

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE
Revised

House Bill 104

(Chair, Ways and Means Committee)(By Request -
Departmental - Disabilities)

Ways and Means

Education, Health, and Environmental Affairs

**Higher Education - Community Colleges - Tuition Waiver for Disabled
Individuals**

This departmental bill alters the requirement for specified individuals with disabilities to allow an individual who is out of work due to a disability, instead of retired, to obtain a tuition waiver at a community college. The bill also clarifies that certification from the Social Security Administration of an individual's receipt of Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) benefits provides eligibility for the waiver. The tuition waiver is limited to 6 credits per semester or to 12 credits per semester if the individual is enrolled in classes as part of a degree or a certificate program designed to lead to employment.

Fiscal Summary

State Effect: Beginning in FY 2014, general fund expenditures for the Senator John A. Cade funding formula increase by approximately \$2,100 per full-time equivalent student (FTES) qualifying for the waiver in FY 2012. The Maryland State Department of Education's Division of Rehabilitation Services (DORS) federal and general fund expenditures for community college tuition may decrease beginning in FY 2012. Tuition revenues at Baltimore City Community College (BCCC) decrease by approximately \$3,000 per additional FTES approved for the tuition waiver beginning in FY 2012. Any loss in tuition revenues will be offset by a potential increase in State and federal student financial aid that qualifying disabled students receive as a result of the bill.

Local Effect: State aid for community colleges increases by approximately \$2,100 per FTES qualifying for a waiver beginning in FY 2014. Tuition revenues at community colleges decrease approximately \$3,500 per additional FTES approved for the tuition waiver beginning in FY 2012. Any loss in tuition revenues will be offset by a potential

increase in State and federal student financial aid that qualifying disabled students receive as a result of the bill.

Small Business Effect: The Department of Disabilities has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill also requires an individual who qualifies for the tuition exemption to submit a timely application for any State or federal student financial aid, other than a student loan, for which the individual may qualify. Any financial aid the individual is awarded, other than a student loan, must first be applied to tuition, with the waiver applicable to any difference between the cost of tuition and the financial aid award.

On request, a community college must provide assistance to an individual who is required to submit an application for student financial assistance under this program.

Current Law: An individual with a disability who is a resident of the State is eligible for a community college tuition waiver if the individual is retired from the work force by reason of total and permanent disability, as long as the class has at least 10 regularly enrolled students. In order to receive the waiver, an individual must obtain certification from the Social Security Administration or the Railroad Retirement Board that the individual receives disability or retirement benefits under the Social Security Act or the Railroad Retirement Act. Alternatively, an individual who was a federal employee and who does not receive disability or retirement benefits under the Social Security Act or the Railroad Retirement Act can obtain certification from the individual's retirement or pension authority of the individual's total and permanent disability and receipt of disability benefits based on a standard that is at least as stringent as the standard applied by the Social Security Act.

The number of credits per semester the waiver may be used for is not limited. In addition, the credit hours of an individual using this waiver must be used in computing full-time equivalent enrollment for the Senator John A. Cade funding formula.

Background: The Maryland Higher Education Commission (MHEC) reports that the provision regarding the Social Security Administration disability certification has created confusion, resulting in some institutions of higher education not allowing all individuals receiving a Social Security disability benefit to qualify for the tuition waiver. By clarifying this language and providing outreach to institutions of higher education,

MHEC hopes that individuals with disabilities receiving either SSI or SSDI will both receive the waiver consistently. This legislation implements an action step proposed by the Maryland Skills 2 Compete Strategic Plan. Skills 2 Compete is a national program that emphasizes the importance of “middle skill” jobs that require education beyond high school but not a bachelor’s degree.

According to the Social Security Administration, as of December 2009, 88,190 people in Maryland received SSI benefits due to a disability and 124,177 people received SSDI benefits. To receive SSDI benefits, an individual must be found to be unable to do substantial work because of a medical condition, and the condition must have lasted, or be expected to last, at least one year or be expected to result in death. The SSI program makes payments to people with low income who are age 65 or older or are blind or have a disability. Approximately 43% of individuals with disabilities in the State have a high school diploma and are therefore generally qualified to attend a community college, which are open-enrollment institutions.

Under current law, the Maryland Association of Community Colleges reports that 2,505 individuals with disabilities received a tuition waiver during the 2008-2009 academic year, representing all of the State’s 16 community colleges. The Department of Disabilities reports that seven community colleges currently offer tuition waivers to individuals who receive either SSI or SSDI disability benefits.

State Revenues: Tuition revenues decrease at BCCC, the only State-operated community college, by up to \$3,030 per FTES receiving a waiver. The actual annual revenue reduction is dependent on the number of additional individuals who qualify for the waiver based on being out of work due to their disability, rather than retired, and whether BCCC has been consistently approving tuition waivers for individuals receiving SSDI benefits.

The bill requires individuals who are seeking tuition waivers to also submit applications for State and federal student financial aid. Any additional financial aid these students are awarded as a result of this requirement will offset a portion of the foregone tuition revenues.

State Expenditures: General fund expenditures for the Senator John A. Cade funding formula increase beginning in fiscal 2014. The Cade formula determines aid to community colleges based on FTES enrollment counts from the second prior fiscal year. Allowing additional students to qualify for the tuition waiver for individuals with disabilities in the 2011-2012 academic year (fiscal 2012) increases spending for the formula by approximately \$2,100 per FTES in fiscal 2014. There is little information available on the number of additional individuals who might qualify for a tuition waiver

or how many of these individuals would choose to use the waiver, thus the general fund expenditure increase cannot be reliably estimated.

The law does not specify that students who receive disability waivers at BCCC are included in the FTES for its funding formula; however, if they are counted, BCCC will receive \$6,620 per additional FTES beginning in fiscal 2014. General fund expenditures for the BCCC funding formula will increase by an equal amount in fiscal 2014.

In addition, DORS expenditures on community college tuition for disabled individuals may decrease if community colleges approve more individuals with disabilities for tuition waivers. It is unknown how much DORS currently spends on tuition expenditures for individuals who meet the requirements of the bill; therefore, any reduction in expenditures cannot be reliably estimated. Approximately 80% of DORS budget is federal funds and 20% general funds, so any savings would be allocated proportionately.

Although the bill may result in more applications for State student financial aid, the bill does not increase funding for these programs.

Local Revenues: Beginning in fiscal 2014, local community colleges receive additional State aid under the Senator John A. Cade funding formula for each additional FTES who qualifies for a tuition waiver. The increases cannot be reliably estimated because it is uncertain how many individuals will qualify and use the waiver. However, for each FTES who uses a waiver in the 2011-2012 academic year (fiscal 2012), formula funding will increase by approximately \$2,100 in fiscal 2014.

While community college revenues will increase due to the funding formula beginning in fiscal 2014, tuition revenues at locally operated community colleges will also decrease beginning in fiscal 2012. The exact impact cannot be reliably quantified because data on the number of individuals with disabilities who will qualify for the tuition waiver under the bill is unavailable; however, it is dependent on the number of individuals who qualify for the waiver based on being out of work due to their disability, rather than retired, and whether community colleges have been consistently approving tuition waivers for individuals receiving SSDI benefits.

The average annual tuition and fees for full-time in-county students at the community colleges for fiscal 2011 is \$3,473. The actual amount of the revenue decrease per FTES may be less, depending on the number of credits attempted per student and the distribution of colleges that waiver recipients choose to attend. Any additional financial aid students are awarded as a result of the requirement to submit applications for State and federal student financial aid will offset a portion of the lost tuition revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City Community College, Maryland Higher Education Commission, Department of Disabilities, Maryland Association of Community Colleges, Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2011
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Analysis by: Caroline L. Boice

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Higher Education – Community Colleges – Tuition Waiver for Disabled Individuals

BILL NUMBER: HB 104

PREPARED BY: Maryland Department of Disabilities

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.