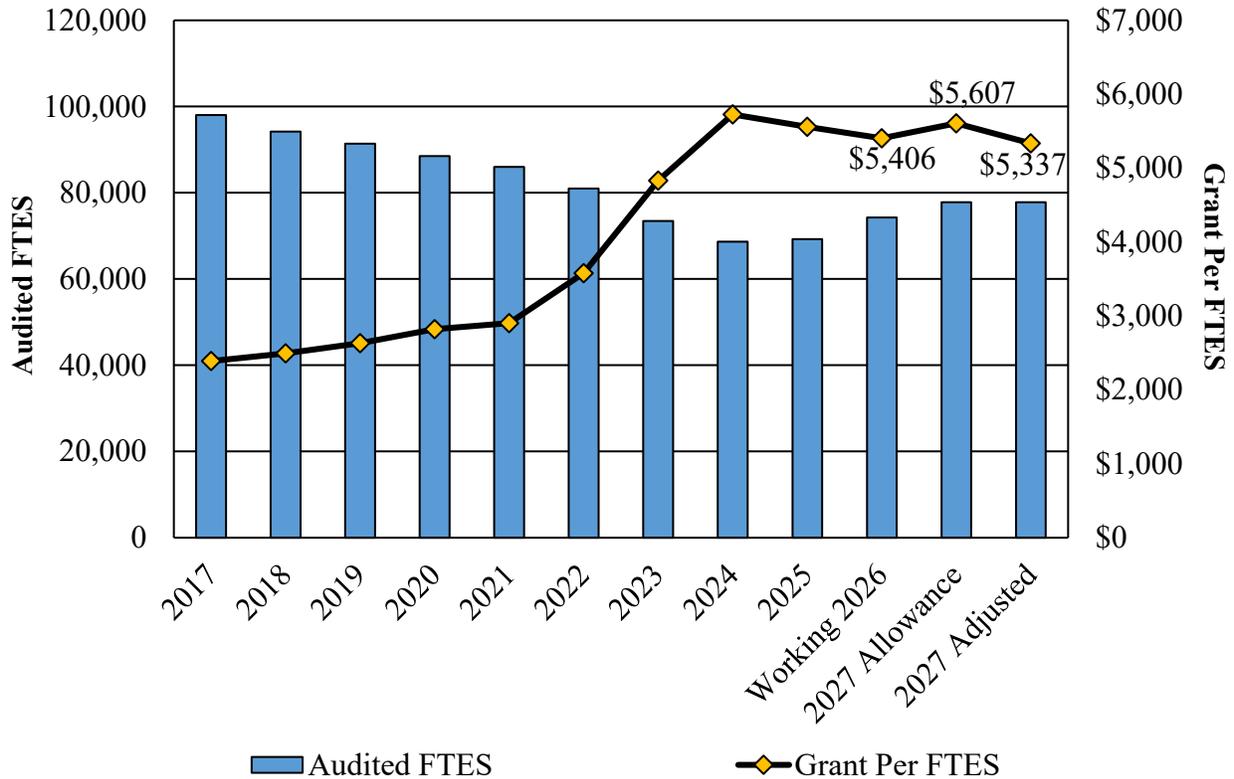
BRFA: Budget Reconciliation and Financing Act

Source: Governor’s Fiscal 2027 Budget Books; Department of Legislative Services

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As shown in **Exhibit 20**, the number of audited FTES declined each year from fiscal 2017 to 2024 by a total of 30.0% (29,396 FTES). This corresponded with the grant per FTES increasing by 139.6% (\$3,337) due to the hold harmless provision. The grant per FTES funding declined in fiscal 2025 due to changes in the funding formula including a lower percentage of per FTES funding and the elimination of the hold harmless provision. The grant per FTES increases by 3.7% (\$201) from the 2026 working appropriation to the fiscal 2027 allowance under current law. From the 2026 working appropriation to the fiscal 2027 allowance including the contingent reduction, the grant per FTES decreases by 1.3% (\$69). However, despite the decrease, the grant per FTES would remain above the levels from prior to fiscal 2024.

**Exhibit 20**  
**Audited Enrollment and Grant Per FTES**  
**Fiscal 2017-2027 Adjusted**



FTES: full-time-equivalent student

Source: Governor’s Fiscal 2019-2027 Budget Books; Department of Legislative Services

## Retirement Costs

A separate provision in the BRFA of 2026 reduces the State share of community college retirement costs by shifting 50% (\$2,344,824) of the year-over-year cost increase to local jurisdictions. This reduction amount of \$2,344,824 will remain constant in the out-years as well. The BRFA of 2025 contained a similar action that permanently shifted a portion of the State’s share of increased retirement costs (\$4.8 million) to the counties. Prior to fiscal 2026, the State paid the full employer contribution for all community colleges as calculated by its actuary every year. The BRFA of 2025 and 2026 specify the amounts required for each jurisdiction due to these provisions, which also includes in fiscal 2026 shifts related to teacher retirement aid (budgeted in the Aid to Education budget) and librarian retirement (budgeted in the Maryland State Library Agency

(MSLA)). In the analysis for R11A – MSLA, DLS recommended shifting 100% of the fiscal 2027 increase to local governments. **Consistent with that recommendation, DLS recommends shifting 100% of the fiscal 2027 increase in the community college retirement aid to the local jurisdictions.**

**Exhibit 21** shows the cost of each scenario for the individual counties and community colleges. The total increase under the 50% cost shift BRFA provision is \$2.3 million, whereas the increase from the 100% recommended cost shift is \$4.7 million. Both cost shift options are permanent in all future fiscal years, which provides the State a consistent cost savings. The larger the institution, the more impacted they are nominally because they have more staff.

**Exhibit 21**  
**Impact of Retirement Cost Shift on Each College**  
**Fiscal 2027**

| <u>Institution/County</u>      | <u>BRFA as<br/>Introduced<br/>(50% Cost Shift)</u> | <u>DLS<br/>Recommendation<br/>(100% Cost Shift)</u> | <u>Proposed<br/>Increase</u> |
|--------------------------------|--|---|------------------------------|
| Allegany                       | \$78,793   | \$157,586   | \$78,793                     |
| Anne Arundel                   | 276,049  | 552,098   | 276,049                      |
| Baltimore                      | 393,159  | 786,318   | 393,159                      |
| Carroll                        | 63,025   | 126,050   | 63,025                       |
| Cecil                          | 37,279   | 74,558  | 37,279                       |
| Frederick                      | 116,496  | 232,992   | 116,496                      |
| Garrett                        | 27,028   | 54,056  | 27,028                       |
| Hagerstown (Washington County) | 70,706   | 141,412   | 70,706                       |
| Harford                        | 116,917  | 233,834   | 116,917                      |
| Howard                         | 145,922  | 291,844   | 145,922                      |
| Montgomery                     | 526,025  | 1,052,050   | 526,025                      |
| Prince George’s<br>Chesapeake  | 247,009  | 494,018   | 247,009                      |
| Caroline                       | 13,671   | 27,342  | 13,671                       |
| Dorchester                     | 10,104   | 20,209  | 10,104                       |
| Kent                           | 4,226  | 8,452   | 4,226                        |
| Queen Anne’s                   | 16,602   | 33,205  | 16,602                       |
| Talbot                         | 12,238   | 24,476  | 12,238                       |
| College of Southern Maryland   |  |   |                              |
| Calvert                        | 27,468   | 54,937  | 27,468                       |
| Charles                        | 56,350   | 112,699   | 56,350                       |
| St. Mary’s                     | 33,700   | 67,400  | 33,700                       |

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| <u>Institution/County</u> | <u>BRFA as<br/>Introduced<br/>(50% Cost Shift)</u> | <u>DLS<br/>Recommendation<br/>(100% Cost Shift)</u> | <u>Proposed<br/>Increase</u> |
|---------------------------|--|---|------------------------------|
| Wor-Wic                   |  |   |                              |
| Somerset                  | 7,186  | 14,372  | 7,186                        |
| Wicomico                  | 48,264   | 96,528  | 48,264                       |
| Worcester                 | 16,606   | 33,212  | 16,606                       |
| Total                     | <b>\$2,344,824</b>                                 | <b>\$4,689,648</b>                                  | <b>\$2,344,824</b>           |

BRFA: Budget Reconciliation and Financing Act

DLS: Department of Legislative Services

Source: Department of Legislative Services

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## ***Issues***

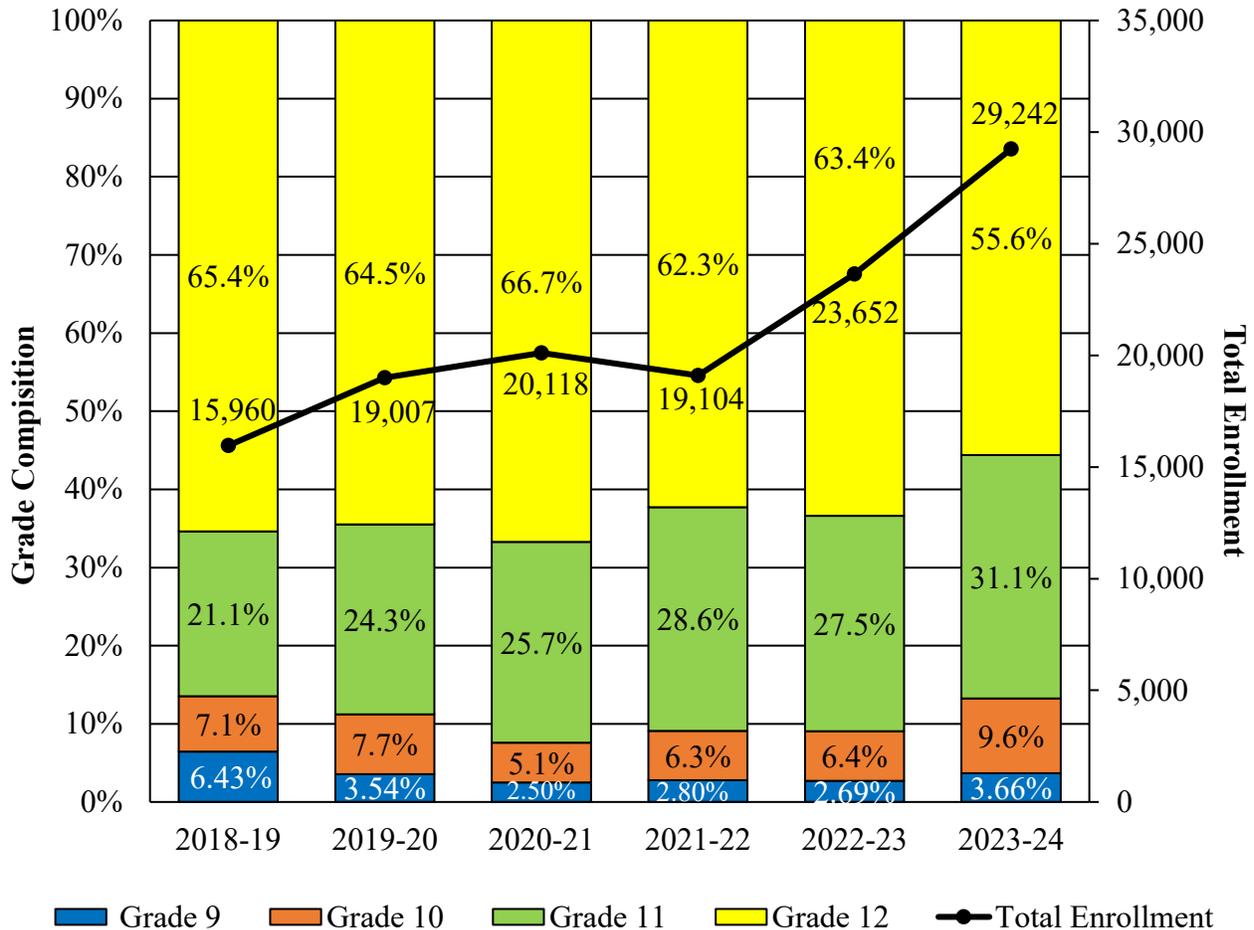
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### **1. Dual Enrollment**

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 for Maryland’s Future. The Maryland Longitudinal Data System Center (MLDSC) collects data on dual enrollment in Maryland and publishes an annual dashboard.

As shown in **Exhibit 22**, from the 2017-2018 to the 2023-2024 cohorts, there was an 83% (13,282 students) increase in dual enrollments. From the 2021-2022 to 2023-2024 cohorts, the increase was 45% (9,124 students). Historically, grade 12 students comprise the majority of dually enrolled students. However, in more recent cohorts, growth has been driven by students in earlier grades, particularly grade 10 and grade 11 students. In the 2023 to 2024 cohort, for the first time in the period shown, the proportion of dual enrollment that were grade 12 students fell below 60%. During this period, the share of dual enrollment by grade 11 students has grown from 21.1% in the 2019-2020 cohort, to 31.1% in the 2023-2024 cohort. Over the same period, the share of dual-enrollment students that are in grade 10 increased from 7.1% to 9.6%.

**Exhibit 22**  
**Grade Composition of Dually Enrolled High School Students**  
**2018-2019 to 2023-2024 Cohorts**

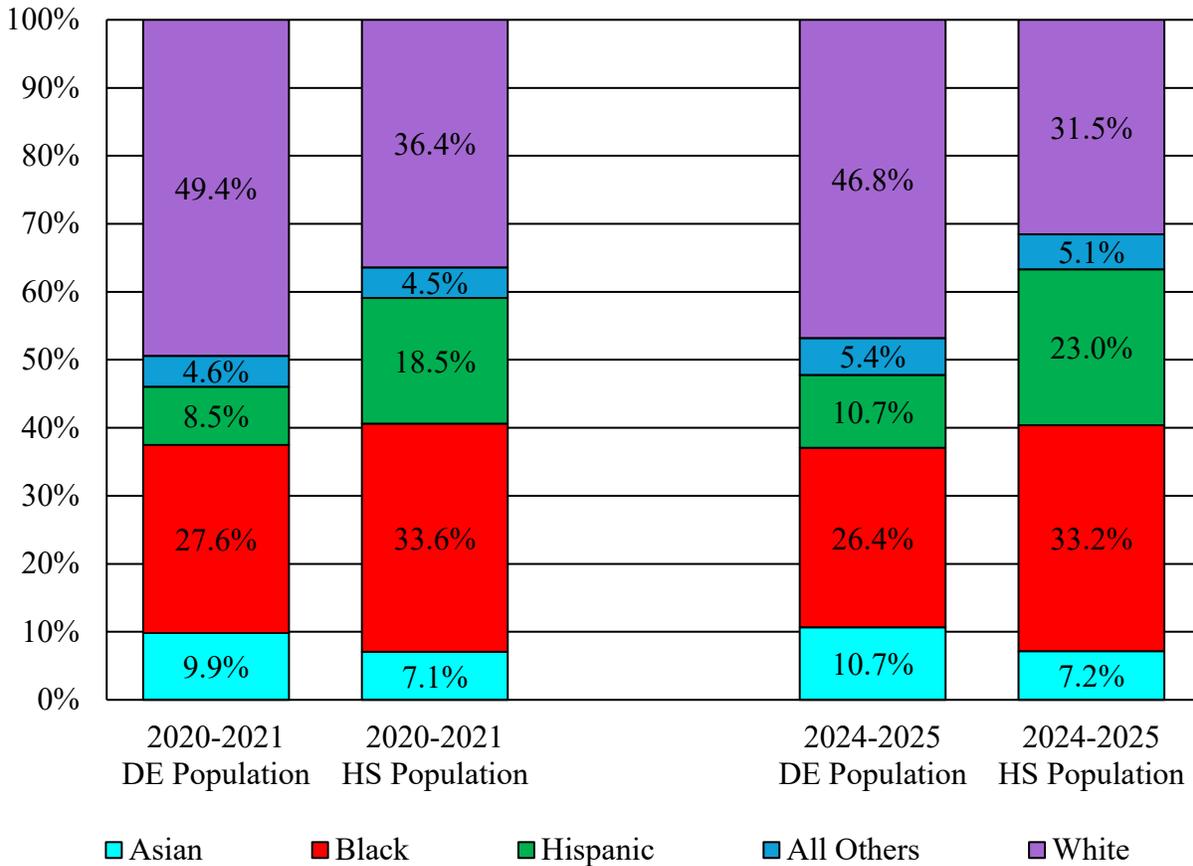


Note: The grade composition percentages include only students with course data available.

Source: Maryland Longitudinal Data System Center

When comparing MLDSC’s dual-enrollment data to Maryland State Department of Education’s public school enrollment, it is evident that there are disparities in dual enrollment when looking at racial and ethnic groups. As shown in **Exhibit 23**, in the 2020-2021 cohort, White, Asian, and All Others students had a larger proportion dually enrolled than proportion of the high school population, and this trend continued in the 2024-2025 cohort. In both cohorts, Black and Hispanic students are underrepresented among dual enrollments when compared to overall high school racial/ethnic demographics. Between the two cohorts, Hispanic, Asian, and All Others students increased their dually enrolled proportions, while the proportion of dually enrolled White and Black students declined.

**Exhibit 23**  
**Racial and Ethnic Demographics of High School Students**  
**2020-2021 and 2024-2025 Cohorts**

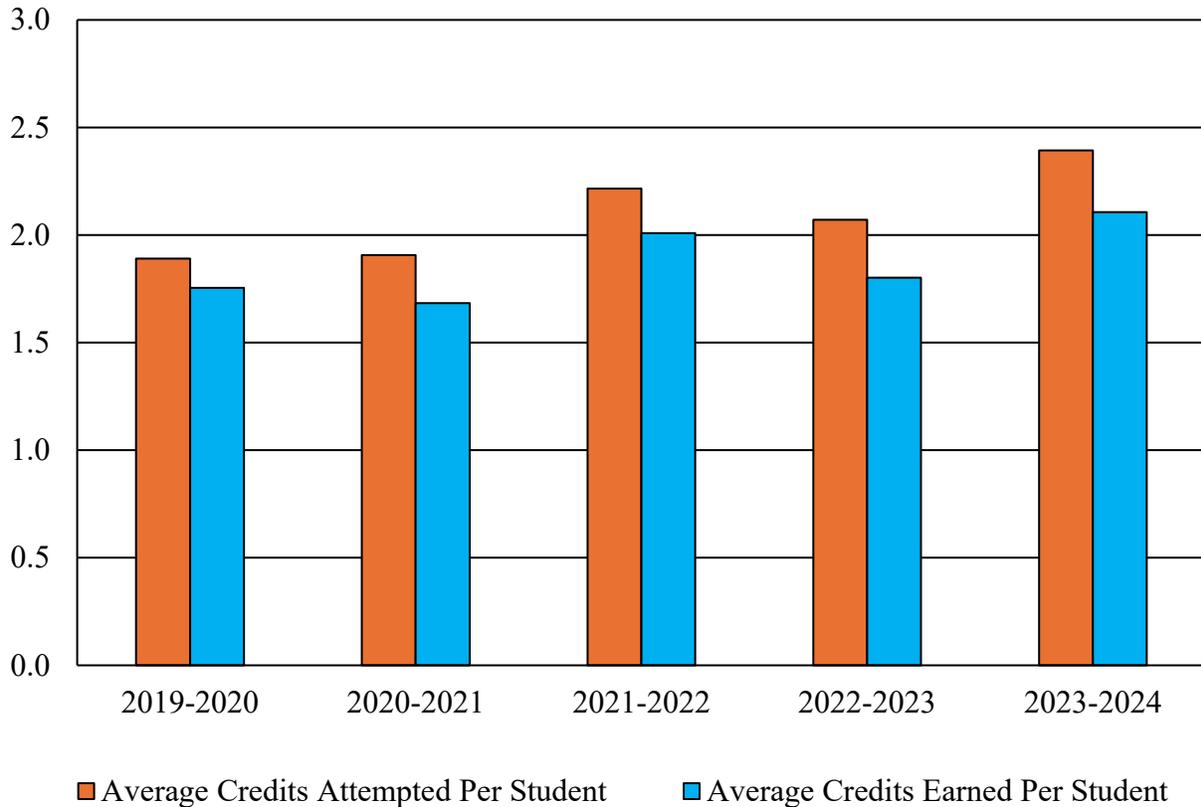


DE: Dual Enrollment  
 HS: High School

Source: Maryland Longitudinal Data System Center; Maryland Public School Enrollment by Race/Ethnicity and Gender and Number of Schools, 2020-2024, Maryland State Department of Education

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 2.5 credits and earn less than 2.0 credits, as shown in **Exhibit 24**. The 2023-2024 cohort earned an average of 2.1 credits and was the only cohort in the period shown to earn an average above 1.8 credits. While dually enrolled students in the 2022-2023 and 2023-2024 cohorts are enrolling in college at higher rates, most are unlikely to benefit from substantial college cost savings.

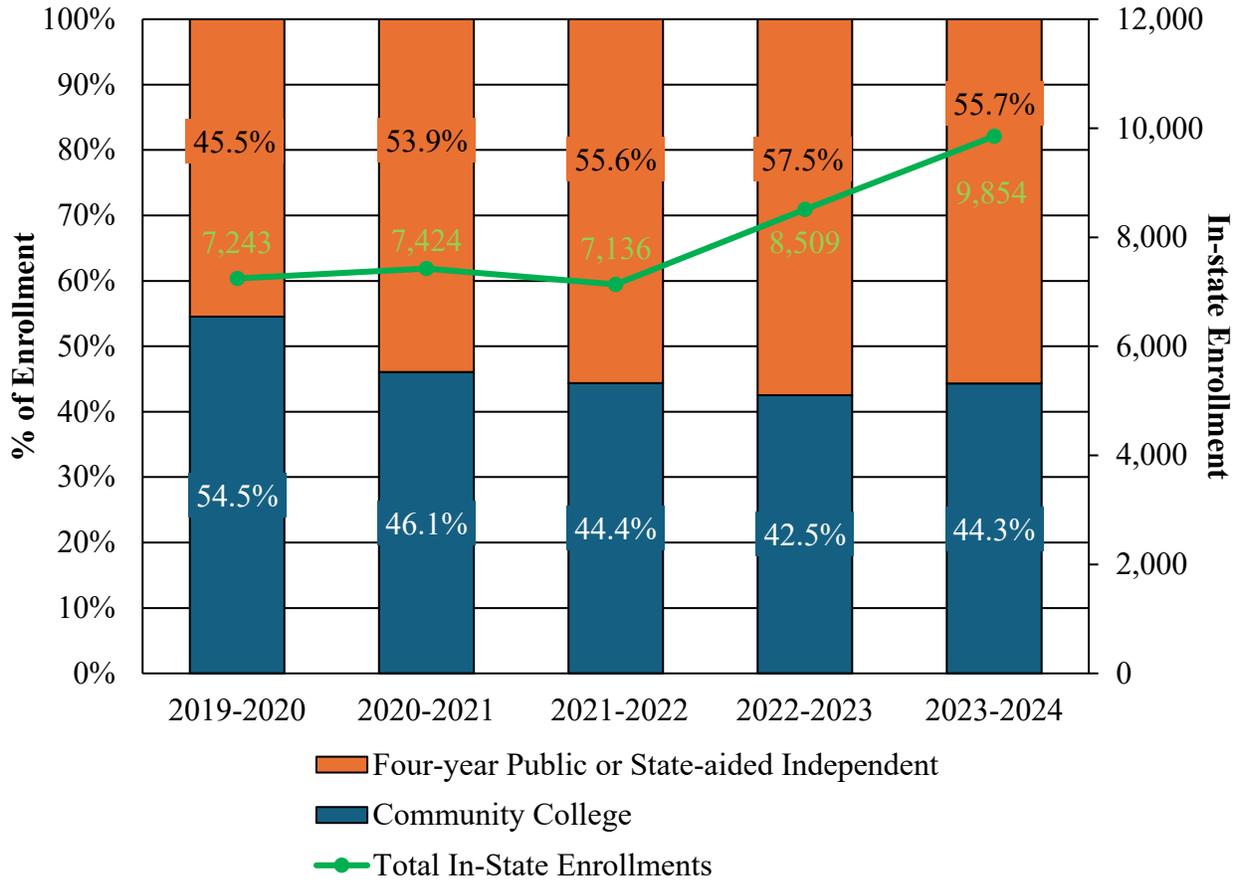
**Exhibit 24**  
**Credits Attempted and Earned by Dually Enrolled Students**  
**Academic Year 2019-2020 through 2023-2024**



Source: Maryland Longitudinal Data System Center

As shown in **Exhibit 25**, in-state college enrollment among dually enrolled high schoolers upon graduation increased by 32.7% (2,718), between the 2021-2022 and 2023-2024 cohorts and is attributed to an increasing number of students dually enrolling while in high school. Following the 2019-2020 cohort, the share of students who enrolled in two-year institutions decreased year over year in three out of the remaining four cohorts, going from 54.5% in the 2019-2020 cohort, to 44.3% in the 2023-2024 cohort, a decrease of 10.2 percentage points. From the 2022-2023 cohort to the 2023-2024 cohort, the share of students who enrolled in community colleges increased by 1.8 percentage points to 44.3%. Overall, 82% of high school graduates who dually enrolled at least once during high school in the 2023-2024 cohort entered college in fall 2024. **MACC should discuss how the community colleges support dually enrolled students while they are in high school and how it continues to support them once they transition into regular students upon graduating high school.**

**Exhibit 25**  
**In-State College Enrollment Patterns of Dually Enrolled Students**  
**Post High School Graduation**  
**2019-2020 to 2023-2024 Cohorts**



Source: Maryland Longitudinal Data System Center

## ***Operating Recommended Actions***

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1. Amend the following language:

, provided that this appropriation shall be reduced by ~~\$2,344,824~~\$4,689,648 contingent upon the enactment of legislation that reduces the State share of community college retirement costs

**Explanation:** This action increases the amount of the reduction in general funds for Aid to Community Colleges – Fringe Benefits, R62I00.06 that is contingent on the enactment of legislation that reduces the State share of annual employer pension contributions for member of the Teachers’ Retirement System/Teachers’ Pension System employed by local libraries. A similar action is included in the R00A02.03 Aid for Local Employee Fringe Benefits and R11A11.04 Retirement for Libraries.

**Appendix 1**  
**Object/Fund Difference Report**  
**Maryland Higher Education Commission – Aid to Community Colleges**

| <u>Object/Fund</u>                      | <u>FY 25</u><br><u>Actual</u> | <u>FY 26</u><br><u>Wrk Approp</u> | <u>FY 27</u><br><u>Allowance</u> | <u>FY 26 - 27</u><br><u>\$ Change</u> | <u>% Change</u> |
|---|-------------------------------|-----------------------------------|----------------------------------|---------------------------------------|-----------------|
| <b>Positions</b>                        |                               |                                   |                                  |                                       |                 |
| 01 Regular                              | 0.00                          | 0.00                              | 0.00                             | 0.00                                  | N/A             |
| 02 Contractual                          | 0.00                          | 0.00                              | 0.00                             | 0.00                                  | N/A             |
| <b>Total Positions</b>                  | <b>0.00</b>                   | <b>0.00</b>                       | <b>0.00</b>                      | <b>0.00</b>                           | <b>N/A</b>      |
| <b>Objects</b>                          |                               |                                   |                                  |                                       |                 |
| 12 Grants, Subsidies, and Contributions | \$478,251,878                 | \$505,026,265                     | \$541,410,756                    | \$36,384,491                          | 7.2%            |
| <b>Total Objects</b>                    | <b>\$478,251,878</b>          | <b>\$505,026,265</b>              | <b>\$541,410,756</b>             | <b>\$36,384,491</b>                   | <b>7.2%</b>     |
| <b>Funds</b>                            |                               |                                   |                                  |                                       |                 |
| 01 General Funds                        | \$478,251,878                 | \$505,026,265                     | \$541,410,756                    | \$36,384,491                          | 7.2%            |
| <b>Total Funds</b>                      | <b>\$478,251,878</b>          | <b>\$505,026,265</b>              | <b>\$541,410,756</b>             | <b>\$36,384,491</b>                   | <b>7.2%</b>     |

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 2**  
**Fiscal Summary**  
**Maryland Higher Education Commission – Aid to Community Colleges**

| <u>Program/Unit</u>   | <u>FY 25</u><br><u>Actual</u> | <u>FY 26</u><br><u>Wrk Approp</u> | <u>FY 27</u><br><u>Allowance</u> | <u>FY 26 - 27</u><br><u>\$ Change</u> | <u>% Change</u> |
|---|-------------------------------|-----------------------------------|----------------------------------|---------------------------------------|-----------------|
| 05 The Senator John A. Cade Funding Formula for the Distribution of Funds to Community Colleges | \$405,910,952                 | \$427,515,393                     | \$459,845,526                    | \$32,330,133                          | 7.6%            |
| 06 Aid to Community Colleges – Fringe Benefits  | 72,340,926                    | 77,510,872                        | 81,565,230                       | 4,054,358                             | 5.2%            |
| <b>Total Expenditures</b>   | <b>\$478,251,878</b>          | <b>\$505,026,265</b>              | <b>\$541,410,756</b>             | <b>\$36,384,491</b>                   | <b>7.2%</b>     |
| General Funds   | \$478,251,878                 | \$505,026,265                     | \$541,410,756                    | \$36,384,491                          | 7.2%            |
| <b>Total Appropriations</b>   | <b>\$478,251,878</b>          | <b>\$505,026,265</b>              | <b>\$541,410,756</b>             | <b>\$36,384,491</b>                   | <b>7.2%</b>     |

Note: The fiscal 2026 appropriation includes proposed deficiency appropriations. The fiscal 2027 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.