

Commission to Develop the Maryland Model for Funding Higher Education

Minutes

November 3, 2008

The Commission to Develop the Maryland Model for Funding Higher Education held its fourth meeting of the 2008 interim on Monday, November 3, 2008 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
Mr. Norman R. Augstine, Vice Chairman
Delegate Joseph R. Bartlett
Ms. Tina M. Bjarekull
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
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.
President C. Dan Mote, Jr.
Senator Donald F. Munson
Delegate John A. Olszewski, Jr.
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 and asked the designees to introduce themselves. Delegate Bohanan also introduced the newest member of the Commission, Delegate Joseph Bartlett.

Workgroup Reports

Capital Investment Workgroup

Mr. Larry Letow, the chair of the Capital Investment Workgroup, introduced the report of the workgroup. He said that Maryland is on its way to becoming a knowledge economy, if it is not already there. He said that only a concerted effort will help the State with its capital problems.

President Dan Mote did a presentation on capital space deficiencies at the University of Maryland College Park (UMCP). 69% of all the University System of Maryland (USM) space that is older than 50 years belongs to UMCP. He said that the two main problems at UMCP are not having enough space and having a renovation backlog. The UMCP space deficiencies over the next decade are 1.6 million square feet. President Mote highlighted a series of pictures showing the aging facilities at UMCP. For more information, see the presentation entitled “Capital Workgroup Presentation on Space Deficiencies.”

Mr. Clay Whitlow spoke about the collaborative efforts of the workgroup. He said that the last sentence in the executive summary sums up their entire report “While it appears that the implementation costs of these recommendations will be very high...the cost of not addressing these issues will be even higher and could cause significant irreparable harm...” He said that page 2 of the report shows that space deficits are growing faster than enrollments and there will be greater space deficits in 2016 than in 2006. Mr. Whitlow spoke about the substantial increase in capital funding for community colleges by the O’Malley Administration for fiscal 2009; however, there were a substantial amount of needs not met. For fiscal 2010, the capital funding for community colleges is likely to be \$81 million but there are \$146 million in requests. Mr. Whitlow also spoke about the “Thornton Effect” that is causing more students to graduate from high school than ever before and many of the students are enrolling in community colleges. He also spoke about the prioritization models for community colleges that are currently in place. The model is designed so that each college’s top priority will be funded before another college gets its second or third priority. However, if only \$81 million is available in fiscal 2010, only 5 projects will be funded. Mr. Whitlow said the goal is to see each community college’s top priority funded, which will cost \$128 million for fiscal 2010. Mr. Whitlow thanked Mr. Letow for his leadership on the workgroup.

Mr. Letow thanked the staff of the workgroup, Ms. Erika Schissler and Mr. Geoff Newman.

Delegate Bohanan asked where UMCP is in reaching the goal of spending 2% of the replacement value of current assets on facility renewal projects. President Mote said he thinks UMCP is at 1.5% and should be at the goal in another year or two. Mr. Whitlow said the community colleges do not put aside money for facility renewal but they do subscribe to this recommendation.

Delegate Bohanan said that it will take a while to get the USM up to 2% for all institutions but if it doesn't happen it will come back to haunt the USM. He used Bancroft Hall at the Naval Academy as an example of the cost of maintenance that is deferred too long.

For more information, see the Capital Workgroup Report.

Economic Competitiveness/Workforce Workgroup

Mr. Garland Williamson, the chair of the Economic Competitiveness/Workforce Workgroup, asked the other members of the workgroup to join him at the witness table and he acknowledged the many hours staff dedicated to the workgroup along with everyone else who assisted the workgroup. He pointed out a list of people who had assisted with the workgroup's efforts. Mr. Williamson reviewed the 7 charges that were given to the workgroup and said that the workgroup realized with the problems in the economy it had to make a case for why investment in higher education is important despite the difficult times. He said that times will turn around but even before then it is important to recognize that higher education is going to fuel the economy. Mr. Williamson spoke from a two page document that briefly summarized the workgroup's recommendations. The main themes of the recommendations were to maximize the efficiency of existing postsecondary resources, focus and enhance workforce preparedness in Maryland, and foster entrepreneurship to fuel the economy. He pointed out the importance of statewide articulation agreements and the workgroup's support of the regional higher education centers. He mentioned that the workgroup supported fully funding the funding strategy for the centers. He said that many of the workgroup recommendations can be implemented using existing resources. He asked the other workgroup members if they wanted to make any comments.

President Robert Caret said that the workgroup knew that the economy was tanking and decided to focus on outcomes and aim dollars at outcomes.

Mr. John Paul Davey thanked Mr. Williamson for his leadership and said that the workgroup felt it was important to review how to spend the existing funds wisely. He said that clearly additional funding is needed but the workgroup also focused on increased cooperation and collaboration.

Mr. Tom Lewis spoke about the need to build on what is already in place and make modest investments that make a difference.

Since Dr. Mary Leach was attending the meeting on behalf of President David Ramsay, Mr. Williamson asked her to comment on the partnership that the University of Maryland Baltimore (UMB) has with Baltimore City Community College (BCCC) and the Vivien Thomas High School in Baltimore City. Dr. Leach said the program allows high school students to work with researchers in the UMB BioPark during the summer. The students are then placed into medical/technical programs at BCCC and could eventually go on to four year universities. The students learn on the job skills and the

researchers get quality technicians for their labs. Mr. Williamson said that high school students working with world class researchers is “a sight to behold.”

Delegate Bohanan thanked this workgroup and all of the workgroups for their time and effort. Mr. Whitlow spoke about the importance of the P-20 Council and the concept of getting students interested in college while still in high school. Mr. Williamson said the workgroup relied heavily on Mr. Norman Augustine’s work.

For more information, see the Economic Competitiveness/Workforce Workgroup Report.

Accountability Workgroup

Mr. Lawrence Shulman, the chair of the Accountability Workgroup, gave a presentation on the workgroup report. He spoke about the workgroup charges and the data examined. He also spoke about the approach of the workgroup as making recommendations but not being responsible for the implementation. He also spoke about the importance of setting measures that are straight forward, simple, and easily understood by outsiders. Mr. Shulman talked about the chart on “Maryland Higher Education’s Return on Investment” which is on page 7 of the report. The chart will be an online format to report the progress made toward each of the goals of the State Plan for Postsecondary Education. Mr. Shulman also talked about the workgroup findings that there should be enhanced feedback on job readiness from graduates and employers. Mr. Shulman also spoke about the workgroup’s focus on strategic reporting. There is currently a patchwork system of reports with no coherent vision. Mr. Shulman said the workgroup found that higher education is required to complete 83 reports. The workgroup recommended creating an oversight or coordinating group that would ensure that Maryland has a statewide accountability process that is coherent, matches the state’s goals for its higher education institutions and system, and satisfies the data needs of the state and its citizens, while at the same time not overburdening institutions with redundant or unnecessary requirements. The group would meet periodically to review and assess the state’s higher education accountability processes; including reviewing and approving any needed modifications to the existing processes. Finally, Mr. Shulman spoke about the need for linkages between K-12 education data and higher education data. The workgroup recommended forming a partnership to plan for linking this data at the student level.

Chancellor William Kirwan said that the workgroup benefited from the leadership of Mr. Shulman. He said Mr. Shulman was persistent and focused and brought a lot of energy to this issue. He also said the report had a broad degree of consensus.

Delegate John Olszewski agreed and said that it was a good collaborative process that was challenging at times but the report will move the State forward.

Mr. Williamson asked if any other states have a data collection process already in place that Maryland can reference. Mr. Shulman said that a number of national groups

are using longitudinal data systems. He said that Florida is one state that does but their educational system does not compare to Maryland in his opinion.

Mr. Williamson said that he got the impression that Mr. Shulman did not think any of the federal reporting requirements could be changed. Mr. Williamson said that when China entered the world market the United States gained 3 billion new competitors so the United States cannot keep doing things the same way. Mr. Shulman said “my heart is 1000% with you” but he said that Maryland cannot push changes at the federal level by itself.

Ms. Tina Bjarekull echoed the comments made by the other workgroup members. She believes that the report is a consensus product. She said that Mr. Shulman was a taskmaster but it resulted in a good product. She spoke about the federal Higher Education Act that was reauthorized this summer and said it created 100 new reporting requirements.

Delegate Bohanan thanked Mr. Shulman and the workgroup members. For more information, see the Accountability Workgroup Report.

Appropriate Funding Shares Workgroup

Mr. Norman Augustine, the chair of the Appropriate Funding Shares Workgroup, said that the report is still in draft form because there are a few outstanding items. He said that the workgroup understands the price tag and tried to avoid arbitrary guidelines. Mr. Augustine pointed out the differences in median annual earnings based on educational attainment. He said that the fact that Maryland is a knowledge economy is well established. He said that the United States’ higher education system is the world standard but our K-12 educational system is far from the world standard. Although only 4% of the U.S. workforce are scientists and engineers, they disproportionately create jobs for the other 96%. He said that Maryland is a net exporter of students but is a net importer of people with degrees. Three out of four people in Maryland with a bachelor’s degree were born in other states. Mr. Augustine spoke about the rankings of certain Maryland colleges and commented that the rankings are good but they will not make Maryland competitive on a global scale. Fifty-six percent of college students need remedial assistance and he spoke about the changing demographics in Maryland. Mr. Augustine said that according to the Department of Business and Economic Development, Maryland competes with 10 states on a regular basis for new businesses and jobs. He also spoke about the cost of tuition and the need for increased merit-based and need-based financial aid. He also commented on the strong reputation of the State’s historically black institutions (HBIs) and he also mentioned the limitations of setting goals and the complexity of the current goals. Mr. Augustine said that if the model was summarized as it currently exists in Maryland it would be moderate State support, high tuition, and moderate financial aid.

Mr. Augustine said that the goal is to ensure a quality education is available to all students who have the academic background for higher education and desire to pursue

higher education. He said that the workgroup's recommendations began on page 19 of the report. Mr. Augustine explained that recommendation number 1 sets as a ten-year higher education funding plan the sum of state general funds per full-time equivalent student (FTE) plus tuition at the 75th percentile of a comparator group of institutions residing in states with which Maryland principally competes for employers. A secondary metric would be the 50th percentile. Recommendation number 2 is to set the need-based financial aid per FTE at the 75th percentile of the comparator states. Recommendation number 3 is to set gross in-state tuition and fees at the 50th percentile of the comparator states. Recommendation number 4 is to establish a Tuition Stabilization Program that has the following elements: 1) limit increases in tuition and fees to the increase in a three-year rolling average of the State's median family income; 2) create a Tuition Stabilization Account within the Higher Education Investment Fund (HEIF) where 1% of tuition revenues are placed into the account during good economic times that can be used in poor economic times; and 3) one or two institutions can adopt pilot "true tuition" guarantee programs. Recommendation number 5 is to increase need-based aid each year to keep pace with tuition increases.

Recommendation number 6 is to establish a "Maryland Covenant" that promises to cover 100 percent of need for low-income students (initially those students receiving Guaranteed Access grants) who satisfactorily complete a college preparatory curriculum and agree to complete a baccalaureate program in four years. The program would be a voluntary partnership between the State and higher education institutions that agree to participate, with the State maximizing eligibility for existing federal and State aid and the institutions "filling the gap" with institutional aid.

Recommendation number 7 is that recognizing the considerable remediation effort and continuing support (i.e., tutoring, mentoring, advising...) demanded of the Historically Black Institutions at the undergraduate level, a supplement should be provided over and above the figure determined from the Higher Education Funding Model for Maryland. Preliminary estimates from several HBIs suggest that \$3 million to \$4 million in total funding (each) is needed for these services. This is equivalent to a supplement of \$1,400 per undergraduate FTE. Mr. Augustine said the reason why this is not also being recommended for the community colleges is that the workgroup did not want to break the bank and the community colleges do not have the low graduation rates like the HBIs.

Recommendation number 8 is to expand merit-based scholarships to \$6,000 and double the number of such scholarships currently granted (to 700 awards). Recommendation numbers 9 and 10 are to allocate funds to community colleges and private colleges using the current formulas. Recommendation number 11 is to create a specific State allocation to provide financial resources for special projects that meet important State or institutional goals. This incentive funding should be a special allocation from the State (perhaps through HEIF) each year equal to approximately one percent of the State funds for higher education (about \$15 million in FY 2009). Recommendation number 12 is to annually assess progress in meeting specified Higher Education Funding Model for Maryland funding goals by displaying the "shortfall," in

percent (positive or negative) of the three parameters shown below relative to the actual funding. This assessment should be conducted on an institution-by-institution basis, as well as in the aggregate; i.e., statewide. Mr. Augustine pointed out the thermometers on page 27 of the report which shows the parameters of 1) Total Investment in Quality (General Fund plus Tuition); 2) Affordability (Net Tuition); and 3) State Investment (General Fund plus State Financial Aid). For more information, see the Appropriate Funding Shares Workgroup Report.

Chancellor Kirwan commented that he benefited greatly from Mr. Augustine chairing this workgroup. He said that there is new and innovative thinking in this proposal and the approach is holistic. Chancellor Kirwan said that a light bulb went off for him when Mr. Augustine asked why we don't look at the states we actually compete with for employers. Chancellor Kirwan said that the funding guidelines are a major change from the previous guidelines but they are much more defensible and easier to explain.

Secretary Lyons echoed the comments of Chancellor Kirwan. He said he has been through exercises like this before and this one has a hefty price tag but he said it was important to put that aside for a moment and look at what should be recommended to further the goals of higher education. He said this report is an honest and fresh look at higher education.

Mr. Williamson said that the price tag is very large and he is concerned about what the legislature will think. He asked if the workgroup had determined what the multiplier would be, such as would the return be \$2 for every \$1 invested? Mr. Augustine said the workgroup had not made an actual determination but there are numerous studies that show that the highest investment a state can make is in education because the multiplier is huge.

Mr. Williamson said this is in the backdrop of all the other needs of the State because, for example, others would say that health care is the State's largest need. Is there a way to say to the citizens that for each dollar we give to higher education, this is what we get in return? Or could we flip it and say that if we don't make the investment, these are the costs? Mr. Augustine said he would look into this.

Mr. Shulman echoed the importance of determining the economic impact. Dr. Leach said that the University of Maryland, Baltimore (UMB) had an economic development study done by an outside consultant. The consultant determined that for every \$1 of general funds given to UMB, \$14.85 is generated in economic impact in the Baltimore Washington area. Ms. Bjarekull said that some of the MICUA institutions have had economic impact studies done and that information could be shared with the Commission.

President Mote asked if there was a performance measure because he did not see that when he looked at the three thermometers on page 27 of the workgroup report. He also asked if the thermometers were for each institution or the State as a whole. Mr.

Augustine answered that there would be a set of three thermometers for each institution and the State. He also said that there needs to be a coupling of funding with performance but he was looking to the Accountability workgroup to help with this.

Mr. Williamson invited Senator Roy Dyson to make comments about the Economic Competitiveness/Workforce Workgroup because he was out of the room when the workgroup reported to the Commission. Senator Dyson said that Mr. Williamson kept the workgroup focused and as a businessman he wanted the group to look at what would sell on Main Street.

Delegate Bohanan thanked the staff that helped with the workgroups and said he was amazed at the level of expertise and support that the staff provided. He said it took a lot of great minds to put together all the recommendations in the reports.

Closing Remarks and Adjournment

Delegate Bohanan reminded the Commission members that the next meeting will be on November 12 at UMCP. He commented that the Commission's final product will guide higher education for the next decade or even the next 15 years. He said the work product will go through several budget secretaries and several governors so we need to look beyond the cyclical nature of budgets and put together a product that will be a guide for the future. He again thanked the workgroup leaders, the members that served on the workgroups, and the staff. Delegate Bohanan adjourned the meeting at approximately 4:30 p.m.