

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

## **Minutes**

**December 17, 2007**

The Commission to Develop the Maryland Model for Funding Higher Education held its ninth meeting of the 2007 interim on Monday, December 17, 2007 at 1:30 p.m. in the Appropriations Committee Hearing Room, House Office Building, Annapolis, Maryland.

The following members were present:

Delegate John L. Bohanan, Jr., Chairman  
Dr. Clara Adams (for President Earl S. Richardson)  
Mr. Norman R. Augstine  
Ms. Tina M. Bjarekull  
President Robert L. Caret  
Delegate Norman H. Conway  
Senator Ulysses Currie  
Mr. John Paul Davey  
Senator Roy P. Dyson  
President Murray K. "Ray" Hoy  
Dr. Kristina Johnson (for President William R. Brody)  
Senator Edward J. Kasemeyer  
Chancellor William E. Kirwan  
Dr. Mary Leach (for President David J. Ramsay)  
Mr. Larry Letow  
Secretary James E. Lyons, Sr.  
Delegate Robert A. McKee  
President C. Dan Mote, Jr.  
Senator Donald F. Munson  
Delegate John A. Olszewski, Jr.  
Ms. Jeanette Ortiz (for Lt. Governor Anthony G. Brown)  
Mr. Lawrence A. Shulman  
Mr. George Shoenberger (for President Susan C. Aldridge)  
Mr. H. Clay Whitlow  
Mr. Garland O. Williamson

### **Chairman's Opening Remarks**

Delegate Bohanan welcomed everyone to the meeting. He said that the legislature and the staff were still recovering from the incredible strain of the 2007 special session that had just ended in mid November.

### **Synopsis of the Effect of Special Session on Higher Education Funding**

Ms. Rachel Hise from the Department of Legislative Services spoke about the effect of special session on higher education funding. During the 2007 special session the Tax Reform Act of 2007 created the Higher Education Investment Fund (HEIF) within the Maryland Higher Education Commission (MHEC) to: 1) invest in public higher education and workforce development; and 2) keep tuition affordable for Maryland students and families. The HEIF can only be used to supplement general fund appropriations to public senior higher education institutions (*i.e.*, University System of Maryland institutions, Morgan State University, and St. Mary's College of Maryland); for related capital projects; and for workforce development initiatives administered by MHEC. The Tax Reform Act of 2007 increases the corporate income tax rate from 7 to 8.25 percent beginning January 1, 2008, and distributes a portion of the increased revenue to the HEIF. Distribution of the corporate income tax revenues to the HEIF are intended to continue in future years if the General Assembly determines the distribution would be affordable and fiscally prudent and legislation is enacted in 2009 to continue the HEIF distribution. For more information, see the document entitled "Synopsis of the Effect of Special Session on Higher Education Funding."

President Dan Mote asked what happens to the HEIF in fiscal 2010. Ms. Hise answered that there is language that the HEIF is intended to continue if the legislature determines it would be affordable and fiscally prudent.

Senator Roy Dyson asked about how the HEIF will work with the BRAC Subcabinet's efforts. Ms. Hise said that BRAC money could come from the HEIF because nothing in the legislation would prevent this fund from being used for BRAC workforce development. Senator Dyson said that the BRAC Subcabinet Report is being released today.

Mr. Larry Shulman pointed out that unlike the other uses of HEIF, the workforce initiatives are not tied to public four-year institutions.

### **Workgroup Summaries**

Delegate Bohanan asked each of the workgroups to provide a short summary of their activities. President Ray Hoy gave a brief summary on behalf of the Appropriate Funding Shares Workgroup, Mr. Larry Shulman briefly summarized the Accountability Workgroup's activities, Mr. Garland Williamson provided a summary of the Economic Competitiveness/Workforce Workgroup's activities, and Mr. Larry Letow briefly summarized the activities of the Capital Investment Workgroup. For more information on workgroup activities, see the chapter entitled "Commission Workgroups" in the Commission's Interim Report.

Delegate Bohanan said he and Dr. Wayne Hockmeyer met with Governor O'Malley recently and thanked him for the results of special session related to higher education. Delegate Bohanan said they also informed the Governor about what the Commission will be doing. The consensus is not to throw out the current formulas but rather to tweak the funding guidelines. They agreed that the current goal that State

general funds and capital support for higher education should be equal to at least 15.5% of general fund revenues is a good goal. He said that the Governor agreed that moving in the direction of this goal is appropriate.

### **Review of Draft Interim Report**

The Commission members reviewed the draft interim report. Chancellor William Kirwan said that the concept of “national eminence” should be included in charge number 2 in the transmittal letter because it is included in the actual wording of the charge.

President Mote pointed out that on page 6 access without quality is more than just a waste of resources so this should be reworded to have a stronger message. He also pointed out that Maryland is deeply entrenched in the knowledge-economy so the report should not say that Maryland is moving toward a knowledge economy on page 6.

Also on page 6, Mr. Shulman said that the three-legged stool also should focus on accountability and President Robert Caret said that the phrase “allocate responsibility for educating” is not a complete thought and should be reworded.

On page 7, Senator Edward Kasemeyer asked that the bullet about the baby boomers be reworded to sound more sophisticated. Also on page 7, President Mote suggested adding data about State funding rankings to the paragraph about the July 23 meeting.

On page 8, President Mote commented that more information about need-based financial aid should be added to the paragraph about the September 24 meeting.

Senator Ulysses Currie asked about Delegate Bohanan’s meeting with the Governor and Delegate Bohanan reiterated that the funding formulas would be tweaked rather than thrown out and that the Governor agreed that moving in the direction of the 15.5% goal is appropriate. There was some discussion about whether this detail needed to be in the interim report and Delegate Bohanan decided that it should not.

Delegate Bohanan went over the part of the interim report that addressed the charge relating to funding for the Historically Black Institutions (HBIs). Due to the complex and sensitive nature of this issue, the Commission had decided to hire a consultant with HBI and higher education finance expertise. However, drafting the Request for Proposals (RFP) for the consultant was more complicated than anticipated and the RFP was released later than expected. To complicate matters further, when the RFP was released, no bids were received. Delegate Bohanan said the Commission was currently pursuing other options to partner with organizations with HBI and higher education finance expertise. Delegate Bohanan acknowledged that the delay in hiring the HBI consultant is one of the main reasons why the Commission’s final report deadline was extended.

Delegate Bohanan thanked Secretary Lyons for working with Mr. Dave Spence, the president of the Southern Regional Education Board, to partner with individuals with HBI and higher education finance expertise in order to address the Commission's charge relating to HBI funding. Delegate Bohanan said that the HBI panel will put together a work plan and the panel members will attend the next Commission meeting on January 14, 2008.

Secretary James Lyons commented on Mr. Spence's qualifications. Mr. Spence has worked in higher education in California, Florida, and Georgia and has worked on HBI issues in several states.

Mr. Williamson asked if Delegate Bohanan had talked to the HBI presidents about the plan to hire an HBI panel. Mr. Williamson said that this issue is of vital importance to the State of Maryland and he wants to make sure it is done right. Delegate Bohanan said he spoke with President Earl Richardson and that President Richardson had attended several meetings about the HBI funding charge.

Mr. Shulman said he would like to see the HBI panel's work plan before the meeting in January.

Delegate Bohanan said that unless there was an objection the Commission would pursue the formation of an HBI panel to study the HBI funding charge.

Delegate Bohanan asked the Commission members to continue to review the draft interim report. Chancellor Kirwan said that another bullet should be added on page 23 as the first bullet in the list of what the Commission was focusing on for the final report. He said that the bullet should mention the focus on funding requirements to achieve the State's commitment to achieve national eminence in higher education. Delegate Bohanan also said a bullet should be added about focusing on funding to meet the State's existing goals.

Chancellor Kirwan also said that bullet number 2 on page 23 regarding determining an acceptable level of tuition increases is impossible to do. He said that he does not want a tuition cap because he is worried about the implications if the economy goes south. He also said the wording of bullet number 3 regarding the "sticker price shock" of tuition was not appropriate language. He is not sure what bullet number 4 means (determining the level of State funding that should be targeted to institutions compared to financial aid) and he also said that the sixth bullet about finding the appropriate balance between quality and access and affordability should be reworded because the goal should be to ensure all three.

On page 23 President Mote said that the last bullet about capital needs should be elaborated upon. He thinks the bullet should mention space deficiencies, enrollment expansions, scaled capital allocations, etc. Delegate Bohanan said the bullet would be reworded.

Also on page 23, Mr. Shulman said that the sentence about the Commission holding a public hearing should be reworded to say that the public hearing will be held in the late spring or the early summer because people go on vacations later in the summer. Delegate Bohanan said it would be reworded to say “as soon as possible in the summer of 2008.”

Delegate Bohanan asked the Commission members to adopt the draft interim report at this meeting and the revisions will be sent out to the members by e-mail. The Commission adopted the draft interim report.

### **Closing Remarks and Adjournment**

Delegate Bohanan said that the next Commission meeting is scheduled for January 14, 2008. He asked Commission members to take their binders with them if they wanted to keep their binders. Delegate Bohanan adjourned the meeting at approximately 2:55 p.m.