

Commission to Develop the Maryland Model for Funding Higher Education

Minutes

November 12, 2008

The Commission to Develop the Maryland Model for Funding Higher Education held its fifth meeting of the 2008 interim on Wednesday, November 12, 2008 at 1:30 p.m. in the Juan Ramon Jimenez Room in the Stamp Student Union at the University of Maryland, College Park, College Park, Maryland.

The following members were present:

Delegate John L. Bohanan, Jr., Chairman
Mr. Norman R. Augstine, Vice Chairman
President Susan C. Aldridge
Delegate Joseph R. Bartlett
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
Dr. Kristina Johnson (for President William R. Brody)
Senator Edward J. Kasemeyer
Chancellor William E. Kirwan
Mr. Larry Letow
Secretary James E. Lyons, Sr.
President C. Dan Mote, Jr.
Senator Donald F. Munson
Delegate John A. Olszewski, Jr.
Ms. Jeanette Ortiz (for Lt. Governor Anthony G. Brown)
President David J. Ramsay
President Earl S. Richardson
Mr. Lawrence A. Shulman
Mr. H. Clay Whitlow
Mr. Garland O. Williamson

Chairman's Opening Remarks

Delegate Bohanan welcomed everyone to the meeting and asked the designees to introduce themselves. Delegate Bohanan thanked President Mote and the University of Maryland, College Park (UMCP) for hosting the meeting. He also thanked President

Mote's assistant, Sapienza Barone, for all of her help with the arrangements. Additionally, he thanked the Maryland Higher Education Commission (MHEC) for paying for the Commission's dinner through a Lumina Foundation grant.

Work Session

Delegate Bohanan explained that the decision document on the Commission members' desks was compiled by staff and it includes all of the workgroup recommendations and HBI Study Panel recommendations. He said that the document is organized into four types of recommendations: 1) priority workgroup recommendations; 2) important policy recommendations; 3) recommendations that require monitoring, further study, and reporting requirements; 4) recommendations that encourage current initiatives; and 5) HBI Study Panel recommendations. Delegate Bohanan explained that for the most part, within each type of recommendation there is also a topical organization, such as the topics of institutional funding and student funding under the priority workgroup recommendations. He said that staff made an assessment of the recommendations that appeared to be priorities for the workgroups. If the recommendation required an action or funding, that recommendation was usually included as a priority. On the other hand, if a recommendation was for further study, monitoring or the recommendation encouraged current initiatives; it was not usually included as a priority. He also said that the last two columns in the table indicate if the recommendation has a fiscal impact or requires legislation. The fiscal impact of recommendations will be determined if possible. Also, he said that the Commission can begin to discuss whether some recommendations should put into legislation even if legislation is not required to implement the recommendation.

Ms. Rachel Hise from the Department of Legislative Services (DLS) began to talk about the decision document. She said that the main part of the Commission's charge is to determine a model for funding so the Commission needs to determine what is going to be part of the model compared to other recommendations that support the model.

Ms. Hise explained recommendation number 1. The Capital Workgroup, the Economic Competitiveness/Workforce Workgroup (EC), and the Appropriate Funding Shares Workgroup (AFS) recommended reauthorizing the Higher Education Investment Fund (HEIF). Additionally, the AFS Workgroup recommended expanding the uses of HEIF to also fund a Tuition Stabilization Program and fund special projects or initiatives (see recommendation number 6).

President Dan Mote said that the HEIF should definitely be continued but there should be a discussion about exactly what it will be used for. Delegate Bohanan explained that the particulars that would go into HEIF legislation did not need to be decided today but Ms. Hise commented that it would be a good idea to talk about the uses for HEIF.

President David Ramsay said that the HEIF should be described as additional money and should not supplant current revenue sources.

Mr. Larry Shulman commented about the Tuition Stabilization Program and said that there will inevitably be financial downturns. Ms. Hise said that the funds for the Tuition Stabilization Program would come from the HEIF but also from the higher education institutions.

President Robert Caret said that the Commission should not put recommendations in the report that are not likely. He said he does not think it is likely for institutions to set aside funds. Mr. Norman Augustine said that it would be voluntary for the institutions to set aside funds for the Tuition Stabilization Program. President Caret asked if this would create an additional fund balance and Mr. Augustine said no and said it could be done in the existing fund balance.

President Mote said that all of this depends on whether the institutions are funded properly. He said the Commission needs to tie its recommendations into the adequacy universities' funding because otherwise there will be a lot of new recommendations without any funding.

President Caret commented on the changes to the Pell Grant and other changes at the federal level which are causing the universities to take on more responsibilities. He said he thinks tuition stabilization should be a state issue rather than an institution issue.

Secretary Eloise Foster asked President Mote what he meant by his earlier comments regarding adequacy. President Mote said that there is going to be a State model for funding in the Commission's report. If the State is actually following through on its responsibility and funding the institutions properly then the institutions can accomplish all of the additional requirements that are being recommended. However, those two ideas are not coupled currently and he believes they have to be tied together to have it all make sense.

Mr. Shulman commented that he also thinks the ideas need to be tied together but he asked how much is enough, "what is adequate?" If institutions receive 99% of their funding is that enough? Secretary Foster commented that if the institutions receive \$99.50 but asked for \$100 they should still be able to accomplish the additional requirements. President Mote commented that \$99.50 out of \$100 would be fine with him.

Ms. Hise said that in the ideal world all of these things could be handled at one time. However, the State cannot afford to do all of this at once so priorities need to be balanced.

Secretary Foster stated that for fiscal 2010 there is \$15 million in the HEIF.

Ms. Tina Bjarekull asked if the Tuition Stabilization Program was optional for each institution's board to adopt. Mr. Augustine said yes. In answer to the comments by President Mote, he said that the intent was to have a baseline measure for State support and he did not think all of it had to be tied together but he sees no harm in doing that.

Ms. Hise explained recommendation number 2. This recommendation sets a 10 year higher education funding plan which is the sum of state general funds per full-time equivalent student (FTE) at the 75th percentile of a comparator group of institutions located in 10 states with which Maryland principally competes for employers. The total fiscal impact is \$600 million; however, fiscal 2009 is the first year that the institutions' peers have been updated and just doing that doubled the existing funding guidelines. Of the \$600 million only \$144 million is attributable to the proposed new funding plan. Ms. Hise said that the 75th percentile is more straightforward in terms of how the peers were selected. The secondary metric of the 50th percentile is being recommended also. The State is below the 50th percentile currently so that is still a good goal.

Chancellor William Kirwan said that the way the Commission words this secondary metric is important because it could be misinterpreted as an acceptable level and he does not believe it is. Delegate Bohanan agreed and commented that if a floor is set it might be seen as adequacy if the floor is met. President Ramsay suggested calling it a threshold metric.

Delegate Bohanan said that he doesn't want the floor to become the goal and he asked the Commission to get comments to staff on how to fix the wording. President Mote said that he thinks the word "unsatisfactory" has to be used.

President Ray Hoy asked how the comparator states will be changed in the future. Delegate Bohanan answered that they could be updated periodically but he hopes that they can be set for 5 or 10 years. Ms. Hise said that MHEC is responsible for calculating the guidelines so possibly MHEC could review the comparator states periodically. Secretary James Lyons agreed that it is a good idea to review the comparator states.

President Earl Richardson asked what the wisdom is in using the states we compete with for jobs. Mr. Augustine answered that it is a standard. He said that the State's current goal of 15.5% of general fund revenues is arbitrary because it has nothing to do with education. He said he believes it is important to look at Maryland's ability to compete for employers (not employees). He commented that Kansas might have a fantastic education system but we don't compete with Kansas for employers.

President Richardson asked how the comparator states were determined and Mr. Augustine said that the AFS Workgroup obtained the list from the Department of Business and Economic Development. President Richardson said he is asking because of the 10 states only 4 have a Historically Black Institution (HBI) and only 1 has an HBI that has doctoral research programs. He asked what Mr. Augustine sees as the impact of this on the HBIs?

Mr. Augustine said that the intent was to determine which states Maryland competes with and calculate the FTE dollars spent in those states. He said the AFS Workgroup also recommended for the HBIs to have augmented funding because of the

greater number of underprepared students attending HBIs. He said the recommendation is \$1400 per FTE above what the institution would have gotten if they were not an HBI.

President Richardson commented that there needs to be much more discussion on this subject. He said the supplemental funding does not address the two tracks that are part of the HBI mission. He said that not only do the HBIs attract lesser prepared students but the HBIs also want to attract the very best students. He believes there is an inordinate emphasis on the one track and not the other. He said that in order to improve retention and graduation rates at HBIs there must be a focus on both tracks.

Mr. Augustine said that the 75th percentile sets a baseline and allows for capturing the best students. He said he is not sure that the \$1400 additional per FTE at HBIs is adequate but he is treating it as a placeholder until he gets a better number.

President Caret said that California has been doing programs for educational opportunity for years and looking at that data might give the Commission a better idea of what it will cost. Mr. Augustine said that the workgroup already contacted California and is hoping to get the information soon.

Ms. Hise added that the HBIs will be held harmless in the new funding plan for fiscal 2010. Since the Commission had already moved on to that topic, Ms. Hise explained recommendation number 3. Ms. Hise said that the HBI Study Panel had not made its report yet when the AFS Workgroup came up with this recommendation. She said that the final HBI Study Panel report was submitted on November 11. There were no substantive changes to the report except that the panel added comments about what Maryland is trying to achieve.

President Richardson said he hoped the Commission was still going to discuss recommendation number 3. Delegate Bohanan said that this was a good time to inform the Commission about how the HBI Study Panel's recommendations would be handled. He said that the other four workgroups have been retired but another workgroup will be assembled to work on the HBI recommendations. He said the workgroup members would be: himself, Norman Augustine, Secretary Lyons, Secretary Foster, Chancellor Kirwan, President Richardson, Senator Currie, and Delegate Conway. He said the workgroup will have plenty of opportunity for further discussion.

President Hoy commented that the community colleges have needs similar to the HBIs in terms of students who need remediation and developmental education. He said that more African Americans are enrolled in community colleges than at the HBIs and the four year public institutions.

Ms. Hise explained recommendation numbers 4 and 5 which state that funds should be allocated to the community colleges and private colleges using the current formulas. Ms. Hise commented that as the funding for the four year institutions increases, the community colleges and private colleges will also benefit. Ms. Tina Bjarekull said she believes this is a good model and appreciates the support.

Ms. Hise explained recommendation number 6. She said that the target for this incentive funding is 1% of State funds. The projects will be selected by an independent group. President Mote questioned whether the independent group would be from out of state. Mr. Augustine said that he envisioned the group as individuals who were not stakeholders in the process but would not have to be from out of the state.

Secretary Lyons commented that a lot of these projects come under MHEC so possibly MHEC could assist with this. Mr. Augustine commented that the independent group would be very objective. President Hoy said he believes MHEC should do this because adding in additional boards would be onerous. Chancellor Kirwan said that MHEC would be an applicant for these funds but Secretary Lyons said no but that it would be MHEC through the State Plan for Postsecondary Education.

Delegate Bohanan suggested adding the words “if appropriate”. Dr. Kristina Johnson echoed Chancellor Kirwan’s sentiments. She said in order to spend resources well there might need to be a recommendation about cross institutional collaborations.

Ms. Dana Tagalicod from DLS explained recommendation number 7. The EC Workgroup recommended funding the funding strategy for the 6 non-USM regional higher education centers (RHECs). President Richardson asked if this was the current strategy that had been developed and Ms. Tagalicod answered yes.

Ms. Tagalicod explained recommendation number 8 that recommends providing enhancement funds on a line-item basis for high-cost programs in critical needs areas and for professional development for faculty who teach in critical needs areas. President Caret said he hoped it was implicit that the enhancement funds shouldn’t be put where they aren’t needed. For example, it is possible that a university simply cannot produce any more nursing students than what they already are producing.

Ms. Hise asked if this recommendation could be combined with recommendation number 6. President Caret answered that number 6 is more about start up funding and number 8 is more about baseline funding. Delegate Bohanan said if it was combined with number 6 it would be a focus on a one time infusion of funds which might be more appropriate.

President Mote said that number 6 is a special opportunity fund and the State does not have one currently. He thinks it would be nice for the State to have one and he believes this fund would be a nice result of the Commission.

Delegate Bohanan asked if the Commission wanted to leave number 8 as a separate recommendation or combine it with number 6. Mr. Garland Williamson said that the EC Workgroup did not intend this funding to be one time because they tied it to the Science, Technology, Engineering, and Mathematics (STEM) areas and other areas identified as critical needs areas. He said he had a strong objection to combining number 8 with number 6.

Delegate Bohanan commented that this recommendation has a fiscal impact and asked if the amount had been determined. Ms. Tagalicod responded no but it could be determined. Mr. Williamson said that with the influx of people through the Base Realignment and Closure process (BRAC) the funding of programs in critical needs areas will have to be sustainable. President Caret said that he is currently working on a report for Chancellor Kirwan about the cost per FTE of STEM students. He said that it is approximately \$30,000 to \$40,000 per FTE for faculty salaries, space, scholarships, etc. Delegate Bohanan asked how these programs are funded currently and President Caret responded that it is through planning on the part of the university.

Mr. Shulman commented that if STEM is the only focus for enhancements there will be no money for other initiatives. He said it doesn't make sense to do this on a line-item basis because it would only be enhancing one part and he said he would rather see a dedicated fund.

Delegate Bohanan said that currently BRAC initiatives are eligible for funding under the HEIF along with broader workforce initiatives. He said we will work on the language and if appropriate number 8 will be combined with number 6. If number 8 is kept separate he questioned how it would be funded. Mr. Williamson said that the State needs to look at its workforce and address the critical needs areas.

President Ramsay said he thinks number 8 is more closely related to number 2. If the institutions were funded at the proper level they would have the funding for the critical needs programs. He believes the Commission should make a statement along this line. Mr. Augustine said that the funding model should cover all the "steady state" costs that are ongoing but any start up costs would be additional.

Delegate Bohanan said that the Commission seemed set on number 6 but will continue to work on number 8 to see if there is a way to wordsmith it and incorporate it into numbers 2 or 6. Ms. Hise said that the recommendation could be reworded to focus on workforce and economic development needs and not specifically mention the detail of funding through line-item or a separate fund. The idea would be to state the intent of the recommendation and not the funding source.

Ms. Erika Schissler from DLS explained recommendation number 9. The Capital Workgroup recommended that the institutions should be strongly encouraged to adopt a policy to budget and spend 2% of the replacement value of capital assets at the institutions on facility renewal projects. There was no discussion on this recommendation.

Ms. Hise explained recommendation number 10 which sets gross in-state tuition and fees at the 50th percentile of the comparator states. She said that this recommendation ties into the funding model. UMCP is below the 50th percentile but several of the comprehensive institutions are above the 50th percentile.

Mr. Shulman said he was reviewing the comparator states listed in number 2 and he noticed that the cost of living in some of those states is not similar to Maryland. He asked if that was considered. Delegate Bohanan said that there is data available that shows that some of the comparator states are not inexpensive to live in, such as Massachusetts, New York, and Virginia. A one page document was distributed to the Commission members showing the data Delegate Bohanan was referencing. Mr. Shulman asked about Minnesota, Washington, and North Carolina. Delegate Bohanan said he understood Mr. Shulman's point but he thinks the comparator states are a good goal.

Ms. Hise said the share of funding split between the State and students and the relative tuition level is not related to cost of living. She said the State funding would be at the 75th percentile so it is more about the share than cost of living.

Mr. Shulman asked about the connection between the 75th percentile and the 50th percentile. Ms. Hise said that the idea was to have the State funding at the 75th percentile, tuition at the 50th percentile, and financial aid at the 75th percentile.

Mr. Augustine said that Mr. Shulman made a legitimate point about other states' cost of living; however, faculty compensation doesn't have to do with cost of living, it has to do with the reputation of the school.

Senator Ulysses Currie asked about how Maryland compares to the other states in the document that was distributed at the meeting. Ms. Hise explained that relative to Maryland's income, Maryland is putting less money into higher education than other states. She said Maryland could be doing better.

Mr. Shulman asked about the types of universities that were looked at in the comparator states. Is the comparison being made between flagship institutions? Mr. Augustine said they looked at like institutions in the other states and made a comparison that was as close to "apples to apples" as they could get.

President Susan Aldridge said that the 50th percentile for tuition should be connected better with the other parts in the final report. Mr. Augustine said he thought the AFS Workgroup report did a better job of connecting the points than the bullets in the decision document but he will review it.

President Caret mentioned that the Larson Commission report and the report by the University System of Maryland (USM) on the funding for comprehensive institutions should be reviewed because both reports contain a lot of good data. Delegate Norman Conway agreed and said he thought USM put together a good report and he believes the Commission needs to tie that report into what it is doing.

Ms. Hise explained recommendation number 11 which had three parts. Part one recommends limiting tuition and fee increases to the increase in the 3-year rolling average of the State's median family income. Part two recommends continuing the HEIF

and creating within it a Tuition Stabilization Account that is equal to 1% of tuition revenues each year. The intent is to maintain some reserves during the good times that can be used during the bad times. Part three recommends allowing one or two institutions to develop a pilot “true tuition” guarantee program.

Chancellor Kirwan said the first part needs to be reworded because a percent increase was being tied to a dollar increase. Ms. Hise explained that the wording should have said percent increase in both places. Chancellor Kirwan said he sees this as problematic because tuition goes up when costs go up such as energy but the median family income might still remain the same. He wondered if the first part was needed at all because if there is funding at the 75th percentile in comparator states and tuition is set at the 50th percentile, don’t those concepts address this issue?

Mr. Augustine said that the AFS Workgroup began with the concept of a tuition guarantee but it didn’t work well so the recommendations stop short of a guarantee. He said the intent is to prevent huge jumps in tuition from year to year. Tuition should be connected to what a family can afford to pay. He said that out of desperation the workgroup changed this recommendation to a goal but he said he is not married to it.

Chancellor Kirwan commented that the idea should not be as formulaic. He said the Tuition Stabilization Account would only work for one year because the funds would be used up the first time there was an economic downturn. He said this account does not really solve the problem. He also commented that the pilot “true tuition” guarantee programs should not be approved by MHEC since MHEC does not approve tuition currently. Secretary Lyons said the intent was to have MHEC approve the institution to have the program and Ms. Hise said she would reword the sentence to make that clear.

Delegate Bohanan said that the intention was to have greater predictability and a longer term idea of how much tuition will cost. He said this will help in smoothing the road. He said that there were several bills related to tuition guarantee programs during the 2008 session and the Commission did not go nearly as far as the bills did but he explained that he felt strongly about including something in the Commission recommendations about tuition guarantees because the concept has great appeal to the constituency that pays for college. He said he believes this is a reasonable compromise.

President Ramsay said the first part of this recommendation does not work in times of economic crisis because the median family income goes down but costs still go up. Mr. Augustine said it is a goal.

President Richardson said he agreed with President Ramsay and pointed out again the danger of talking about these concepts independently. He said the HBIs are already approximately \$2,000 per FTE below their peers in tuition and they need latitude to try to close that gap. He said that with the tuition freeze he does not know where he will find the revenues he needs.

Mr. Shulman asked if the Commission could put recommendation numbers 2, 10 and 11 together because they are the major point of the Commission. Mr. Shulman questioned why the Tuition Stabilization Account would not work because any year there are additional funds, the funds should be placed into the account. He said that DLS did an analysis of higher education funding over the last 20 years and the largest decrease in any one year was 12%. Ms. Hise said that realistically the account would only help for one year because the money would be used after that year.

Ms. Bjarekull commented on the tuition guarantee program that Loyola College discontinued. She said that because of very difficult economic times the college's debt service increased dramatically and the burden would have fallen entirely on the freshman class.

President Hoy asked if the Tuition Stabilization Program applied to community colleges and Mr. Augustine said no.

Ms. Hise pointed out an exhibit in the AFS Workgroup report that showed the changes in the 3-year rolling average of the State's median income. She said it was only negative once and although it jumps around quite a bit, it might not be as small of an increase as some were thinking.

Delegate Bohanan commented that the Tuition Stabilization Account is good, the first part of this recommendation is a goal and the third part is enabling. He said the Commission needed to move on from this recommendation.

Ms. Hise explained recommendation number 12 which is to set need-based financial aid per FTE at the 75th percentile of comparator states. She said that recommendations 2, 10, 11 and 12 should be tied together because they are the funding model. She also pointed out that all of these recommendations are 10 year goals.

Ms. Andrea Mansfield from MHEC explained recommendation number 13 about the need for need-based aid to keep pace with tuition increases. She explained that the maximum awards for need-based aid have not been increased since the early 1990's.

Mr. Williamson said he doesn't disagree with any of the 53 Commission recommendations but he wonders what the legislature will do if the Commission sends them all 53? Delegate Bohanan said the Commission and the legislature need to keep a longer perspective and put together a product that will last 5 to 10 years. He pointed out that some recommendations do not cost additional dollars and most of the expensive recommendations are not going to be fully funded this year.

Mr. Williamson asked if the Commission could separate out the recommendations that will not cost additional money and Delegate Bohanan responded that the decision document has a chart that indicates if there is a fiscal impact. Mr. Williamson asked if the Commission could determine the top 5 recommendations that must be accomplished.

Delegate Bohanan said yes and said some recommendations will be placed in statute to give them more strength.

Ms. Tagalicod explained recommendation number 16 which is intended to attract Maryland students who attend out of state schools to return to Maryland to work. Secretary Foster asked if there was a current program for this and Ms. Tagalicod responded that the current program was for students who attended college in the state.

Ms. Tagalicod explained recommendation number 17 and stated that legislation is needed to continue the dual enrollment program that is set to expire in June 2009. Mr. Shulman asked if dual enrollment saved the State money and Ms. Mansfield said it could be a savings if the student moved through college more quickly. President Caret said the State is actually paying for the student twice so it isn't a savings. Mr. Clay Whitlow commented that this is a very good program and should be encouraged.

Ms. Hise explained recommendation number 14 which would allow institutions to establish covenants that would cover 100% of need for low-income college preparatory students who promise to complete a baccalaureate program in four years. Ms. Hise said that UMCP currently has this and it would cost an additional \$1 to \$1.5 million for USM institutions and \$800,000 to \$900,000 for all the community colleges.

Ms. Hise explained recommendation number 15 which expands the merit based scholarship award level and doubles the number of scholarships awarded. She pointed out that the Distinguished Scholar Program is a mandate and if this recommendation is accepted it would mean a mandate of \$12.6 million. Secretary Foster said she requests this recommendation not take effect until after fiscal 2010.

Mr. Whitlow asked if this recommendation included the transfer students under the Distinguished Scholar Program and Ms. Mansfield said no but possibly transfer students could be included in recommendation number 13. Mr. Whitlow said this is a very popular program.

Delegate Conway commented that this program is a mandate and currently 67% of the budget is mandated. He said that the Appropriations Committee will be looking at mandates because of the very poor revenue projections. Delegate Bohanan said possibly the Commission could keep the mandate at the current level and any additional funding could be discretionary.

Ms Hise also pointed out that the Guaranteed Access Grant in recommendation number 13 is an entitlement. She said while it does not mandate an increase in funding it still is an entitlement in the budget.

Ms. Schissler explained recommendation numbers 18 through 20 as a group because they all were related to alternative funding. Specifically, number 18 states that the feasibility of and the mechanism for creating a separate funding category in the *Capital Improvement Program* for research space should be examined. This examination

should include whether State funding can be augmented with other sources to enhance the State's capacity to fund projects that provide academic research space. While there are some alternative sources that may be tapped to help fund academic research, it is critical to the economic vitality of the State that it also continue to directly support these research activities by building the required space. Any funding mechanism for research space should be aligned with current efforts that support an increase in State capital investments.

Ms. Hise explained recommendation numbers 21 through 23 as a group because they all related to accountability. Secretary Lyons stated that MHEC already reviews the number of reports that are required from higher education institutions.

Ms. Hise explained recommendation number 24 which recommended a planning group to develop a plan for linking public postsecondary institutional data with PreK-12 data at the student level.

Ms. Tagalicod explained recommendation number 25 that encourages the P-20 Leadership Council and the STEM task force to establish a statewide primary and secondary curriculum.

Ms. Schissler explained recommendation numbers 26 through 28 as a group because they all were related to capital planning.

Ms. Tagalicod explained recommendation numbers 29 through 32 as a group because they all were related to workforce development. President Caret asked if number 30 could be combined with number 29 and the Commission accepted the suggestion.

Mr. Shulman asked if the workgroup looked at the funding differences in the 2 USM RHECs and the 6 non-USM RHECs. Mr. Williamson said yes and said the workgroup does not believe additional RHECs should be established until a systematic analysis is performed about the educational needs of the area.

Ms. Tagalicod explained recommendation numbers 33 and 34 as a group because they were related to research and development. Dr. Johnson asked where Maryland ranks compared to other states in small business innovative research. She said that North Carolina had a program that cost several million dollars per year. Ms. Hise said she believes the Maryland Technology Development Corporation has small business programs. Dr. Johnson wondered if Maryland has tax free founders' shares like Florida.

President Caret commented on recommendation numbers 31 and 32 relating to the RHECs. He said that there is a need to look at the regional needs for programs and RHECs are not the only solution. He said that collaborative efforts and cooperative efforts with online programs should be considered.

Ms. Schissler explained recommendation numbers 35 through 37 as a group because they all were related to capital space needs.

Ms. Tagalicod explained recommendation number 38 which states that the non-USM RHECs have different governance structures and participation in the centers is sometimes difficult. The recommendation is to form a group to recommend one standard governance structure so that there is level ownership and incentives to offer programs. Ms. Bjarekull expressed concern that some centers are functioning very well and so their governance structures should not be changed. Mr. Williamson said the group should look at the best practices at the centers and tighten up the process. He said the management structures at the centers are very loose.

Delegate Bohanan said MHEC should review the centers and establish a best practice. Mr. Williamson said some of the RHECs are not functioning properly. Secretary Lyons commented that looking at best practices is very different than recommending a standard governing body. Delegate Bohanan said the language of the recommendation will be changed.

Ms. Paula Fitzwater from MHEC explained recommendation number 39 as affirming current practice.

Mr. Shulman explained that recommendation number 40 was about studying employer perceptions about the preparation of graduates for employment.

Ms. Tagalicod explained recommendation numbers 41 and 42. President Ramsay said that a report is due out very soon from the Life Sciences Advisory Board. He said he thinks this recommendation is similar to number 33 and thinks they should be combined. Delegate Bohanan agreed.

Recommendations 43 through 53 encourage current initiatives and did not generate discussion except that Mr. Shulman believes that recommendation numbers 50 and 51 could be combined with number 31 and number 53 could be combined with 42, and President Caret thinks numbers 48 and 52 should be combined.

Delegate Bohanan said that the remainder of the decision document contained the HBI recommendations and the HBI workgroup will review the recommendations. He again named the Commission members that he is asking to serve on that workgroup.

President Mote said that recommendation number 2 is requiring a 10 year plan and while legislation is not mandatory, it would give the funding plan a lot of strength. He commented that the Larson Commission had an omnibus bill that enacted its recommendations. Ms. Hise explained that the funding guidelines were not placed into statute but were in uncodified language that directed MHEC to develop the guidelines. This approach would place the funding plan on the record but would not create a funding formula or mandate.

Mr. Shulman said that when the Commission receives a revised decision document there should be a determination of fiscal impact and if a certain group has been assigned to address the recommendation (such as MHEC) the group should be listed in

the document. He said the Commission should then determine what should be the priorities.

Senator Currie said that the presiding officers and the Legislative Policy Committee should be made aware of the Commission's recommendations soon because he doesn't want the press to see it before the presiding officers. Ms. Hise said that she had been talking to the presiding officer's staff on her way over to the meeting today.

Delegate Conway said he had just received a letter from Mr. Warren Deschenaux from DLS that indicates that many other states are experiencing revenue problems. He noted that Virginia, which is similar to Maryland in economy and tax structure, is experiencing distressing first quarter revenues. Delegate Conway said that the State needs to continue finding a way to fund education but the situation is not going to be easy. He said "I don't want to be negative. I want to be an optimist."

Secretary Foster said that the Department of Budget and Management had already cut \$50 million from the fiscal 2009 budget in June and cut an additional \$400 million in October. She said that those cuts were taken based on the Board of Revenue Estimates from early September, which don't take into account the financial crisis that happened later in that month. Even with the passage of slots there will be a \$750 million shortfall for fiscal 2010 and it isn't until fiscal 2012 and 2013 that the situation will begin to improve. She said that she didn't want to be negative either but everything is being cut because the situation is so bad.

Secretary Lyons asked if performance peers were reviewed related to recommendation number 2. Ms. Hise said that the institutions currently choose their performance peers from their funding peers and the AFS Workgroup anticipates the same process will be used. Secretary Lyons also asked if the Commission recommendations sufficiently address the 3 legged stool question that was raised at the symposium last summer.

Delegate Bohanan said that was a good segway to opening up the discussion for questions exactly like that. Has the Commission checked all the blocks? Are there any gaping holes in its recommendations?

Secretary Lyons said that he anticipated that the Commission would address the percentage share of State funding, institutional funding, and family contribution, such as one-third for each. Mr. Augustine said he did not know the answer at this time but thinks if we do the math on the model we can back into the percentages.

Senator Currie said that many other states are investing in higher education so Maryland cannot back off of its commitment to fund higher education. He commented that President-Elect Obama obtained his position because of his access to higher education. He said that he sees people standing on North Avenue all day with no future. He said the State has put \$1.4 billion into K-12 education and the jury is still out on

whether the State got a good product. He believes the State should take \$200 million of the slots revenue in fiscal 2013 and put it into financial aid.

Delegate Bohanan said the staff had compiled a few discussion points for the final report and he referenced the goal from the NCHEMS presentation in October about having 55% of adults ages 25-64 with college degrees by 2025 in order for Maryland to reach international competitiveness. He said he would have those discussion points sent to the Commission members for them to rank in order of priority.

Mr. Shulman asked what the State's goal is for the economy. Is Maryland an information or knowledge-based economy? If so, that needs to be supported in the preamble.

Mr. Williamson said Maryland is a knowledge-based economy and that is obvious by looking at its big employers, Johns Hopkins University and the University of Maryland. He asked where Maryland is currently with the number of people with degrees ages 25-64 and said we need to make it clear where we are beginning from. He also commented that Maryland will pay for higher education, the question is in what form and how much? He said the State will pay in the costs of building more prisons, etc if people aren't given the opportunity to get an education. He said employers are concerned because their employees do not have the job skills they need and employers have to do a lot of training on the job when employees should have obtained those skills prior to employment. Mr. Williamson said that Mr. Augustine's body of work articulates all of these points and the State needs to emphasize to its citizens the importance of higher education. He commented that the 10 comparator states are not the true competition because the true competition is across the ocean.

President Caret said the recommendations should be prioritized but should also be incremental.

Mr. Augustine said that a goal for Maryland is to have a quality job available to anyone who wants one. Higher education is the pivot point but we recognize that times are tough. He said that the Commission's task was not to find out what the State could afford for higher education but rather to say what the State has to pay to compete for jobs.

Delegate Bohanan asked Commission members to e-mail to staff any thoughts for the preamble. He commented that the 53 recommendations had been collapsed into approximately 40 and he believes that the Commission has done a lot of important work. He said that even if a final report was never written, some of the recommendations would be implemented anyway. He commented about the influx of jobs into Southern Maryland from BRAC in the early 1990's which completely transformed the local workforce.

Closing Remarks and Adjournment

Delegate Bohanan thanked everyone for their hard work and said that this process has been very rewarding for him. Delegate Bohanan adjourned the meeting at approximately 5:30 p.m.