

Commission to Develop the Maryland Model for Funding Higher Education

Minutes

June 4, 2007

The Commission to Develop the Maryland Model for Funding Higher Education held its second meeting of the 2007 interim on Monday, June 4, 2007 at 10:00 a.m. in the Appropriations Committee Hearing Room, House Office Building, Annapolis, Maryland.

The following members were present:

Senator Patrick J. Hogan, Chairman
Dr. Clara Adams (for President Earl S. Richardson)
President Susan C. Aldridge
Ms. Tina M. Bjarekull
Delegate John L. Bohanan, Jr.
Lt. Governor Anthony G. Brown
President Robert L. Caret
Delegate Norman H. Conway
Senator Ulysses Currie
Mr. John Paul Davey
Senator Roy P. Dyson
Dr. Wayne T. Hockmeyer
Chancellor William E. Kirwan
Secretary James E. Lyons, Sr.
Delegate Robert A. McKee
President C. Dan Mote, Jr.
Senator Donald F. Munson
Mr. Mark Nichol (for Secretary T. Eloise Foster)
Dr. Steve Pannill (for President Murray K. "Ray" Hoy)
President David J. Ramsay
Mr. Lawrence A. Shulman
Mr. H. Clay Whitlow

Chairman's Opening Remarks

Senator Hogan began the meeting by welcoming the Commission members. Senator Hogan explained the packets of "unsolicited information" that had been handed out to Commission members. He explained that some information had been given to him that had not been requested and he decided to distribute it to the Commission. Senator Hogan also asked for a show of hands of members that can attend the July 9th symposium because of some concern that it would not be well attended due to its proximity to the July 4th holiday. The vast majority of members said they could attend so the symposium

will still be held on July 9th. Senator Hogan asked the persons attending on behalf of Commission members to introduce themselves.

Meeting Maryland's Postsecondary Challenges: A Framework to Guide Maryland's Public Investments in Postsecondary Education in the Coming Decade

Senator Hogan invited Dr. Gordon Van de Water, President of Van de Water Consulting, to present his report to the Commission. The Maryland Higher Education Commission (MHEC) hired Dr. Van de Water in November 2005 to create a framework to guide Maryland's public investments in postsecondary education in the coming decade. Dr. Van de Water highlighted the key points of the report.

He began by making several contextual points such as: the report is only one component of the process; after interviewing 36 Maryland leaders the consensus was that the leaders did not perceive that postsecondary education was in crisis; the leaders were generally satisfied with the way higher education is financed in Maryland (aside from the tuition issue), therefore, the report's approach was to "build on strength" rather than to "wipe the slate clean"; past efforts put Maryland in a strong position; and the report uses a peer group analysis approach and Maryland was compared to nine peer states (CT, IL, MA, MN, NJ, NY, PA, VA, WA).

Next, Dr. Van de Water stated that he arrived at four criteria for developing a model for Maryland: (1) The model should define specific priorities that are consistent with Maryland's goals for higher education as defined in the *2004 Maryland State Plan for Postsecondary Education*; (2) The model should recognize Maryland's political culture and recommend changes only to address major flaws; (3) The model should build upon existing budget development and decision-making processes; and (4) The model should incorporate features used by peer states to successfully fund higher education and maintain financial access for students.

Dr. Van de Water highlighted aspects of the report's four recommendations. Recommendation 1 is Set Specific Goals for Access and Affordability. He highlighted several specific objectives such as: reducing the gap between low- and high-income students in college-going and degree-completion rates by at least one percentage point per year; bringing Maryland to the average of peer states on the *Measuring Up* overall affordability index; and increasing the share of higher education costs funded by state appropriations by 1% each year until the average share of peer states is reached.

Recommendation 2 is Strengthen Coordination of Planning and Budget Development. The goal is to improve coordination of planning and budget development and communication among decision makers.

Recommendation 3 is to Align State Appropriations, Tuition, and Student Aid. Dr. Van de Water stated that nationally, student payments represent about 40% of the sum of state appropriations and tuition and fees. In Maryland, tuition represents 52% of the sum of state appropriations and tuition and fees.

Recommendation 4 is to Use Student Aid to Make Postsecondary Education Affordable for All Citizens. The goal is to increase funding for need-based aid faster than tuition costs and enrollment growth and place a priority on serving low-income students. He highlighted several action recommendations such as: MHEC should seek funding to increase EAG award maximums; and the state should maintain one large, highly visible state student aid program based primarily on financial need that allows students to know their eligibility status as early as possible.

Dr. Van de Water concluded his presentation by mentioning several reports that were released immediately after his report and he stated that while the particulars of the reports varied, the thrust of all the reports support the recommendations in Dr. Van de Water's report. For further information, please see the presentation entitled "Van de Water Consulting Presentation" and "Van de Water Consulting Report."

Mr. Shulman stated that when Maryland is in poor economic times, Maryland does not put as much money in higher education than when the economy is booming. He said it would be interesting to see where Maryland would compare with other states if we took out the poor economic times and look at only good economic times.

Mr. Shulman also asked Dr. Van de Water about the questions he asked during the interviews of Maryland leaders. He stated that in business you need to maintain quality and the same should be true for higher education but how do you maintain quality when funding is a problem? Mr. Shulman asked if the leaders were asked "where is higher education supposed to get the money to maintain quality?" Dr. Van de Water stated that the leaders were not asked that question directly but there were conversations about how higher education is one of the few government entities that have an outside source of revenue so funding is cut when times are tough. Dr. Van de Water stated that the leaders said quality, stability, and the future of Maryland's higher education were important.

Chancellor Kirwan thanked Dr. Van de Water for an excellent job raising important issues; however, he indicated that he felt the issues of quality and competitiveness were a missing piece of the report. He also questioned whether the report was suggesting the replacement of the funding guideline model with the peer states model. Dr. Van de Water said definitely not because he does not see the two as being in conflict with each other.

Dr. Mote said he shared Chancellor Kirwan's concerns about the lack of discussion about quality in the report. He said it seemed like Dr. Van de Water figured that Maryland already had addressed quality so his report didn't have to mention quality. He also brought up the confusion regarding the use of the current funding guidelines and the peer state model.

Senator Dyson asked if Recommendation 2 had anything to do with people not keeping each other informed. Dr. Van de Water responded that when he wrote his report it was clear that the full expertise of MHEC was not being utilized because of the timing

of decisions and processes. Dr. Van de Water said the recommendation was to align the decision process so that the data and policy could be analyzed and in the Governor's hands before he had to make a decision.

Chancellor Kirwan spoke up to clarify the issue. He stated that they used to submit their budget to DBM in August which gave MHEC more time to analyze the budget. However, in recent years, the Governor's office asked them not to submit their budget until December because the amount of general funds available was not known until that time. Chancellor Kirwan stressed that USM has no issue with MHEC analyzing its budget, the problem is with the timing. Secretary Lyons agreed that a full analysis cannot be done because MHEC does not receive the budget until December.

President Ramsay stated that Maryland has a knowledge based economy and that leaders are need for a knowledge based economy. He said that Master's and Doctorate level students will provide that leadership.

Senator Hogan said that his concern is that Maryland has passed the 50% threshold of tuition and fees. He asked if public higher education should be supported by the public at a level higher than 50%. Is 50% a magic number?

Dr. Van de Water responded that the Carnegie Commission in the 1970's said that students should pay one-third and government (state, local, federal) should pay two-thirds. Dr. Van de Water said that this issue should be looked into and a determination should be made about the future policy in Maryland regarding who should pay for higher education.

Senator Hogan stated that he wants Maryland higher education to be a quality education and affordable as well. Dr. Van de Water responded that quality, access, and affordability has always been in the balance against what can be afforded.

Senator Hogan mentioned another concern is that parents and students look at tuition and immediately assume they cannot afford to go to college and they don't take the next step to look into financial aid. Dr. Van de Water stated that this is a problem with a high tuition/high aid model and Maryland is under this model. He said that Maryland needs to invest in outreach materials to make students aware that financial aid can make college affordable.

Senator Hogan asked if there is any advantage to a budget that is only enacted every two years? Some states have this but Dr. Van de Water said no, a yearly budget enables the government to react better and quicker to changes.

President Caret stated that Towson University did not do tuition discounting 20 years ago but the university fell into that pattern and he believes they should look at it and see if it is a good idea. He also mentioned that Towson University is heavily tuition driven, which also needs to be reviewed.

President Mote stated that the peer state model does not address quality and that the peer institution model addresses quality and funding but does not address who should pay. Dr. Van de Water recommended that both models be used for a while to see what happens. Dr. Van de Water said quality was not an issue he addressed but he believes it is de facto represented in the peer states model. Dr. Van de Water also mentioned looking globally – how does Maryland compare to France, China, India?

Ms. Bjarekull suggested that peer institution rankings using appropriations and tuition and fees and a state by state analysis could be used to come up with the amount students should pay.

Delegate Conway asked if it was common for other states to have formulas. Dr. Van de Water responded that it is common to have formulas and they all vary.

Operating Funding Guidelines and Formulas for Institutions of Higher Education in Maryland

Senator Hogan invited MHEC to make its presentations. Secretary Lyons stated that Dr. Van de Water's presentation had been so thorough and he did not want to be redundant so he chose not to present his presentation entitled "Maryland Higher Education Commission Response to Van de Water Consulting's Report." Senator Hogan asked Secretary Lyons to be thinking about where Maryland was 14 years ago when Dr. Lyons was the president of Bowie.

Mr. Geoffrey Newman presented information regarding funding guidelines and formulas for Maryland higher education institutions. He discussed the funding guideline components, which includes funding peers, funding guidelines, and funding levels. He discussed how funding peers are selected, including using the cluster method and institutions formed outside the cluster method. He also spoke about funding formulas for other segments of higher education such as independent institutions and community colleges. For further information, please see the presentation entitled "Funding Guidelines and Formulas Presentation."

Senator Hogan asked several questions about the calculations for community colleges, including why a two year old number is used in the calculation. Mr. Newman answered that it takes a while for enrollment to be certified by auditors and accountants. Senator Hogan wondered if this could be altered in some way so that more recent numbers could be used.

Mr. Wayne Hockmeyer asked questions about the fiscal year 2008 operating funding guidelines and Ms. Andrea Mansfield clarified some of the figures in the chart on page 15 of the presentation.

President Mote stated that funding guidelines are how much the State has actually put in to the institution, not how much the institution is receiving. He referred the Commission to a handout entitled "Funding Guidelines for the University of Maryland,

College Park.” At this point, there was some confusion regarding funding guidelines and Secretary Lyons acknowledged that there was some confusion.

Lt. Governor Anthony Brown asked if institutions come in above the funding guidelines and Mr. Newman said that happens sometimes. Lt. Governor Brown stated that it seems like the funding guidelines are not true guidelines because other factors are being considered that aren't part of the guidelines. He suggested that the guidelines become all inclusive. He also asked if the Commission was looking at accountability or performance.

Senator Hogan responded that the Commission will look into performance and quality.

Ms. Rachel Hise stated that performance peers have never been attained. As institutions achieve 100% of their funding guidelines (which is the 75th percentile), the institutions can add aspirational peers to the funding mix. Although some institutions came close in 2002, this has not been attained yet.

President Caret stated that at Towson University the students are paying 60% of the costs and the state is paying 30%. One of the past Towson University presidents said that if Towson ever got into the 70% range, they should consider going private and not have all the encumbrances of being a public institution since the students are paying so much.

Mr. Shulman said he agreed with the Lt. Governor that performance should be a focus. He asked what are the standards? What do other states use as performance measures? How do those performance measures connect to and demonstrate performance? Secretary Lyons responded that he would provide that information. Chancellor Kirwan said each institution collects a huge amount of performance data and Ms. Mansfield said an annual report shows how institutions are performing.

President Ramsay stated that it would take \$240 million to come up to the funding guideline amount. Senator Hogan asked if we wanted to provide for a free community college education because that would cost about the same amount of money (\$260 million). Secretary Lyons stated that even California is moving away from this model (the California model). He stated that MHEC encourages the peer state model and does not believe it is in conflict with the institutional peer model.

Secretary Lyons responded to Senator Hogan's earlier question about how Secretary Lyons feels about Maryland higher education after returning to Maryland. He said he is glad that Maryland is asking all the right questions and moving in the right direction. However, he is very disappointed that Maryland is still wrestling with the OCR situation. He said that if Mississippi, Alabama, and Louisiana can address the issue, Maryland can too.

President Caret stated that he has a big problem with the California model because there is no accountability on the part of students. Senator Hogan agreed and said students have to have some “skin in the game” but he wonders what is the magic level? Mr. Whitlow agreed and said that low tuition levels forego millions of dollars in Pell grants.

Secretary Lyons said that while presentations are good maybe more time should be dedicated to discussion. Senator Hogan stated that a document could be produced of all the questions that have been asked.

Chancellor Kirwan mentioned that the issue of competitiveness is key and should be on the agenda for the Commission to discuss. Senator Hogan responded that he had read a report about vision to 2030 that indicated we need to look beyond other states regarding competition and look to China, India, Singapore, etc. He said he might get a copy of this report to share with the Commission.

Ms. Mansfield said that quality is a part of the funding guideline model. The funding guidelines can help with quality and the Van de Water suggestions can help with access and affordability.

Discussion

Senator Hogan asked if there was anything else that the Commission wanted to discuss and nothing was mentioned.

Closing Remarks and Adjournment

Senator Hogan said that one of the charges of the Commission is to make recommendations regarding the appropriate level of funding for Maryland’s Historically Black Institutions to ensure that they are comparable and competitive with other public institutions. A consultant will be hired to research this issue and will report back to the Commission. A Request for Proposals (RFP) is being drafted and will be distributed to the Commission sometime before the next meeting on June 18, 2007.

The meeting adjourned at approximately 12:20 p.m.

