
Maryland Community College Affordability and Funding

**Presentation to the
House Ways and Means Committee**

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

November 2, 2005

Focus of Study

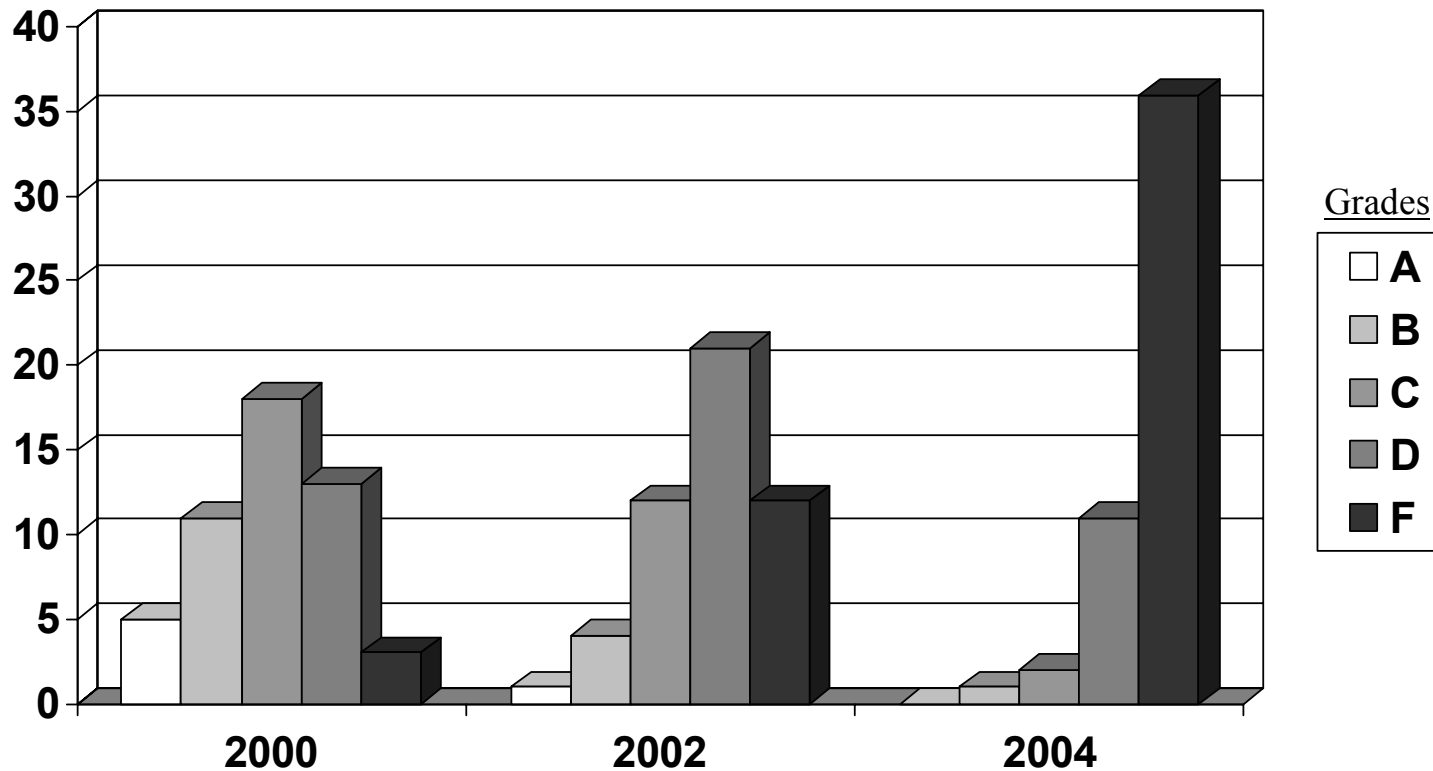
- 10 Years Since Cade Community College Funding Formula Established
- Affordability (Measuring Up Report Card) and Community Colleges
- State Comparisons – Affordability and Funding
- Community College Trends
 - Tuition Levels
 - Enrollment
 - State Financial Aid
 - State Funding

Measuring Up Report Card

- Issued by the National Center for Public Policy and Higher Education in 2000, 2002, and 2004
- 50 state comparison on factors of preparation, participation, affordability, completion, benefits, and learning
- Although the nation has improved in many of these categories, there has been little to no improvement in affordability
- States have been traditionally graded based on a benchmarking system compared to other states. In 2004, the grading system was changed to look at the state's performance today compared to its own performance a decade ago

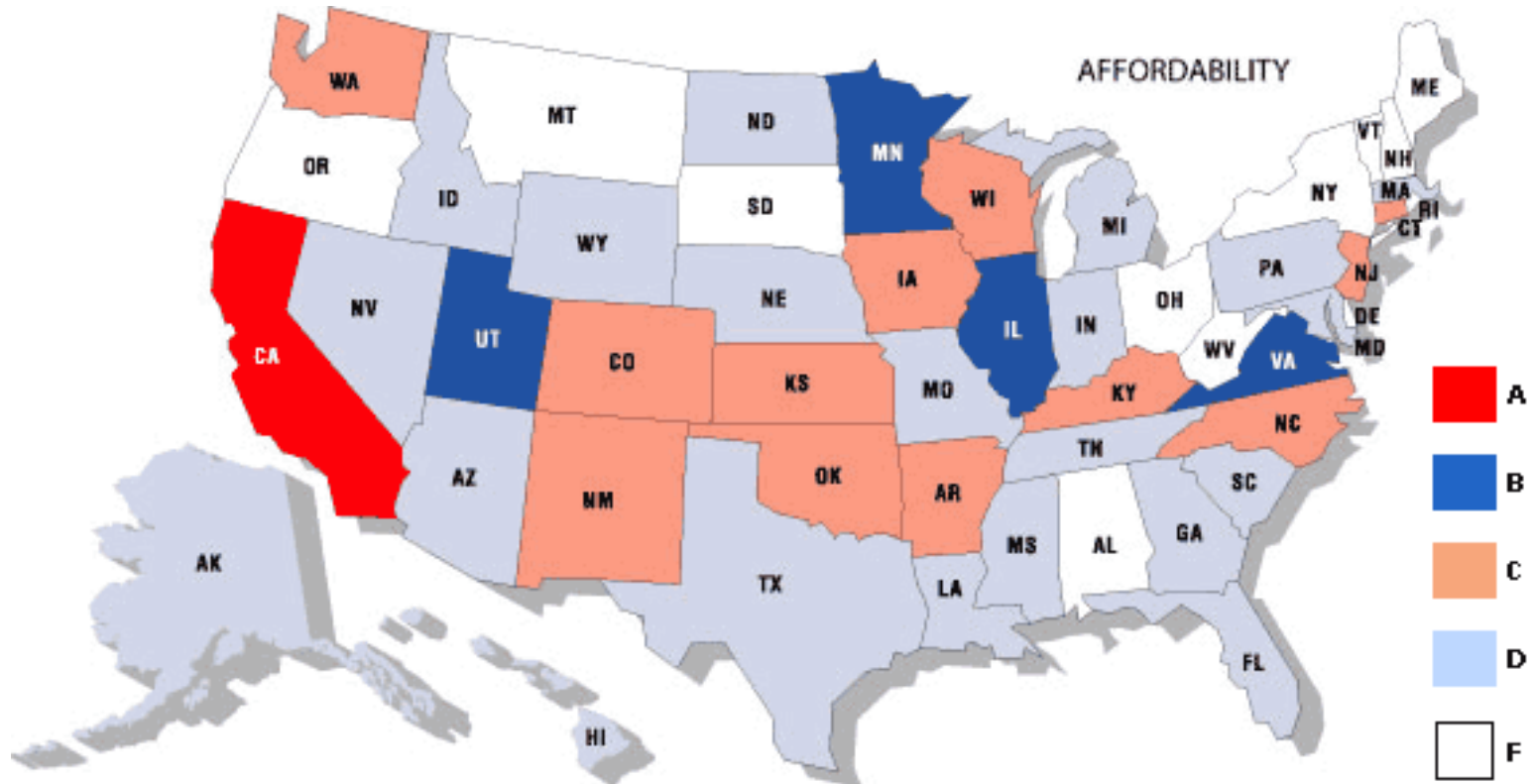
Affordability Rankings

Number of States Receiving Each Grade



Source: *Measuring Up Report Card 2000, 2002, and 2004*, National Center for Public Policy and Higher Education

2002 Affordability Grades



Source: *Measuring Up Report Card 2002*, National Center for Public Policy and Higher Education

Affordability

- As the value of higher education continues to rise, affordability is a key component of ensuring access
- Maryland has not scored well in affordability. Its grade for affordability has slipped from D to D- to F in 2004 under the new grading system (Maryland's grade would have remained a D under the old system)
- Maryland has improved in some measures but still has a lot of room for improvement
- The only consolation is that most other states are not doing well in the category either
- One of the primary factors affecting the affordability grade is tuition at community colleges, typically the lowest-priced option in the State

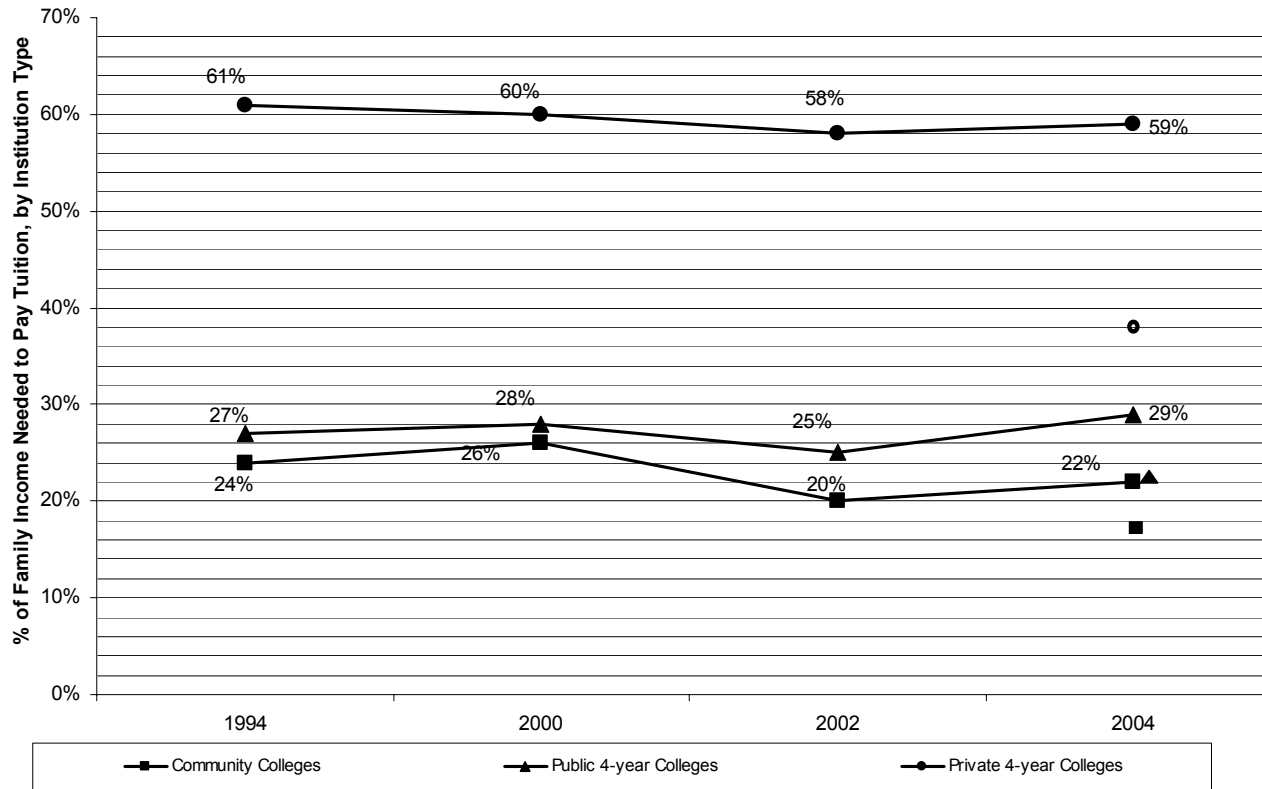
Measuring Up 2004 Report Card on Affordability in Maryland

	<u>Top States a Decade Ago</u>	<u>Maryland A Decade Ago</u>	<u>Maryland in 2004</u>
<u>Family Ability to Pay (50%)</u>			
Percent of Income (average of all income groups) needed to pay for college expenses minus financial aid:			
at community colleges	15%	24%	22%
at public four-year colleges/universities	16%	27%	29%
at private four-year colleges/universities	32%	61%	59%
<u>Strategies for Affordability (40%)</u>			
State investment in need-based financial aid as compared to the federal investment	89%	27%	33%
At lowest-priced colleges, the share of income that the poorest families need to pay for tuition	7%	17%	16%
<u>Reliance on Loans (10%)</u>			
Average loan amount that undergraduate students borrow each year	\$2,619	\$3,178	\$3,810

Note: In the affordability category, the lower the figures the better the performance for all indicators except for “State investment in need-based financial aid.”

Source: *Measuring Up Report Card 2004*, National Center for Public Policy and Higher Education

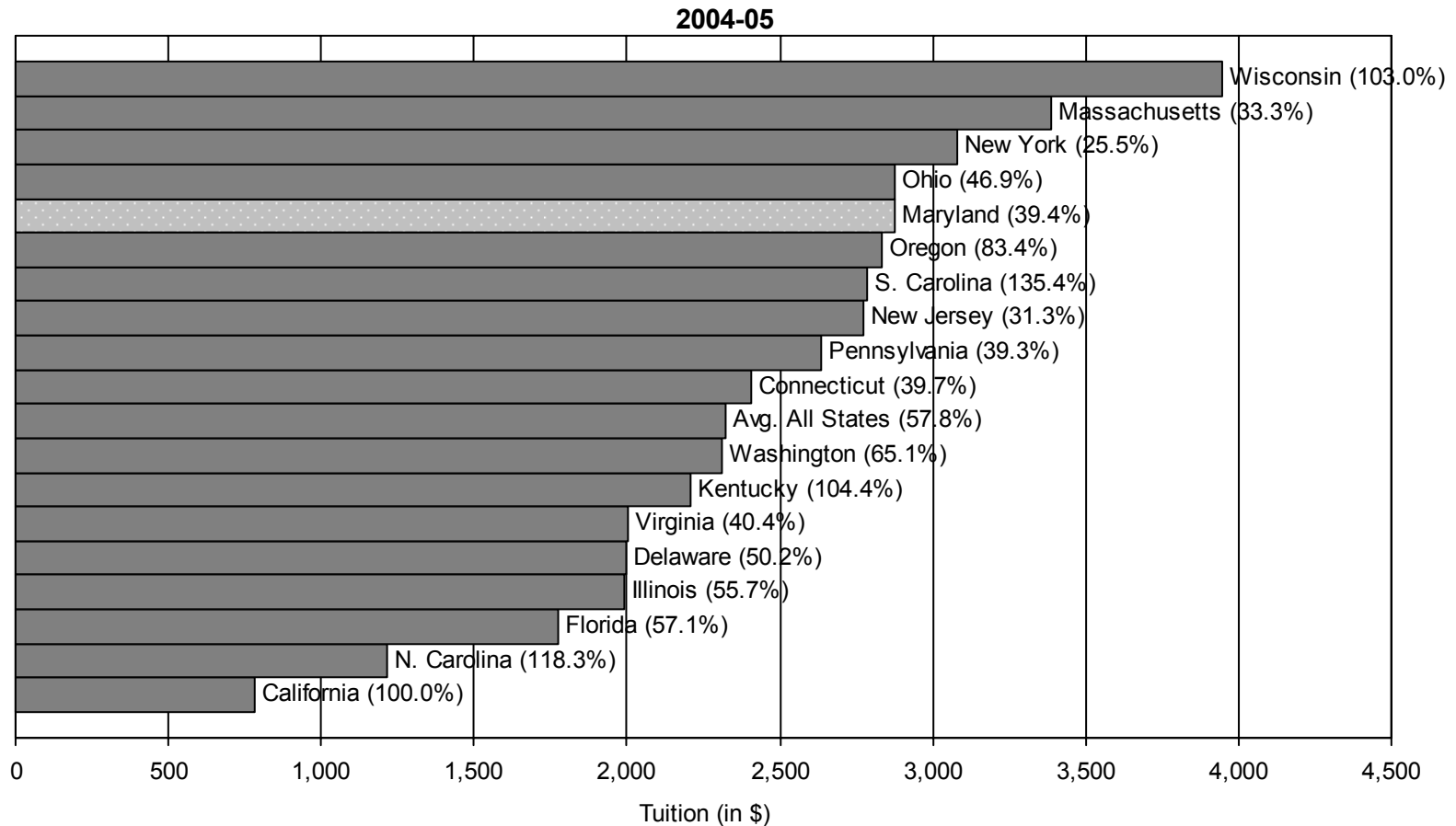
Family Ability to Pay: Maryland 1994 – 2004



Note: Lines represent Maryland's performance over the last decade. Marked data points in 2004 indicate highest performing states by type of institution.

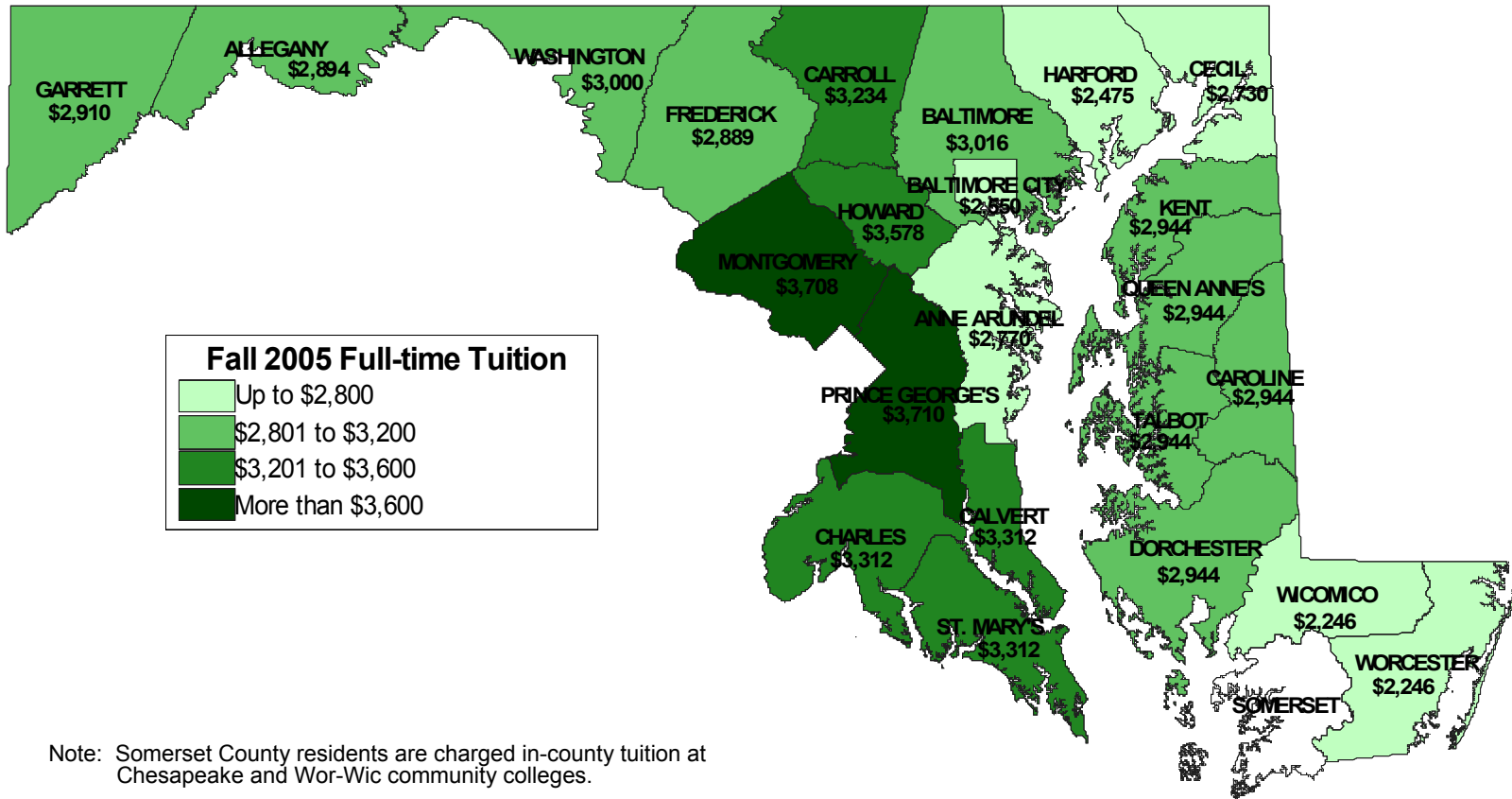
Source: *Measuring Up Report Card 2004*, National Center for Public Policy and Higher Education

Average Annual Community College Tuition, Selected States, (% Increase Fiscal 1997 – 2005)



Source: Washington State Higher Education Coordinating Board, *2004-05 Tuition and Fee Rates: A National Comparison*

Maryland Community College Tuition Fiscal 2006



Source: Maryland Higher Education Commission
Map prepared by Department of Legislative Services

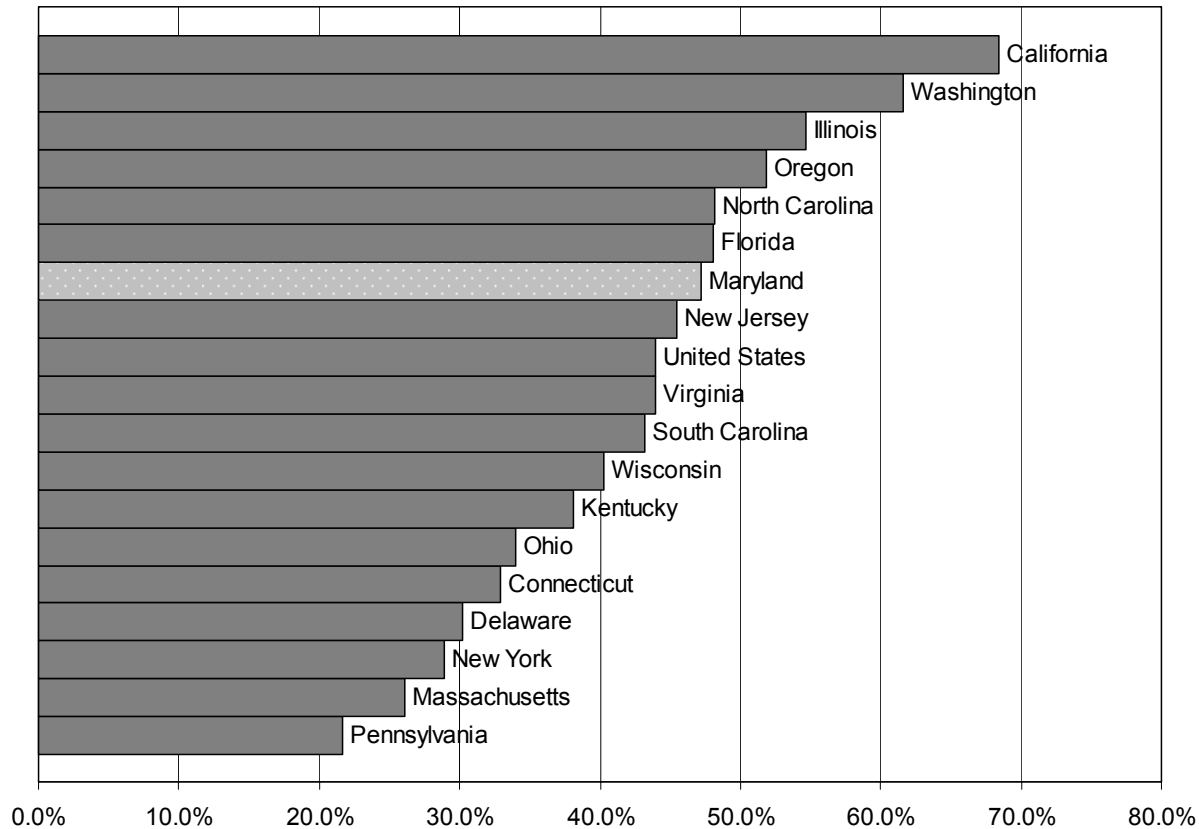
Fiscal 1996 – 2006 Tuition and Mandatory Fees Increases

	FY 2006	Avg. Annual Increase FY96-01	Avg. Annual Increase FY01-06	% Change FY96- FY06
Wor-Wic	\$2,246	2.0%	5.4%	39.5%
Harford	\$2,475	1.1%	5.0%	31.8%
Baltimore City	\$2,550	4.0%	5.7%	54.5%
Cecil	\$2,730	1.6%	7.2%	46.8%
Anne Arundel	\$2,770	0.5%	8.7%	47.2%
Frederick	\$2,889	2.8%	3.7%	35.1%
Allegany	\$2,894	5.1%	1.3%	33.7%
Garrett	\$2,910	6.1%	3.6%	54.0%
Chesapeake	\$2,944	4.9%	6.2%	63.1%
MD Average	\$2,998	3.8%	5.6%	52.5%
Hagerstown	\$3,000	2.4%	6.3%	47.1%
Baltimore County	\$3,016	3.4%	8.5%	66.8%
Carroll	\$3,234	10.8%	5.4%	96.0%
Southern Maryland	\$3,312	6.4%	5.2%	66.4%
Howard	\$3,578	2.2%	6.8%	48.5%
Prince George's	\$3,710	3.0%	4.9%	43.2%
Montgomery	\$3,708	5.9%	7.3%	76.7%
<i>UMD-College Park</i>	<i>\$7,821</i>	<i>7.1%</i>	<i>10.5%</i>	<i>106.1%</i>

Calculations based on tuition data from Maryland Higher Education Commission

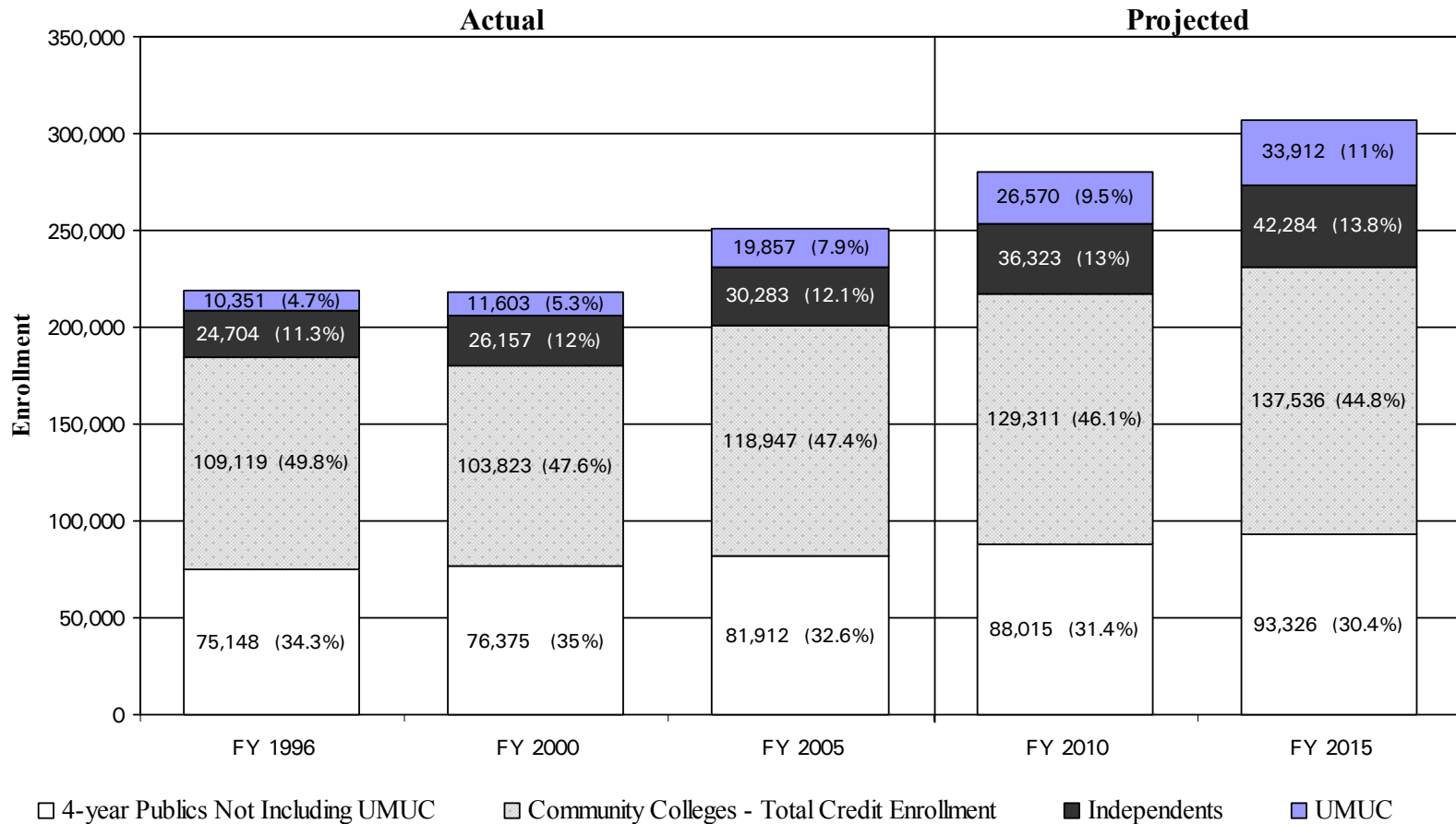
Percentage of All Undergraduates Enrolled in Community Colleges in Selected States

FY 2003



Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2004*

Undergraduate Headcount Enrollment with Percentage of Total



Source: MHEC, DLS for fiscal 2006-2015 projection for independent students based on Maryland Independent College and University Association data

Full-time and Part-time Public Undergraduate Headcount Enrollment

	<u>FY 1996</u>	<u>FY 2005</u>	<u>FY 2015 est.</u>	<u>% Change</u>		
				<u>FY 96-05</u>	<u>FY 05-15</u>	<u>FY 96-15</u>
Full-time						
Community Colleges	31,288	42,198	52,492	34.9%	24.4%	67.8%
4-Year Publics	60,654	74,106	86,096	22.2%	16.2%	41.9%
Total	91,942	116,304	138,588	26.5%	19.2%	50.7%
CC % of Total	34%	36%	38%			
4-Yr % of Total	66%	64%	62%			
Part-time						
Community Colleges	77,831	76,749	85,044	-1.4%	10.8%	9.3%
4-Year Publics	15,678	10,585	11,978	-32.5%	13.2%	-23.6%
UM University Coll	9,167	17,078	29,164	86.3%	70.8%	218.1%
Total	102,676	104,412	126,186	1.7%	20.9%	22.9%
CC % of Total	76%	74%	67%			
4-Yr % of Total	15%	10%	9%			
UMUC % of Total	9%	16%	23%			

Source: MHEC, *Trend Book May 2005* and *Enrollment Projections June 2005*

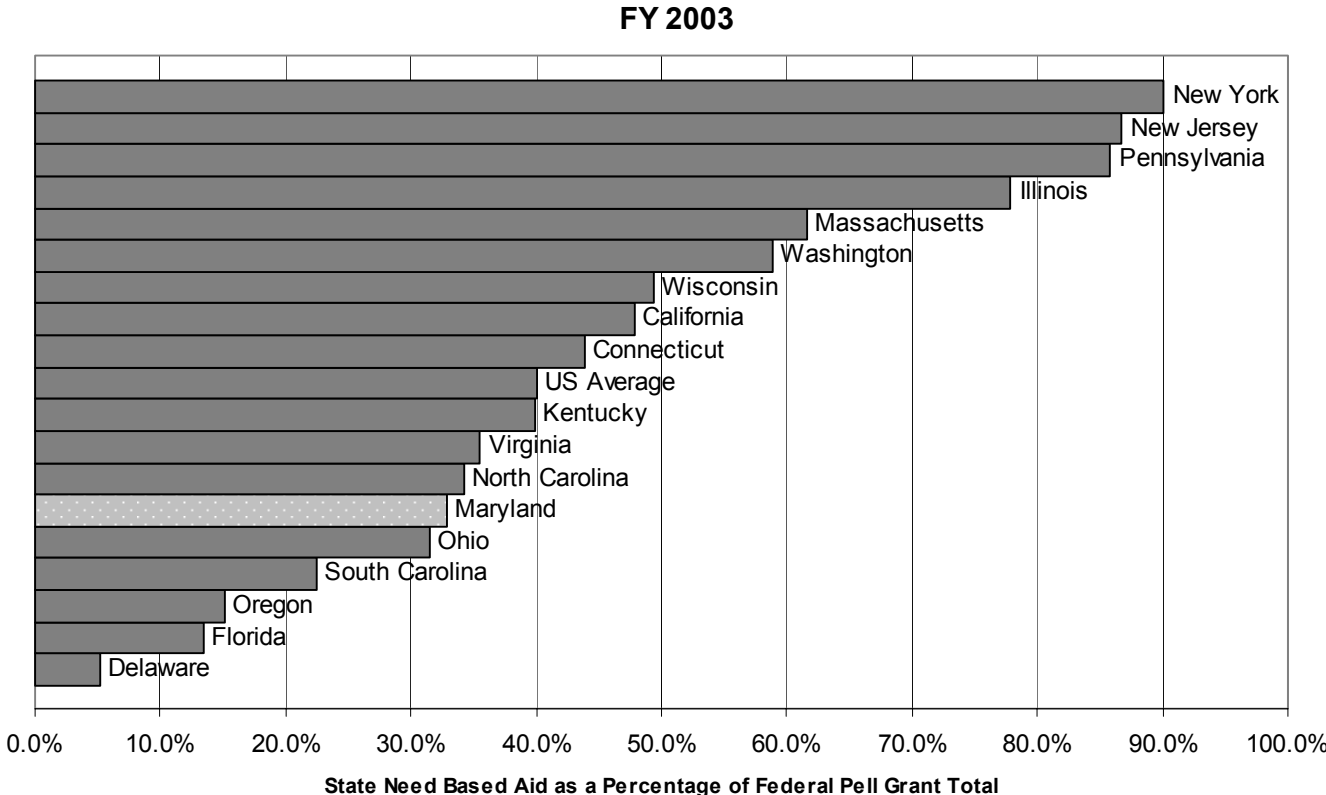
The Maximum Pell Grant: What Does It Buy?

Proportion of average price of tuition, fees, and on-campus room and board

<u>Institutional Type</u>	<u>1979-80</u>	<u>2002-3</u>
Public 2 Year	99%	68%
Public 4 Year	77%	41%
Private 4 Year	36%	16%

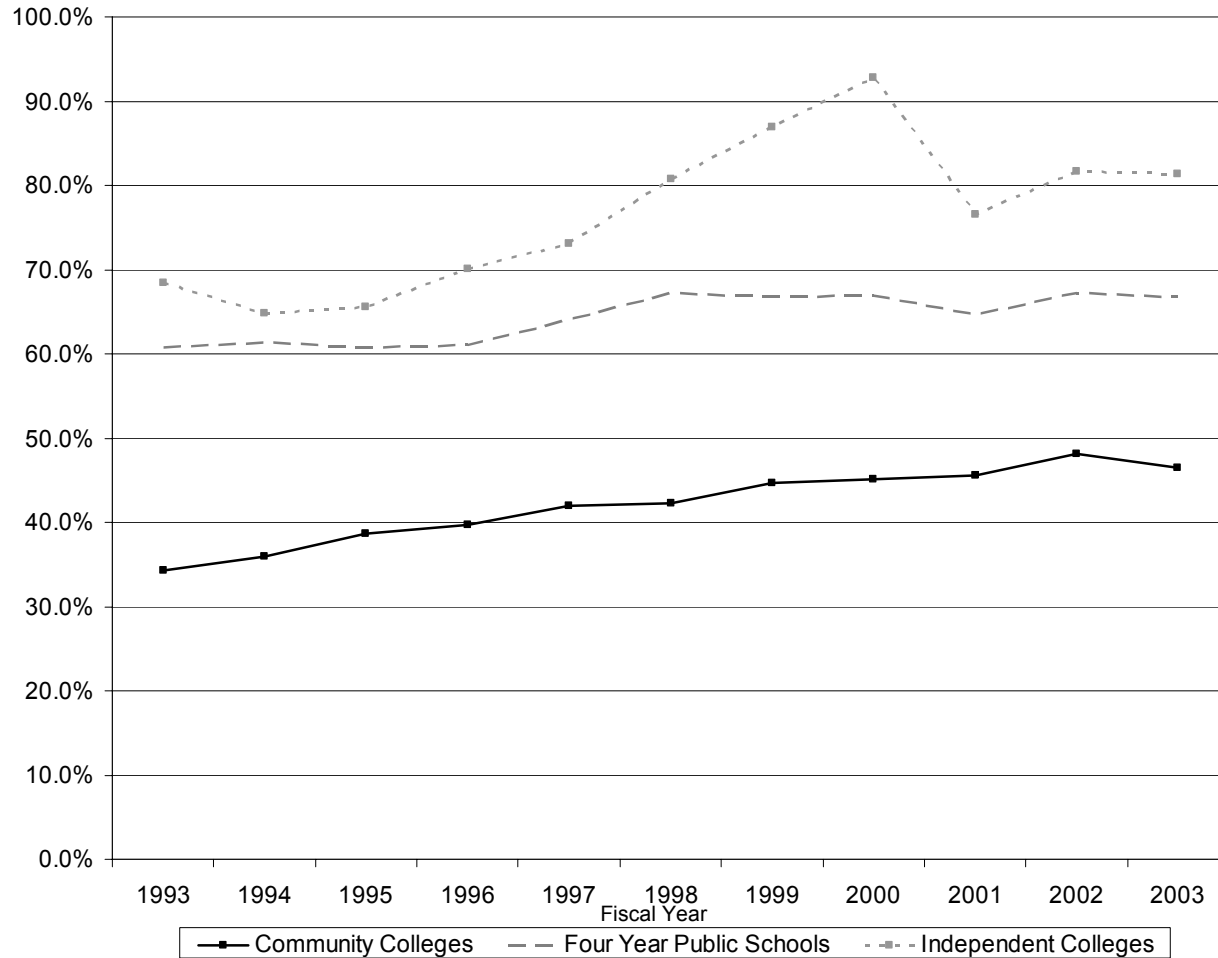
Source: Jacqueline E. King, *2003 Status Report on the Pell Grant Program*, Washington: American Council on Education, October 2003

State Need Based Financial Aid in Selected States



Source: Office of Postsecondary Education, *Title IV/Pell Grant End of the Year Report 2002–03*; Washington, D.C.: U.S. Department of Education, 2004. National Center for Higher Education Management Systems. *Annual Survey of State Grant Aid Programs for Academic Year 2003–04*. Boulder, CO: 2004

Percentage of Maryland Undergraduates Receiving Financial Assistance



Note: Includes total grants, loans, scholarships, and student employment.

Source: Maryland Higher Education Commission, *Trend Book 2005* 16

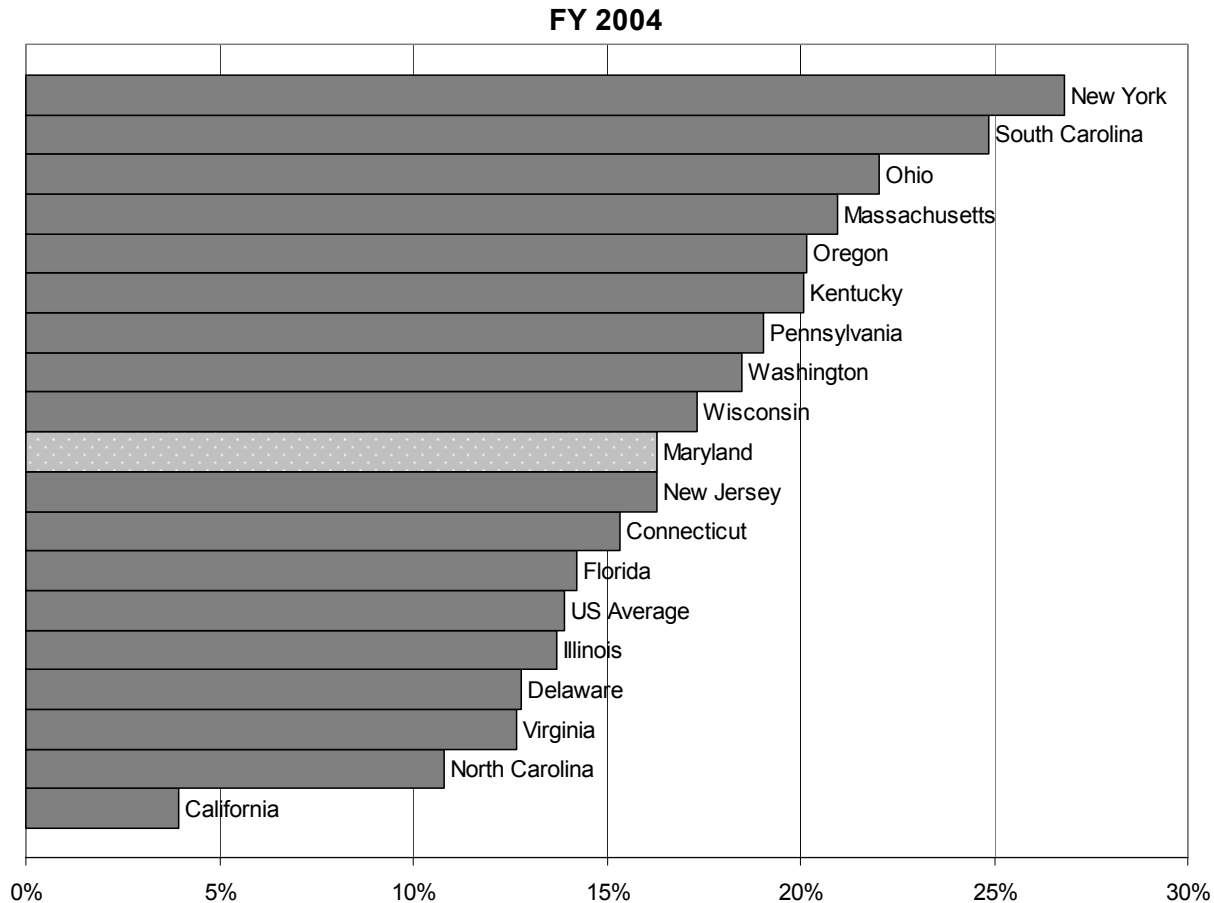
Maryland State Financial Aid Appropriations

(\$ in Thousands)

	<u>FY 2000 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Actual</u>	<u>FY 2006 Approp</u>	<u>2004-2006 \$ Increase</u>	<u>2004-2006 % Increase</u>	<u>2000-2006 % Increase</u>
Need-based Aid	\$35,335	\$42,386	\$53,590	\$66,722	\$24,336	57%	89%
Merit-based Aid	4,452	4,434	4,434	4,434	0	0%	-0.4%
Legislative	8,261	9,610	10,861	11,299	1,689	18%	37%
Career/Occupational	7,240	19,119	17,575	12,323	-6,796	-36%	70%
Unique Populations	385	552	640	640	88	16%	66%
Total	\$55,672	\$76,101	\$87,100	\$95,418	\$8,698	25%	71%

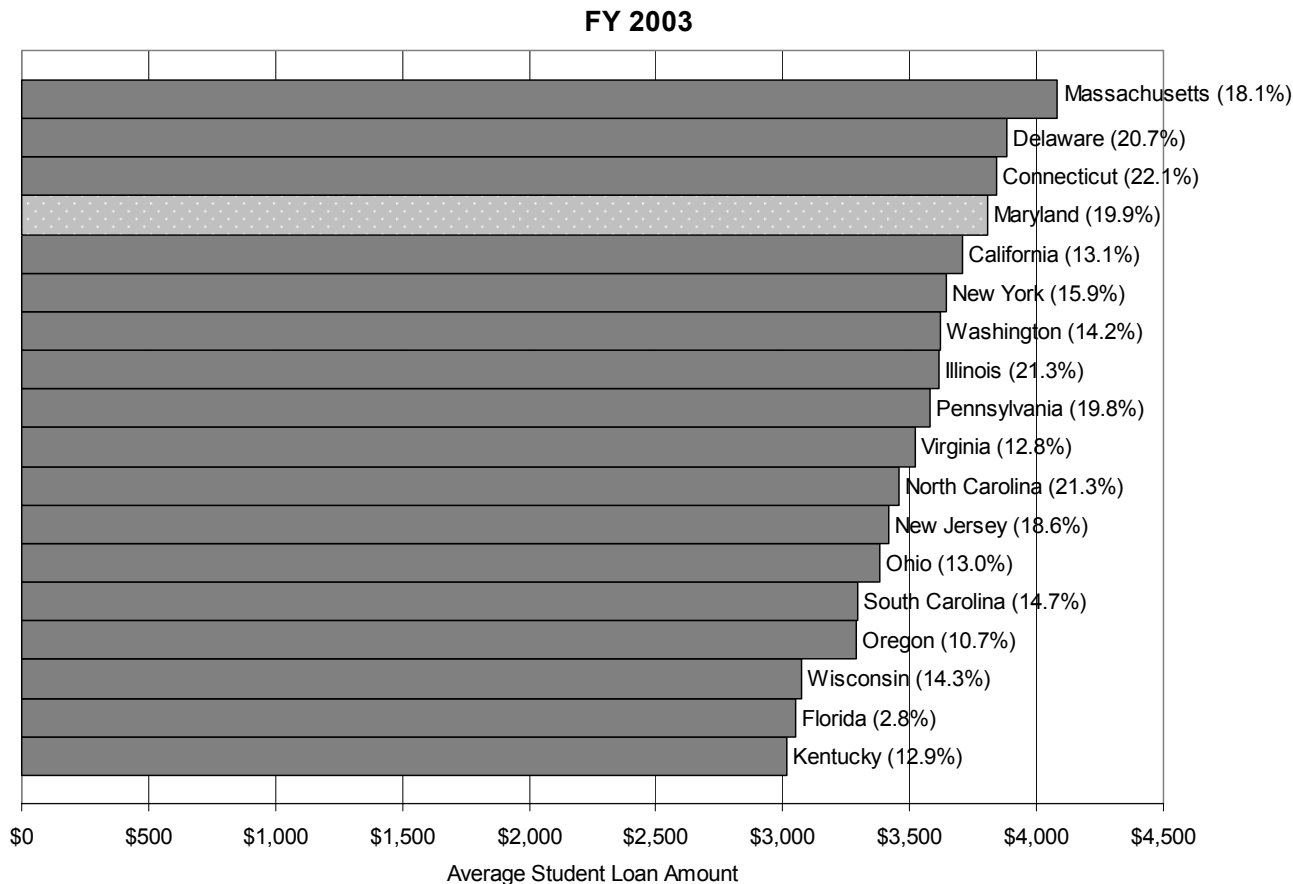
Source: MHEC, *FY 2005 Fiscal Digest*, FY 2006 operating budget

Share of Income that Lowest Income Families Must Pay for Tuition at Lowest Priced Colleges



Source: *Measuring Up Report Card 2004*, National Center for Public Policy and Higher Education

Average Annual Loan Amount Borrowed by All Undergraduates (Percent Increase in Average Loan Fiscal 1995 –2003)



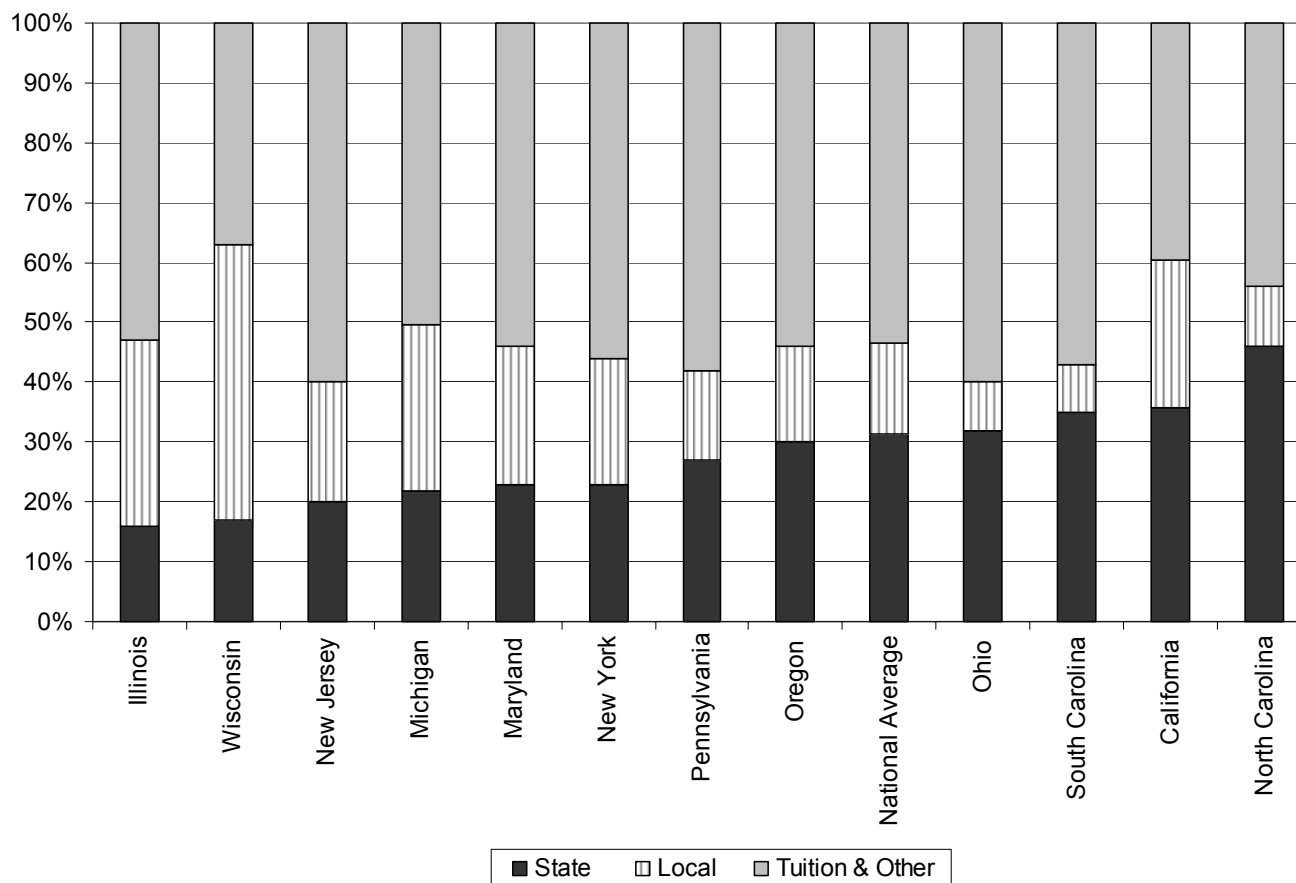
Source: *Measuring Up Report Card 2004*, National Center for Public Policy Higher Education

Community College Revenues



- Community College Revenues are like a three-legged stool — they require a balance of forces
- Community Colleges receive almost all revenue from a combination of state aid, local aid, and tuition and fees

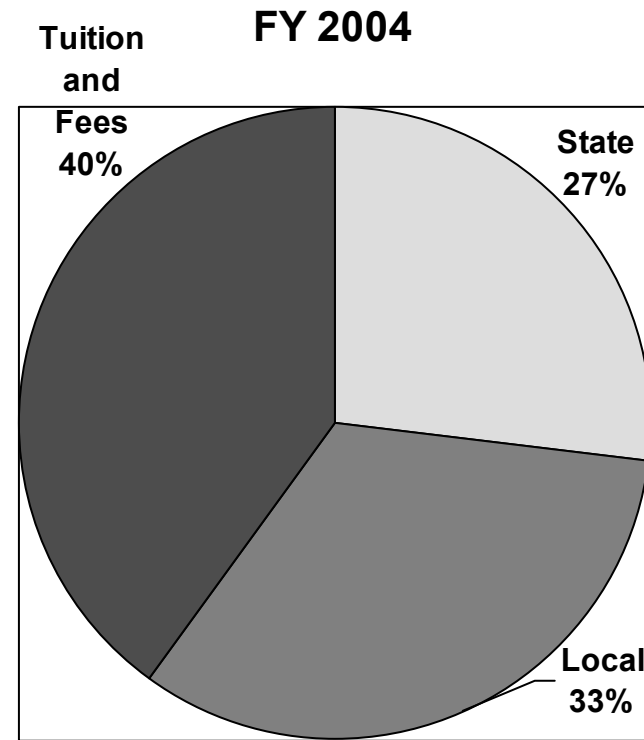
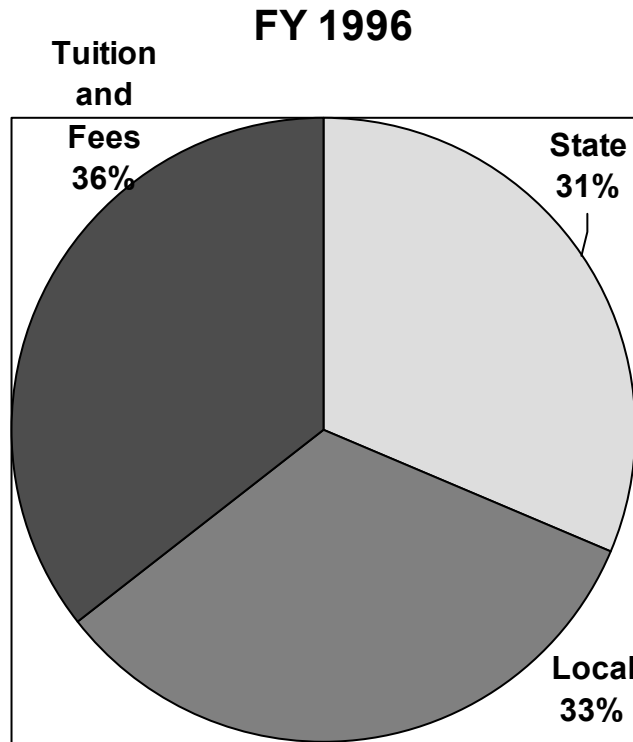
Distribution of Community College Fiscal 2003 Revenues for Selected States



Note: Of the selected states, this graph includes only those which use local funding. Of the 50 states, 16 do not use local funding, and 6 use minimal contributions, meaning 2 percent or less of community college revenues.

Source: IPEDS, Compiled by Maryland Association of Community Colleges

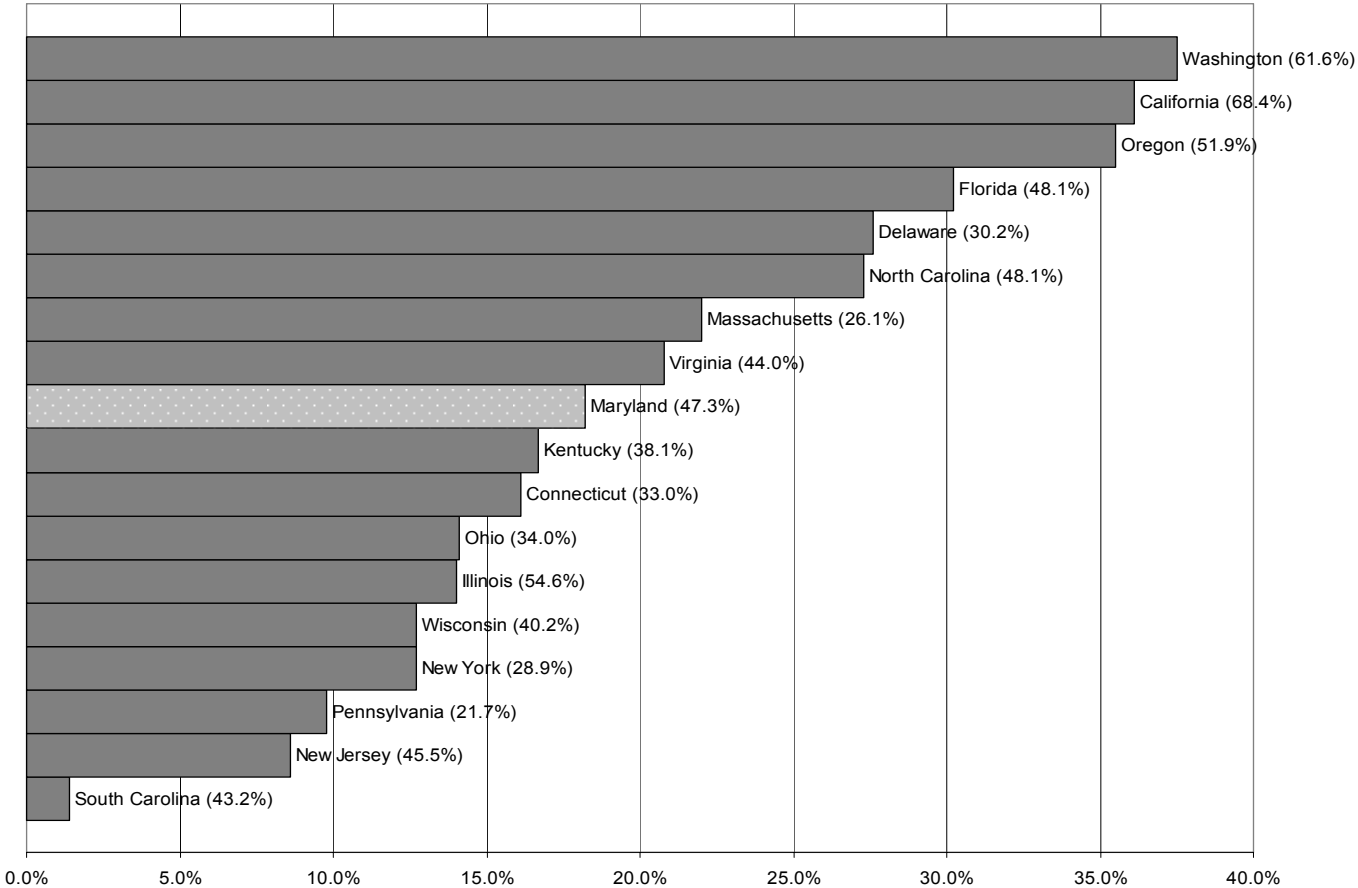
Sources of Maryland's Community Colleges Unrestricted Revenues



Source: Maryland Higher Education Commission *Trend Book*, 2005

Community College Appropriations as a Percent of Total Higher Education Funds, Selected States (% of all Undergraduates Enrolled in Community Colleges)

FY 2005



Source: Analysis of higher education appropriation data from Grapevine, Center for the Study of Education Policy, Illinois State University, <http://www.coe.ilstu.edu/grapevine/>

John A. Cade Community College Funding Formula – History

- 1995 – Community college financing study group meets
- 1996 – New funding formula for community college aid established
- 1997 – Funding formula renamed for Senator John A. Cade
- 1998 – Grants established for 7 small colleges (increased in 2000)
- 1998 – New funding formula established for BCCC
- 2002 – BRFA reductions to Cade formula (FY 2003)
- 2002 – Mountain colleges grants established (made permanent in 2004)
- 2005 – Cade formula restored in FY 2006

BRFA=Budget Reconciliation and Financing Act of 2002

Cade Formula – Calculation

- Total funding equals:
 - (1) 25% of per pupil (FTES) General Fund aid to select four-year public institutions in preceding fiscal year
(multiplied by)
 - (2) Number of FTE students enrolled in community colleges in second previous fiscal year

Cade Formula – Distribution

- Distribution to each college based on:
 - *Fixed Costs (38%)*: based on distribution in previous fiscal year
 - *Marginal Costs (60%)*: based on the percent of total FTES enrollment
 - *Size Factor (2%)*: additional funding for small colleges
 - *Hold Harmless Provision*: if funding based on formula is less than previous fiscal year

Other Community College Aid (Fiscal 2006)

- Statewide and Regional Programs – \$4,310,000
- Small Colleges Grants – \$3,100,000
- English for Speakers of Other Languages – \$2,500,000
- Innovative Partnership Program – \$1,632,000
- Garrett Co. and W.Va. Reciprocity – \$160,000
- Somerset Reciprocity Grant – \$353,000
- Retirement Contributions – \$25,463,000
- *Baltimore City Community College* – \$32,870,665

Cade Formula – Impact of Cost Containment

Percent of Four-year Public FTES

<u>FY</u>	<u>Original Cade</u>	<u>Cade w/BRFA</u>
2000	23%	n/a
2001	24%	n/a
2002	25%	n/a
2003	25%	23.1%
2004	25%	23.1%
2005	25%	24%
2006	25%	25%

Cade Funding – Impact of Cost Containment

<u>FY</u>	<u>Actual Approp.*</u>	<u>Annual %</u>
2001	\$136.6 million	
2002	\$153.3 million	12.2%
2003**	\$154.7 million	0.9%
2004	\$145.8 million	(5.7%)
2005	\$149.7 million	2.7%
2006	\$157.2 million	5.0%

*Funding Includes Cade formula, small college grants, and mountain college grants.

**FY 2003 Cade funding projected to be \$172.3 million prior to BRFA and cost containment in 2002.

Cade Funding Per FTES

Average State Aid per FTES

<u>FY</u>	<u>4-Year Public</u>	<u>Community Colleges</u>	<u>Comm. Colleges Annual %</u>
2000	\$8,074	1,684	n/a
2001	\$8,730	1,937	15.0%
2002	\$9,485	2,182	12.6%
2003	\$8,446	2,186	0.0%
2004	\$7,634	1,951	(10.7%)
2005	\$7,621	1,832	(6.1%)
2006	\$7,926	1,905	4.0%
2007 est.	\$8,326	1,981	4.0%
2008 est.	\$8,649	2,081	5.0%

Source: Maryland Higher Education Commission, Department of Legislative Services 2005

State Funding by Community College

Fiscal 2005 – 2006

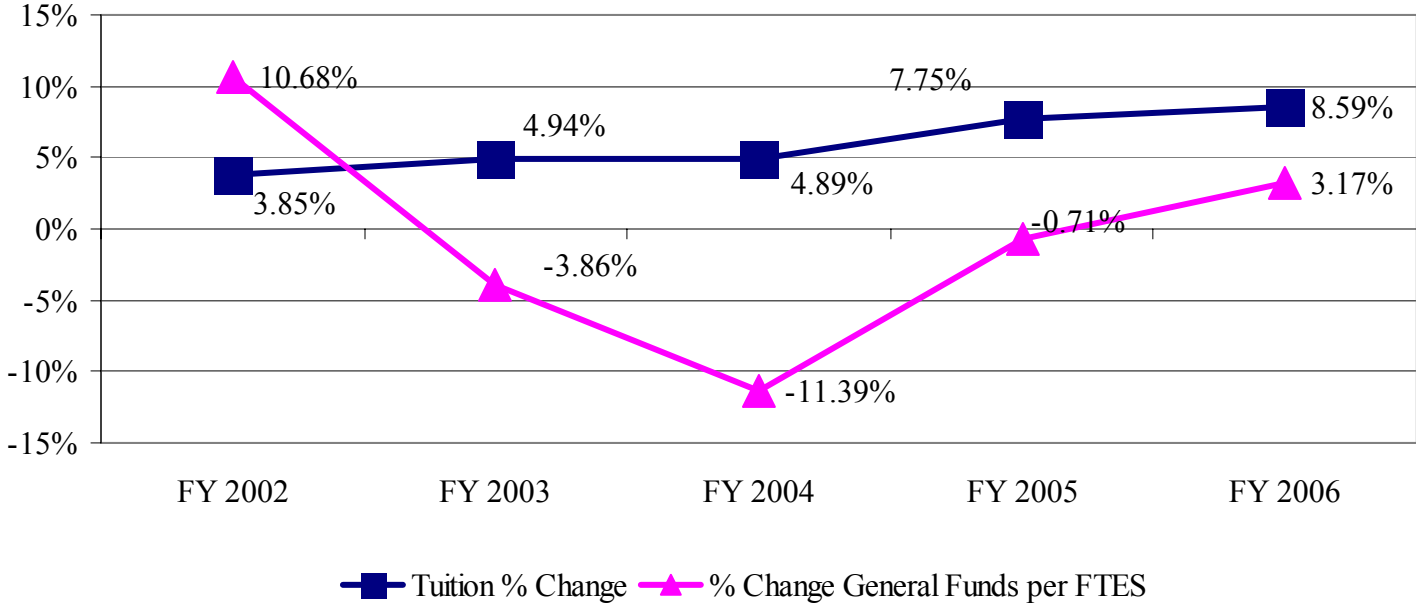
<u>College</u>	<u>FY 05 Grants</u>	<u>FY 06 Grants</u>	<u>Change FY 05-06</u>	<u>Change Enroll</u>	<u>Change \$/FTES</u>
Allegany	\$ 4,371,934	\$ 4,627,574	5.8%	3.2%	2.6%
Anne Arundel	\$ 20,359,924	\$ 21,567,819	5.9%	1.0%	4.8%
Baltimore Co.	\$ 30,114,339	\$ 30,160,310	0.2%	0.6%	-0.5%
Carroll	\$ 4,823,394	\$ 5,234,598	8.5%	4.3%	4.1%
Cecil	\$ 3,193,438	\$ 3,491,115	9.3%	6.8%	2.4%
Chesapeake	\$ 4,329,555	\$ 4,691,676	8.4%	7.0%	1.2%
Frederick	\$ 5,146,358	\$ 5,605,906	8.9%	6.2%	2.6%
Garrett	\$ 2,394,861	\$ 2,404,700	0.4%	-0.2%	0.6%
Hagerstown	\$ 4,939,746	\$ 5,337,006	8.0%	6.2%	1.8%
Harford	\$ 7,343,259	\$ 7,701,612	4.9%	-1.1%	6.0%
Howard	\$ 8,148,289	\$ 8,813,182	8.2%	3.9%	4.1%
Montgomery	\$ 24,941,659	\$ 26,118,764	4.7%	0.7%	4.0%
Prince George's	\$ 17,096,597	\$ 18,126,404	6.0%	2.1%	3.9%
Southern MD	\$ 7,441,884	\$ 7,988,312	7.3%	3.8%	3.4%
Wor-Wic	\$ 5,009,655	\$ 5,373,730	7.3%	2.1%	5.1%
Total	\$149,654,892	\$157,242,707	5.1%	1.9%	3.1%

Note: Includes Cade formula, mountain colleges grants, and small colleges grants.

Source: Governor's Budget Books, FY 2005 and 2006

Percent Change Tuition Growth vs. Percent Change per FTES Funding

Community Colleges



Cade Funding Estimates Fiscal 2007 – 2011

(\$ in Millions)

<u>Fiscal Year</u>	<u>Amount</u>	<u>% Increase Over Prior Years</u>
2007	\$164.8	6.9%
2008	\$175.7	6.6%
2009	\$185.3	5.4%
2010	\$195.3	5.4%
2011	\$205.5	5.2%

Source: MHEC for enrollment estimates, DLS for funding estimates

Conclusions – Affordability at Community Colleges

- Maryland has among the highest community college tuitions in the nation (11th highest)
- There is a growing gap in actual dollars between annual tuition at Maryland community colleges and the national average, but as a proportion it has remained constant at 140%
- Tuition levels at many Maryland colleges have increased significantly since 2002 (from 1% to 9% annually)
- More Maryland community college students are going full-time, a trend that is projected to continue
- Maryland ranks above the national average in the cost of community college tuition for the lowest income families
- As a proportion, fewer community college students receive need-based aid (and fewer dollars) than four-year students

Conclusions – Improving Affordability

- Community Colleges have experienced a combination of temporary reductions in the percent used in the Cade formula and the effects of a decline in the four-year per FTES funding for three consecutive years
- Cade formula is back to full strength in FY 2006 – per FTES is projected to surpass FY 01 levels in FY 07
- Four-year schools had a 6% increase in general fund appropriations for FY 06, which will increase funding for community colleges in FY 07 (projected 6.9% increase)
- State appropriations for need based aid have increased by 57% since FY 2004 (not reflected in the 2004 report card)
- Improving Maryland's affordability grade will be most impacted by limiting tuition increases (particularly at community colleges) and increasing funding for State need-based aid

Appendices
