

# **Commission to Develop the Maryland Model for Funding Higher Education**

## **Minutes from Symposium**

**July 9, 2007**

The Commission to Develop the Maryland Model for Funding Higher Education held its fourth meeting of the 2007 interim on Monday, July 9, 2007 at 10:00 a.m. in the President's Conference Center, East, Miller Senate Building, Annapolis, Maryland.

The following members were present:

Senator Patrick J. Hogan, Chairman  
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  
Secretary T. Eloise Foster  
Dr. Wayne T. Hockmeyer  
President Murray K. "Ray" Hoy  
Delegate Nancy J. King  
Chancellor William E. Kirwan  
Dr. Mary Leach (for President David J. Ramsay)  
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 Earl S. Richardson  
Mr. Lawrence A. Shulman  
Mr. H. Clay Whitlow  
Mr. Garland O. Williamson

Senator Hogan opened the symposium with some brief opening remarks. He thanked the Lumina Foundation for Education and USA Funds for providing the financial resources for the symposium and then he introduced Mr. Carl Dalstrom, the president and chief executive officer of USA Funds. Mr. Dalstrom gave some introductory remarks about the services USA Funds provide, including 300 scholarships to Maryland residents

last year and early awareness programs which are outreach programs to middle school students to make them aware that college is possible.

Senator Hogan introduced the moderator of the symposium, Dr. Gordon Van de Water, president of Van de Water Consulting. Dr. Van de Water then introduced the panelists and briefly stated their qualifications. Dr. Van de Water stated that the panelists were exceptionally qualified to address the six core questions in the agenda, which had been developed by Dr. Van de Water after he made a presentation to the commission on June 4, 2007. Dr. Van de Water stated that the ground rules were that each panelist would have 30 minutes to speak to the core questions and the question and answer session would be limited to commission members unless there was additional time for the public to participate also.

The first presenter was Mr. Patrick Callan, President of the National Center for Public Policy and Higher Education. Mr. Callan began by saying that the commission was having the right conversation because it is discussing state funding, student tuition and fees and student financial aid all at the same time. He said that with the exception of the affordability category, Maryland looks good compared to the rest of the country in Measuring Up 2006.

Mr. Callan stated that the knowledge based economy has had two major effects on higher education. First, it has caused a shift from training beyond high school being the best way to achieve middle class to it being an absolute prerequisite to achieving middle class in today's economy. Second, the job market has changed substantially.

Mr. Callan indicated that the United States used to be number one in everything that could be measured in higher education but now the United States has fallen behind internationally, especially regarding higher education access and attainment. He commented that the United States' best educated population is the baby boomers from the 1940's through the 1960's but they are retiring. Internationally big gains were made in the 1980's and 1990's so other nations have better educated young people than the United States. Mr. Callan said the reason why the United States is slipping internationally is that we have hit a plateau since the 1990's regarding access to higher education. The numbers of students who are attending college have been declining since that time.

Mr. Callan said he is skeptical of funding models because no state has a model that is particularly helpful. He said that the question we should ask is what state looks like it is achieving what we want regarding access and attainment? He said that the fundamental questions that are different now than in the World War II era are: How much higher education do you need? For whom do you need the higher education? How much would it cost to push the current funding model forward? At that point then we should look at what share each should pay.

He also talked about a three legged stool: preparation, capacity (both qualitative and quantitative), and affordability. He said they are all separate but they influence each other.

He mentioned the 1970's Carnegie study that said each segment should pay its fair share. He said that each of the states that followed a formalized fair share model have all failed. The reasons are that institutions receive a windfall when state appropriations are large because then tuition proportionately has to be raised but institutions receive much less when state appropriations are small so tuition increases are proportionately small. Also, the states began waiving their formulas when times were tough.

Mr. Callan mentioned that family income should be the key, that in this area peer comparisons are "next to worthless" and that need based financial aid is a critical piece. He said that if we only deal with the financial aid issue but we don't control tuition, financial aid becomes worthless as tuition rises. He also said that a high tuition, high aid model is a disaster because you never manage to generate enough financial aid and this model won't work without raising tuition. He ended his presentation by saying that we need a model that will work in a recession because if you have to throw it out in bad times it is not a good policy.

The second presenter was Dr. Paul Lingenfelter, President of the State Higher Education Executive Officers. He began by saying that three wrong ideas have dominated public discussions about education and money:

- 1) There is a "right amount;" we can create the perfect formula
- 2) The only way to get improved performance is to spend more money
- 3) We can get the results we need without spending more money

There are three right questions that will get us farther ahead:

- 1) What do we need from higher education?
- 2) What can we do better with the money we now have?
- 3) Where can strategic investments help us get the results we need?

In response to core question number 1, Dr. Lingenfelter spoke about the Carnegie Commission's approach where students pay one-third, and government and philanthropy pay two-thirds. He also mentioned the debate in the 1960's regarding whether it was fair for taxpayers to subsidize higher education for the 25% who benefited. However, the world has changed dramatically since the 1960's and virtually all individuals in the United States have to obtain some form of postsecondary education in order to have at least a middle class income. Under these circumstances, the central question for the United States is no longer how should we subsidize higher education for a privileged fraction of the population, but what financing strategies are most conducive to widespread, successful participation? He went on to say every state needs to confront basic issues and that the right answer to the share of costs question should be determined, not by a formula, but by the results you need and the results you are getting.

In response to core question number 2, Dr. Lingenfelter said that higher education cannot do without quality and access/affordability and there must be a balance between the two. To get better educational attainment results, most states, including Maryland,

need to invest more in need-based financial aid. He also said it is usually necessary to change the budget at some level (institutional or state) in order to get a change in results.

In response to core question number 3, Dr. Lingenfelter said that the peer state model recommended in the Van de Water report and the institutional peer group model used currently in Maryland are compatible and are both essential. He said that state funding models need to address a number of issues:

- 1) Adequacy of funding to meet goals
- 2) The allocation of resources to priorities
- 3) Incentives for efficiency and productivity gains
- 4) Continuity and predictability for institutional operations
- 5) Equity or fairness
- 6) Responsiveness to changing needs and priorities

He also mentioned that it is a strong disincentive to have budget practices that take away money that is saved.

In response to core question number 4, Dr. Lingenfelter said that holding institutions accountable has not worked very well and that there are a lot of performance reports that are not really used. He stated that policy makers, civic and business leaders and educators must come together and do the following:

- 1) Adopt a few, high priority, widely shared state goals
- 2) Develop a clear sense of shared responsibility for results
- 3) Establish a division of labor reflecting the goals of different team members
- 4) Monitor results frequently
- 5) Respond to evidence of success or failure

In response to core question number 5, Dr. Lingenfelter spoke about formula budgeting and base plus/minus budgeting. Formula budgeting provides a perception of equity, can be consistent, and can respond to enrollment growth. However, formula budgeting can become complicated when you deal with a lot of issues and it cannot address all of your priorities. Base plus/minus budgeting is much more flexible and transparent but equity can be an issue. He also discussed performance funding and contracts for services. He concluded by saying that the most important question about budgeting procedures is whether they contribute to progress toward high priority educational goals. A thoughtful, eclectic approach drawing on all of these traditions is most likely to be successful.

In response to core question number 6, Dr. Lingenfelter said that in the last 10 years enrollment in Maryland grew by 41,311 students, which is a 27% increase. 56,000 students would be a 29% increase so while it is not a trivial number; it is neither unprecedented nor as large as some states will experience. He gave several ideas for how Maryland could help accommodate the enrollment growth, such as improve preparation for college thereby reducing the need for remediation, encourage or require students to take online classes to reduce the load on physical facilities, and eliminate low-enrollment academic programs and courses to free-up resources for higher demand areas.

For further information, please see the presentation entitled “Paul Lingenfelter’s Presentation.”

Representative Denise Merrill, from Connecticut General Assembly, began by stating that her experience growing up was pertinent to what the Commission was doing. She grew up in California in 1960’s and was one of five kids. California had a good system of higher education. Community Colleges at that time were all free – “High School with Ashtrays.”

Her brother graduated from community college and went to engineering at the University of California. Transfer from community colleges was free into the 4-year public institutions.

Her goal is to try to get back to that model. She believes that higher education for all is a public good, not a private good.

There are many other draws on state funds now – health care, etc. Higher education is not treated as mandatory spending and succumbs to powerful budget realities.

NCSL Blue Ribbon Commission on Higher Education - Consensus of the group is that higher education in budgetary reality is falling off the public plate, access is decreasing. Big, new groups of students are anticipated to come through.

In its work, the Commission started by framing questions. It visited ten states to see what those states were doing.

The Commission had an *Aha* moment in Texas. Their State demographer reported that by 2015, 70% of Texas will be Hispanic. The fastest growing portion of population is under the age of 5

The Commission concluded that in strategic planning for higher education, demographics need to drive the debate. You need to begin with the questions: What is it that you need? Who are you trying to serve?

The Commission observed that most state legislators don’t really look broadly at these issues. They were shocked to see low levels of information with Governors and State Legislators.

They observed that there is a huge gap of leadership in State Legislatures. The Commission is trying to generate legislative leadership.

While the Commission was doing its work, the National Government came out with Spellings Commission Report. However, Representative Merrill stated that there is no unified voice of State legislatures in higher education.

The question of “What do you need?” is really important. For example, Kentucky has very different problems than Connecticut such as family living.

It is interesting that in higher education, workforce education and higher education don't really talk to each other. Connecticut is starting to work on coordinating workforce education with higher education.

A major problem in Connecticut is the Achievement Gap. Connecticut is a wealthy state; however it is doing a really terrible job with the population of kids in major cities on workforce development.

When you are looking to make changes to the system of higher education, build on your strengths – don't set out to improve weaknesses. Every State has strengths. Don't get bogged down in institutional minutiae. Build an understanding among policymakers and institutions.

Funding -There is a debate occurring on financial issues and the sources and proper mix of federal, state, institutional and student funds as revenues for higher education. State policymakers should remain aware that the federal government cannot be let off the hook. States will never be able to afford the cost of higher education. At least 80% of financial aid has been provided by the federal Government in Pell grants and other programs historically.

Further, from the State government level, there is not going to be a large infusion of new money in higher education, there are too many competing priorities. States have to look at what they're doing and get more from those efforts. Must create efficiency.

States can't act like higher education is like K-12 education. Students vote with their feet.

The Commission has found that the most effective things that have occurred to improve higher education at the State level are things that helped people change their mindset about higher education.

You can make change through little things. For example, in Texas, every guidance counselor had to get every student to fill out some sort of application for higher education. This caused an increase in enrollment at State colleges and universities by 20%.

Regarding the question of who should pay, higher education has gotten very expensive. States need to get some grip on actual costs and what the drivers are, e.g. health care and other employment costs.

States need to address the questions: Are we paying too much? How many times are we paying for the same student?

Performance measurement in education is difficult. Once you understand the demographics, you can look at things that are important to the demographics for your State, such as the level of older learners.

How to design funding models - Ask and answer the question - How can you get support for what you are funding? We need to get the message out to the general public that this is important, not just for their own kids, but it is a national and global issue. When surveyed, 85% of people don't think that all kids need higher education. However, 85% of the same people think that their own kids need higher education.

There must be a two-way accountability in higher education. Not just from the institutions to the State, but from the State to the institutions.

There has been a lot of talk about standards and quality. You can't have access to higher education without standards and quality.

We need to create understanding of the continuum of K-12 to Higher Education at the leadership level of State government.

California administers a 10<sup>th</sup> grade exit test that is designed to tell whether students will be able to enter higher education.

Again, to summarize, States must ask the following questions when designing a model for higher education. What do we need? What can we do better? Where can we get results? How are we going to get support for what we're doing? This was the end of Representative Merrill's presentation.

Dr. Van de Water opened things up for questions.

Mr. Williamson asked, if you believe that Americas are behind the rest of the world, when you start talking about minority students, the problem becomes worse. If you believe all people have access, considering Maryland's 56,000 students coming into higher education, you state that we already have the capacity in Maryland to deal with that. How will minorities be affected? How do you think the community colleges will fit into this conversation?

Mr. Callan responded that baby boomers were the biggest and best group to come through higher education in the United States. We cannot have a decline without educating groups where education systems are the least successful. We have paid a moral and civic price for people we have educated. We are about to pay an economic price.

If we are able to get to the level of attainment, if we got high school attainment up to where it should be, no state could handle the capacity need for higher education. Research universities are going to be important, but the role of the wide acceptance institutions is also going to be critical in meeting demands. We need to provide quality

higher education at other levels than the elite institutions. We have undervalued community colleges and other open access institutions in the country.

Mr. Williamson asked whether any State has done a credible job of funding historically black institutions (HBIs)? Mr. Callan responded that he couldn't speak to that. Dr. Lingenfelter also responded that he couldn't respond directly to the question. Illinois has one of the largest populations of minority enrollment in the country and has a huge accumulation of educational deficits. They've found that it is not always increasing funding that will solve the problems. Fortune magazine has an article on outsourcing that stated that American and Western European workers are the most expensive in the world.

No Child Left Behind is the exact right message for higher education in the US.

Dr. Van de Water suggested that perhaps we should not look at comparative funding across HBIs, but look at funding across institutions with like missions.

Representative Merrill said that the strongest programs Connecticut has are the programs that everyone wants for themselves. Keep everyone's interests in stake.

Chancellor Kirwan observed that the common themes: Declining in competitiveness of US in the world; Huge issue with regard to access and affordability; Have capacity issue. Yet, the panel also says that there will be no new money for higher education. Why do you think that is the case? There is the money in the country. We're spending billions in Iraq. People think higher education is important. Huge sums of money are going into K-12. Why? Have we done a poor job?

Mr. Callan responded that he does not believe that. Even with the roller coaster ride, we have the funding for higher education. We are not going to be abandoned by the public. There is a lack of belief in the efficacy of the investment. Having State goals is critical, and you need to have a level of quality. Legislators and Governors don't believe they get any more when they spend on higher education, other than comfort.

The country in general does not believe that it is in a competitive environment globally. People still believe that we have a sense of entitlement. A lot of the issue of addressing the funding and other problems in higher education is educating the public. People wonder if these kids in elementary and secondary schools that don't look like us are college material. Back with the GI bill people asked how could people who had been fighting, carrying guns, "Intellectual Hoboes" think and learn in higher education? What we have now is a parallel problem. The GI bill changed our view of who was educable. We need a similar kind of ratcheting up of this awareness.

We need to look at and develop a set of success measures instead of colleges and universities claiming themselves successful while the country is failing.

Representative Merrill responded that she thinks there is a dynamic that higher education is an individual responsibility, or a private good. We need a fundamental shift in approach.

Mr. Callan added that we have a “Squeeze Play” that does not support that people are concerned with the cost of the problem. We need to monitor consumer impression. There is great pessimism in minority parents in the ability of attaining higher education for their children.

Representative Merrill asked if government or families should pay for higher education. Mr. Callan expressed his anxiety about the dependence on loans. He said he does not think families see loans as a bad thing but are more concerned with growing debt level.

Representative Merrill asked what is the public perception of the public’s role in financing higher education. Mr. Callan responded that you cannot look to the public for an answer. Polls say there is political support for public officials that support this.

Senator Dyson commented on Representative Merrill’s earlier comment that there is not a unified voice in higher education at the national level. He agreed and said he does not think there is a unified voice in Maryland either. He further stated that affordability seems to be the only piece of this that the public is aware of. He hears from his constituents that higher education is less and less affordable. Senator Dyson asked, if there is not a unified national voice how do we have any hope of getting any more money from the federal government?

Larry Schulman asked the panel what states “have it together?” Mr. Schulman asked if there were any good models and where the leadership comes from. Mr. Lingenfelter responded that the states that are doing the best are the states that recognize there is a problem. Leadership comes from the executive branch, legislature, business community, etc. Mr. Lingenfelter suggested bringing policymakers and stakeholders together to have a conversation.

Mr. Lingenfelter went on to state that the answer is not with the federal government alone. Pell grants are not enough. States that are doing well match the Pell grants dollar for dollar. He stated it does not take a ton of money to do what we need to do for higher education. On average seven percent of state’s budget is in higher education. If systems and institutions could demonstrate the benefit and value of higher education the public will follow.

Mr. Callan mentioned that this is a very different era of higher education in terms of needs and financing. There is nothing today to look to as states looked to California in the past. What was done in California in the 1950’s was not easy and what needs to be done today will not be easy either. He stated that you could make the case that higher education is not going to get anymore funding and could possibly get less because of rising costs in health care and K-12 education.

Mr. Callan said to achieve success you need quality leadership in higher education and the political arena. You cannot say that the federal government, states, or loans can take care of it all. There needs to be a sense of shared responsibility in order to be successful.

President Caret asked the panel about the role of institutional aid and how they see this and tuition discounting playing out in the future. Mr. Callan responded that this is not a sustainable model and a public policy issue. In this system, other students/families are paying for the grants of other students. He said this system cannot bare the scrutiny that will come with it and there are some moral and political issues here. Mr. Callan said the easiest way to decrease tuition is to get rid of everyone's aid. He does not know where the line should be drawn. Shift from public to private (tuition discounting) probably was a result of a lack of options in the past.

Dr. Lingenfelter commented that we really want to encourage students to prepare students starting in middle school to succeed in college. They need to know it is affordable and attainable, and begin preparing for courses in high school. Dr. Lingenfelter mentioned some sates (OK and IN) in which if you follow a program they have developed you can go to college at discounted or free rate if family income is below a certain threshold.

Mr. Callan asked if this is a model we could have or want for every student?

Secretary Lyons asked the panel if there is no magic formula and a better approach would be to start looking at needs of state, public policy issues, and where Maryland wants to go how do you translate that into a funding model? Dr. Lingenfelter suggested you may need some piece of formula funding to deal with equity issues with overlay of state priorities. He said to look at the strengths to sustain and weaknesses to overcome. Dr. Lingenfelter said to look at broad needs of State and needs of individual populations. If this is not working, look at institutions to work out the details.

Mr. Callan said to set concrete state goals and look at new dollars in the system as incentives to reach these goals. Currently, the budget process for higher education is a roller coaster. He suggests moving more toward a system that is funded by performance. If an institution that performs in accordance with the state goals gets the same funding as those that do not what is the incentive? Mr. Callan thinks there will be new dollars available but it will not be commiserate with what is asked of higher education.

Representative Merrill said this is not as hard as it sounds. She suggested thinking about the outputs you want and less about inputs. You need to know where you are going before you build consensus on what you are going to fund. This all requires leadership but if you have blueprint it is easier to get support.

Ms. Tina M. Bjarekull asked if there are any other states to look at that develop peers based on performance.

Mr. Callan said it does not take a sophisticated analysis to see where you could make the most improvement. He said need based financial aid is where states with better grades are performing better. He suggested looking at states that have better need based aid systems.

President Mote asked the panel what they think about debt level at graduation as an indicator of how Maryland is doing in terms of access and affordability. He said debt can limit opportunities for graduate work, types of fields student enter, etc. Mr. Callan responded saying he has never seen a legislature or higher education board talk about debt levels when setting tuition levels. Although he did state it should be part of conversation.

Dr. Van de Water spoke about how he had seen common themes rather than divergent themes begin to emerge from the morning discussion. He remarked that times have fundamentally changed, there is international competitiveness, there are demographic changes exacerbated by the retirement of baby boomers, and there is a need to reach deeper into students coming up.

Dr. Van de Water talked about consensus and agreement about where to begin. There must be a clear sense of State goals to be accomplished. The commission needs to put together a new formula that leaves the mechanics to existing agencies but provides high level direction. He felt that the goals contained in the Maryland 2004 State Plan for Higher Education were reflective of the major themes identified during the morning's discussion. The commission's job is more difficult given that the public is not clamoring for change. Strong leadership is needed, leadership that understands global issues, but the general public does not appreciate this.

There is disagreement about how Maryland should go about creating a funding model. Accountability relating to performance must be addressed. Where do you want to go? How will the policies play out? How will the policies adapt in changing financial situations. Finding the right message and staying on the message is an important role of a leadership group. He suggested a contract that says to current and prospective students: you do your part and we will do our part.

Dr. Van de Water began to ask the panelists about the focused discussion topics when Mr. Shulman stated that before the state can do anything else it needs to decide what it wants to be when it grows up. Is Maryland an agrarian or manufacturing economy? Does it want to be a knowledge economy? There was consensus among the commissioners that Maryland is heading toward a knowledge economy.

Senator Hogan said that Maryland's constitution does not mention higher education. He said this would a topic for discussion for a later meeting but he wanted to ask Representative Merrill if the constitutional provision in Connecticut does anything. Representative Merrill said no. She said it was only useful when it created new entitlement but new entitlements are frowned upon in today's fiscal environment.

Senator Hogan mentioned North Carolina's higher education constitutional provision and asked if it made the difference in North Carolina.

Representative Merrill said it was the inverse, states put in constitutional provisions after there is a system in place.

Mr. Shulman said he believes that a constitutional provision would make a statement to business that Maryland supports higher education and may create recognition on the part of the legislative and executive branches.

Mr. Callan said that there is some protection but studies show that the major impact of mandates—whether statutory or constitutional—were not on quality but on whether to give/maintain managerial independence of higher education institutions.

Dr. Van de Water asked if constitutional language had been an overt driver of higher education in any state.

Chancellor Kirwan said yes, he believes it would be a statement of values by the citizens of Maryland about the importance of higher education.

President Mote agreed and said that the fact that no statement is made in the constitution says a lot about Maryland values.

Mr. Whitlow said that the debate about amending the constitution would be a potentially valuable discussion to have and might engender public support.

Chancellor Kirwan said there was agreement about Maryland heading for a knowledge based economy and agreement about a constitutional provision being helpful. He asked how specific the provision should be.

Dr. Van de Water responded that it would not need to be very specific. He asked what the process was for a constitutional amendment in Maryland. Senator Hogan described the process.

Delegate Conway said when he came to the legislature in 1987 there were a lot of discussions on equity and he heard a lot about the state constitution and how it only mentions education and does not mention other state agencies or services. In the last few years there has been more discussion about PreK-16 so it looks like indirectly the constitutional language is being stretched, giving public higher education a greater visibility.

Mr. Shulman said the constitution was passed in the 1860s when education only went at most to 6<sup>th</sup> grade so the constitutional language has definitely been stretched to include 12th grade.

Delegate King said that higher education does not have an advocate, like specific groups (e.g., PTA, etc.), and a constitutional provision might be a good message to the community that higher education is valuable to the community.

Ms. Bjarekull said the state statute makes it clear that Maryland has a commitment to higher education but a constitutional discussion would bring that to a higher level of commitment. She stated that it will take more than PreK-16, there is a need to extend to graduate level.

Dr. Leach said that President Ramsay would definitely endorse that line of thinking that the focus cannot stop at grade 16. She cautioned that we not get so carried away with the constitutional debate that we do not examine the real problem which is under funding. However, to the degree that a constitutional provision might make a change, it would be helpful.

Mr. Williamson said he was concerned about the time spent on this issue because other states are ignoring constitutional laws already on their books. He said he was not opposed to the conversation but not in lieu of doing the right thing. He said it takes a lot of political capital to do this instead of increasing funding.

Delegate McKee said it would be easier to do what is equitable and fair if there was a constitutional basis in place.

Chancellor Kirwan said he was encouraged because there was more consensus than he thought. There seemed to be general support that constitutional language would be a constructive step so we have to ask, what is the goal that we want? How precise do we want for the goal language? Would it be that the state provides affordable access to higher education to every student who seeks a higher education degree?

Dr. Van de Water said he did a former job related to K-12 finance where almost all the constitutional language was very broad and the cases hung on short pieces of language so the constitutional provision does not need to have a lot of specificity. He mentioned taking language from the State Plan such as “Maryland has the responsibility to provide higher education adequately and effectively.”

Dr. Lingenfelter said Kentucky’s language is around performance—are more enrolling? Succeeding? He thought we might want to examine the aspirational goals of high school sophomores, to see if the message that college is important has been internalized by them.

Representative Merrill said the State should try to identify gaps and goals for students. Look at the demographics as Kentucky and Connecticut does.

Mr. Callan said that there should be four or five goals tied to a time period. Decide if they can be reached in that time period. Decide who should be accountable for it (what system should take this on). Make it publicly known what the goals are and how

they are being reached every step of the way and back down the system if necessary. Finally, review the goals every few years.

Representative Merrill suggests trying a population goal. Update data to see if the goals are being reached. How do programs match the population? Link them up. Does the State Plan take the demographic gap into account?

Dr. Lingenfelter believes that a metric system is needed because it is hard to change anything without something to measure.

President Mote said there is a State Plan but no funding. In North Carolina, 1% of personal income goes into higher education. Maryland uses less than half of that. Since 1978 the percentage of personal income used for education has been going down while tuition has been going up. Now fundraising, tuition, income, and the university should share the responsibility of funding. The commission should think about these four partners (fundraising, tuition, income, and the universities) when looking for a target.

Mr. Williamson asked about how Maryland should match its demographics to the needs of the state. For example, the State is building a lot of biotechnology centers, but who will staff them? How should the State turn needy people into research people?

Representative Merrill responded that this question goes to a conversation the Commissioners need to have with each other. The State's demographics are driving what will happen in the future. The process of discussion the Commission is engaged in is supposed to break a cycle of just putting money into institutions without thinking about what the outcomes should be. If everyone agrees the State issue has to do with a gap between needy people and a growing biotech industry (for example), then the Commission needs to look at that particular problem to come up with solutions. The institutions have to be mobilized to address these concerns, but it's not easy. She suggested that the Commission first has to know who the demographics are – who are the populations that need help.

Dr. Van de Water added that he is confused about the “end game” that the Commission hopes to achieve. What does success mean for the Commission?

Senator Hogan offered his opinion about what success would mean for the Commission: Success is developing a model of affordability and other factors that will move the State toward a knowledge economy, while moving away from the higher education funding model that resembles a “roller coaster.” Historically, the State has funded higher education well in good economic times. There has been a “gentleman's agreement” that higher education funding won't be cut too much in bad economic times; however, in reality, in bad economic times the State does cut funding for higher education. The State is losing students because higher education is too expensive in Maryland, which exacerbates workforce shortage problems.

Dr. Van de Water asked for clarification of the goal of the Commission. Is the key goal of the Commission to “smooth the road” in terms of the way the State funds higher education?

Chancellor Kirwan added that “smoothing the road” is one part of the goals of the Commission, but the Commission’s goals also include looking at and ensuring the quality and capacity of the institutions. Another issue is determining the appropriate share of the cost of higher education for all players. He asked what other factors should be primary goals, such as the percentage of students’ and families’ personal income, or a certain fraction of the State budget.

Chancellor Kirwan asked the panel what an appropriate benchmark for the adequacy of funding would be.

Dr. Lingenfelter noted that Maryland is more like Connecticut than North Carolina. Compared to the national average, Maryland is putting more money into higher education than many other states per student, but Maryland is also much wealthier than states like North Carolina. That is one reason that most Maryland citizens can pay higher tuition.

Dr. Lingenfelter offered another example: Colorado is putting a lot less money into higher education than Maryland, but there are other factors leading Colorado to have a successful economy. Dr. Lingenfelter suggested that the problem might be a “gap.” In other words, there are a significant number of students in Maryland who cannot participate in higher education.

Chancellor Kirwan noted that demographics seem to indicate that the model Maryland has been using will not work going forward.

Dr. Lingenfelter suggested savings accounts by the colleges and universities are one way to help alleviate the funding “roller coaster”.

Representative Merrill noted that Connecticut funds higher education through block grants, which a lot of people don’t agree with. Connecticut gives a block grant to each group of institutions, and they manage their own funds. This ensures a fairly even level of funding.

Mr. Williamson asked how Connecticut makes adjustments between richer and poorer institutions.

Representative Merrill responded that, in a wealthy state, if the institutions of higher education are attractive, then students will be attracted to attend. Students who are able to pay can help to subsidize the students who cannot pay as much. However, the problem with that type of system, and with block grants, is that need-based aid cannot keep up.

Mr. Williamson asked how Connecticut closes the racial achievement gap.

Representative Merrill responded that Connecticut is starting to target more funds into earlier school ages, for example 6<sup>th</sup> and 7<sup>th</sup> grade. In Connecticut, poverty is concentrated in about 5 major cities. Part of the solution is identifying which students are not on-track to attend college, while they are in high school. In addition, some states are looking at paths between adult education and higher education.

Mr. Williamson noted that, in Baltimore City, one-half of students who enter high school don't graduate.

Representative Merrill responded that that was a good example. She added that if the Commission identified that as a primary problem they need to address, then they should target efforts there.

Mr. Callan noted the problem with the high-tuition-high-aid system is that the system creates a structural dependency on serving a disproportionate number of low income students. Thus, the middle disappears. The high-end student population grows under this model, and it does nothing for middle and low income students. He noted that there is no coincidence that the gap is growing under the high-tuition-high-aid system. Also, a lack of policy about tuition is one of the things (among a number of other factors) that leads to extremes in funding. The lack of policy creates the conditions that exacerbate the "roller coaster."

Mr. Callan noted that he disagrees with the savings account system, because it creates too much of a temptation for budget and policy makers in bad economic times. He believes institutions of higher education need to learn to manage better; however, institutions cannot manage well when the roller coaster is so extreme.

Mr. Callan added that there is no specific formula he can recommend, but there are structural things that this group can do to mitigate the extremes and make sure that the policy is set to make things more manageable. As long as there is an appropriate accountability system in place, there is not a more stringent system needed: maximum management flexibility is a good goal.

Delegate King noted that many middle class families are having a hard time just getting by month-to-month, so the students in these families are starting out at a very young age with no concept that they can go to college. The State needs to start educating families early about ways to access higher education funding and the importance of kids going to college.

President Caret said he believes the Commission needs to look at higher education discretely, because the Commission is at risk of going too far with discussions that seem to fall outside of their charge. He asked how well the Virginia funding model works, in the opinion of the panel.

Mr. Callan responded that Virginia's model has been interesting to watch. The Virginia model lets the institutions be autonomous, depending on their abilities. Mr. Callan likes the Virginia model of a contract because it forces both sides to come to the table and to be explicit about their expectations. The Virginia model can allow institutions to argue for more freedom, and it can allow the state to argue for more accountability. Mr. Callan does not believe that any institution should be allowed to let the market set its tuition rates, though there is some room for institutions to set their own rates. In Mr. Callan's opinion, the Virginia model can operate under almost any governance structure.

Dr. Lingenfelter noted that the contract structure makes all the parties set out exactly what their goals are. Conversely, a system that links funding to a high level of State regulation does not make sense. The goal of regulators and institutions should be to work toward a public purpose. Under a contract system, like Virginia's, if the goal is to serve a public purpose, and the regulation doesn't serve the public purpose, then the contract should be done away with.

Chancellor Kirwan asked how the Virginia model compares to the California funding model. In California, as he understands, the parameters for growth in capacity, students, and funding is set out for a 4-year period. Under this system, the institutions have a "window" under which they can plan for the future and operate.

Mr. Callan responded that California's system was a good idea, but it wasn't implemented very well. In reality, in bad economic times, the governor wants to cut university funds significantly, and wants the university governance to be quiet about it. Under California's system, the "contract" dictates that when the state has a lot of money, the university will get a share. The contract usually includes constraints on the university, e.g. enrollment. This system is not workable because both sides are complicit in violating the compact. The politics of the California system have been, in Mr. Callan's opinion, "nasty." There are some elements of the California system that could be a part of a potential Maryland compact, but California's experience has been very political. Thus, students are the real sufferers.

President Richardson noted that for a long time, access has been a significant part of Maryland's higher education plan. The question is: access for whom? Who the State was talking about 20 years ago may not be the same population the group is talking about today. The changing demographics have brought the mission of this group to the forefront. President Richardson noted that approximately 40% of the population is minority, and that minority population is growing. He added that he believes one of the main focuses of the Commission should be on how funding is distributed fairly among institutions, in addition to increasing funding across the board. He said the State would look much better if the State did more for the lower income students, who have difficulties with access. However, he pointed out that once access is addressed, capacity becomes an issue.

President Richardson also noted that the Commission must look at how the State is currently funding institutions that provide access to the lower income students, and come up with a way to help those particular institutions. Also, the Commission needs to look at how these institutions can provide access at full cost. These institutions have taken increasing amounts of funding and put them toward financial aid, instead of dedicating funding capital projects, etc. Also, institutions that serve low income students don't have additional dollars for faculty, which further curtails these institutions' ability to grow and to continue serving low income populations. President Richardson believes the Commission needs to start thinking about these institutions as the receptacles of more funding.

The Commission took a break at 3:07 p.m. and reconvened for final words from the panel at 3:22 p.m.

Dr. Van de Water stated that the Commission's panelists would speak in reverse alphabetical order this afternoon. He stated that the commission has all of the pieces of information it needs, but the key is to piece them together. He then asked Representative Merrill to share her thoughts.

Representative Merrill thanked the Commission for inviting her. She said that some of her ideas have changed as a result of the discussion. She said that she basically hears that people want stable funding. She said that this seems to be the common agenda, but how you get there is a different story. She mentioned Senator Hogan's idea of a constitutional amendment, and that this would be a hard sell politically, but would be an interesting way to start the conversation. Even though a constitutional amendment is difficult politically and it costs a significant amount of political capital, perhaps some sort of legislative discussion that involves the public would be helpful.

She also mentioned that a conversation about access for students is paramount. She mentioned that institutions are concerned about stable funding, and legislators are concerned about constituent access, and the two need to come together. She also mentioned the discussion about formulas and contracts, but also warned that this is a 2 way or 4 way street. Maybe there is some version of an agreement, but you need to have some leadership. She mentioned Gov. Weicker tried to develop this sort of contract and Texas is trying to do something similar. She mentioned that she was skeptical at first, but has changed her mind after the discussion.

Representative Merrill also mentioned that no one has mentioned cost. Institutions have been increasing capital projects to attract high income students, but this drives up cost. Need to look at policies and behaviors and what incentives they create, as well as where you are expanding, and where you need to be expanding. In years when you cannot get funding, you may be able to get capital improvements. She mentioned that Connecticut made a 10 year, \$1 billion overhaul of the public university system facilities during a recession. This project is cited as the single largest achievement of that legislative session. So, there is more than one way that a state can help institutions.

Dr. Lingenfelter noted that the system will grow and must prepare to do so. This will take some stretching for the institutions and the State. We must also deal with demographic gaps. It's about doing things differently not just about money and student aid. Access, success, and quality are balances not tradeoffs. This takes tuition policy, financial aid, and appropriation. WICHE has a document on balancing these three things. There is no way to satisfy all wants given that it is hard to even balance the needs.

Mr. Callan noted that it is possible to develop a mission/finance model. Whatever model is used should be put into a framework of what the State's needs are. He recommended avoiding formulaic approaches. Instead, one should put in place better tools to negotiate the future issues that are coming. This includes changing demographics, which no state is dealing with well at this point in time. He noted that many approaches to tuition policy can work, but the critical things are moderate, gradual, predictable increases and need based aid. Increases at about the rate of increase for family income are nice.

Chancellor Kirwan commented that the emphasis in the discussion so far has been on access and affordability. But the third leg should be quality and shouldn't be forgotten. Without quality we won't be able to do what Maryland needs to do.

Mr. Shulman asked whether staff can provide performance indicators that other states use, if any.

President Mote noted that success of students (generally in terms of graduation rates) should be a big factor in the considerations of the Commission.

Senator Hogan noted that North Carolina calls themselves the education state. He wasn't sure if this was a self appointed slogan. But the point remains that Maryland needs to tell people how good they are as well.

Senator Hogan then expressed his thanks to the work of the symposium. He thought it was useful. He then mentioned the handout to be filled out by everyone, even the public who attended, for feedback as to what the important items of discussion were. He expressed his thanks to the Department of Legislative Services, the Maryland Higher Education Commission, and the Department of Budget and Management.

The meeting was adjourned at approximately 3:45 p.m.

### **Previous Closed Sessions**

The Commission held three meetings in Closed Session from June 18, 2007 through July 9, 2007 and the minutes for the July 9, 2007 symposium are the first opportunity to reflect the actions taken at the Closed Sessions.

At an open meeting of the Commission on June 18, 2007, Senator Hogan 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 and the Closed Session began at 12:44 p.m in the Appropriations Committee Hearing Room, Room 120, in Annapolis, Maryland.

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

At this meeting the Commission discussed the draft RFP and received advice from Attorney General Robert Zarnoch. The Commission members were instructed to review the RFP and were told there would be an opportunity for further discussion on the RFP at another Closed Session on June 28, 2007. The Closed Session on June 18, 2008 ended at 1:26 p.m.

At the Closed Session on June 28, 2007, held in Room 350 of the House Office Building in Annapolis, Maryland, the following members were present for the meeting and voted to go into Closed Session:

Senator Patrick J. Hogan, Chairman  
Dr. James Clements (for President Robert L. Caret)  
Senator Ulysses Currie  
Ms. Janice Doyle (for Chancellor William E. Kirwan)  
Secretary T. Eloise Foster  
Ms. Emily Leggared (for Mr. H. Clay Whitlow)  
Secretary James E. Lyons, Sr. (present via conference call)  
Senator Donald F. Munson  
President David J. Ramsay  
President Earl S. Richardson  
Mr. Garland O. Williamson

The meeting was closed under the authority of 10-508 of the State Government Article, which allows a public body to 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. The meeting began at 10:00 a.m. and during this meeting, a draft RFP was handed out and discussed. The Commission members agreed to revise the RFP to include language about the context being the State's Partnership Agreement with the United States Office for Civil Rights. The Commission members also agreed that a majority of the consultant's work should focus on Maryland but the consultant should look at other states as well. The Commission also agreed that Secretary James Lyons, who is the past president of several HBIs, should serve on the RFP evaluation committee. Additionally, the Commission agreed to add language to the RFP requiring the consultant to meet with the Commission before beginning the project. Finally, the Commission agreed to add additional requirements for the consultant's qualifications. No formal votes were taken on the suggested revisions to the RFP but there was general agreement to the changes. The Closed Session ended at 12:15 p.m.

At the Closed Session on July 9, 2007, held in Room 204 of the James Senate Office Building, Annapolis, Maryland, the following members were present and voted to go into Closed Session:

Senator Patrick J. Hogan, Chairman  
Dr. Clara Adams (for President Earl S. Richardson)

Ms. Tina M. Bjarekull  
President Robert L. Caret  
Delegate Norman H. Conway  
Senator Ulysses Currie  
Mr. John Paul Davey  
Senator Roy P. Dyson  
Secretary T. Eloise Foster  
President Murray K. "Ray" Hoy  
Delegate Nancy J. King  
Chancellor William E. Kirwan  
Dr. Mary Leach (for President David J. Ramsay)  
Mr. Larry Letow  
Secretary James E. Lyons, Sr.  
President C. Dan Mote, Jr.  
Senator Donald F. Munson  
Mr. Lawrence A. Shulman  
Mr. H. Clay Whitlow  
Mr. Garland O. Williamson

The meeting was closed under the authority of 10-508 of the State Government Article, which allows a public body to 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. The meeting began at 9:00 a.m. and a revised draft RFP was handed out and discussed.

Senator Hogan went through the changes to the draft RFP because several of the Commission members had not been present at the closed session meeting regarding the RFP on June 28, 2007 and because several changes had been suggested by the Department of Budget and Management (DBM) procurement office and by the Attorney General's (AG) Office. In the summary statement section 1.1 the AG's Office had recommended adding the following language "This study is intended to provide information and policy guidance to the Commission to Develop the Maryland Model for Funding Higher Education as it develops recommendations for the appropriate level of funding for Maryland's historically black institutions. It is not intended to assess Maryland's compliance with the legal requirements of U.S. v. Fordice or Title VI of the Civil Rights Act." The Commission members approved this language.

Senator Hogan went through each of the contractor qualifications because DBM procurement had concerns about each. DBM suggested that number one should be shortened to three years or eliminated altogether. Senator Hogan said he had no objection to shortening the time to three years and the Commission members agreed. DBM had concerns that not many vendors would have the experience required under number two but Senator Hogan said it should be left in and the commission members agreed. Number three was stricken because DBM said it was too vague and generic to be a minimum qualification. Although DBM had some concerns about numbers four and five, the decision was made to leave them in as qualifications. DBM advised that number

six was too vague and generic to be a minimum qualification so the suggestion was made to incorporate that into the evaluation criteria instead of a minimum qualification. Also, the language about “experience working with historically black institutions, statewide higher education coordinating bodies and legislative bodies is preferred, but not required” was moved to the evaluation section.

The AG’s Office suggested the following language to be added to the RFP, “The offeror, including any subcontractors, may not have been employed by or associated with a Maryland public higher education institution or the U.S. Office for Civil Rights with regard to higher education in Maryland within the past seven years.” This language was suggested because there was no boilerplate language in the RFP to cover this situation. President Hoy asked how “associated with” was defined and Ms. Bonnie Kirkland from the AG’s Office stated that it is a broad term and maybe it should be more narrowly written. The decision was made to strike the words “associated with” and add “or contracted with or a consultant to.”

The Commission members discussed the Technical Criteria in section 4.2. Chancellor Kirwan asked what Maryland Economic Impact was and he was told that it is standard in an RFP and it addressed how the contract will impact Maryland. Several of the commission members expressed concern that the economic impact was given a weight of 10 points. A suggestion was made that it could be given no points but there was some concern that a minimum requirement must be met. Senator Hogan asked Ms. Krikland to look into what the minimum requirements are. Mr. Garland Williamson asked about the Minority Business Enterprise (MBE) program and Ms. Hise stated that the RFP has an MBE goal of 25%. Secretary Lyons asked why more points were given to number one, which just means the consultant writes well, compared to number two, which requires actual experience. Ms. Hise answered that the concept was to give slightly more points to methodology. President Mote said he was surprised that number three had such a low point value. After some discussion, the decision was made to take nine points from number four and distribute it to the other three so that the point values are now 40, 39, 20 and 1.

All of the Commission members voted to approve the RFP and the Closed Session was adjourned at 9:50 a.m.

Prepared by: Dana Tagalicod, Keshia Cheeks, Amy Devadas, Kristy Michel, Melanie Santiago-Mosier, Geoff Newman, Mya Pierce, Erika Schissler, and Charlene Uhl.