

Commission to Develop the Maryland Model for Funding Higher Education

Minutes

September 24, 2007

The Commission to Develop the Maryland Model for Funding Higher Education held its seventh meeting of the 2007 interim on Monday, September 24, 2007 at 10:00 a.m. in the Appropriations Committee Hearing Room, House Office Building, Annapolis, Maryland.

The following members were present:

Delegate John L. Bohanan, Jr., Chairman
Dr. Wayne T. Hockmeyer, Vice Chairman
Mr. Norman R. Augustine
Ms. Tina M. Bjarekull
President Robert L. Caret
Mr. John Paul Davey
Dr. Adam Falk (for President William R. Brody)
Secretary T. Eloise Foster
President Murray K. "Ray" Hoy
Senator Edward J. Kasemeyer
Chancellor William E. Kirwan
Mr. Larry Letow
Secretary James E. Lyons, Sr.
Delegate Robert A. McKee
Senator Donald F. Munson
Delegate John A. Olszewski, Jr.
President David J. Ramsay
President Earl S. Richardson
Mr. Lawrence A. Shulman
Mr. George Shoenberger (for President Susan C. Aldridge)
Dr. Ann Wiley (for President C. Dan Mote, Jr.)
Mr. Garland O. Williamson

Chairman's Opening Remarks

Delegate Bohanan welcomed everyone to the meeting and he introduced the members recently appointed to the Commission, Senator Edward Kasemeyer and Delegate John Olszewski. He also introduced Mr. Norman Augustine and explained that he had been unable to attend the prior meetings because he was out of the country each time.

Fiscal Impact of Fully Funding State Law and Goals for Higher Education

Ms. Rachel Hise from the Department of Legislative Services gave a presentation on the fiscal impact of fully funding State law and goals for higher education. Legislative intent is that, barring unforeseen economic conditions, beginning in fiscal 2000 the Governor's proposed general fund support for higher education should be equal to or greater than the prior year appropriation. Additionally, the goal is that State general fund support and capital support for higher education should equal at least 15.5% of general fund revenues. This goal was reached for fiscal 2000 through 2002 but has not been reached since fiscal 2003. For fiscal 2008, State general fund support and capital support for higher education equaled 13.5% of general fund revenues. An additional \$262.3 million would be needed for fiscal 2008 to reach the goal of 15.5%.

Chancellor William Kirwan commented that adding capital funds to operating funds and then comparing them to general funds is a strange concept. Ms. Hise responded that pay-as-you-go (PAYGO) capital budget funds use general fund revenues and debt service for the capital budget is paid from operating funds so there is some connection.

Mr. Garland Williamson asked if there were any provisions in the law that said the difference between 15.5% and the percentage that was actually funded had to be made up in future years? Ms. Hise said that there are no provisions for that because 15.5% is stated as a goal and not a requirement.

Ms. Andrea Mansfield and Mr. Geoff Newman from the Maryland Higher Education Commission (MHEC) presented information on the fiscal 2008 public four-year university operating funding guidelines and the funding formulas. Ms. Mansfield spoke about the number of students on the waitlist for State financial aid for fiscal 2008. There are over 30,000 students on the waitlist and it would cost an additional \$30.3 million to provide financial aid to those students.

Dr. Ray Hoy asked about the 705 students on the waitlist for the Workforce Shortage Student Assistance Grant. Ms. Mansfield said that the students met the eligibility requirements for the program but there are not enough funds to provide assistance to them.

Ms. Hise said that if the statutory formulas and goals were fully funded in fiscal 2008, higher education funding would increase \$356.9 million for a total of \$2.16 billion or 16.2 % of general fund revenues. For more information, see the presentation entitled "Fiscal Impact of Fully Funding State Law and Goals for Higher Education."

Mr. Augustine asked how much other states spend on higher education as a percentage of general fund revenues. Ms. Hise answered that 12.5% is the national average of total State general funds provided for higher education and Maryland is at 10.3%. Ms. Hise said that there is information in the Commission members' binders about this because there was a presentation on this several months ago.

President Robert Caret said he serves on the Governor's Workforce Investment Board and he believes budgets should be targeted to critical workforce needs. He said that Towson University is turning students away who want to be trained as nurses because he doesn't have the funds.

Mr. Williamson asked what the picture looks like when Maryland is compared to other states in total funds, such as restricted funds, unrestricted funds, tuition and fee revenues, etc. Ms. Tina Bjarekull asked what percentage of Maryland's operating budget is special funds. Ms. Hise said that special funds tend to be restricted funds.

Dr. Wayne Hockmeyer asked if the 15.5% goal includes capital funds. Ms. Hise answered that it includes all capital funds that are State supported. She added that deferred maintenance funds that are being spent are included in this percentage.

Delegate Bohanan asked if the Coppin State University Physical Education Complex was counted in the 15.5% goal for fiscal 2008. Ms. Hise said yes.

Secretary James Lyons asked if the 12.5% national average of higher education funding includes capital funds. Ms. Hise answered no and said that the relevant figure to compare is the 10.3% of general funds being spent on higher education in Maryland compared to the 12.5% national average.

Mr. Williamson asked how Maryland compares with some other states. Ms. Hise said that Alabama is the highest at 20%, Massachusetts is the lowest at 3.8% and some other states close to Maryland in percentages are Virginia and Oregon at 10.5%.

Mr. Williamson asked how Maryland compares to its neighboring states and Ms. Hise answered that North Carolina is 17.4%, Virginia is 10.5%, Delaware is 6.8%, and Pennsylvania is 8.3%.

Chancellor Kirwan commented that the funding guidelines do not include capital funds but the 15.5% goal does.

Ms. Hise said that data could be gathered on total revenues for higher education. Mr. Williamson commented that the Commission needs to get data on tuition and fees.

Chancellor Kirwan said that no matter what data you look at, higher education needs an additional \$300 million or more. The amount needed to get to the 15.5% goal is an additional \$262.3 million and the amount needed to fully fund the statutory formulas and goals is \$356.9 million.

Delegate Bohanan commented that the purpose of the meeting today was to see what it would cost to fully fund the formulas and goals.

Mr. Williamson said he would like to know the total amount of funds higher education should have received if the formulas and goals had been fully funded from fiscal 2003 through 2008.

Overview of Student Financial Assistance

Ms. Andrea Mansfield and Ms. Elizabeth Urbanski from MHEC presented an overview of student financial assistance. The MHEC Office of Student Financial Assistance administers 22 State student financial aid programs totaling almost \$110 million in fiscal 2008. More than 58,000 students receive funds from State financial aid programs, which are divided into five categories: need-based aid programs, legislative programs, merit-based programs, career and occupational programs, and unique population programs. Financial aid has increased from \$84.5 million in fiscal 2005 to \$109.7 million in fiscal 2008. The MHEC Office of Student Financial Assistance plays a big role in college awareness and outreach. Funding for need-based aid nearly doubled from \$42.4 million in fiscal 2004 to \$85.4 million in fiscal 2008. However, more needs to be done to enhance financial aid programs because MHEC studies show that the lowest income students have the largest amount of unmet need with or without loans and have a high level of debt. The typical public four-year financial aid recipient was a white female, financially dependent on her parents, living on campus, and enrolled full-time. The typical community college financial aid recipient was a white or African-American female, financially independent of her parents, and enrolled part-time. Ms. Mansfield said that state financial aid programs should be revised to provide better access for lower-income students. One option is to increase funding for the State's largest need-based aid program to increase maximum awards and revise awarding methodology to allow students with lower expected family contributions to qualify for larger awards. For more information, see the presentation entitled "Overview of Student Financial Assistance."

Delegate Bohanan asked how Maryland compares to other states in the number of different financial aid programs. Ms. Mansfield said that Maryland has a lot of programs compared to other states, which can make Maryland's programs seem confusing.

Mr. Williamson asked how Maryland compares to other states in amount of financial aid provided. Ms. Mansfield said in the past Maryland was ranked 23rd but has moved up to 14th in the last few years.

President Caret asked if institutional aid was included in this presentation and Ms. Mansfield said no.

Workgroup Organization

Delegate Bohanan said that the purpose of the workgroups was to allow small groups of Commission members to analyze and discuss issues in-depth for the benefit of the full Commission. He said that the workgroups would share the results of their information gathering and analysis with the full Commission to ultimately inform the final recommendations of the Commission in 2008. He said that he had asked four

members of the business community to chair the workgroups: the Appropriate Funding Shares Workgroup will be chaired by Dr. Wayne Hockmeyer, the Accountability Workgroup will be chaired by Mr. Larry Shulman, the Economic Competitiveness/ Workforce Workgroup will be chaired by Mr. Garland Williamson, and the Capital Investment Workgroup will be chaired by Mr. Larry Letow. He said he believes that the private sector members of the Commission will bring a wealth of experience and perspective that will be very beneficial in shaping the Commission's final product. He pointed out the document entitled "Charges for Workgroups for Final Report" and he encouraged the workgroups to begin meeting on their charges.

Closing Remarks and Adjournment

Delegate Bohanan adjourned the meeting at approximately 11:45 a.m.