

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 167
Appropriations

(Delegate Kerr)

Higher Education - State Payments to Private Institutions - Unserved Student
Populations

This bill requires the State to provide to an eligible private nonprofit institution of higher education, as payment toward tuition and fees for an eligible student, an amount equal to 100% of State funding that would have been provided for a student on a full-time equivalent basis to a public four-year institution of higher education as specified. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Beginning in FY 2021, general fund expenditures increase significantly – by approximately \$13,300 per eligible student for the payment established under the bill and an additional \$3,300 per additional student who attends an eligible institution (due to the Joseph A. Sellinger Funding Formula). *For illustrative purposes*, if 100 students qualify annually, general fund expenditures increase by more than \$1.3 million annually (which does not account for any additional Sellinger funding). Revenues at public four-year institutions are not materially affected. **This bill establishes an entitlement program beginning in FY 2021.**

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A private nonprofit institution is eligible if it is located not farther than 30 miles, or not more than a 40-minute commute, from where the student lives. A student is eligible if the student has attained an associate's degree at a community college in the State, is eligible for in-state tuition, and lives either further than 30 miles or more than a 40-minute commute from a public four-year institution of higher education. The student must pay the balance of tuition and fees at the private nonprofit institution, if any, but that balance cannot exceed the average public four-year undergraduate tuition and fees.

Current Law:

Joseph A. Sellinger Program

The State provides financial assistance to eligible private nonprofit institutions located in Maryland through the Joseph A. Sellinger Funding Formula. Thirteen institutions meet the statutory criteria to receive funding. The aid is computed by multiplying each independent institution's enrollment for the prior fall semester by a percent of State funds provided per student at specified four-year public colleges and universities in Maryland in the same fiscal year. The Governor's proposed fiscal 2021 budget includes \$91.1 million in Sellinger aid.

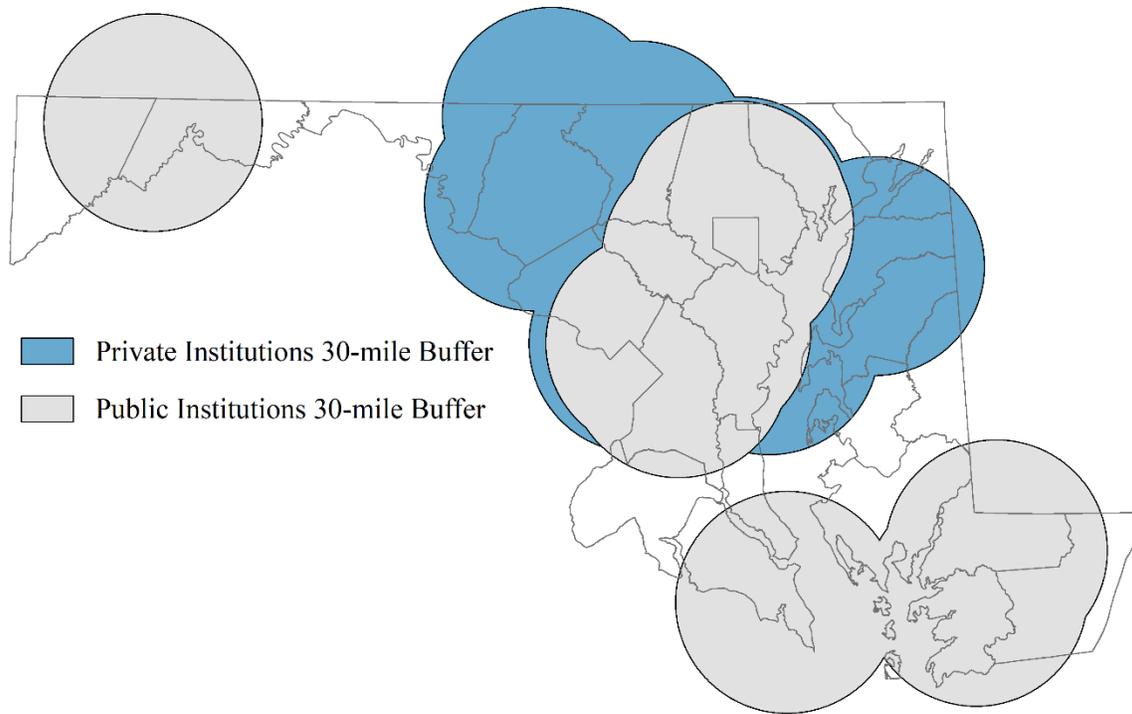
2+2 Transfer Scholarship

There is a 2+2 Transfer Scholarship for students that earn an associate's degree from a community college before entering a public or private nonprofit institution of higher education in the State. A recipient must demonstrate financial need, less than \$10,000 expected family contribution on the federal Free Application for Federal Student Aid and have earned a cumulative 2.5 grade point average while at a community college. The Governor's proposed fiscal 2021 budget includes \$300,000 for 2+2 scholarship aid. In fiscal 2019, 174 2+2 scholarship awards were made with an average award amount of approximately \$1,300.

Background: It can be difficult for students who earn their associate's degree at a community college to continue their education if they do not live within a reasonable commuting distance of an institution of higher education that awards bachelor's degrees. The State supports 15 public four-year institutions throughout Maryland; even so, **Exhibit 1** shows the areas that are more than 30 miles from a public institution of higher education but less than 30 miles from a private nonprofit institution of higher education. Students who live in the dark shaded areas (shown as blue on color copies) on the map would likely be eligible for the tuition and fee discount at an eligible nonprofit institution of higher education. Lighter shaded areas (shown as gray on color copies) on the map are

those within 30 miles of a public four-year institution of higher education. Unshaded areas on the map are further than 30 miles from either a public or a private nonprofit four-year institution (that qualifies under current Sellinger funding). It is unclear whether students in some or all of those unshaded areas would qualify under the bill's 40-minute commuting time provision as the map does not account for commuting times. The map also does not include any information on regional higher education centers (RHECs) as they are not referred to in the bill.

Exhibit 1
Areas in the State More Than 30 Miles from a Public Four-year Institution and Less Than 30 Miles from an Eligible Private Nonprofit Institution



Notes: The map is for illustrative purposes only. The map specifically does not include 40-minute commuting information. Regional higher education centers are not shown on the map. Public institutions include only public four-year institutions. Private institutions only include private nonprofit institutions eligible for Sellinger funding under current law.

Source: Department of Legislative Services

An RHEC is a facility at which at least two institutions of higher education offer classes, consisting of a variety of program offerings and multiple degree levels. RHECs are

designed to ensure access to higher education in underserved areas of the State. They provide baccalaureate and graduate programs in places where students do not have access to higher education due to geographical distance, commute time, or the limited capacity of local four-year institutions. In recent years, there have been efforts to establish an RHEC in Frederick County; however, that RHEC has faced challenges and does not have any current course offerings.

Number of Community College Graduates and Transfers

According to the data published by the Maryland Higher Education Commission (MHEC), 13,341 individuals graduated from a Maryland community college during the 2018-2019 academic year. It is unknown how many of those individuals live within an area that qualifies for the program established by the bill and will choose to attend an eligible institution of higher education. As an example, Frederick County lies entirely in the eligible area under the bill (based on the mileage provisions and not accounting for the commuting provisions) and, thus, can be used for informational purposes. In fall 2014, 716 first-time, full-time students began at Frederick Community College. According to MHEC, by 2018 30.4% of those students, approximately 218 students, had transferred to a public or private four-year college (with or without first earning a degree).

State Revenues: It is assumed that tuition and fee revenues at public four-year institutions of higher education are not materially affected due to eligible students choosing to attend an eligible private nonprofit institution rather than a public four-year institution to complete their bachelor's degree. Public four-year institutions are generally selective and can choose to admit more students.

State Expenditures: *For illustrative purposes only*, if a total of 100 students (50 per cohort) qualify annually, general fund expenditures increase by more than \$1.3 million annually (excluding any Sellinger funding). Out-years assume that State appropriations to selected public four-year institutions of higher education per full-time equivalent student (FTES) increase. To the extent that a student who would not have otherwise attended an eligible private nonprofit institution of higher education chooses to do so under the bill, general fund expenditures increase by approximately \$3,300 per eligible full-time student due to the current Sellinger funding formula. Thus, State expenditures for these students would be greater than what is spent on average for students at select public four-year institutions. Actual expenditures depend on the number of eligible students who attend an eligible private nonprofit institution each year, the number of additional students eligible for Sellinger funding, the actual Sellinger funding formula amount each year, and the actual State appropriation to selected public four-year institutions per FTES.

Additional Comments: Due to the cap on tuition and fees for these students, private nonprofit institutions of higher education may lose tuition and fee revenue for eligible students. Tuition and fee revenue losses depend on the institution's tuition and fees, the average State appropriation per FTES at selected public four-year institutions, and the average tuition and fees at public four-year institutions.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Higher Education Commission; Maryland Independent College and University Association; Department of Legislative Services

Fiscal Note History: First Reader - February 7, 2020
mm/rhh

Analysis by: Caroline L. Boice

Direct Inquiries to:
(410) 946-5510
(301) 970-5510