

Commission to Develop the Maryland Model for Funding Higher Education

Minutes

June 18, 2007

The Commission to Develop the Maryland Model for Funding Higher Education held its third meeting of the 2007 interim on Monday, June 18, 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
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
Mr. John C. Erickson
Secretary T. Eloise Foster
President Murray K. "Ray" Hoy
Delegate Nancy J. King
Chancellor William E. Kirwan
Mr. Larry Letow
Mr. Tom Lewis (for President William R. Brody)
Secretary James E. Lyons, Sr.
Delegate Robert A. McKee
President C. Dan Mote, Jr.
Senator Donald F. Munson
President David J. Ramsay
President Earl S. Richardson
Mr. Lawrence A. Shulman
Mr. George Shoenberger (for President Susan C. Aldridge)
Mr. H. Clay Whitlow
Mr. Garland O. Williamson

Chairman's Opening Remarks

Senator Hogan welcomed Commission members and asked the people attending as designees to introduce themselves.

State's Fiscal Outlook

Senator Hogan invited Warren Deschenaux, Director of the Office of Policy Analysis in the Department of Legislative Services (DLS) to present information on the state's fiscal outlook. Mr. Deschenaux explained the concept of a structural deficit and the causes of a structural deficit. He stated that at this point the structural deficit is \$1.0 billion but it will be \$1.4 or \$1.5 billion by the time the fiscal 2009 budget is submitted. He explained that the 2006 \$2.1 billion cash accumulation was not a surplus because it is being used to balance the budget. After the fiscal 2008 budget the cash reserve was reduced to \$741 million and after the fiscal 2009 budget there will be a negative balance of \$792 million. For further information, please see the presentation entitled "Maryland's Structural Deficit."

Next, Senator Hogan asked Secretary Foster, Secretary of the Department of Budget and Management (DBM), to speak about the state's fiscal outlook. Secretary Foster explained that while the fiscal 2007 projected closing balance is \$195 million and the fiscal 2008 projected surplus is \$67 million, the current financial situation is not sustainable. She agreed with Mr. Deschenaux that a \$1.4 billion imbalance exists between ongoing revenue and projected current services spending in fiscal 2009. Secretary Foster explained that several methods are being used to work toward sustainable funding. The Governor has directed State agencies to identify \$200 million in savings, StateStat is being used to identify inefficient resource allocations, and additional cost cutting will be part of the fiscal 2009 budget process. Secretary Foster also stated that eliminating the structural shortfall through reductions alone would require reducing the State budget by 10%, which is not practical. She mentioned that all revenue enhancement options are on the table and the Governor will work with the General Assembly to craft a solution. Finally, she mentioned that higher education received large increases in the fiscal 2008 budget compared to the average budget growth. For further information, please see the presentation entitled "State's Fiscal Outlook."

Senator Hogan said that he wanted to have presentations on the state's fiscal situation because he wanted everyone on the same page. He also commented that while fiscal 2008 was a great year for higher education, some years are not nearly as good and the State needs to get away from the funding roller coaster.

Delegate Conway asked what is the impact of internet sales on the sales tax? Secretary Foster said they do not have a good handle on it and Mr. Deschenaux said that it is sizable but ultimately it is a federal issue. Senator Hogan said he thinks the national internet sales tax is approaching \$30 billion but in order for states to collect it, either a Supreme Court case must be overturned or Congress must give states the authority to collect the sales tax.

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2004 State Plan for Higher Education and Key Funding Issues

Senator Hogan invited the Maryland Higher Education Commission (MHEC) to make its presentation. Secretary Lyons made some opening remarks and then Mr. Kevin O'Keefe, MHEC Chairman, presented information on the 2004 State Plan for Higher

Education. He said that the State Plan had been reviewed in 2006 and would be updated or re-written in 2008. Chairman O’Keefe went over the five goals of the State Plan. He mentioned that the second year retention rate at four-year public institutions is declining and Senator Hogan asked if MHEC had looked into why this is happening – are the students dropping out, transferring, or are cost reasons contributing to the decline? Dr. David Sumler, MHEC Assistant Secretary for Planning and Academic Affairs, answered that MHEC has not done a detailed study of this issue but that affordability is probably one of the reasons. He noted that in 2001 the retention rates began declining and that coincided with a period of rapid increase in tuition.

Delegate Bohanan asked if Maryland was further ahead of other states in using Regional Higher Education Centers as a different approach to help improve access to students? He also stated that it has been a struggle to get the Southern Maryland Higher Education Center underway and this year they received only \$92,000. Secretary Lyons responded that most other states are looking at all options to improve access such as branch campuses and satellite communications.

Chairman O’Keefe said that enrollment of African Americans at Maryland campuses has increased by 42% in the past eleven years.

Chairman O’Keefe said that only 60% of college students have taken a college preparation curriculum, which is a troubling number. He said he was not pointing fingers at K-12, he believes K-12 and higher education should do a better job of working together.

Mr. Shulman asked for a definition of “remedial.” He asked if there were any statistics to break this down. Dr. Sumler responded that the Student Outcomes Assessment Report (SOAR) provides the number of students that are recent high school graduates who need remedial courses. Dr. Sumler said he would provide that to Mr. Shulman. Mr. Shulman indicated that maybe the situation cannot be fixed for some students such as students who are immigrants and don’t speak English.

Mr. Garland Williamson said that at Baltimore City Community College 95% of the students need remedial help but when they receive the help they need, they are just as successful as students who do not need remediation. Mr. Williamson asked Chairman O’Keefe about the statistic he mentioned earlier about the 42% increase in African American enrollment. He would like to know what percent of minorities are on campuses and what percent of minorities are eligible to go to college and are enrolled in college compared to non-minorities?

Lt. Governor Anthony G. Brown asked about barriers to transfer from community colleges to four-year institutions. He asked if the barriers are from the students or the institutions and Chairman O’Keefe responded the barriers are from both.

Senator Munson expressed frustration that his nephew flunked out of college and the institution never told his parents. Secretary Lyons explained that the institution

cannot release any of the student's information because of confidentiality reasons. Mr. Shulman said that he is aware of a program where industry pays the tuition for students and the students are required to sign a waiver so that the industry can know how the student is performing.

Chancellor Kirwan stated that Goal 1 of the State Plan really says that the State should fund the funding guidelines in full. He said that the State must have a mechanism to fund its share of enrollment growth.

Chairman O'Keefe agreed and said that the State should also look at the funding for community colleges because they do not receive as much State funding. Senator Hogan responded that community colleges are a county/student responsibility rather than a State/student responsibility. Chairman O'Keefe agreed but said that other states fund community colleges differently and he was suggesting that the Commission might want to take a look at this issue.

Chancellor Kirwan clarified that the four-year institutions are under funding guidelines and not funding formulas so the institutions will not grow if they are not provided sufficient funding.

President Richardson asked if the information regarding the 42% increase in African American enrollment and the number of degrees awarded to African Americans over the past eleven years could be shown by each institution. He also said it would be good to see the relationship between student income levels and eligibility. President Richardson said he has concerns about the funding guidelines and would like them to be reviewed to make sure they are consistent with the State Plan.

Chancellor Kirwan said that maybe there could be some minor modifications about how the funding guidelines work in process but he believes the peer institution model is generally supported. Dr. Richardson said that it is difficult to get peer comparisons and that the funding guidelines should be looked at again.

President Hoy said that capital fund issues must be addressed as well. He said the Commission needs to make policy decisions about what capital will be funded. He mentioned the role that community colleges are playing with minorities who are first generation college students.

Senator Hogan said the Commission will be looking at how each segment of higher education should be funded. He said this will include looking at how other states fund the different segments, which includes operating and capital.

President Mote said that the most important issue to him is where is the money going to come from? Funding guidelines don't say who pays but funding formulas do.

President Caret said that the pipeline is in place for students to transfer from community colleges to four-year institutions but his issue at Towson University is that he

does not have enough faculty or lab space to accommodate all the nursing students who qualify for the nursing program. He also mentioned the importance of professional development schools and the fact that funding guidelines are good but the critical pieces are how they get funded and what peer group is used.

President Ramsay agreed that the University of Maryland at Baltimore is having problems with a lack of faculty to teach nursing students and it is becoming a problem with pharmacy and medical students also.

Mr. Shulman asked MHEC to provide a list of the amounts each school received for capital needs. He said that from the charts on pages 30 and 31 of the presentation the capital money is not going to the schools with the biggest deficits and he would like to know why.

President Mote stated that the charts on financial aid in the MHEC presentation are in direct contrast to the figures he is aware of regarding amount of unmet need. Ms. Andrea Mansfield, MHEC Assistant Secretary for Finance Policy, stated that the data is from the Financial Aid Information System and the data is sent to MHEC by the institutions. She did say that some enhancements to financial aid that were put in place during fiscal 2006 are not reflected in this data because it is from fiscal 2005.

Delegate King asked if there are a large amount of out-of-state students at College Park because she hears complaints that students cannot get into College Park because of out-of-state students. President Mote responded that fewer than 25% of College Park students are from out-of-state.

For further information, please see the presentation entitled “ 2004 State Plan for Higher Education and Key Policy Issues.”

Office for Civil Rights Partnership Agreement

Senator Hogan invited Dr. David Sumler, MHEC Assistant Secretary for Planning and Academic Affairs, to make a presentation on the Office for Civil Rights Partnership Agreement. Dr. Sumler discussed the purpose of the Partnership Agreement and the nine commitments of the Agreement. Ms. Andrea Mansfield discussed the financial aspects of the Partnership Agreement, including doubling funding for the Access and Success program and doubling the State match from \$750,000 to \$1.5 million for Historically Black Institutions (HBI's) under the Private Donation Incentive Program. In total, \$66.7 million in operating funds have been received by HBI's for enhancements since fiscal 2002. Additionally, \$456.6 million in capital funds have been received by HBI's since fiscal 2002.

Senator Currie asked how \$30.5 million in capital funds for Bowie compares to its peer institutions? Ms. Mansfield said she would provide that information.

President Richardson said that “some of us had great difficulty with the OCR Report.” He said that the new MHEC Secretary should revisit the report because the analysis in the report was not paralleled with reality.

Senator Hogan said that if he was concerned he should make that request to the Secretary of MHEC.

Mr. Williamson asked Dr. Sumler if the MHEC report to OCR said “we fixed the problem” or said “we didn’t fix the problem but we did what we said we were going to do.” Dr. Sumler said the report said we still have problems in Maryland but the problems are not the result of what happened prior to 1969. He said the problems are not the product of state policy. Chairman O’Keefe said when you look at the 37 other states that never had a dual system of higher education the issues with retention rates for African Americans are the same so this shows it is a larger societal issue and not just a higher education issue. He said that Maryland still has work to do but the source of the problem is not the dual vestige – it is a larger issue Maryland must tackle.

Mr. Williamson responded that he doubted any states didn’t have a dual system. He said the states might not have called it that but it still happened.

For further information, please see the presentation entitled “Office for Civil Rights Partnership Agreement.”

Office of Student Financial Assistance

Senator Hogan said that since the meeting was running long, he decided to postpone the presentation by Ms. Mansfield on the MHEC Office of Student Financial Assistance.

Closing Remarks and Adjournment

Senator Hogan then made the following statement to the Commission:

“At the last meeting, I announced that the draft Request for Proposals (RFP) for a consultant to examine the commission's charge related to the comparability and competitiveness of Maryland's public Historically Black Institutions would be shared with commission members in advance of today's meeting. Based on legal advice from the Attorney General's Office, the RFP is confidential and so could not be emailed to members as we had originally intended.

In order to discuss the RFP with the commission, we need to go into Closed Session. Under 10-508 of the State Government Article, a public body may adjourn to a closed session to consult with counsel to obtain legal advice and to discuss a matter directly related to the contents of a bid or proposal. Robert Zarnoch from the Attorney General’s Office is here to provide legal advice. At this time, I would entertain a motion to go into closed session to discuss the RFP.”

Delegate Bohanan made a motion to go into closed session and it was seconded. A recorded vote was taken and all members present voted unanimously to go into closed session. The following members were present for the vote:

Senator Patrick J. Hogan, Chairman
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Mr. H. Clay Whitlow
Mr. Garland O. Williamson

The meeting adjourned at approximately 12:40 p.m. and the Closed Session began at approximately 12:44 p.m.

Prepared by: Dana Tagalicod

