

**Department of Legislative Services**  
Maryland General Assembly  
2018 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 1141 (Senator Nathan-Pulliam)  
Education, Health, and Environmental Affairs

**Maryland Education Opportunity Act of 2018**

This bill establishes a full *tuition waiver* for State residents who enroll at a community college as a candidate for a vocational certificate or an associate’s degree within two years after graduating from a high school in the State or successfully completing a “GED.” The bill also establishes a 50% community college *tuition discount* for State residents who do not have a high school diploma or GED and have been actively seeking employment but have been unemployed for at least six months. Individuals receiving waivers or discounts must be counted in computing full-time equivalent student (FTES) enrollment for the Senator John A. Cade Funding Formula for community colleges. In addition, a community college is entitled to reimbursement from the State from the Education Trust Fund (ETF) for foregone tuition revenue resulting from the bill. **The bill takes effect July 1, 2018.**

**Fiscal Summary**

**State Effect:** To use gaming proceeds credited to ETF for the expanded uses described in the bill requires general fund expenditures to increase by an equal amount. General fund expenditures increase by *at least* \$63.4 million beginning in FY 2019 to reimburse community colleges for 100% of eligible tuition waivers, including Baltimore City Community College (BCCC). Additional general fund expenditures (not shown below) are likely beginning in FY 2019 and again in FY 2021 as discussed below. **This bill establishes a mandated appropriation beginning in FY 2020.**

| (\$ in millions) | FY 2019  | FY 2020  | FY 2021  | FY 2022  | FY 2023  |
|------------------|----------|----------|----------|----------|----------|
| Revenues         | \$0      | \$0      | \$0      | \$0      | \$0      |
| GF Expenditure   | 63.4     | 64.7     | 66.0     | 67.3     | 68.6     |
| Net Effect       | (\$63.4) | (\$64.7) | (\$66.0) | (\$67.3) | (\$68.6) |

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** Overall, no net effect on local community college revenues; State aid increases by *at least* \$63.1 million beginning in FY 2019 to reimburse colleges for lost

tuition revenue due to current students who are eligible for the tuition waiver. However, as discussed below, additional State aid revenue is likely in the out-years.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** Under the bill, “tuition” means the basic instructional charge for courses offered at a community college and includes any fees for registration, application, administration, or laboratory work. The bill does not define “GED.”

An individual must continue to receive the tuition waiver or the tuition discount until the earlier of (1) two years after first enrolling as a candidate for a vocational certificate or an associate’s degree at a community college in the State or (2) the date that the individual is awarded a vocational certificate or an associate’s degree.

An individual who is eligible for a tuition waiver or discount under the bill must submit a timely application for any State or federal student financial aid, other than a student loan, for which the student may qualify. Any student financial aid, other than a student loan, received by an individual who receives a tuition waiver or discount under the bill must be applied *first* to pay the individual’s tuition. The tuition waiver or the tuition discount must apply to the difference, if any, between the charge for tuition and the financial aid award, not including a student loan that the individual receives. On request, the community college must assist any individual required to submit an application for State or federal student financial aid under the bill.

Any funds used to reimburse a community college for foregone tuition revenue must be paid from ETF. The bill also expands the authorized use of video lottery terminals (VLTs) and table game proceeds credited to ETF to provide funds to reimburse community colleges for foregone tuition revenue.

**Current Law:** Tuition policies at community colleges are set by the Code of Maryland Regulations and the boards of trustees for the colleges. There are three levels of tuition at community colleges: in-county; out-of-county; and out-of-state. However, as a State-operated college, BCCC only has two tuition levels: in-state and out-of-state. In general, there is a three-month residency requirement for community colleges.

### *Senator John A. Cade Funding Formula*

The State’s annual contribution for the Senator John A. Cade Funding Formula, the largest community college aid program, is determined by enrollment at community colleges and

the level of funding received by public four-year institutions. The Cade formula bases per pupil funding on a set statutory percentage of current-year State appropriations per FTES at selected public four-year institutions of higher education. The resulting community college per student amount is multiplied by the number of FTES enrolled in the colleges in the second preceding fiscal year to identify a total formula amount.

Specifically, the number of FTES is calculated as the number of student credit hours produced in the fiscal year two years prior to the fiscal year for which the State share is calculated, divided by 30. “Student credit hours” are defined as student credit hours or contact hours which are eligible, under the regulations issued by the Maryland Higher Education Commission (MHEC).

There are three parts to the Cade formula that together set the level of funding each community college receives under the grant. The three components are fixed costs, marginal costs, and a size factor. The majority (60%) of the Cade funding is distributed to the local community colleges through the marginal cost formula that distributes funds based on the number of FTES at each community college. Of the remaining 40%, 38% is distributed through the fixed-cost component and 2% is distributed through the size-factor component. In addition, a college is eligible for a hold harmless component if the total amount under the three components is less than the college’s total Cade funding in the prior year.

According to regulations applicable to local community colleges that receive Cade funding but not BCCC, a college may not receive State funding for continuing education courses until MHEC approves the course. MHEC may not approve recreational courses for State funding. When two or more colleges jointly sponsor a noncredit continuing education course, participating students must be enrolled, recorded, and registered by the college that will ultimately submit the request for the State funding for the course. A college may not receive State funding for students younger than age 16 enrolled in continuing education courses, unless otherwise permitted by State law. A high school student concurrently enrolled in continuing education courses without payment of tuition, either through tuition waiver, tuition payment reimbursement, or by direct finance of the course work by individual college departments, may not be submitted for State funding. A continuing education course that is approved for State funding must be open to the public, except when the course is being offered under contract to meet employee training needs.

### *Baltimore City Community College*

Like the local community colleges, annual State funding for BCCC is determined by a formula that bases per pupil funding for the college on a set statutory percentage of the current-year State appropriations per FTES at selected public four-year institutions of higher education. The resulting BCCC per student amount is multiplied by the number of

FTES enrolled in the college in the second preceding fiscal year to identify a total formula amount. The number of FTES is calculated in the same manner as it is for the local community colleges, and “student credit hours” are defined the same. Although the bill does not specify that BCCC receives formula funding for FTES eligible for a waiver or discount under the bill, the *Department of Legislative Services assumes that the students are included in BCCC’s FTES as they would be included under current law.*

### *Education Trust Fund*

ETF is a nonlapsing, special fund to be used for continued funding of the Bridge to Excellence in Public Schools Act of 2002 formulas and programs, including the Geographic Cost of Education Index (GCEI). The fund may also be used to support capital projects for public schools, community colleges, and public four-year institutions as well as to expand public early childhood education programs in the State. A portion of the proceeds from VLTs and table games is dedicated to ETF.

**Background:** According to the Project on Student Debt, about 54% of the Class of 2016 who graduated from public and private nonprofit colleges in Maryland had student loan debt. These borrowers owed an average of \$27,455.

### *Promise Programs*

The Mayor of Baltimore City recently announced a promise scholarship program for students who graduate from Baltimore City Public Schools to attend BCCC tuition free as the Mayor’s Scholars Program. Four counties in Maryland also have promise programs. For more information on those programs in Maryland and similar programs nationwide, please see the **Appendix – Promise Programs.**

### *Community College Tuition and Fees*

As shown in **Exhibit 1**, the average statewide in-county tuition and fees for Maryland’s community colleges was \$4,324 in fall 2017. However, tuition and fees are only part of the costs associated with attending a community college. For example, students must obtain books and other educational materials in addition to room and board.

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**Exhibit 1**  
**In-county Tuition and Fees at Community Colleges**  
**Based on 30 Credit Hours per Year**  
**Fall 2017**

| <u>College</u>               | <u>In-county</u> |
|------------------------------|------------------|
| Allegany                     | \$3,940          |
| Anne Arundel                 | 4,100            |
| Baltimore City*              | 3,196            |
| Baltimore County             | 4,606            |
| Carroll                      | 4,884            |
| Cecil                        | 3,660            |
| Chesapeake                   | 4,760            |
| College of Southern Maryland | 4,613            |
| Frederick                    | 4,385            |
| Garrett                      | 4,230            |
| Hagerstown                   | 3,990            |
| Harford                      | 4,553            |
| Howard                       | 4,848            |
| Montgomery                   | 4,974            |
| Prince George's              | 4,700            |
| Wor-Wic                      | 3,750            |
| <b>Statewide</b>             | <b>\$4,324</b>   |

\*Baltimore City Community College has one rate for in-state students.

Source: Maryland Association of Community Colleges

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The State's largest financial aid program, the Delegate Howard P. Rawlings Educational Excellence Awards (EEA) Program, is available to students with financial need who are enrolled in community college full time in credit courses. Students may receive up to \$3,000 in awards. However, there is a waiting list for the EEA program. Federal financial aid, like Pell grants, is generally *not* available to students who take noncredit courses except in limited circumstances. Most State scholarships are limited to programs that lead to a degree, although a few (including the senatorial and delegate scholarships) may be used to earn a certificate from a private career school, and the new Workforce Development Sequence Scholarship can be used at community colleges. Without access to financial aid, even relatively inexpensive certificate programs can remain out of reach to low-income individuals.

Beginning with the 2018-2019 award year, EEA award recipients are required to successfully complete 30 credits at the end of their sophomore year to receive their maximum renewal award. A student who fails to meet the 30-credit completion requirement but completes between 24 and 29 credits is eligible for a prorated renewal award.

The Governor’s proposed budget for fiscal 2019 includes \$84.7 million for the EEA program, \$1.2 million for the Graduate and Professional Scholarship program, and \$5.1 million for the Part-time Grant program. Thus, a total of \$91.0 million is provided for these need-based award programs.

*Education Trust Fund*

ETF was established during the 2007 special session as part of the VLT legislation, to receive approximately half of the gross VLT proceeds, after payouts to bettors. Chapter 1 of the 2012 second special session made numerous changes to the State’s gaming program, including authorizing a sixth license in Prince George’s County, table games at VLT facilities, and 24-hour per day gaming, which were approved by voters in November 2012. A portion of table game revenues is also distributed to ETF. The estimated ETF revenues for fiscal 2019 through 2023 are shown in **Exhibit 2**. The exhibit shows that the projected ETF revenues are less than the over \$3.3 billion in annual Bridge to Excellence foundation program expenditures, which all of ETF is currently budgeted to support.

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**Exhibit 2**  
**Estimated Education Trust Fund Revenues**  
**Fiscal 2019-2023**  
**(\$ in Millions)**

|                  | <b><u>FY 2019</u></b> | <b><u>FY 2020</u></b> | <b><u>FY 2021</u></b> | <b><u>FY 2022</u></b> | <b><u>FY 2023</u></b> |
|------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| VLTs             | \$408.1               | \$414.2               | \$404.9               | \$411.0               | \$417.2               |
| Table Games      | 94.8                  | 96.3                  | 97.7                  | 99.2                  | 100.7                 |
| <b>Total ETF</b> | <b>\$502.9</b>        | <b>\$510.5</b>        | <b>\$502.6</b>        | <b>\$510.2</b>        | <b>\$517.8</b>        |

ETF: Education Trust Fund  
VLT: video lottery terminal

Source: Board of Revenue Estimates; Department of Legislative Services

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**State Fiscal Effect:** To use gaming proceeds credited to ETF for the expanded uses described in the bill requires general fund expenditures to increase by an equal amount. Currently, all proceeds credited to ETF are budgeted for the Bridge to Excellence foundation formula and programs, including GCEI. The Governor's proposed fiscal 2019 budget includes \$502.9 million in ETF revenues, all of which are directed toward the \$3.3 billion in Bridge to Excellence foundation formulas, including GCEI. The remaining \$2.8 billion in Bridge to Excellence formula funding is general funds (excluding retirement). Thus, using any gaming proceeds credited to ETF for tuition reimbursements necessitates an equal increase in general fund expenditures.

The fiscal impact of the bill due to current community college students, current public four-year students, and other students is discussed below. This is followed by a discussion of the impact on BCCC revenues.

### *Current Community College Students*

General fund expenditures increase by *at least* \$63.4 million in fiscal 2019, increasing to \$64.7 million in fiscal 2020 as a mandated appropriation due to *current* community college students who are eligible for the tuition waiver. The following information and assumptions were used in calculating this estimate.

- Approximately 19,985 current associate's degree FTES (one-half of them in their second year of eligibility because they are already students and one-half in their first year of eligibility as new students) and 764 current *credit* certificate FTES are eligible for the tuition waiver beginning in fiscal 2019. This number reflects the number of students who enroll in the fall within two years of graduating high school or obtaining a GED. It also reflects that (1) approximately 97% of students are Maryland residents; (2) second-year retention and transfer rates for associate's degree students range between 30% and 59% (the State average is 48%); (3) an estimated 65% of certificate programs are one year or less; and (4) retention rates for two-year certificate programs are assumed to be 50%.
- Sufficient data was not available on current *noncredit* certificate and licensure enrollments and tuition and fees to be included in this estimate. These students are ineligible to receive most financial aid.
- Annual tuition at community colleges was \$4,324 in fall 2017 (fiscal 2018). For the purposes of this estimate, it is assumed that community college tuition increases 2% per year. Thus, it is assumed that the average full-time tuition at community colleges will be \$4,411 in fall 2018 (fiscal 2019) and \$4,499 in fall 2019 (fiscal 2020).

- In fiscal 2016, between 29% and 87% of students at community colleges received nonloan financial aid (the State average is 45%). For those students, the average nonloan student financial aid award ranged between \$2,621 and \$6,566 per student (\$3,723 State average). At some community colleges this average nonloan student financial aid completely covers tuition; at others it does not. The bill requires any student financial aid, other than a student loan received by an individual, to be applied *first* to pay the individual's tuition. Thus, for students that receive nonloan financial aid, the waiver only needs to cover the portion of tuition *not covered* by financial aid. In addition, for the purposes of this estimate, it is assumed that nonloan student financial aid increases by 2% per year. Thus, it is assumed that the average nonloan student financial aid at community colleges will be an average of \$3,874 in fall 2017 (fiscal 2018) and \$3,952 in fall 2018 (fiscal 2019).
- Although students enrolled in credit certificate programs are eligible for financial aid, MHEC advises that 98% of community college students receiving aid are enrolled in a degree program. Thus, for the purposes of this estimate it is assumed that none of these students is currently receiving financial aid.
- Due to the distribution of eligible students (and tuition and financial aid at the community colleges those students attend), community college tuition revenues decrease by at least \$63.4 million in fiscal 2019, increasing to \$64.7 million in fiscal 2020 when it becomes a mandated appropriation, and escalating to \$68.6 million by fiscal 2023. Under the bill, all tuition revenue lost due to the bill is reimbursed with State funds; thus, State general fund expenditures increase by an equal amount.
- This estimate does not include one-time registration, application, or laboratory work fees, but it includes other mandatory fees.
- This estimate assumes that State expenditures for public four-year institutions of higher education are not affected by the bill, as it is assumed that total enrollment at the public four-year institutions remains constant.

The estimated impact in fiscal 2019 by community college is shown in **Exhibit 3**.

Future year expenditures depend on the number of FTES eligible for the tuition waiver. It is assumed that at least the same number of students who were eligible in fiscal 2019 are eligible in each subsequent year.



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**Exhibit 3**  
**Estimated Cost for Currently Enrolled Students by Community College**  
**Fiscal 2019**  
**(\$ in Thousands)**

|                              | <u>Associate's<br/>Degree</u> | <u>Certificate or<br/>License</u> | <u>Total</u>    |
|------------------------------|-------------------------------|-----------------------------------|-----------------|
| Allegany                     | \$880                         | \$80                              | \$960           |
| Anne Arundel                 | 6,384                         | 535                               | 6,920           |
| Baltimore City               | 166                           | 111                               | 277             |
| Baltimore                    | 8,882                         | 681                               | 9,564           |
| Carroll                      | 3,171                         | 5                                 | 3,176           |
| Cecil                        | 632                           | 37                                | 669             |
| Chesapeake                   | 1,373                         | 49                                | 1,422           |
| College of Southern Maryland | 6,813                         | 226                               | 7,039           |
| Frederick                    | 4,224                         | 67                                | 4,292           |
| Garrett                      | 384                           | 4                                 | 388             |
| Hagerstown                   | 1,065                         | 49                                | 1,114           |
| Harford                      | 4,478                         | 121                               | 4,599           |
| Howard                       | 6,178                         | 129                               | 6,307           |
| Montgomery                   | 10,726                        | 1,055                             | 11,781          |
| Prince George's              | 3,750                         | 292                               | 4,042           |
| Wor-Wic                      | 771                           | 73                                | 844             |
| <b>Total</b>                 | <b>\$59,879</b>               | <b>\$3,514</b>                    | <b>\$63,393</b> |

Source: Department of Legislative Services

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*Current Public Four-year Students*

Significant additional costs are likely. *For illustrative purposes only* (and as shown in **Exhibit 4**), if 20% of the first-time full-time students currently attending a public four-year institution of higher education decide to instead attend a community college due to the tuition waiver, then general fund expenditures increase by another \$6.4 million in fiscal 2019, escalating to almost \$13.1 million in fiscal 2020, when reimbursement of community colleges for lost tuition is mandated, and by \$13.3 million plus another \$7.0 million beginning in fiscal 2021 due to the increased State funding per FTES through the BCCC and Cade funding formulas. The additional State aid for reimbursed tuition

revenue and formula funding would be *new* revenues for BCCC and local community colleges due to additional FTES attending community college.

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**Exhibit 4**  
***Additional General Fund Expenditures***  
**If 20% of First-time Full-time Students Shift from Attending**  
**A Public Four-year Institution to a Community College**  
**(\$ in Thousands)**

|  | <u>FY 2019</u> | <u>FY 2020</u>  | <u>FY 2021</u>  | <u>FY 2022</u>  | <u>FY 2023</u>  |
|--|----------------|-----------------|-----------------|-----------------|-----------------|
| Reimbursed CC Tuition Revenue <sup>1,2</sup> | \$6,395        | \$13,054        | \$13,315        | \$13,581        | \$13,853        |
| Cade Funding Formula <sup>1</sup>            |                |                 | 7,007           | 15,650          | 17,851          |
| BCCC Funding Formula <sup>2</sup>            |                |                 | -               | 1,799           | 1,950           |
| <b>Total GF Expenditures</b>                 | <b>\$6,395</b> | <b>\$13,054</b> | <b>\$20,322</b> | <b>\$31,030</b> | <b>\$33,654</b> |

<sup>1</sup> Assumes additional students from Allegany, Garrett, Somerset, or Wicomico counties despite existing promise scholarships as the tuition waiver established by the bill has fewer and less stringent eligibility requirements.

<sup>2</sup> Assumes additional students from Baltimore City despite the existing Mayor’s Scholars Program as the tuition waiver established by the bill has fewer and less stringent eligibility requirements.

GF: general fund

CC: community college

BCCC: Baltimore City Community College

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

Source: Department of Legislative Services

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For the purposes of this estimate, it is assumed that additional students enroll in community colleges – even at community colleges that have existing promise scholarship programs – because the tuition waiver established by the bill has fewer and less stringent eligibility requirements than the existing scholarship programs. The estimate is based on the following additional assumptions.

- In fall 2017, there were approximately 15,700 first-time full-time students at the public four-year institutions of higher education in the State, of which approximately 11,200 are Maryland residents. *For illustrative purposes*, it is assumed that 20% of these students (approximately 2,250 students) choose to attend a community college rather than a public four-year institution of higher education due to the tuition waiver at community colleges under the bill.
- Thus, approximately 2,250 additional students will attend community college in fiscal 2019. Since the tuition waiver is only valid for two years, it is assumed that all of these students will attend on a full-time basis. In addition, because the waiver is valid for two years, 4,500 students will be eligible in fiscal 2020. For the purposes of this estimate, it is assumed that this number remains constant in the out-years.
- As explained above, some students receive nonloan student financial aid; thus, *for the purposes of this illustrative example*, it is assumed that the same proportion of students will receive nonloan student financial aid and that the average aid amounts will be the same. However, this may overestimate the number and amount of awards due to the population of students being different.
- Using the same tuition assumptions as discussed above, due to these additional students, community college tuition revenues decrease by an additional \$6.4 million in fiscal 2019, escalating to \$13.9 million in fiscal 2023. Since, under the bill, the foregone tuition must be reimbursed by the State, general fund expenditures increase by an equal amount as shown in Exhibit 4.
- In addition, since it is assumed that these students would not have attended a community college without the tuition waiver, community college funding through the Cade and BCCC funding formulas increases. Cade and BCCC formula funding is based on the actual FTES in the second prior fiscal year; thus, community college formula funding increases beginning in fiscal 2021 due to the additional students enrolling in fiscal 2019.
- Due to hold harmless provisions and current declining enrollment at BCCC, the BCCC funding formula does not increase until fiscal 2022. In fiscal 2022, BCCC funding per FTES for fiscal 2020 is estimated to be \$8,948; thus, BCCC funding increases by an estimated \$1.8 million in fiscal 2022 (after hold harmless and rounding) due to the additional 200 FTES in fiscal 2020.
- Cade funding per FTES for fiscal 2021 is estimated to be \$3,248; thus, Cade funding increases by another estimated \$7.0 million in fiscal 2021 (after hold harmless and rounding as shown in Exhibit 4) due to the approximately 2,148 additional FTES in

fiscal 2019. Likewise, Cade funding per FTES for fiscal 2022 is estimated to be \$3,633; thus, Cade funding increases by an estimated \$15.7 million in fiscal 2022 due to the additional 4,296 FTES in fiscal 2020.

- This estimate does not include one-time registration, application, or laboratory work fees, but it includes other mandatory fees.

Future year expenditures depend on the number of FTES eligible for the tuition waiver. It is assumed that *at least* the same number of students who were eligible for a waiver in fiscal 2019 are eligible in each subsequent year.

#### *Other Students*

In addition, to the extent the bill encourages students who would otherwise not attend college to enroll at a community college, general fund expenditures increase due to the increased number of FTES. These impacts cannot be reliably estimated. Maryland's college-going rate has been fairly steady at approximately 65% for a number of years. It is unknown how many students who currently do not attend college will choose to attend a community college due to the bill. *For illustrative purposes*, if community college enrollment (FTES) increases by 2.4%, the fiscal impact is equivalent to the amounts shown in Exhibit 4.

#### *Tuition Discount for Unemployed Individuals*

There is no data on the number of individuals who may qualify for the 50% tuition discount in the bill. However, as explained above, any additional individuals who receive a tuition discount increase general fund expenditures due to the requirement that the State reimburse the community colleges for any difference in tuition revenue and due to the BCCC and Cade funding formulas due to extra FTES. The fiscal impact cannot be reliably estimated.

#### *Baltimore City Community College Revenues*

As discussed above, there is no net impact on BCCC revenues due to current community college students receiving a tuition waiver. Future year revenue impacts depend on the number of FTES eligible for a waiver each year. It is assumed that at least the same number as are eligible in fiscal 2019 are eligible in each subsequent year. Additional *new* revenue impacts are likely due to students choosing to attend BCCC rather than a four-year institution and students who were not attending college at all before the bill, despite the existing Mayor's Scholars Program due to the eligibility requirements; these impacts cannot be reliably estimated but are shown for illustrative purposes in Exhibit 4.

**Local Revenues:** There is no net impact on local community college revenues due to current community college students, as discussed above. Future year revenue impacts depend on the number of FTES who receive a waiver at each college. It is assumed that at least the same number of students who were eligible for a waiver in fiscal 2019 are eligible in each subsequent year.

Additional *new* revenue impacts are likely. *For illustrative purposes only*, as shown in Exhibit 4, local community colleges may receive *new* revenues of \$6.4 million in fiscal 2019, escalating to \$13.8 million in fiscal 2023, due to increased FTES. In addition, as explained above, State aid through the Cade funding formula increases by an additional \$7.0 million in fiscal 2021 and \$17.9 million in fiscal 2023.

Finally, *new* revenues for local community colleges increase due to the increased number of FTES from students eligible for the tuition waiver or the 50% tuition discount who currently do not attend any college; however, these impacts cannot be reliably estimated.

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### **Additional Information**

**Prior Introductions:** HB 931 of 2017 received a hearing in the House Appropriation Committee and was subsequently withdrawn. HB 18 of 2016 received a hearing in the House Appropriation Committee and was subsequently withdrawn. HB 696 of 2015 and HB 1504 of 2014 each received a hearing in the House Appropriations Committee, but no further action was taken on either bill.

**Cross File:** HB 1203 (Delegate Haynes, *et al.*) - Appropriations.

**Information Source(s):** Maryland Association of Community Colleges; Maryland Higher Education Commission; Baltimore City Community College; Department of Labor, Licensing, and Regulation; *The Atlantic*; *The New York Times*; *tennessean.com*; Department of Legislative Services

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## Appendix – Promise Programs

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In 2014, the Tennessee General Assembly passed legislation establishing a program, beginning with the class of 2015, offering two years of tuition-free education at 1 of the state's 13 community colleges or 27 technical schools. The program, known as Tennessee Promise, is a last-dollar scholarship, meaning it covers costs of tuition and mandatory fees not met by federal Pell scholarships, the Tennessee HOPE scholarship, or the Tennessee Student Assistance Award Program. To be eligible, a student must meet a number of requirements, including completing the federal Free Application for Federal Student Aid, enroll in a college full time for up to five consecutive semesters, maintain a 2.0 grade point average (GPA), and complete eight hours of community service per semester.

To pay for the program, the state created an endowment of \$361.1 million using state lottery reserves. Because community college is relatively affordable, and the Tennessee program is a “last dollar” program, meaning existing financial aid grants are applied first before the Promise award is received, the average Tennessee Promise award in the first year was only \$1,020. The total cost to the state was \$10.6 million in fiscal 2016, but this is expected to scale up to about \$36.0 million when fully implemented. In the first couple years, community college enrollment in Tennessee increased about 10%. In January 2017, Tennessee's governor announced a plan to expand the program to all adults in the state.

In 2015, Oregon became the second state to enact legislation to provide free community college. Among other requirements, to be eligible, students must have at least a 2.5 GPA. Under the program, all eligible students will receive a minimum grant of \$1,000, even if their tuition and fees are covered by other financial aid. Any money remaining after tuition and fees can be used for transportation, books, and other expenses. A [report](#) on the first year of the program revealed that it reached approximately 1,000 more students than projected and fewer students are eligible for a Pell grant than projected, which has increased the cost of the program for the first year from a projected \$10.0 million to \$13.5 million. The cost of the program is projected to double in the second year. Enrollment of Oregon's high school graduates in the state's public universities declined slightly (by less than one percentage point) in 2016.

In January 2017, New York's governor announced a plan called the Excelsior Scholarship, which ensures free tuition at New York's public two- and four-year institutions to students whose families make up to \$125,000 per year once the program is fully phased in in 2019. Nearly a million families in the state will qualify for the scholarship. According to *The New York Times*, which first reported the plan, initial cost estimates of the Excelsior Scholarship are anticipated at \$163.0 million a year when fully funded.

Five jurisdictions in Maryland already offer Promise-like programs (Baltimore City and Allegany, Garrett, Somerset, and Wicomico counties). The program in Allegany County is unique in that it provides a scholarship to residents to attend the community college or Frostburg State University, the public four-year institution located in the county. In fall 2017, the Mayor of Baltimore City announced a promise scholarship program for students who graduate from Baltimore City Public Schools to attend Baltimore City Community College (BCCC) tuition free as the Mayor's Scholars Program. There is also a two-year pilot program for Mayor's Scholars Program recipients who graduate from BCCC; they will be eligible for four semesters of tuition waivers to attend Coppin State University. Additionally, Chapter 647 of 2016 created a task force to study establishing a program in Prince George's County.

An article in *The Atlantic* reported that, even with free tuition, some of the poorest students are still finding attending community college a challenge because they need to work 30 to 40 hours a week to afford books and meet basic living expenses, which can cost between \$5,000 and \$10,000 per year.