MHEC
Creating a state of achievement

Lawrence J. Hogan, Jr.
Governor

Boyd K. Rutherford
Lt. Governor

Anwer Hasan
Chairman

Jennie C. Hunter-Cevera
Acting Secretary

R62I0005
Aid to Community Colleges

Testimony of Dr. Jennie C. Hunter-Cevera, Acting Secretary of Higher Education, to the Senate Budget and Taxation Subcommittee for Education, Business and Administration and the House Appropriations Subcommittee for Education and Economic Development

March 5 & 6, 2015

Recommended Actions

1. Strike the contingent reduction language to the Cade formula: - pp. 2 & 32

~~, provided that this appropriation shall be reduced by $13,045,513 contingent upon the enactment of legislation reducing the required appropriation for formula aid to community colleges.~~

Explanation: This language is not necessary for the General Assembly to reduce the appropriation.

MHEC concurs with the Governor's adjusted allowance as presented in the Budget and Reconciliation Act of 2015.

	Amount Reduction	
2. Rerun the Cade funding formula in fiscal 2016 and apply hold harmless funding. This reduces the total funding from the allowance by $11.7 million. This holds all local community colleges harmless to fiscal 2015 State support, except for Howard Community College and Prince George's Community College who have increases in State support.	$ 11,656,003 GF	- pp. 2 & 32

MHEC concurs with the Governor's adjusted allowance as presented in the Budget and Reconciliation Act of 2015.

Proposed Budget

1. **The Department of Legislative Services (DLS), in order to keep local jurisdictions' support for community colleges level and to base funding on the formula, recommends that the Cade formula be rerun to include across-the-board reductions to public four-year institutions and to include hold harmless funding for all eligible community colleges. This would be a reduction from the allowance of $11,656,003, less than the $13,045,515 reduction proposed by the Governor in the BRFA. This will provide every college with at least as much State funding in fiscal 2016 as they are receiving in fiscal 2015 (after cost containment); five colleges do receive less than under the BRFA.**

   To be consistent with the above action, DLS recommends rejecting the reduction to the Cade formula contingent on, and as specified in, the BRFA of 2015. – p. 15

   MHEC concurs with the Governor's adjusted allowance as presented in the Budget and Reconciliation Act of 2015.

2. **As shown in Exhibit 10, DLS proposes freezing the Cade percentage in statute at the fiscal 2016 rate of 20.5% through fiscal 2020. The percentage in statute then grows 1 percentage point in each successive fiscal year until reaching full funding at 29.0% in fiscal 2029. This would require an amendment to the BRFA.**

   MHEC concurs with the Governor's adjusted allowance as presented in the Budget and Reconciliation Act of 2015.

Issues

1. **The Secretary of Higher Education and the MACC executive director should comment on how institutional aid will be allocated in coming fiscal years, given that enrollment is declining and State and federal financial aid programs are relatively flat funded. – p. 25**

   The level of institutional aid provided at community colleges is dependent upon the colleges' ability to allocate funding to aid programs within their operating budgets to support students with financial need. As State and local funding to the colleges are reduced and enrollment levels, and therefore tuition revenues, are lowered, community colleges are less able to allocate funding to financial aid. It is also dependent upon the level of external funding the colleges can raise from other sources.

   Decisions concerning the level of operating funds to allocate to institutional financial aid are policy and budget decisions that must be made by college administration and governing boards in their management of their respective colleges. MHEC recommends that the community colleges respond on the specifics of how they anticipate allocating institutional financial aid, given the outlook that they anticipate in the years to come.

2. **The Secretary and community colleges should comment on MHEC's role and effectiveness in coordinating Maryland's community colleges such as data collection from the local community colleges. The Secretary and presidents should also comment on whether a new, more formalized body for community college coordination may be beneficial or if a stronger MHEC can play a more direct role in guiding State policy and the efficient use of State resources across the two-year sector. – p. 28**

States differ in the ways in which they govern and/or coordinate their postsecondary institutions, choosing different structures to reflect different local conditions. While it is somewhat difficult to compare governing structures directly due to these variances, it is instructive to compare state approaches to financing higher education, particularly the community college sector.

Table 1. Sources of non-federal revenues for community colleges, Maryland and 10 competitor states, FY 2013.

State	Revenues, by source			
	Tuition & fees	State operating & nonoperating funds	Local operating & nonoperating funds	All other
Maryland	26.6%	23.7%	26.4%	23.3%
California	9.8%	42.4%	34.3%	13.5%
Massachusetts	38.3%	49.6%	0.6%	11.5%
Minnesota	34.5%	44.4%	0.1%	21.0%
New Jersey	43.4%	21.1%	20.7%	14.9%
New York	24.8%	35.9%	25.9%	13.4%
North Carolina	12.6%	55.9%	12.3%	19.2%
Ohio	32.5%	36.4%	13.5%	17.6%
Pennsylvania	38.5%	29.0%	12.2%	20.4%
Virginia	39.6%	41.4%	0.7%	18.3%
Washington	21.2%	46.4%	5.2%	27.3%
11-STATE TOTAL	*21.3%*	*40.1%*	*22.1%*	*16.5%*

Source: IPEDS Finance Survey, 2012-2013.
Notes:
Lines may not add up to 100% due to rounding.
Federal sources of revenue are excluded from this analysis.
The "All other" column includes private operating and nonoperating funds, sales and services, gifts, endowment revenues, capital appropriations, capital grants and gifts, additions to endowments, and other revenues and additions. Some of these funds may come from public sources, but the sources of these revenues are not identified within IPEDS.

Table 1 shows significant differences in the way that Maryland and its competitor states balance revenues across different categories. Maryland is unique in that it distributes revenue participation relatively evenly across students, the state, local authorities, and other revenue sources. Six of the 11 states – New Jersey, Virginia, Pennsylvania, Massachusetts, Minnesota, and Ohio – depend on students to provide 30% or more of non-federal community college revenues. Three states – Massachusetts, Minnesota, and Virginia –generate less than 1% of their revenues from local sources. Six of the 11 states – North Carolina, Massachusetts, Washington, Minnesota, California, and Virginia – provide 40% or more of non-federal community college revenues. Unsurprisingly, many of these latter six have strong coordinating boards for higher education that have a voice commensurate with the level of funding provided by the respective states. Maryland's relatively weak coordinating board reflects Maryland's relatively low State share of funding to community colleges. A stronger coordinating board would perhaps better suit Maryland if the State wished to provide a higher level of funding to community colleges.

The legislative analysis states that "it is not clear who holds colleges accountable." In fact, accountability is shared by the State and the local community. Each community college has a governing board that represents the local community. It is the local governing boards that are responsible for holding the colleges accountable for achieving various goals. The State's interest is represented by the Governor, who appoints the members of each governing board. This shared governance provides representation for both local and State interests. Community colleges must also come through MHEC for the approval of new academic programs and modifications to existing academic programs. In addition, they must come to MHEC to request any needed regulatory changes in COMAR.

Maryland's community colleges work cooperatively on a wide range of issues, many of which are coordinated by their member association MACC. For instance, the community colleges have developed a common set of cutoff scores for developmental coursework, worked collaboratively on credit reductions to degrees, worked together on grant applications, and jointly planned an annual community college completion forum. The framework of statistical indicators provided by the community colleges to MHEC in the Performance Accountability Report is developed by a partnership between MHEC and the member colleges. MHEC collaborates with MACC and its member colleges to facilitate cooperation on these and many other issues.

MHEC disputes the inference in the analysis that MHEC is ineffective at collecting data, based on the experience of collecting financial aid data for FY 2014. MHEC requires institutions to submit data on financial aid by November 1 each year. This deadline is driven in large part by regulations governing federal financial aid, which gives institutions a good deal of latitude to award aid late in the academic year. MHEC's financial aid collection compiles data not only from the 16 community colleges, but also from 13 public four-year institutions, 20 independent and other private institutions, and more than 60 private career schools. MHEC does not publish any of its financial aid data until each of the 110 submissions has been received and verified, and the community colleges as a group generally submit their data promptly and correctly. MHEC plans to submit the FY 2014 data for all institutions requested by the JCR as soon as the entire file is available, likely in April, but the reporting cycle for financial aid data did not permit MHEC to provide FY 2014 data by December 2014. The community colleges were able to respond promptly to the direct request from DLS for financial aid information only because the institutions had already prepared those data for submission to MHEC by November 1.

3. **The Secretary should comment on whether waivers are an effective tool for improving access to higher education for unique student populations. Given the limitations of the data as currently reported, the Secretary should discuss whether waivers in the "Other Populations" category can be broken out to account for each type of waiver used at each community college so that the financial impact of entitlement waivers can be evaluated.**

   The Secretary should also comment on whether there is any data on student outcomes by type of waiver. – p. 31

   Tuition waivers can provide an effective way to improve access to community colleges for unique populations when colleges can afford to provide them. Students who are eligible for waivers are generally from low income households and in need of financial assistance and waivers can provide them with the opportunity to obtain a degree.

   MHEC does not collect data on the characteristics for which waivers are allowed – that is, MHEC has never required institutions to identify whether students are disabled, members of the National Guard or their dependents, foster care recipients, and so forth. Therefore, MHEC cannot reliably determine, for example, whether, prior to the institution of the tuition waiver for foster care recipients, foster care recipients chose not to enroll, or were enrolled and paying their own way. It is reasonable to suppose that the waiver has increased access to some extent, although the precise extent cannot be determined.

   However, MHEC concurs with the community colleges that tuition waivers constitute an unfunded mandate, and that one likely effect of tuition waivers is to compel community colleges to pass on the cost of waivers to other students through higher tuition rates. Two of the programs listed in the analysis, the Dual Enrollment and Health Manpower programs, do allow the colleges to receive funding in exchange for permitting students to attend the colleges while the students pay reduced or zero tuition.

   Tuition waiver data has been reported in MHEC's annual report, Maryland Student Financial Support, since its inception in 2003, and in the Data Book since 2013. MHEC has not required institutions to report categories of waivers separately. Waivers for seniors and for students with disabilities were reported together until academic year 2012-2013. Several kinds of tuition waivers have been aggregated under the broad category "Tuition Waivers to Students," notably the Health Manpower, National Guard, and Unaccompanied Homeless Youth waivers. Waivers for foster care recipients will be reported separately for the first time in academic year 2013-2014. Waivers have generally been aggregated together to facilitate reporting by colleges and universities, but it is possible to require institutions to report different waiver types separately in future years.

   At present, MHEC does not have any data on student outcomes by waiver type. However, MHEC will be able to link data on waivers to data on educational outcomes such as progression and completion by the end of 2015.

   Further review and consideration should be performed to determine the best approach for providing waivers to community college students. The review should also include a determination of whether State funding can be provided to offset some of the cost of waivers to the colleges.