R62I0001

Maryland Higher Education Commission

Operating Budget Data

($ in Thousands)

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change	% Change Prior Year
General Fund	$47,454	$55,872	$60,690	$4,818	8.6%
Contingent & Back of Bill Reductions	0	-195	-3,946	-3,751	
Adjusted General Fund	**$47,454**	**$55,677**	**$56,744**	**$1,067**	**1.9%**
Special Fund	18,051	17,406	18,215	809	4.6%
Contingent & Back of Bill Reductions	0	0	-3	-3	
Adjusted Special Fund	**$18,051**	**$17,406**	**$18,212**	**$805**	**4.6%**
Federal Fund	2,786	3,619	3,574	-45	-1.3%
Contingent & Back of Bill Reductions	0	0	-2	-2	
Adjusted Federal Fund	**$2,786**	**$3,619**	**$3,572**	**-$48**	**-1.3%**
Reimbursable Fund	63	187	187	0	0.1%
Adjusted Reimbursable Fund	**$63**	**$187**	**$187**	**$0**	**0.1%**
Adjusted Grand Total	**$68,353**	**$76,889**	**$78,714**	**$1,825**	**2.4%**

- After adjusting for contingent and back of the bill reductions, general funds increase approximately $1.1 million, or 1.9%, in the fiscal 2015 allowance. Special funds increase $0.8 million, or 4.6%.

- Overall, funds increase approximately $1.8 million, or 2.4%.

- A $50,000 deficiency is proposed in the fiscal 2015 allowance for ongoing legal services (not shown above) offset by a total of $195,000 in cost containment.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change
Regular Positions	50.60	55.60	55.60	0.00
Contractual FTEs	6.96	9.00	11.50	2.50
Total Personnel	**57.56**	**64.60**	**67.10**	**2.50**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		2.30	4.14%	
Positions and Percentage Vacant as of 12/31/13		6.00	10.79%	

- The fiscal 2015 allowance includes no change in full-time regular positions and adds 2.5 contractual positions involved with registration programs, Workforce Investment Act initiatives, and management of a new grant from the Lumina Foundation. Positions shown here also staff the Maryland Higher Education Commission's (MHEC) Student Financial Aid programs and the various programs providing State support to community colleges.

- In fiscal 2004, MHEC had 73.6 full-time regular positions. From 2004 to 2014, MHEC's regular positions decreased by 18.0, or about 25%. Over the same period, contractual positions increased from 3.0 to 9.0.

- As of December 31, 2013, the commission had 6.0 vacancies. Budgeted turnover for fiscal 2015 is 4.2%, or 2.3 positions. Since fiscal 2004, MHEC's mid-fiscal year vacancy rate has fluctuated greatly from a low of 4.2% in fiscal 2007 to a high of 15.8% in fiscal 2012. The average over this time period is 9.7%. **The Secretary should comment on what can be done to reduce vacancies at MHEC.**

Analysis in Brief

Major Trends

Achievement Gap in Retention Rates Remains Large: The achievement gap in retention between all students and Hispanic and African American students can be measured by using annual data from MHEC. Overall, Hispanic students, probably due to small enrollment numbers, outperform all students. However, African American students are retained at a significantly lower rate than all students. Despite a goal of reducing this achievement gap of African American students to 18 percentage points in the 2013 cohort, this seems unlikely to happen.

Achievement Gap in Graduation Rates: Similar to retention rates, the achievement gap in graduation rates for all students and Hispanic and African American students can be measured with MHEC data. While Hispanic students continue to graduate at higher rates than all students in the 2006 cohort, the achievement gap of African American students has been reduced for two consecutive years.

Meeting the State's Workforce Shortages: MHEC also works to fill workforce shortages across the State. The Nurse Support Program II has successfully increased the number of nursing faculty in the State, which likely has led to a dramatic increase in the number of undergraduate nursing degrees produced statewide since fiscal 2009.

Issues

Maryland Ready – the New State Plan for Postsecondary Education: MHEC has written the 2013-2017 State Plan for higher education, entitled *Maryland Ready*. Although the plan has yet to be published and distributed, it continues a number of policy goals in Maryland, including 55% degree attainment by 2025, expanding access to underserved demographics, and promoting the use of highly organized data collection to inform decisionmaking.

Commission Rethinking Competency-based Credit Cap: Current regulations state that a student may not receive more than half of all credits through competency-based education. However, the federal government has recently extended federal financial aid to competency-based programs, and Maryland's accrediting body has approved competency-based programs. MHEC is currently expected to consider a proposal to remove the credit cap on competency-based education at its February 2014 meeting, which could substantially change how higher education works in Maryland. The primary beneficiary of this action would be the University of Maryland University College.

Recommended Actions

		Funds
1.	Add language requesting that funds be restricted pending audit follow up.	
2.	Add language indicating legislative intent in allocating the Sellinger formula grant.	
3.	Strike the contingent reduction on the Sellinger formula.	
4.	Reduce Sellinger formula grant by $3,902,334.	$3,902,334
5.	Modify budget language as a technical amendment to reflect reduction to educational grants.	
6.	Reduce general fund support for educational grants.	1,550,000
7.	Add language to restrict expenditures of enhancement funds until the commission submits a report on the plans for spending funds designated to enhance the State's four historically black colleges and universities.	
8.	Adopt narrative requesting a report on best practices and annual progress toward the 55% completion goal.	
9.	Adopt narrative requesting a report on outcomes of programs supported by Access and Success funding.	
	Total Reductions	**$ 5,452,334**

Updates

Historically Black Colleges and Universities' Lawsuit Ruling Pending: A lawsuit filed in 2006 alleging that Maryland's system of higher education remains segregated and in violation of the federal constitution and laws received a finding of fact from the court. Maryland has properly funded its historically black institutions but violated law by duplicating certain degree programs. The court recommended a return to negotiations.

Access and Success Outcomes: Annual narrative requests MHEC to report on outcomes of programs using by Access and Success funding. Considerable variation between campuses and declining student participation makes comparisons difficult but getting students to enroll in credit-bearing coursework remains a challenge.

Guaranty Student Tuition Funds: In January 2013, a private career school with three Maryland locations abruptly closed. MHEC immediately set up outreach efforts to explain options to all 846 students affected, which include teaching-out, transferring, or receiving a loan discharge or refund. To date, over 700 students have been assisted.

Operating Budget Analysis

Program Description

The Maryland Higher Education Commission (MHEC) is the State's coordinating body for the University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland (SMCM), 16 community colleges, the State's independent colleges and universities, and private career schools (PCS) and other for-profit institutions. MHEC's mission is to ensure that Maryland residents have access to a high quality, adequately funded, effectively managed, and capably led system of postsecondary education. MHEC's vision is to have all Maryland residents equally prepared to be productive, socially engaged, and responsible members of a healthy economy. The Secretary of Higher Education is the agency's head and serves at the 12-member commission's pleasure.

MHEC's key goals are as follows:

- Maryland will enhance its array of postsecondary education institutions and programs, which are recognized nationally and internationally for academic excellence, and more effectively fulfill the evolving educational needs of its students, the State, and the nation.
- Maryland will achieve a system of postsecondary education that advances the educational goals of all by promoting and supporting access, affordability, and completion.
- Maryland will ensure equitable opportunity for academic success and cultural competency for Maryland's population.
- Maryland will seek to be a national leader in the exploration, development, and implementation of creative and diverse education and training opportunities that will align with State goals, increase student engagement, and improve learning outcomes and completion rates.
- Maryland will stimulate economic growth, innovation, and vitality by supporting a knowledge-based economy, especially through increasing education and training and promoting the advancement and commercialization of research.
- Maryland will create and support an open and collaborative environment of quality data use and distribution that promotes constructive communication, effective policy analysis, informed decisionmaking, and achievement of State goals.

Performance Analysis: Managing for Results

As shown in **Exhibit 1**, MHEC has several large ongoing initiatives, many of which are funded by non-State sources. The first is *Maryland Ready*, the new 2013-2017 plan for higher education. MHEC also manages Associate Degree Award for Pre-degree Transfer Students and Credit When It's Due, which are the State's reverse transfer and near completers programs, and MDGo4It, an outreach program begun with federal funding. Other ongoing and regularly budgeted programs include Historically Black College and University (HBCU) Enhancement Funds and the Sellinger aid program.

Exhibit 1
Major Ongoing Initiatives

Initiative	Purpose	Funding Source
Maryland Ready	The 2013-2017 State Plan for Postsecondary Education; guides State policy	
Associate Degree Award for Pre-degree Transfer Students (ADAPTS)	The State's reverse transfer program; students are awarded two-year degrees after transferring to a four-year institution	Complete College America
Credit When It's Due	A continuation of ADAPTS from a different funding source	Lumina Foundation and USA Funds
One Step Away	Identifies, contacts, re-enrolls, and graduates near-completer students who had dropped out within 30 credits of graduation	State Funds
MDGo4It	Web portal to promote college access; one of the few remaining outreach programs	Federal Funds

Source: Maryland Higher Education Commission

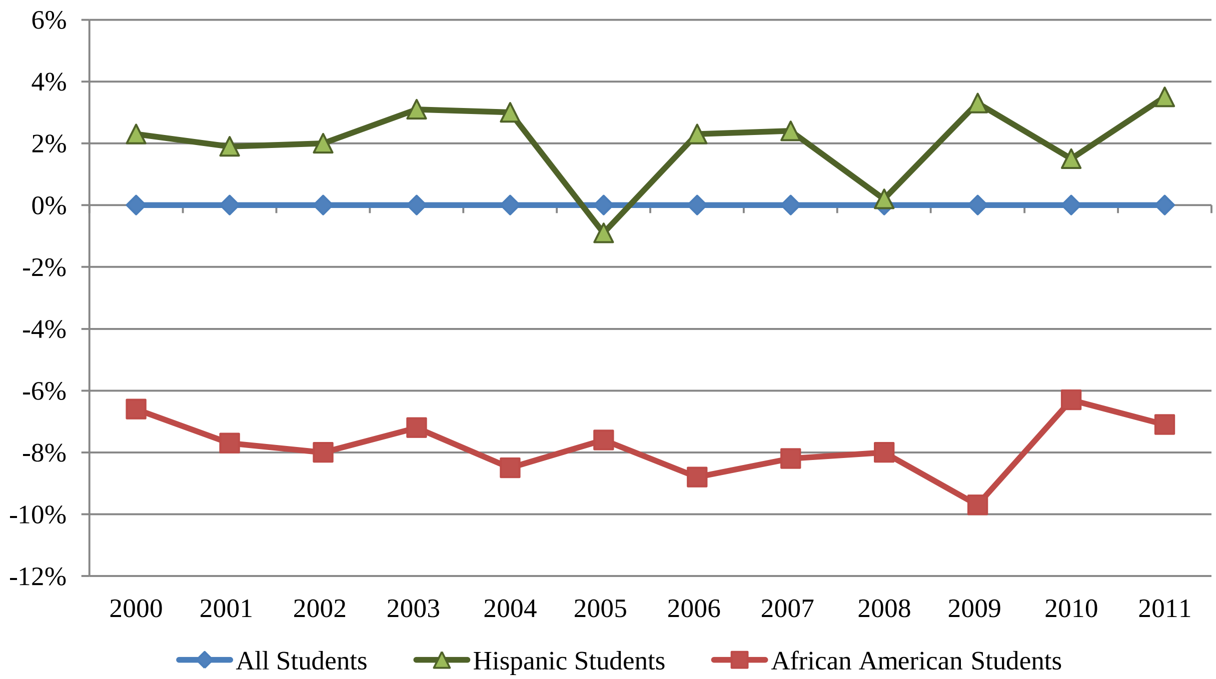
As will be explained in the first issue, MHEC has outlined several large policy goals in *Maryland Ready*. MHEC aims to maintain and strengthen postsecondary institutions and to ensure accessibility for Maryland's diverse citizenry. Progress in these areas will help achieve the State's college completion agenda to increase degree attainment among Maryland adults to 55% by 2025.

To improve outcomes for historically underserved or underrepresented groups, who represent a growing portion of total student enrollment, MHEC works to reduce the achievement gap between minority students and all students; award more degrees to minority students; and target degree growth in high demand areas.

1. Achievement Gap in Retention Rates Remains Large

Retention rates indicate how well Maryland's students are progressing toward degree attainment. **Exhibit 2** shows the percentage point difference between the second-year retention rate for all students and for African American students and Hispanic students entering public four-year institutions between 2000 and 2011. The years represent cohorts entering in the fall semester in which first-time, full-time (FT/FT) students enroll, *i.e.*, 2010 cohort reflects students enrolling in fall 2010, which is academic year 2010-2011, or fiscal 2011. The exhibit shows that retention rates among Hispanic students, with the exception of 2005, have remained above all students. The strong performance of Hispanic students is important because Hispanic students are the fastest growing

Exhibit 2
Achievement Gap in Second-year Retention Rates
2000-2011 Cohorts



Source: Maryland Higher Education Commission, Enrollment and Degree Information Systems demographic, both as residents and as students, in Maryland. However, MHEC attributes some of this performance to the overall low enrollment of Hispanic students in higher education. Out of roughly 165,000 students in Maryland public four-year institutions in 2012, only about 9,000, or 6.5%, were Hispanic. The Hispanic students who do enroll are very well prepared for college work; even with growing enrollment, the overall graduation rate for Hispanic students, not shown in Exhibit 2, rose 2.2 percentage points from 2000 to 2011 to the highest rate yet reported for Hispanic students, 86.0%.

The retention rate for African American students generally decreased from 2000 to 2009, before jumping 4.0 percentage points in 2010 and falling slightly, 0.4 percentage points, in 2011. The percentage point gap between all students and African Americans students in 2011, which is 7.1, is greater than the percentage point gap in 2000, which was 6.6. The 2010 cohort had the highest reported retention rate for African American students by at least 0.9 percentage points over all previous years, so it is important for MHEC to ascertain what caused that increase and how that momentum can be maintained. MHEC reports that the State's college completion agenda will focus on enrolling and retaining more students of all backgrounds and increasingly more nontraditional students who are not captured in this exhibit because they do not enroll as FT/FT students. (Transfer students, who are also not captured in FT/FT data, represent another growing demographic on campuses.) Specific strategies include course redesign in remedial and introductory classes, more summer bridge programs, and reaching out to growing or underrepresented demographics, such as Hispanic students, adult students, and military veterans.

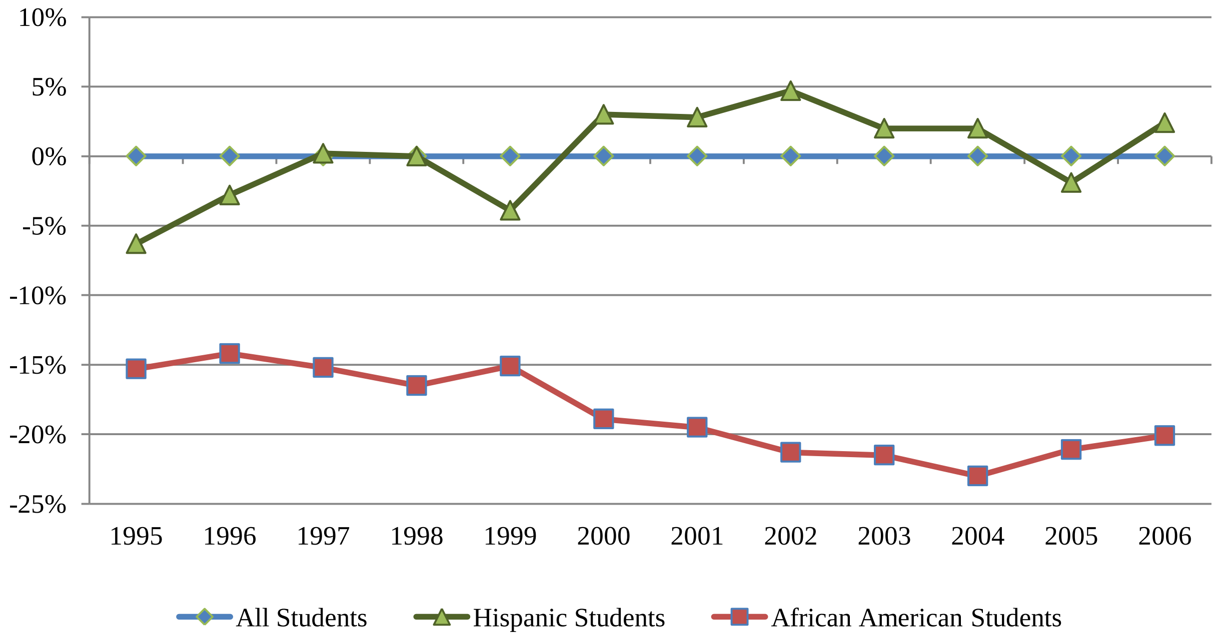
2. Achievement Gap in Graduation Rates

Retention rates foreshadow graduation rates, which represent the ultimate goal for most students and reflect how effectively public four-year institutions in Maryland educate students. **Exhibit 3** shows the percentage difference between six-year graduation rates of all students and of Hispanic and African American students. As data for six-year graduation rates by cohort necessarily lag two-year retention rates by cohort, Exhibit 3 only shows cohort years 1995 to 2006.

From 1997 to 2006, Hispanic students have graduated at higher rates than all students in 6 out of 10 years and were the same as all students in 2 other years. The dip in the 2005 cohort's retention rate shows up as a slight decline in that cohort's graduation rate. Given that Hispanic students displayed higher retention beyond the 2006 cohort in Exhibit 2, the graduation rate for Hispanic students will likely continue to outperform all students.

The achievement gap for African American students generally increased from the 1996 cohort to the 2004 cohort, before decreasing in 2005 and 2006. However, even with some progress recently, the achievement gap in 2006 was 20.1 percentage points, compared to only 14.2 percentage points in 1996. To ensure educational opportunity for Maryland's diverse citizenry, MHEC set a fiscal 2013 (cohort year 2007) goal of reducing the six-year graduation rate achievement gap to 18.0 percentage points. While the fiscal 2006 cohort did show improvement, the 2007 cohort would need to reduce the gap by 2.1 percentage points to meet MHEC's goal.

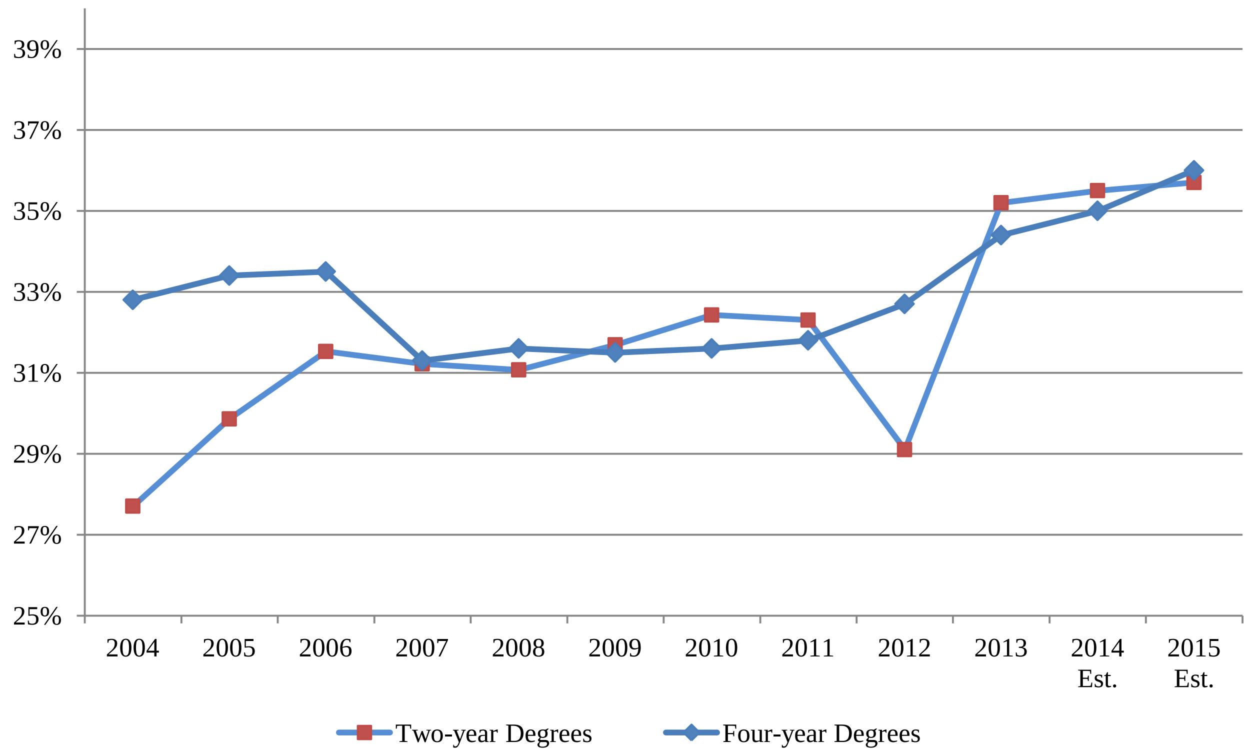
Exhibit 3
Achievement Gap in Six-year Graduation Rates
1995-2006 Cohorts



Source: Maryland Higher Education Commission, Enrollment and Degree Information Systems

The achievement gap is also evident in the percent of bachelor's and associate's degrees awarded to racial and ethnic minorities in Maryland, as shown in **Exhibit 4.** The fastest growing segments of Maryland's population are minorities, and the percent of associate's degrees awarded to minorities increased 7.6 percentage points between fiscal 2004 and 2013 to 35.3%. This rate dropped to 29.1% in fiscal 2012 because of an unusually large number of students not classified under any racial or ethnic category in that year. MHEC believes the rate will increase again in fiscal 2014 and 2015, reaching 36.0%. Meanwhile, the percentage of bachelor's degrees awarded to minority students was essentially flat from fiscal 2007 to 2011, before climbing to 34.4% in fiscal 2013. Overall, the data in the exhibit shows considerable variation from fiscal 2004 to 2007 and again in fiscal 2012. The stagnant rates from fiscal 2007 to 2011 may be the effect of the recession, and MHEC believes minority degree attainment will resume its upward climb as the economy recovers.

Exhibit 4
Bachelor's and Associate's Degrees
Awarded to Racial and Ethnic Minorities
Fiscal 2004-2015 Est.



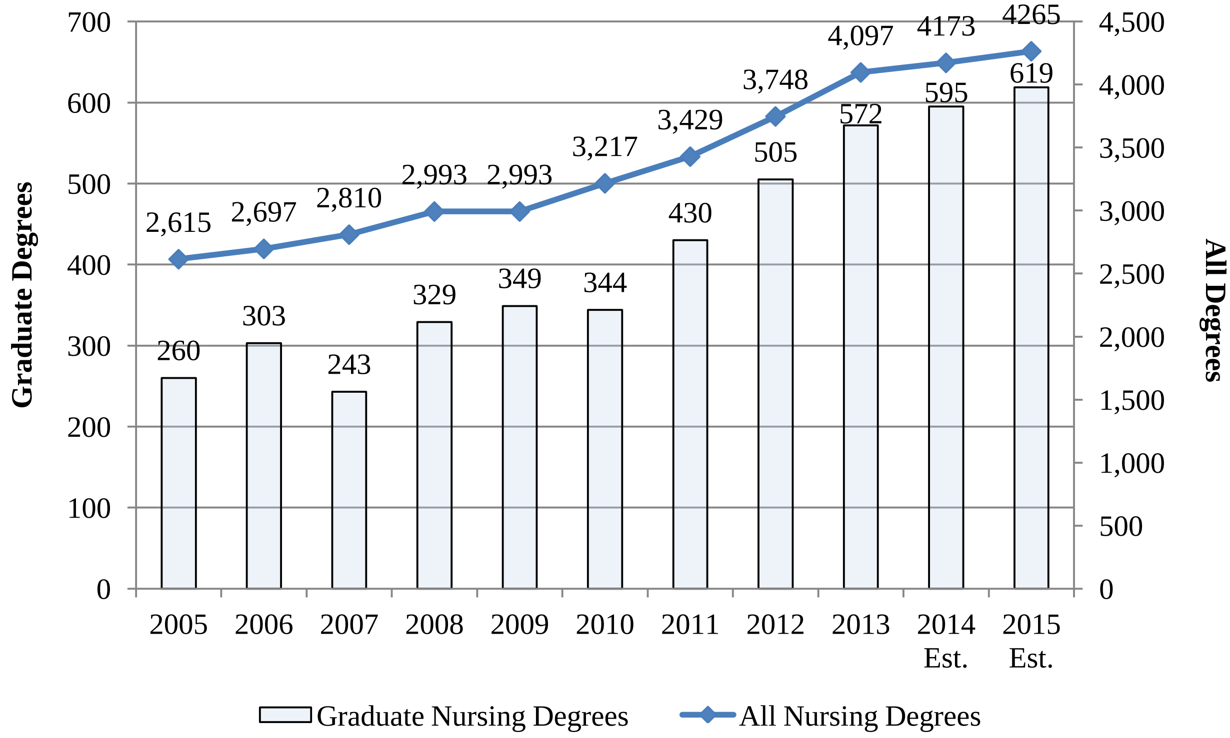
Source: Governor's Budget Books, Fiscal 2006-2015; Maryland Higher Education Commission, Databook 2013

3. Meeting the State's Workforce Shortages

MHEC supports Maryland's economy by coordinating programs related to workforce shortages, particularly in health-related occupations. One such shortage is in graduate level nursing programs, which may negatively impact the future supply of nurse faculty and limit the ability of nursing programs to increase enrollment capacity. MHEC's Nurse Support Program (NSP) II includes statewide initiatives and competitive institutional grants designed to increase the capacity of nursing programs, particularly in producing master's- and doctoral-level nurses who can serve as nurse educators in associate's degree and bachelor's degree programs.

Exhibit 5 shows the number of master's and doctoral degrees awarded in nursing in Maryland from fiscal 2005 to 2015, as well as the total number of nursing graduates produced each year. Since the first round of NSP II grants in fiscal 2007, the number of master's and doctoral degrees awarded per year in nursing has increased 73.8%, from 329 to 572. This far exceeds MHEC's original goal of 350 graduates by 2013. Additionally, while all nursing degrees increased about 14.5% over the five-year period of 2005 to 2009, it grew by 36.9% over the next five-year period, 2009 to 2013. Assuming some lag between when NSP II funding could train more nursing faculty and when those nursing faculty could then grow Maryland's nursing programs, it does seem likely that NSP II had some effect in increasing total nursing graduates in Maryland beginning in 2009. NSP II will begin to phase out in fiscal 2015 and sunset completely in fiscal 2018. A continuation of this program is dependent on the recommendation of the Health Services Cost Review Commission to continue the hospital assessment that funds the program.

Exhibit 5
Nursing Degrees in Maryland
Fiscal 2005-2015



Source: Governor's Budget Books, Fiscal 2006-2015

Fiscal 2014 Actions

There are three across-the-board withdrawn appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology (IT) system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology, and the State Retirement Agency (SRA), respectively. For MHEC, these three actions reduce fiscal 2014's appropriation in total by $84,977.

Proposed Deficiency and Cost Containment

One deficiency proposed for MHEC in the 2015 allowance increases the 2014 working appropriation by $50,000 for legal services required for an ongoing lawsuit that is discussed in the first update of this analysis. In fiscal 2014, MHEC is subject to $110,000 in cost containment within its administration program. MHEC has not yet determined how to distribute the cost containment.

Fiscal 2015

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA. For MHEC, these actions reduce the fiscal 2015 allowance by $49,630.

Proposed Budget

As shown in **Exhibit 6**, after all contingent and back of the bill reductions, the fiscal 2015 allowance increases MHEC's overall budget $1.8 million, or 2.4%. General funds are driven by the increase in educational grants, while special funds increase to align revenue expectations with expenditures in health workforce programs.

Exhibit 6 shows several major changes within MHEC's operations and programs. The two largest increases are $3.5 million in general funds for the Sellinger Aid Program and $1.5 million in general funds for the new St. Mary's College of Maryland Stabilization grant. After the proposed contingent reduction, Sellinger Aid actually declines about $0.4 million. Health Personnel Shortage Incentive grants increase $1.0 million to align with revenue estimates. Smaller decreases include the conclusion of a Complete College America (CCA) grant, discussed in the Higher Education Overview, and the end of the Interstate Optometry Compact. Additionally, an IT project to improve data collection has been completed.

Exhibit 6
Proposed Budget
Maryland Higher Education Commission
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2014 Working Appropriation	$55,677	$17,406	$3,619	$187	$76,889
2015 Allowance	56,744	18,212	3,572	187	78,714
Amount Change	$1,067	$805	-$48	$0	$1,825
Percent Change	1.9%	4.6%	-1.3%	0.1%	2.4%

Where It Goes:	
Personnel Expenses	
Annualization of salaries	$145
Increments and other compensation	100
Retirement contributions	41
Other personnel benefits	30
Health insurance adjustments	-9
Workers' compensation premium assessment	-38
Other Changes	
Mandated increase to Sellinger Aid	3,554
St. Mary's College of Maryland Stabilization grant	1,500
Increase in the Health Personnel Shortage Incentive grant	1,000
Miscellaneous adjustments	89
Funding for management studies, consultants, and legal services	-172
Conclusion of one phase of a major information technology project	-201
Conclusion of Complete College America and Optometry Compact funding	-311
Contingent reduction to Sellinger Aid	-3,902
Total	**$1,825**

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions.

Joseph A. Sellinger Formula

Exhibit 7 shows how total Sellinger Aid is appropriated using the statutory formula – the per-student general fund support at certain public four-year institutions is multiplied by a percentage set in statute. The Budget Reconciliation and Financing Act (BRFA) of 2012 sets this percentage for fiscal 2015 at 9.4%. Per full-time equivalent student (FTES) support increases to $1,027, or $94 more per student than in fiscal 2014. This amount is then multiplied by independent college and university enrollments, which declined slightly in the most recent audited data, fiscal 2013. The Sellinger appropriation grows to $44.8 million in 2015, an increase of $3.6 million, or 8.5%, compared to an increase in all higher education funding of 6.4%. The growth is entirely driven by an increase in State support to public four-year institutions. Enrollment actually decreases by 298 students for the fiscal 2015 formula. However, the BRFA of 2014 includes a contingent reduction of $3,902,334 and that sets the Sellinger Formula at $40,943,311 in fiscal 2015 but does not change the out-years of the formula in any way. Exhibit 7 shows that the rounded equivalent percentage that could have achieved the same result by modifying the formula is 8.6%.

Exhibit 7
Sellinger Aid Formula
Fiscal 2014-2015

	2014 Working	2015 Allowance	2015 Adjusted**
Per FTES General Funds Per Selected Public Institutions*	$9,939	$10,930	$10,930
Statutory Sellinger Percentage	9.4%	9.4%	8.6%
General Funds Per FTES	$934	$1,027	$940
Projected Independent Enrollment	44,198	43,650	43,650
Sellinger Appropriation	**$41,291,975**	**$44,845,642**	**$40,943,311**

FTES: full-time equivalent student

*This is based on the allowance without any subsequent changes.
** The fiscal 2015 statutory percentage is adjusted to reflect what would be necessary to implement the contingent reduction.

Note: Fiscal 2014 amounts contain rounding errors explained in the prior year's analysis.

Source: Governor's Budget Book, Fiscal 2015; Department of Legislative Services

Exhibit 8 shows, by institution, the fiscal 2015 allowance (column C), the contingent reduction in the BRFA of 2014 as applied by the Administration (column D), and as allocated if the reduced appropriation is instead run through the formula, *i.e.*, allocated by enrollment (column E). The contingent reduction amount was reached by taking the lesser of the 2014 and 2015 allocation per institution under the Sellinger formula. However, allocating the reduction in this manner severs the link between Sellinger Aid and State support for public four-year institutions because the percentage in statute, shown in Exhibit 7, is not changed and aid is not being distributed on a per-student basis per the formula after the reduction. If the same total amount is allocated through the formula, as shown in column E, institutions' aid is adjusted for enrollment changes.

The Governor's BRFA of 2014 allocates aid for the community colleges, also overseen by MHEC, and specifies exact institutional appropriations. However, the BRFA of 2014 does not specify institutional allocations for Sellinger Aid, which MHEC has interpreted to mean that the reduced total amount of funding should be allocated per the formula, which is based on the most recent audited enrollment. DBM has stated that it will propose an amendment to the BRFA of 2014 so that each eligible institution receives the lesser of the 2014 or 2015 allocation under the formula, rather than having MHEC recalculate the formula. With total fiscal 2015 Sellinger funding essentially level with fiscal 2014 after the proposed reduction, the Administration's allocation of the funds benefits those institutions with declining enrollment at the expense of those with flat or increasing enrollments. The two colleges with the largest percentage enrollment declines, Washington Adventist University and Sojourner-Douglass College, would not be impacted by the contingent reduction at all because they would receive less aid under the fully funded formula amount than in fiscal 2014 due to the magnitude of their enrollment declines (column H).

DLS recommends taking the proposed reduction to Sellinger Aid and reallocating the reduced funding through the Sellinger Aid formula and modifying the formula percentage to preserve the link between Sellinger funding and the Sellinger formula. This recommendation would require an amendment to the BRFA of 2014.

With the closure of National Labor College at the end of the 2013-2014 academic year, the Maryland Independent College and University Association (MICUA) now represents all 14 institutions receiving Sellinger aid. MICUA reports that, since 1973, the State has distributed about $1 billion through the Sellinger program. MICUA has a stated goal for member institutions to use at least 70% of Sellinger funding for need-based financial aid for Maryland residents. In fiscal 2013, 86% of funding was used this way, the same rate as in fiscal 2012. Sellinger Aid accounts for about 6% of all financial aid given out by MICUA institutions, or about a quarter of non federal aid. Sellinger funding not used for aid allows some flexibility for private institutions to meet other State priorities, such as teacher education; nursing; science, technology, engineering and mathematics; and diversity goals. Since fiscal 2008, in fulfillment of General Assembly requirements, MICUA institutions have reported on promoting cultural diversity through annual reports.

Exhibit 8
Sellinger Aid Formula
Fiscal 2015

	Enrollment Change		Sellinger Formula Outcomes			Comparison of Outcomes		
	A	B	C	D	E	F	G	H
	FTES Change #	FTES Change %	Allocation by Allowance $	Reallocation by Administration $	Reallocation by Formula $	Formula - Administration $	Formula - Allowance $	Administration Allowance $
Capitol College	-20	-3.6%	$538,486	$508,166	$491,628	-$16,538	-$46,857	-$30,320
College of Notre Dame	17	1.1%	1,580,670	1,421,181	1,443,125	21,944	-137,545	-159,489
Washington Adventist University	-146	-14.3%	903,620	903,620	824,990	-78,630	-78,630	0
Goucher College	-64	-3.6%	1,774,374	1,673,214	1,619,974	-53,240	-154,401	-101,160
Hood College	-3	-0.2%	1,670,433	1,522,052	1,525,077	3,025	-145,356	-148,381
Johns Hopkins University	139	0.7%	19,605,200	17,697,993	17,899,214	201,221	-1,705,987	-1,907,207
Loyola College	45	0.9%	5,188,659	4,675,987	4,737,157	61,170	-451,502	-512,672
Maryland Institute College of Art	-5	-0.2%	2,208,652	2,012,963	2,016,462	3,499	-192,190	-195,689
McDaniel College	14	0.6%	2,364,846	2,137,498	2,159,064	21,566	-205,782	-227,348
Mount St. Mary's College	-91	-4.7%	1,899,644	1,812,380	1,734,343	-78,037	-165,301	-87,264
St. John's College	-18	-3.0%	593,760	556,747	542,092	-14,655	-51,667	-37,013
Sojourner-Douglass College	-154	-14.6%	926,634	926,634	846,001	-80,633	-80,633	0
Stevenson University	46	1.2%	3,955,811	3,554,419	3,611,588	57,169	-344,223	-401,392
Washington College	-58	-3.5%	1,634,855	1,540,457	1,492,595	-47,862	-142,260	-94,398
Total	**-298**	**-0.7%**	**$44,845,644**	**$40,943,310**	**$40,943,310**	**$0**	**-$3,902,334**	**-$3,902,334**

FTES: full-time equivalent student

Note: FTES enrollment audited for fiscal 2013.Total may not add due to rounding. The National Labor College will be closed in fiscal 2015 and will no longer receive formula funding.

Source: Governor's Budget Books, Fiscal 2015; Department of Legislative Services

Educational Grants

The Educational Grants Program provides financial assistance to State, local, and private entities to enrich the quality of higher education within the goals defined by *Maryland Ready* – the 2013 State Plan for Postsecondary Education. **Exhibit 9** shows educational grant appropriations for fiscal 2014 and 2015.

Exhibit 9
Maryland Higher Education Commission Educational Grants
Fiscal 2014-2015

Programs	2014 Working	2015 Allowance	Difference
Federal Funds			
Improving Teacher Quality	$1,040,000	$1,500,000	$460,000
College Access Challenge Grant Program	2,000,000	1,600,000	-400,000
John R. Justice Grant	60,000	0	-60,000
Subtotal	***$3,100,000***	***$3,100,000***	***$0***
General Funds			
Complete College Maryland – One Step Away	$250,000	$250,000	$0
Office for Civil Rights Enhancement Funds	4,900,000	4,900,000	0
Washington Center for Internships and Academic Seminars	125,000	175,000	50,000
Interstate Educational Compacts in Optometry	41,475	0	-41,475
UMB – WellMobile	285,250	285,250	0
Regional Higher Education Centers	2,550,000	2,550,000	0
St. Mary's College of Maryland Stabilization Grant	0	1,500,000	1,500,000
Subtotal	***$8,151,725***	***$9,660,250***	***$1,508,525***
Special Funds			
Credit When It's Due	270,000	0	-270,000
Total	**$11,521,725**	**$12,760,250**	**$1,238,525**

UMB: University of Maryland, Baltimore

Source: Governor's Budget Books, Fiscal 2015

Although general funds for educational grants grow by $1.5 million to $9.7 million in fiscal 2015, general funds are down about 40% from a high in fiscal 2006 of $16.4 million.

Decreases in fiscal 2015 reflect the fact that fiscal 2015 will be the first year that the Interstate Educational Compact in Optometry is entirely phased out and the conclusion of the Credit When It's

Due grant. Two federally funded programs, the College Access Challenge Grant and the John R. Justice Grant for public defenders, together decline by $0.5 million, which is offset by an increase of $0.5 million in the federal Improving Teacher Quality program. The identical decrease and increase in these federal funds is coincidental.

General fund increases include a new $1.5 million St. Mary's College of Maryland Stabilization grant and an increase of $50,000 for the Washington Center for Internships and Academic Seminars located in Washington, DC. St. Mary's College of Maryland (SMCM) is already receiving an increase of $1.5 million, or 7.6%, in State support in fiscal 2015. About $1.1 million of that increase comes from additional State support beyond SMCM's funding formula. Additionally, funding internships should not be a priority for MHEC given the agency is facing cost containment actions. **The Department of Legislative Services (DLS) recommends eliminating the new grant for St. Mary's College and the increase for the Washington Center.**

Exhibit 10 shows the allocation of funding for USM and non-USM regional higher education centers (RHEC) in fiscal 2015. MHEC's non-USM RHEC funding strategy is for each RHEC to receive $200,000 in base funding and then to allocate the remainder by FTES enrolled in 2+2 and upper division coursework at each RHEC. For non-USM RHECs, funding had increased by 45.7% in fiscal 2014 but is flat in fiscal 2015. This means the RHECs will redivide the same amount of funding based upon changes in enrollment. Overall, the audited fiscal 2013 enrollments used in the 2015 formula declined by about 120 FTES, or 11.8%. The Arundel Mills RHEC receives the largest increase in State support, growing by over $60,000, or 20.8%. The Waldorf RHEC shows the largest decline – $57,000, or 14.2%. The allowance funds non-USM RHECs at $2,863 per FTES.

RHECs expand access to higher education in geographically underserved areas of the State that are not near public four-year institutions. However, not all RHECs are created or funded equally. For comparison, the two USM RHECs (funded in the USM Office budget) declined 168 FTES, or 4.4%, in enrollment but will receive an additional $320,000, or 3.3%, in fiscal 2015. It should be noted that, of total USM and non-USM RHEC enrollment, the Universities at Shady Grove's portion of enrollment has grown from 56.6% in fiscal 2008 to 66.4% in fiscal 2013. The next largest RHEC is the Southern Maryland Higher Education Center at 9.7% of total enrollment in fiscal 2013.

In total, USM RHECs receive about $7.5 million more in State support than the non-USM RHECs. In addition, MHEC is currently working on two regional higher education assessments to determine needs in Frederick County and in Northeastern Maryland. The Frederick study is currently underway and is expected to finish by April 2014. The request for proposal for the other study was changed after review by stakeholders and will go out shortly. Both studies should be done by the end of fiscal 2014 and use the $120,000 restricted for that purpose in the fiscal 2014 budget.

Exhibit 10
State Support for RHECs
Fiscal 2014-2015

Non-USM RHECs	**2014**	**% of FTES**	**2015**	**% of FTES**	**$ Change 2014-2015**	**% Change 2014-2015**
AACC RHEC at Arundel Mills	$302,900	9.7%	$365,948	12.3%	$63,048	20.8%
Eastern Shore Higher Education	313,705	8.5%	346,110	10.8%	32,405	10.3%
HEAT Center	498,556	22.4%	488,401	21.4%	-10,155	-2.0%
Laurel College	314,298	5.3%	284,960	6.3%	-29,338	-9.3%
Southern Maryland	718,587	39.0%	719,592	38.5%	1,005	0.1%
Waldorf	401,954	15.2%	344,989	10.7%	-56,965	-14.2%
Total All Non-USM RHECs	**$2,550,000**	100.0%	**$2,550,000**	100.0%	**$0**	**0.0%**
USM RHECs (Funded in USM Office Budget)						
Universities of Shady Grove	$7,797,854		$8,097,257		$299,403	3.8%
University System of Maryland at Hagerstown	1,895,910		1,916,614		20,704	1.0%
Total USM RHECs	**$9,693,764**		**$10,013,871**		**$320,107**	**3.3%**

AACC: Anne Arundel Community College
FTES: full-time equivalent student
HEAT: Higher Education and Applied Technology
RHEC: Regional Higher Education Center
USM: University System of Maryland

Source: Maryland Higher Education Commission

Other Grants

The 2012 merger between the energy firms Exelon and Constellation Energy provided certain funds available to "support research and development in wind energy applications." A one-time research funding opportunity was made available to Maryland's public higher education institutions for research related to the development of offshore wind (OSW) energy in Maryland. The BRFA of 2013 requires this money to be appropriated through acts of the General Assembly or the State budget bill, except that in fiscal 2013, it could be appropriated by budget amendment with approval of the Legislative Policy Committee and the budget committees. MHEC, with assistance from the Maryland Energy Administration (MEA), functions as the grant manager, but funding will pass straight from Exelon to the awarded institutions, so this funding does not appear with the other educational grants in Exhibit 9.

Exhibit 11 shows the grants that MHEC and MEA have approved so far to three institutions. About $1 million remains and is expected to be awarded in April 2014. DLS expects this funding will be allocated at an institutional level through a supplemental budget this year or through a deficiency next year in the fiscal 2016 budget bill. The overall goal is to raise the prominence of Maryland institutions in OSW research. Additionally, new renewable energy degree programs will be developed at HBCUs in Maryland. Additionally, the Maryland Clean Energy Technical Task Force will make recommendations for new renewable energy degree programs at community colleges in summer 2014. This follows in the footsteps of prior statewide efforts at building academic and workforce leadership through development of biotechnology, nursing, and cybersecurity programs.

Exhibit 11
Offshore Wind Research Grants
Fiscal 2014

Lead Institution	Project Name	Award
Morgan State University	Economic Impact of the Proposed Wind Turbines on the Offshore Marine Recreational Fishing Industry Study	$184,947
Salisbury University	Shore Winds: Using Analytics, Simulation Modeling, and Data Visualization to Develop Commercially Viable Decision Support Tools for Predicting and Mitigating Societal, Policy, Workforce, and Supply Chain Barriers to Offshore Wind Energy in Maryland and Beyond	100,000
University of Maryland, College Park (UMCP)	Grid Interconnected Reliable Offshore Wind Energy Research	215,398
UMCP	The Maryland Offshore Wind Energy Center Project	554,025
Total		**$1,054,370**

Source: Maryland Higher Education Commission

Audit Findings

MHEC received a new audit from the Office of Legislative Audits (OLA) in October 2013. Overall, there are four repeat findings which, per the guidance of the Joint Audit Committee, requires administrative funding to be restricted pending a satisfactory update from OLA. While repeat findings represent serious issues, there are also concerns regarding the newer audit findings. While these findings affect State Aid to Community Colleges and the Office of Student Financial Assistance, which both receive separate budget analyses, the audit review occurs in the MHEC administration budget analysis so that all MHEC audit findings are discussed in one place.

Beyond the four repeat findings, OLA also noted that MHEC did not take action to spend down accumulated scholarship funds. While this is the first time OLA has written on this issue, DLS has previously highlighted this exact concern in MHEC budget analyses. More discussion of the Need Based Student Financial Aid Fund is in the MHEC – Student Financial Assistance budget analysis.

Three IT findings show a disconcerting lack of security in MHEC's databases which store a profound range of information, from personnel retirement accounts to family's finances for college to financial aid awards. Finding 6 noted that MHEC did not make necessary intrusion detection prevention system improvements to protect its computer network. Finding 7 also shows that MHEC's financial aid website, MDCAPS, by default gave user accounts unnecessary modification access to 1,484 files on the server hosting the website, "effectively allowing any website user, under certain conditions, the ability to improperly alter files." This is a serious lapse in computer security. Finally, Finding 8 noted that sensitive personal information, such as names, salaries, and Social Security numbers, were unnecessarily stored in plain text files on a publicly accessible web server. While funding is restricted only until OLA is satisfied that repeat findings have been corrected, MHEC should address the other findings as soon as possible.

Issues

1. *Maryland Ready* – the New State Plan for Postsecondary Education

By law, the State Plan for higher education must be updated every four years. The 2009-2013 State Plan and the 2008 report compiled by the Commission to Develop the Maryland Model for Funding Higher Education proposed far reaching goals, particularly in higher education financing, by comparing Maryland's performance to regional and national competitor states. However, the effects of the most recent recession prevented the State from implementing many of the recommendations.

MHEC convened workgroups to develop the 2013-2017 State Plan, entitled *Maryland Ready*, in October 2012, and a working draft was compiled in December 2012. Although the final plan was due to the Governor and General Assembly on July 1, 2013, MHEC did not submit another draft until November 2013. The draft that is currently available online (February 2014) lacks page numbers, but MHEC reports that this is the finalized text. **The Secretary should comment on the delay in finalizing and printing the new State Plan.**

The current 2013 State Plan draft reflects the Governor's priorities for postsecondary education and developments affecting Maryland's higher education system, such as the declining number of high school graduates; concerns over the college readiness of young adults; affordability and access concerns given recent changes to federal financial aid; accountability and performance-based funding; and the expansion of nontraditional education, such as massive open online courses (MOOC). MHEC frames *Maryland Ready* as a rethinking of education access and delivery in the State. Unlike the overarching recommendation in the 2009 State Plan, the *Maryland Model*, the 2013 State Plan instead has a vision of data driving State decisions to incorporate the trends mentioned above. The introduction notes this is necessary because "institutions are expected to do more with less while being held accountable for their efficient use of State funds." This is a shift in expectations of State support from the 2009 State Plan, which expected State support to increase in future years. Overall, the largest single policy goal remains 55% degree attainment by 2025.

Diverse stakeholders were involved in developing the plan's six goals, including the Governor, MHEC commissioners, MHEC advisory councils, higher education institutions, and other interest groups. The six goals of 2013 State Plan are outlined below. The first five have been retained, in whole or in part, from the 2009 State Plan, while the sixth is new:

1. quality and effectiveness;

2. access, affordability, and completion;

3. diversity;

4. innovation;

5. economic growth and vitality; and

6. data use and distribution.

Goal 6 unifies many of the previous goals, such as effectiveness, accountability, and innovation into one element that is exemplified by the newly operational Maryland Longitudinal Data System (MLDS) Center. This will build upon existing relationships between MHEC, the Maryland State Department of Education, and the Department of Labor, Licensing, and Regulation (DLLR), as well as the Governor's P-20 Council and the Governor's Workforce Investment Board. Policies are still being formulated to determine access to the vast amount of data collected by MLDS to ensure privacy.

As data management is critical, the Secretary should comment on the progress toward fully implementing the revised Maryland Annual Collection system, or MAC II.

The new State Plan incorporates themes and ideas that did not even exist when the last plan was formulated. For example, MOOCs are now included in the discussion of how to improve learning outcomes and completion rates. Currently the University of Maryland, College Park and MSU have offered MOOCs. The plan also brings up issues concerning appropriate limits on competency-based learning, which is discussed further in issue two. MHEC has formalized its support of performance-based funding within the State Plan, although it provides a deadline for action by fiscal 2018, the same deadline as most other new State goals. MHEC has also expanded its scope of review to include concerns over the rise of adjunct faculty on campuses and the need for a multilateral Council of Research and Development to promote commercialization of research and entrepreneurship. It also weaves the College and Career Readiness and College Completion Act (CCRCCA) of 2013 into all the major goals of the document.

The Secretary should also comment on how MHEC will use *Maryland Ready* and what makes *Maryland Ready* different from the prior State Plan. The Secretary should also comment on the role of Regional Higher Education Centers in the new plan.

A large part of the prior State Plan was tracking how State institutions are funded compared to peer institutions elsewhere in the nation. **Exhibit 12** shows the operating funding guideline attainment for fiscal 2014. MHEC's update this year was slightly delayed due to the federal government shutdown delaying the release of certain necessary data. This report tracks the progress of public four-year institutions against each institution's respective peer group, a collection of 10 schools statistically similar to the Maryland institution in enrollment, degree mix, and other factors. The State goal is for all institutions except HBCUs to be funded at the 75th percentile of each institution's respective peer group and HBCUs to be funded at the 85th percentile. SMCM is excluded because it is formula funded. Thus the goal for each institution is to receive 100% of funding as computed in the fiscal 2014 attainment column in Exhibit 12. Overall, the four HBCUs are only 4 percentage points away from full funding, whereas all institutions average about 25 percentage points below full funding, while the University of Maryland University College (UMUC) falls 60 percentage points below full funding.

Exhibit 12
Operating Funding Guideline Attainment
Fiscal 2013-2014
($ in Millions)

Institution	Funding Guideline 2014	State Funds Appropriation 2014	Attainment 2014	Attainment 2013	Change
Bowie State University	$46.3	$39.2	84.8%	76.8%	8.0%
Coppin State University	32.5	41.6	128.0%	115.1%	12.9%
Frostburg State University	40.5	36.4	89.8%	74.1%	15.8%
Salisbury University	57.0	42.8	75.1%	68.9%	6.3%
Towson University	114.0	99.1	86.9%	74.9%	12.0%
University of Baltimore	60.1	32.9	54.7%	44.3%	10.4%
UM, Baltimore	332.4	199.2	59.9%	69.7%	-9.8%
UM Baltimore County	166.3	103.5	62.2%	64.3%	-2.1%
UM Center for Environmental Science	25.9	21.0	80.8%	77.0%	3.8%
UM, College Park	570.9	445.2	78.0%	75.0%	2.9%
UM Eastern Shore	35.9	35.7	99.6%	74.2%	25.5%
UM University College	90.0	36.1	40.1%	53.6%	-13.5%
USM Office		21.5			
USM Total	**$1,571.8**	**1,154.3**	**73.4%**	**72.6%**	**0.8%**
Morgan State University	$91.4	$81.1	88.8%	77.2%	11.6%
HBCU Total	**$206.0**	**$197.7**	**96.0%**	**82.2%**	**13.8%**
Total	**$1,663.2**	**$1,235.4**	**74.3%**	**72.9%**	**1.4%**

HBCU: Historically Black College and Universities
UM: University of Maryland
USM: University System of Maryland

Source: Maryland Higher Education Commission; Integrated Postsecondary Education Data System

2. Commission Rethinking Competency-based Credit Cap

Instead of focusing on what is taught, competency-based education focuses on what students have learned. It is not synonymous with prior learning, as prior learning is just one of many models on how to measure competency. An example of prior learning available at all public institutions in Maryland is receiving credit from passing a College Level Examination Program (CLEP) test, which is similar to an Advanced Placement (AP) exam, but meant for college students. The underlying goal for competency-based education is to reduce time to degree by allowing students to demonstrate skills and knowledge and move ahead in coursework. This assumes instructors can carefully identify the major goals of knowledge and application of that knowledge.

The University of Maryland University College (UMUC), for example, wants to break down its Masters of Business Administration (MBA) degree into overarching goals and competencies. This could still involve lectures and traditional ways of learning, but would also incorporate new methods, such as requiring more group projects overseen by a faculty mentor. This represents a divergent pathway for faculty, as they would no longer be teaching a three-credit course, but rather mentoring individuals or small groups of students. Faculty could be reviewed not by seat time with students, but instead by students passing prior learning assessments or portfolio examinations. The Middles States Commission on Higher Education, the accrediting body for Maryland's institutions, has already approved competency-based programs at Excelsior College in New York, so UMUC's remodeled MBA would likely pass accreditation review. Additionally, competency-based degrees have begun to appear at flagship state institutions, such as the University of Arizona and the University of Wisconsin – Madison. In the long run, UMUC would like to have all courses available through competency-based education.

However, MHEC regulations currently limit nontraditional credits to 60 total credits toward a 120-credit bachelor's degree and to 30 credits toward a 60-credit associate's degree. Nontraditional sources of credit accumulation include institutional examinations, portfolio reviews, and internships. Furthermore, of that 60-credit cap, only 30 credits may come from institutionally developed competency-based assessments. UMUC believes the 60-credit cap is arbitrary and limits its ability to compete for students who enroll at other institutions, such as the public Empire State College in New York or the online Western Governors University, where there are no caps.

In January 2014, MHEC considered revisions to the competency-based education cap currently in regulations. UMUC, as the State's largest institution serving adult students and other nontraditional students, would be the primary beneficiary of any increase or elimination of the cap. MHEC deferred final action until the February 2014 commission meeting.

Other Issues

The Lumina Foundation recently organized 20 institutions into the Competency-Based Education Network (C-BEN), of which UMUC will soon be a partner. Due to the work of C-BEN, in 2013, the federal government announced that Title IV financial aid programs (*e.g.*, Pell) were eligible to be used for competency-based degrees. However, the federal government has yet to approve financial aid for programs that mix competency-based education with traditional education methods.

Until that is approved, the lack of financial aid in mixed credit programs may limit the interest of students.

UMUC also currently allows MOOC completers to take course challenges, where students take a final exam in lieu of the entire course. If he or she successfully passes that exam, the exam grade is earned for the course and credit is awarded in the same way an enrolled student receives credit. UMUC is also open to awarding credit for any MOOC where the student takes a validated exam (such as those from Pearson Vue), which is similar to earning credit from taking a CLEP or AP test. Despite announcing this option in early 2013, no student has yet come forward to earn credits at UMUC through this process.

The Secretary should comment on how academic integrity can be maintained in competency-based programs and whether it makes sense for an entire degree to be awarded without class time. The Secretary should comment on whether any institutions other than UMUC have expressed interest in competency-based credits. The Secretary should also comment on whether State financial aid programs can be used for competency-based education and whether a dually enrolled high school student will be permitted to take competency-based credits.

Recommended Actions

1. Add the following language to the general fund appropriation:

   <u>, provided that since the Maryland Higher Education Commission has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $100,000 of this agency's administrative appropriation may not be expended unless:</u>

   <u>(1)</u> <u>the Maryland Higher Education Commission has taken corrective action with respect to all repeat audit findings on or before November 1, 2014; and</u>

   <u>(2)</u> <u>a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2015.</u>

   Explanation: The Joint Audit Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	Author	Due Date
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

2. Add the following language to the general fund appropriation:

   <u>, provided it is the intent of the General Assembly that funding to non-public institutions of higher education be allocated using the most recent audited enrollment numbers.</u>

   Explanation: After the reduction has been made to the Sellinger formula grant, the new amount of funding should be allocated in the manner of the Sellinger formula, that is, per each institution's fiscal 2013 audited enrollment as reported by the Maryland Higher Education Commission.

3. Strike the following language from the general fund appropriation:

   ~~, provided that this appropriation shall be reduced by $3,902,334 contingent upon the enactment of legislation level funding aid to non-public institutions of higher education.~~

Explanation: This language is not necessary for the General Assembly to reduce the appropriation.

	Amount Reduction	
4. Reduce the Sellinger formula grant.	$ 3,902,334	GF

5. Modify the following language on the general fund appropriation:

Complete College Maryland………………………………………	250,000
Improving Teacher Quality………………………………………..	1,500,000
OCR Enhancement Fund………………………………………….	4,900,000
Regional Higher Education Centers……………………………….	2,550,000
College Access Challenge Grant Program…………………………	1,600,000
Washington Center for Internships and Academic Seminars………	~~175,000~~ 125,000
UMB – WellMobile…………………………………….…………	285,250
St. Mary's College of Maryland Stabilization Grant………………	~~1,500,000~~ 0

Explanation: This is a technical amendment to reduce educational grants.

	Amount Reduction	
6. Reduce Educational Grants funding by deleting the St. Mary's College of Maryland Stabilization Grant because the institution is already receiving additional State support outside of its funding formula and reduce funding to the Washington Center for Internships and Academic Seminars because the State is currently enacting cost containment.	1,550,000	GF

7. Add the following language to the special fund appropriation:

, provided that $4,900,000 in general funds designated to enhance the State's four historically black colleges and universities may not be expended until the Maryland Higher Education Commission submits a report to the budget committees outlining how the funds will be spent. The budget committees shall have 45 days to review and comment on the report. Funds restricted pending receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: This annual language restricts the expenditure of funds until the commission reports to the budget committees on the plans for spending funds designated to enhance the State's four historically black colleges and universities (HBCU).

Information Request	Author	Due Date
HBCU enhancement expenditure report	Maryland Higher Education Commission	July 1, 2014

8. Adopt the following narrative:

Report on Best Practices and Annual Progress Toward the 55% Completion Goal: The committees understand that in order to meet the State's goal to have at least 55% of Maryland's residents age 25 to 64 holding at least one degree credential by 2025, accurate and timely information on degree progression and best practices is needed to ensure that the State is on track to meet the goal. The committees request that the Maryland Higher Education Commission (MHEC) annually collect and analyze student- and transcript-level data on progression, graduation, and other relevant metrics from each public institution of higher education, including community colleges and regional higher education centers. MHEC should submit a report by December 15 each year that analyzes the data and shows each institution's progress toward the State and institutional goals in 2025. The report should also include a summary of best practices and findings on the effectiveness of institutions' programs, as well as any concerns regarding lack of progress or best practices that are not being implemented by institutions.

In addition, the committees request that MHEC, on behalf of the Governor and General Assembly and in collaboration with the Governor's P-20 Council, convene a biennial Summit on Completion that provides a forum for representatives of all segments of education (including K-12), economic and workforce development, and other stakeholders to share best practices on college completion that are underway in Maryland and hear from experts on best practices in other states that may be replicated in Maryland. A summary of the summit should be included in the annual report on best practices and progress toward the 55% goal.

Information Request	Author	Due Date
Report on best practices and progress toward 55% completion goal	MHEC	December 15, 2014, and each year thereafter

9. Adopt the following narrative:

Report on Outcomes of Students Participating in Access and Success Programs by Cohort: The committees understand that as part of the State's agreement with the federal Office for Civil Rights, the State has provided annual funding to Maryland's public historically black colleges and universities (HBCUs) to improve retention and graduation rates. From fiscal 2001 to 2006, the funds were budgeted through the Maryland Higher Education Commission (MHEC) and released after each HBCU submitted proposals to MHEC outlining how the funds would be spent in the coming year. Beginning in fiscal 2007, Access and Success funds were appropriated directly to the HBCUs. The committees request that MHEC collect progression, retention, and graduation data from each public HBCU on all students participating in the Access and Success program in fiscal 2014. Data should be analyzed and presented by institution and program. Data should include the throughput completion rate in credit-bearing coursework for required remedial classes. The report should include a summary of fiscal 2014 programs supported by Access and Success funds and a statement from each institution on how findings from the 2013 report have been used to inform and improve programs and student services supported by Access and Success funds. The report shall be submitted by October 15, 2014, and every year thereafter.

Information Request	**Author**	**Due Date**
Report on the fiscal 2014 outcomes by cohort of students participating in Access and Success programs	MHEC	October 15, 2014, and annually thereafter

Total General Fund Reductions **$ 5,452,334**

Updates

1. Historically Black Colleges and Universities' Lawsuit Ruling Pending

In 2006, the Coalition for Equity and Excellence in Maryland Higher Education, Inc. brought suit against the State for alleged violations of the Civil Rights Act of 1964 and the Equal Protection Clause of the U.S. Constitution – both of which protect against discrimination on the basis of race, color, or national origin. In the coalition's lawsuit, three policies of the Maryland system of higher education allegedly traceable to the prior *de jure* system were at issue: (1) limited institutional missions; (2) operational funding deficiencies; and (3) unnecessary program duplication. In October 2013, the court did not find that mission-related policies or practices or current operational funding were traceable to the *de jure* era; however, the court did find that the State has failed to eliminate unnecessary program duplication for Maryland's HBCUs and that this policy is traceable to the *de jure* era.

The court concluded that the coalition proved that unnecessary program duplication continues and is a policy traceable to prior *de jure* segregation in Maryland higher education. The court, applying the law established by the Supreme Court in *United States v. Fordice,* 505 U.S. 717 (1992), defined unnecessary duplication as the offering by two or more institutions of the same nonessential or noncore programs; nonbasic liberal arts and sciences course work at the bachelor's level; and all duplication at the master's level and above. The court cited MHEC's decision to approve a joint University of Baltimore/Towson University MBA program, despite the objections of MSU in 2005 as an example of how the State has failed to prevent additional unnecessary duplication.

Despite the findings of fact and conclusions of law included in the memorandum, the court has deferred entry of judgment pending mediation or further proceedings, if necessary, to establish a remedy. The case was referred back for mediation with a court-appointed judge as mediator. As a promising starting point, the court, quoting the Coalition's Expert, suggests that each HBCU "should develop programmatic niches of areas or areas of excellence in at least two high-demand clusters within the next three to four years." The niche areas identified by the court include Green Sustainability Studies, Computer Sciences, Aging Studies, and Health Care Facilities Management. Additionally, the Coalition's Expert court said it is likely that transfers or merging of programs will be necessary. If mediation is unsuccessful, then one or more of the parties may request an immediate appeal under the Federal Rules of Civil Procedure.

The fiscal 2014 budget bill requires MHEC to take an additional next step regarding the State's HBCUs. In consultation with DBM, MHEC must undertake a study of the State's HBCUs, which will serve as a basis for developing a plan to ensure the long-term stability and success of HBCUs. The study must include an analysis of and recommendations that address eight areas, including institutional resource needs, adequacy of State funding, affordability, college readiness of students, and duplication of academic programs. A preliminary report was due by December 31, 2013, and a final report is due by December 31, 2014. However, as of February 2014, MHEC reports that the study has been canceled by request of the Legislative Black Caucus.

2. Access and Success Outcomes

Access and Success funds (A&S) have been provided since fiscal 2001 to improve student retention and graduation rates at HBCUs. Annual committee narrative since fiscal 2010 requires MHEC to collect and analyze progression, retention, and graduation data by cohort to evaluate the impact of A&S programs across HBCUs. Despite the A&S funding, concerns continue over declining retention and graduation rates at HBCUs, and, in particular, the progression of students into credit-bearing coursework.

Several HBCUs have recently restructured their A&S summer bridge programs, as well as general academic support services for students, so the ability to directly compare year-to-year data is limited both across institutions and within institutions over time. Enrollments at Bowie State University (BSU) and the University of Maryland Eastern Shore (UMES) have shown recent decreases in A&S funded activities, which may be a concern from a performance monitoring standpoint because these activities have been identified as best practices by the HBCUs themselves.

The 2013 *Report on Outcomes of Students Participating in Access and Success Programs by Cohort* used 10 indicators to compare A&S students to the general first-year student population. Participation rates have been an ongoing concern. BSU had only 26 students in its summer bridge program and MSU only 35 students in its program, compared to 198 at Coppin State University (CSU). Given the very low numbers at BSU and MSU, it is difficult to draw meaningful conclusions. The reverse is an issue at UMES where nearly every student was considered to have come in contact with A&S-supported services – 678 students out of 882 first-year students. This means there is not much of a control group to measure the value of A&S services. MHEC notes that due to limited information about incoming student characteristics, it is "difficult to determine if Access and Success programs actually facilitate student success or serve students who would have succeeded otherwise."

Overall, there is considerable variation in performance, but many A&S students, particularly in the summer bridge programs, outperform other first-year students, although the strong performance varies from school to school. At BSU, participants earn more credits but have slightly lower grade point averages (GPA). At CSU, participants had higher GPAs but fewer credits. In the end, there are many positive indicators at each school, but it is unclear why some campuses excel at one metric but not another. Most A&S students had higher retention rates, but most still failed to enroll in credit-bearing coursework following remedial education. This throughput completion rate was low across all campuses. As noted in previous A&S reports from MHEC, it is unclear why many students are unable to complete classes when additional academic support is available. MHEC writes "the pipeline leading from remedial coursework to credit-bearing work has several leaks." For example, UMES and MSU do not offer remedial English and reading. This may disadvantage students who would otherwise benefit from that academic support had they enrolled at another institution.

3. Guaranty Student Tuition Funds

MHEC operates two Guaranty Student Tuition Funds (GSTF) to reimburse student tuition or arrange organized teach-outs should a private career school (PCS) or a for-profit degree-granting school precipitously cease operations in the State. One GSTF is for PCS and capped at $2 million, while Chapter 277 of 2011 added a second GSTF relating to for-profit schools. Each PCS and for-profit school pays into its unique GSTF based upon adjusted gross annual tuition income. GSTF special funds generated are to be used primarily to reimburse students or arrange organized teach-outs but may also be used for any other function related to school closures that is deemed appropriate by the Secretary. Since 2008, nine PCS have closed precipitously, including three campuses belonging to one institution in fiscal 2013. In calendar 2013, two other PCS institutions closed, but neither was precipitous.

In January 2013, American Career Institute (ACI), a PCS with schools in Baltimore, Columbia, and Silver Spring (formerly Wheaton), abruptly ceased operations. Two of the schools were in operation for less than 10 years, so in addition to paying annually into the GSTF, they were required to issue credit to MHEC through letters of credit totaling $4.65 million. The third campus had shown profitability and longevity and only paid into the annual PCS GSTF.

Within a week of closure, MHEC had contacted approximately 700 students by email and postal mail, directing students to a new MHEC website. Three options were available to ACI students:

- **Refund/Federal Loan Discharge:** Money paid by the student or privately on behalf of the student is refunded by the State, and students may apply to the U.S. Department of Education to have their federal student loans forgiven; all ACI academic credit is forfeited. Data is not available on the number of affected students who carried federal student loans.

- **Teach-out:** Money is not refunded; training continues at an alternative institution identified by MHEC with students financially liable only for the balance remaining on their ACI tuition and fees accounts.

- **Transfer:** Money is not refunded; an ACI transcript collected from the closed school is issued by MHEC for transfer to any other institution. The receiving institution determines what ACI academic credit will be granted and invoices the student accordingly.

In total, 846 students are affected; most students, 509, were at the Baltimore location. This was the largest school closure MHEC has dealt with in at least a decade. To date, 214 students have opted for teaching-out, 429 have requested transcripts for transfer, and 143 students have queried MHEC for refunds. To date, 141 refunds have been processed to students and a further 34 refunds have been issued to private lenders. Under current law, a student may file a claim to the GSTF up to three years after the closure of a PCS. MHEC brought in a contractual position to deal with the increased workload.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Maryland Higher Education Commission
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2013					
Legislative Appropriation	$47,132	$18,979	$2,972	$115	$69,199
Deficiency Appropriation	380	2,900	0	0	3,280
Budget Amendments	0	22	2	69	93
Reversions and Cancellations	-59	-3,850	-189	-121	-4,218
Actual Expenditures	**$47,454**	**$18,051**	**$2,786**	**$63**	**$68,353**
Fiscal 2014					
Legislative Appropriation	$55,799	$16,902	$3,615	$118	$76,434
Budget Amendments	73	504	4	69	650
Working Appropriation	**$55,872**	**$17,406**	**$3,619**	**$187**	**$77,084**

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation does not include deficiencies or contingent reductions.

Fiscal 2013

A deficiency appropriation increased general funds about $0.4 million to correct budgeting errors in the personnel allowance. Four deficiency appropriations totaling $2.9 million increased special funds for a new online program registration system ($0.1 million), a new grant to promote two-year degree completion ($0.3 million), additional revenue available for NSP II program awards ($2.0 million), and additional revenue available for Health Personnel Shortage Incentive Grant program awards ($0.5 million).

Special funds increased $22,000 and federal funds increased $2,000 due to the COLA increase.

Reimbursable funds increased by $69,000 to fund an memorandum of understanding for a new Adult Learning position to coordinate between MHEC and DLLR under the Workforce Investment Act (WIA).

General funds decreased $59,000 due to a fee for development of a new Statewide Personnel System. In fiscal 2013, the State spent approximately 48% of this major IT project's appropriated budget, with the remainder reverted to the general fund.

About $3.9 million in special funds was canceled. Of that amount, $3.2 million is fund balance from NSP II and other health grants that MHEC will carry forward to fiscal 2014 because application reviews were not completed. The remainder represents a USA Funds grant that was received too late to award in fiscal 2013, as well as a decrease in online program registration fees.

About $189,000 in federal funds was canceled due to staff departures from MHEC's federal programs, as well as funds returned to MHEC due to lower than anticipated grant project costs. Some funds are eligible to be reissued within grant periods that extend into the next fiscal year.

About $120,000 in reimbursable funds was canceled due to lower Race to the Top funds needed and lower WIA charges.

Fiscal 2014

General funds increased about $68,000, special funds about $4,000, and federal funds about $4,000 to allocate the COLA and salary increments. A further increase of $0.5 million in special funds is due to a new grant from USA Funds to promote a reverse two-year degree completion program. Reimbursable funds increased about $69,000 due to additional WIA programs funding from DLLR.

Appendix 2

Audit Findings

Audit Period for Last Audit:	August 3, 2009 – August 5, 2012
Issue Date:	October 2013
Number of Findings:	9
Number of Repeat Findings:	4
% of Repeat Findings:	44.4%
Rating: (if applicable)	

Finding 1: MHEC did not take action to use accumulated unspent scholarship funds to increase the number of need-based awards to eligible applicants.

Finding 2: **MHEC did not independently review financial aid awards and changes to critical information in its automated financial aid system.**

Finding 3: **MHEC did not adequately monitor student service obligation fulfillment as a condition for certain financial aid awards.**

Finding 4: **Delinquent accounts were not properly pursued for collection and referred to the Central Collection Unit.**

Finding 5: **MHEC did not ensure that retirement and pension contributions for certain community college employees were proper.**

Finding 6: Controls over MHEC's intrusion detection prevention system need improvement.

Finding 7: Access controls over the server hosting the Maryland College Aid Processing System website were not adequate.

Finding 8: Sensitive personally identifiable information was not secured.

Finding 9: Adequate controls were not established over mail collections.

*Bold denotes item repeated in full or part from preceding audit report.

Object/Fund Difference Report
Maryland Higher Education Commission

Object/Fund	FY 13 Actual	FY 14 Working Appropriation	FY 15 Allowance	FY 14 - FY 15 Amount Change	Percent Change
Positions					
01 Regular	50.60	55.60	55.60	0.00	0%
02 Contractual	6.96	9.00	11.50	2.50	27.8%
Total Positions	**57.56**	**64.60**	**67.10**	**2.50**	**3.9%**
Objects					
01 Salaries and Wages	$ 4,346,117	$ 4,941,446	$ 5,187,508	$ 246,062	5.0%
02 Technical and Spec. Fees	409,161	505,329	642,148	136,819	27.1%
03 Communication	47,179	94,895	36,602	-58,293	-61.4%
04 Travel	57,159	65,405	49,650	-15,755	-24.1%
06 Fuel and Utilities	0	21,269	0	-21,269	-100.0%
07 Motor Vehicles	64,329	67,433	69,920	2,487	3.7%
08 Contractual Services	643,382	956,267	545,405	-410,862	-43.0%
09 Supplies and Materials	29,931	28,578	13,202	-15,376	-53.8%
10 Equipment – Replacement	67,405	0	7,500	7,500	N/A
11 Equipment – Additional	8,267	2,500	2,480	-20	-0.8%
12 Grants, Subsidies, and Contributions	62,295,341	69,969,572	75,701,766	5,732,194	8.2%
13 Fixed Charges	356,276	431,161	409,998	-21,163	-4.9%
14 Land and Structures	28,829	0	0	0	0.0%
Total Objects	**$ 68,353,376**	**$ 77,083,855**	**$ 82,666,179**	**$ 5,582,324**	**7.2%**
Funds					
01 General Fund	$ 47,453,635	$ 55,871,845	$ 60,690,286	$ 4,818,441	8.6%
03 Special Fund	18,051,056	17,406,074	18,215,016	808,942	4.6%
05 Federal Fund	2,785,778	3,619,249	3,573,938	-45,311	-1.3%
09 Reimbursable Fund	62,907	186,687	186,939	252	0.1%
Total Funds	**$ 68,353,376**	**$ 77,083,855**	**$ 82,666,179**	**$ 5,582,324**	**7.2%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
Maryland Higher Education Commission

Program/Unit	FY 13 Actual	FY 14 Wrk Approp	FY 15 Allowance	Change	FY 14 - FY 15 % Change
01 General Administration	$ 5,843,719	$ 6,814,337	$ 6,822,658	$ 8,321	0.1%
02 College Prep/Intervention Program	709,900	750,000	750,000	0	0%
03 Joseph A. Sellinger Program	38,056,173	41,291,975	44,845,644	3,553,669	8.6%
07 Educational Grants	9,895,141	11,521,725	12,760,250	1,238,525	10.7%
34 Major Information Technology Development Projects	241,000	201,010	0	-201,010	-100.0%
38 Nurse Support Program II	13,611,804	15,504,808	15,487,627	-17,181	-0.1%
39 Health Personnel Shortage Incentive Grant Program	-4,361	1,000,000	2,000,000	1,000,000	100.0%
Total Expenditures	**$ 68,353,376**	**$ 77,083,855**	**$ 82,666,179**	**$ 5,582,324**	**7.2%**
General Fund	$ 47,453,635	$ 55,871,845	$ 60,690,286	$ 4,818,441	8.6%
Special Fund	18,051,056	17,406,074	18,215,016	808,942	4.6%
Federal Fund	2,785,778	3,619,249	3,573,938	-45,311	-1.3%
Total Appropriations	**$ 68,290,469**	**$ 76,897,168**	**$ 82,479,240**	**$ 5,582,072**	**7.3%**
Reimbursable Fund	$ 62,907	$ 186,687	$ 186,939	$ 252	0.1%
Total Funds	**$ 68,353,376**	**$ 77,083,855**	**$ 82,666,179**	**$ 5,582,324**	**7.2%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.