

**R62I0001**  
**Maryland Higher Education Commission**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 14</u></b> <b><u>Actual</u></b>	<b><u>FY 15</u></b> <b><u>Working</u></b>	<b><u>FY 16</u></b> <b><u>Allowance</u></b>	<b><u>FY 15-16</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$55,550	\$56,915	\$61,613	\$4,698	8.3%
Deficiencies and Reductions	0	-600	-6,602	-6,002	
<b>Adjusted General Fund</b>	<b>\$55,550</b>	<b>\$56,315</b>	<b>\$55,011</b>	<b>-\$1,304</b>	<b>-2.3%</b>
Special Fund	13,315	18,677	8,215	-10,462	-56.0%
Deficiencies and Reductions	0	0	-6	-6	
<b>Adjusted Special Fund</b>	<b>\$13,315</b>	<b>\$18,677</b>	<b>\$8,209</b>	<b>-\$10,468</b>	<b>-56.0%</b>
Federal Fund	2,112	3,572	2,765	-807	-22.6%
Deficiencies and Reductions	0	0	-4	-4	
<b>Adjusted Federal Fund</b>	<b>\$2,112</b>	<b>\$3,572</b>	<b>\$2,761</b>	<b>-\$811</b>	<b>-22.7%</b>
Reimbursable Fund	220	321	346	25	7.7%
<b>Adjusted Reimbursable Fund</b>	<b>\$220</b>	<b>\$321</b>	<b>\$346</b>	<b>\$25</b>	<b>7.7%</b>
<b>Adjusted Grand Total</b>	<b>\$71,196</b>	<b>\$78,885</b>	<b>\$66,327</b>	<b>-\$12,559</b>	<b>-15.9%</b>

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- After adjusting for contingent and back of the bill reductions, general funds decrease approximately \$1.3 million, or 2.3%, in the fiscal 2016 allowance. Special funds decrease by \$10.5 million, or 56.0%.
- Overall, funds decrease approximately \$12.6 million, or 15.9%.

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

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- The Board of Public Works cost containment in January 2015 included \$600,000 for the Regional Higher Education Centers, and \$2.0 million attributed to the 2% across-the-board reduction, which is not shown above. At this time, it is not known how this cost containment will be achieved.

***Personnel Data***

	<b><u>FY 14</u></b> <b><u>Actual</u></b>	<b><u>FY 15</u></b> <b><u>Working</u></b>	<b><u>FY 16</u></b> <b><u>Allowance</u></b>	<b><u>FY 15-16</u></b> <b><u>Change</u></b>
Regular Positions	55.60	56.60	58.60	2.00
Contractual FTEs	<u>7.34</u>	<u>13.00</u>	<u>6.83</u>	<u>-6.17</u>
<b>Total Personnel</b>	<b>62.94</b>	<b>69.60</b>	<b>65.43</b>	<b>-4.17</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions

3.12 5.51%

Positions and Percentage Vacant as of 1/1/15

10.00 17.67%

- The fiscal 2016 allowance includes 2.0 additional full-time regular positions, one is for Workforce Investment Act initiatives with the Department of Labor, Licensing, and Regulation (DLLR) and the other is 1.0 position from the Maryland State Department of Education (MSDE) for the Maryland Higher Education Commission (MHEC) to work with the Maryland Longitudinal Data System. This second position will be partly paid by reimbursable funds from MSDE, which is the increase seen in the cover sheet. The allowance also shows the removal of 6.2 contractual positions involved with management of expired grants from the federal government and the Lumina Foundation.
- Positions shown here also staff MHEC's Student Financial Assistance programs and the various programs, such as the Cade formula, 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 18.0 positions, or about 25%. Over the same period, contractual positions increased from 3.0 to 7.0.
- As of January 1, 2015, the commission had 10.0 vacancies. Budgeted turnover for fiscal 2016 is 5.5%, or 3.1 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 21.8% in fiscal 2012. The average over this time period is 10.8%.

## ***Analysis in Brief***

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### **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.

***Achievement Gap in Graduation Rates Improves:*** 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 increased in the most recent cohort.

### **Issues**

***The Past and Future of MHEC:*** Recent cost containment is straining MHEC's ability to meet its statutory obligations. This issue will examine the idea of merging MHEC with MSDE to realize cost savings for the State and to meet the original 1963 *State Plan for Postsecondary Education*.

***Campus Sexual Misconduct Policies and MHEC:*** New federal regulations on sexual assault policies take effect in summer 2015. This issue will review MHEC's efforts to ensure that all campuses in the State, public and private, will meet these new guidelines.

***New Funding Guidelines Model Adopted:*** Since 1999, MHEC has evaluated State funding to public four-year institutions by comparing Maryland schools to peers in other states. MHEC recently adopted a new model that uses only institutions from competitor states, first recommended by the Commission to Develop a Maryland Model for Funding Higher Education in 2008.

***Nursing Support Program II Extended:*** A successful program to increase the capacity of nursing programs in Maryland was supposed to phase out. However, a January 2015 decision continues the program with workgroup recommended changes to ensure relevancy and effectiveness.

***Progress Toward 55% Degree Attainment:*** MHEC reports that the State is on track to reach 55% degree attainment for Maryland adults in 2025.

## **Recommended Actions**

### **Funds**

1. Add language indicating legislative intent on the transfer of institutional grants.
2. Strike contingent language on the Sellinger program.
3. Add language to reallocate Sellinger funding in fiscal 2016.
4. Reduce Sellinger funding. \$ 6,461,675
5. Add language restricting Office for Civil Rights Enhancement Funding.
6. Adopt narrative requesting a report on Best Practices and Annual Progress toward the 55% Completion Goal.
7. Adopt narrative requesting a report on Outcomes of Students Participating in Access and Success Programs by Cohort.
8. Adopt narrative for a study on the future of MHEC.

### **Total Reductions**

**\$ 6,461,675**

## **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 equal opportunity laws received a finding of fact from the court. The court found that Maryland has properly funded its historically black colleges and universities (HBCU) but violated law by duplicating certain degree programs. The court ordered the State and plaintiffs to return to mediation.

***Access and Success Outcomes:*** Annual narrative requests MHEC to report on outcomes of programs using Access and Success programs funding. Considerable variation between campuses and declining student participation makes comparisons difficult, but trends in graduation rates suggest one best practice may not be working at Maryland's HBCUs.

***Renewable Energy Research Grants and Degree Programs:*** In fiscal 2014, MHEC made final awards for research grants to support the implementation of offshore wind programs in Maryland. This update will review the grants made and degree program proposals related to this effort.

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***Operating Budget Analysis***

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**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**

MHEC has outlined several large policy goals in *Maryland Ready*, the 2013 to 2017 *State Plan for Postsecondary Education*. MHEC aims to maintain and strengthen higher education 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.

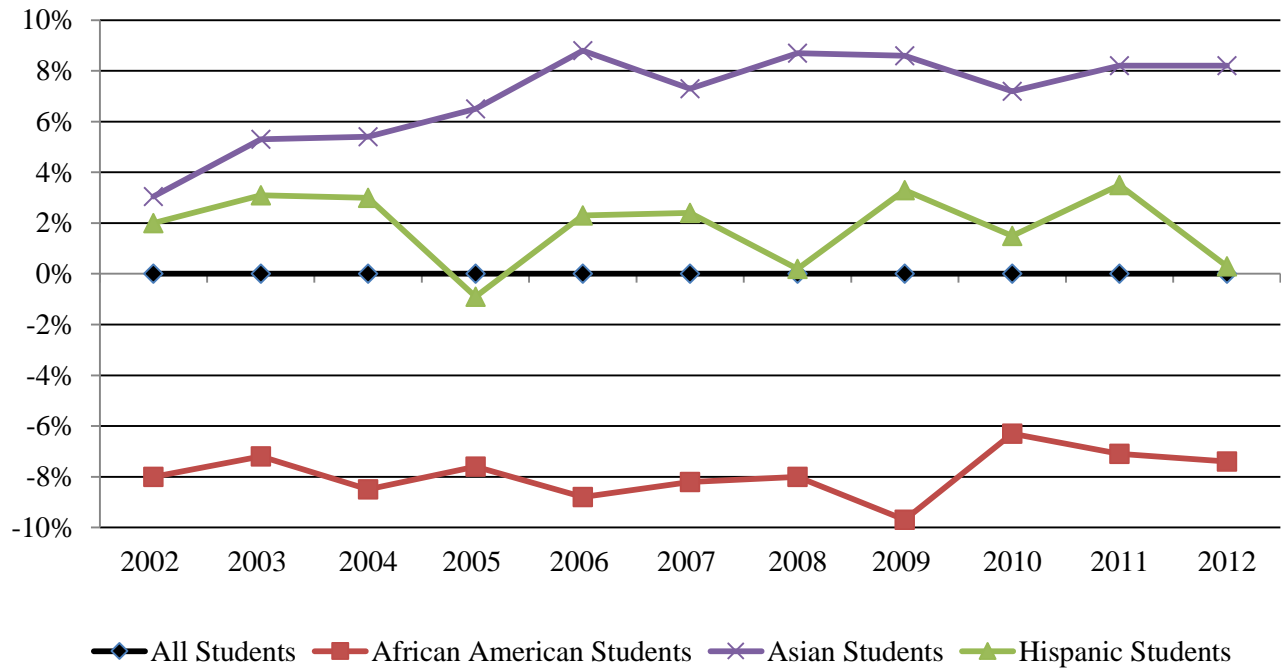
### **1. Achievement Gap in Retention Rates Remains Large**

Retention rates indicate how well Maryland's students are progressing toward degree attainment. **Exhibit 1** shows the percentage point difference between the second-year retention rate for all students and African American, Asian, and Hispanic students entering public four-year institutions between 2002 and 2012. The years represent cohorts of first-time, full-time (FT/FT) students entering in the fall semester, *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 have remained above all students in most years, while Asian students outperform all students in all years. The strong performance of Hispanic students is important because Hispanic students are the fastest growing 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 370,000 students across all Maryland institutions in fall 2012, only about 23,000, or 6%, were Hispanic. In this year, Hispanic student enrollment trailed Asian student enrollment by only 150. So far, Hispanic students who do enroll are very well prepared for college work; even with growing enrollment, the overall retention rate for Hispanic students, not shown in Exhibit 1, from 2002 to 2012 has remained no lower than 79%.

The retention rate for African American students was fairly consistently 8.0 percentage points below all students from 2002 to 2008, before dropping 2.0 percentage points and then jumping 4.0 percentage points in 2010. It then fell in the 2011 and 2012 cohorts, back to almost 8.0 percentage points below all students. The percentage point gap between all students and African American students in 2012, which is 7.4, is greater than the percentage point gap in the 2000 cohort (not shown in Exhibit 1), 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. **The Secretary should comment on what caused the increase and how not to lose that momentum.**

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

**Exhibit 1**  
**Achievement Gap in Second-year Retention Rates**  
**2002-2012 Cohorts**



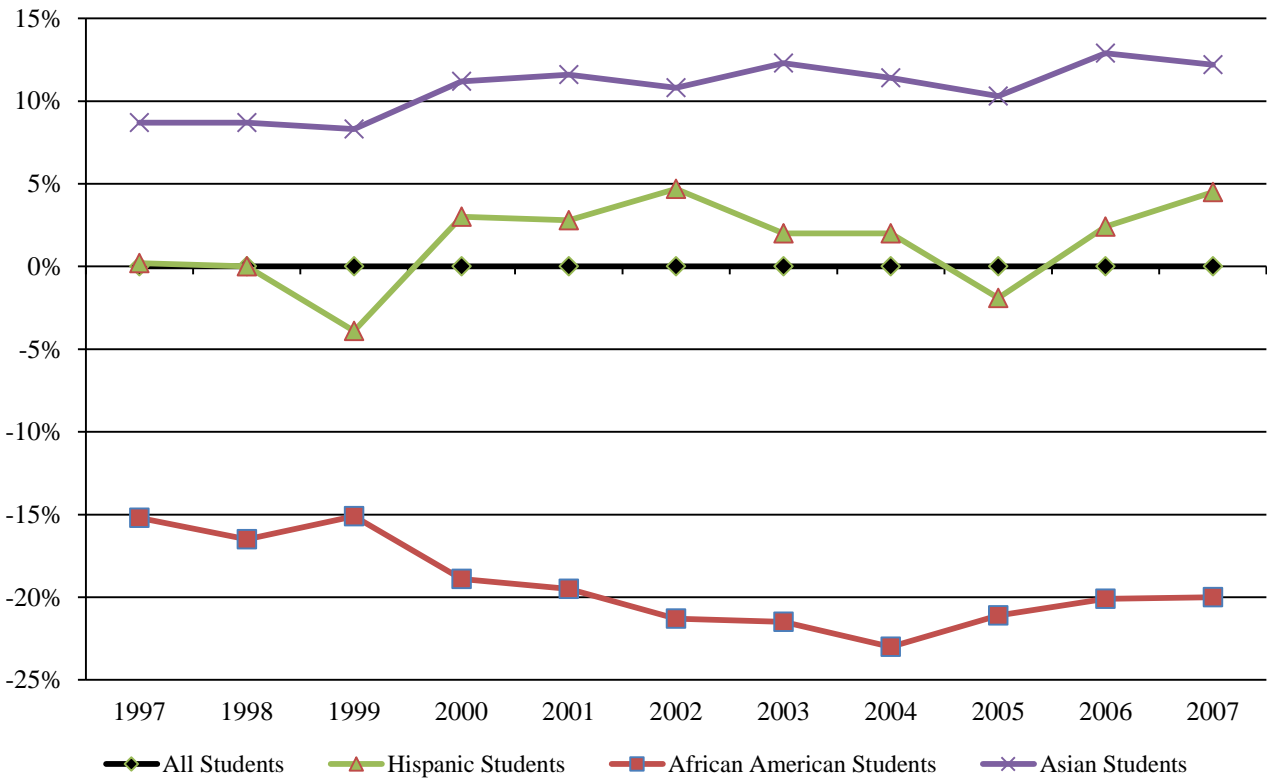
Source: Maryland Higher Education Commission, Enrollment and Degree Information Systems

captured in FT/FT data, represent another rapidly growing demographic on campuses.) Specific strategies include redesigning courses in remedial and introductory classes, increasing 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 Improves

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 2** shows the percentage difference between six-year graduation rates for the same student groups shown in Exhibit 1. As data for six-year graduation rates by cohort necessarily lags two-year retention rates by cohort, Exhibit 2 only shows cohort years 1997 to 2007.

**Exhibit 2**  
**Achievement Gap in Six-year Graduation Rates**  
**1997-2007 Cohorts**



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

From 1997 to 2007, Hispanic students have graduated at similar or higher rates than all students in 9 out of 11 years and were below all students in only 2 years. Asian students consistently graduate about 10 percentage points higher than all students. 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 1, the graduation rate for Hispanic students will likely continue to outperform all students.

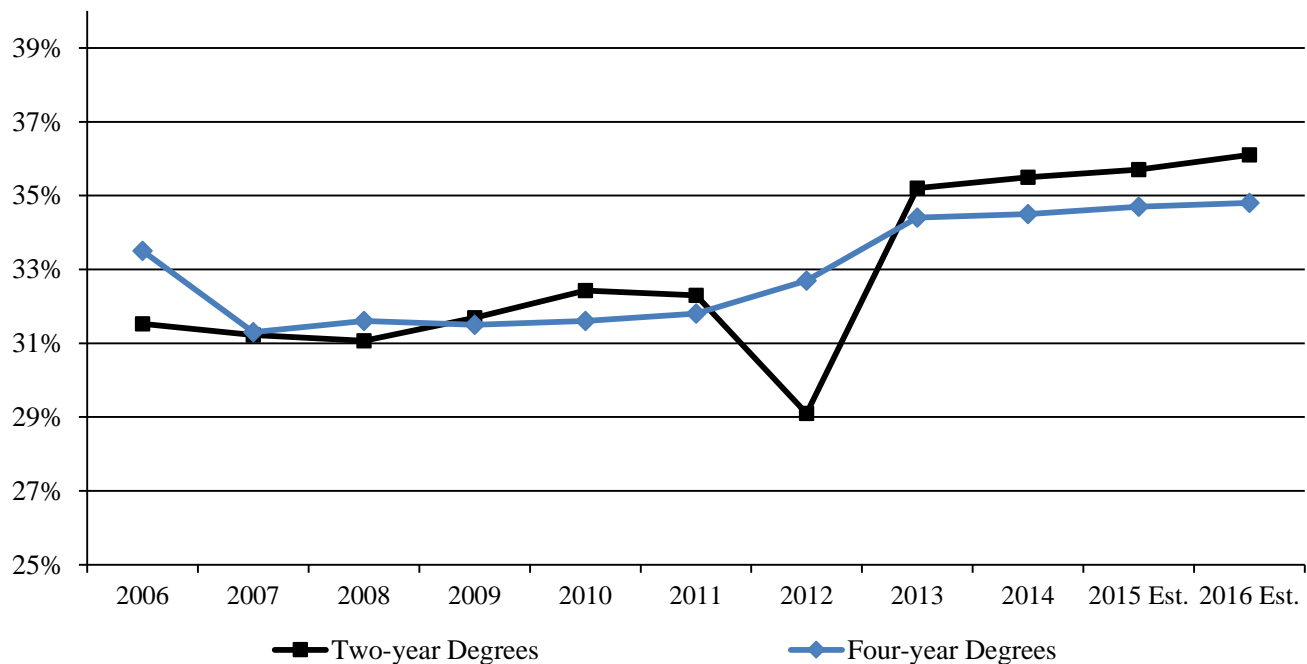
The achievement gap for African American students generally increased from the 1997 cohort to the 2004 cohort, before decreasing in 2005 and 2006, while 2007 was unchanged. However, even with some progress recently, the achievement gap in 2007 was 20.0 percentage points, compared to only 15.2 percentage points in 1997. To ensure educational opportunity for Maryland's diverse citizenry, MHEC had set a cohort year 2007 (fiscal 2013) goal of reducing the six-year graduation rate achievement gap to 18.0 percentage points. The new goal is to reduce the African American



achievement gap to below 16.0 percentage points by cohort year 2012 (fiscal 2018). This, however, is not necessarily progress compared to where the State was with the 1997 cohort's outcomes.

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 3**. The fastest growing segments of Maryland's population are minorities, and the percent of associate's degrees awarded to minorities increased 5.0 percentage points between fiscal 2006 and the 2016 estimate to 36.1%. 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 that the rate will increase again in future fiscal years, surpassing 40.0% in the next decade. 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, then flattening again. Overall, the data in the exhibit shows the rates appear to move together, with the exception of associates degrees in 2012 and bachelor's degrees in 2006. 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 improves and demographic trends continue.

**Exhibit 3**  
**Bachelor's and Associate's Degrees**  
**Awarded to Racial and Ethnic Minorities**  
**Fiscal 2006-2016 Est.**



Source: Governor's Budget Books, Fiscal 2006-2016; Maryland Higher Education Commission, Databook 2015

## **Fiscal 2015 Actions**

On January 7, 2015, the Board of Public Works (BPW) implemented a 2% across-the-board reduction in general funds as fiscal 2015 cost containment. The agency's share of the reduction was \$2,059,900, as shown in **Exhibit 4**. This reduction could be a serious problem for MHEC because the agency is primarily a grant pass-through organization, so there simply is not much to reduce in MHEC given that the administrative budget for salaries and other necessary office functions amount to about \$6.0 million. The January BPW reduction also reduced regional higher education center (RHEC) support by \$0.6 million. These actions followed a prior BPW reduction in July 2014 of \$52,000 for administrative travel and \$3.0 million for Sellinger aid. MHEC has not shared with the Department of Legislative Services (DLS) how it will distribute the cost containment without ceasing operations or cutting into other programs, such as financial aid. There is also a contingent transfer of \$1.7 million from the fund balance of the Health Personnel Shortage Incentive Grant to the general fund.

**The Secretary of Higher Education should comment on how MHEC will absorb \$2 million in cost containment.**

In addition, there is one more ongoing budget concern at MHEC. There are two outstanding general fund liabilities identified by the Office of Legislative Audits totaling \$3.4 million:

- \$2.7 million for the Community College Statewide and Health Manpower Grant, and
- \$0.7 million for Community College Fringe Benefits.

No deficiency has been provided for these items in the fiscal 2016 allowance, and these have remained unpaid to the local community colleges since fiscal 2012. More details on these two liabilities will be provided in the Aid to Community Colleges budget analysis.

**Exhibit 4**  
**Fiscal 2015 Reconciliation**  
(\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Legislative Appropriation with Budget Amendments</b>		<b>\$60,213</b>	<b>\$18,431</b>	<b>\$3,572</b>	<b>\$321</b>	<b>\$82,537</b>
July BPW		-3,298	246	0	0	-3,052
<b>Working Appropriation</b>		<b>\$56,915</b>	<b>\$18,677</b>	<b>\$3,572</b>	<b>\$321</b>	<b>\$79,485</b>
January BPW (RHEC's grant)		-600	0	0	0	-600
January BPW Across the Board	MHEC's budget received a 2% across-the-board reduction, \$2,060,000. It is not known how the amount will be allocated across the agency.		0	0	0	
<b>Total Actions Since January 2015</b>		<b>-\$600</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$600</b>
<b>Adjusted Working Appropriation</b>		<b>\$56,315</b>	<b>\$18,677</b>	<b>\$3,572</b>	<b>\$321</b>	<b>\$78,885</b>

BPW: Board of Public Works  
MHEC: Maryland Higher Education Commission  
RHEC: Regional Higher Education Center

Source: Department of Legislative Services

## Fiscal 2016 Actions

### Proposed Budget

As shown in **Exhibit 5**, after all contingent and back of the bill reductions, the fiscal 2016 allowance decreases MHEC's overall budget \$12.6 million, or 15.9%. General funds are reduced by the contingent reduction to Sellinger aid for independent institutions, while special funds decrease due to the budgeted phasing out of the Nursing Support Program (NSP) II. This program is discussed further in Issue 3 of this analysis. Special funds also decline due to a realignment of the Health Personnel Shortage Incentive Grant (HPSIG) expenditures with available revenue.

**Exhibit 5**  
**Proposed Budget**  
**Maryland Higher Education Commission**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2014 Actual	\$55,550	\$13,315	\$2,112	\$220	\$71,196
Fiscal 2015 Working Appropriation	56,315	18,677	3,572	321	78,885
Fiscal 2016 Allowance	<u>55,011</u>	<u>8,209</u>	<u>2,761</u>	<u>346</u>	<u>66,327</u>
Fiscal 2015-2016 Amt. Change	-\$1,304	-\$10,468	-\$811	\$25	-\$12,559
Fiscal 2015-2016 Percent Change	-2.3%	-56.0%	-22.7%	7.7%	-15.9%

**Where It Goes:**

**Personnel Expenses**

2.0 new positions .....	\$154
Increments and other compensation (prior to cost containment) .....	105
Employee and retiree health insurance .....	94
Social Security contributions .....	12
Retirement contributions and workers' compensation.....	-5
Turnover adjustments.....	-16
Reclassifications and leave payout .....	-20
Section 21: Abolition of employee increments.....	-68
Section 20: 2% pay reduction .....	-82

**Other Changes**

Mandated increase to Sellinger Formula .....	6,462
Regional Higher Education Center Funding.....	200
Conclusion of Credit When It's Due Grant .....	-137
Other Adjustments .....	-175
Reductions in Federal Institutional Grants.....	-870
Health Personnel Shortage Incentive Grant realignment .....	-1,250
Transfer of St. Mary's College of Maryland Stabilization Grant .....	-1,500
Sellinger contingent reduction .....	-6,462
Phase out of Nursing Support Program II.....	-9,000

**Total** **-\$12,559**

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Exhibit 5 shows several other changes within MHEC's operations and programs. The largest general fund increase in the budget is \$6.5 million for Sellinger aid, but after a proposed reduction Sellinger is flat funded in fiscal 2016 at the fiscal 2014 and 2015 amount. There is also a small increase of \$0.2 million for personnel changes mostly related to 2 new positions described previously. The permanent transfer of the SMCM Stabilization Grant first provided in fiscal 2015 to that institution also decreases general funds.

### **Cost Containment**

In fiscal 2016, the Administration has implemented several across-the-board reductions. This includes a general 2% reduction, elimination of employee increments, and a 2% pay reduction. MHEC's share of these reductions is \$2,068,000 for the general 2% reduction, \$68,182 for the removed increments, and \$82,000 for the removal of cost-of-living adjustments (COLA). Similar to the fiscal 2015 cost containment, MHEC has not shared with DLS how these reductions will be distributed and if this will be in a similar manner to the fiscal 2015 reductions.

### **Joseph A. Sellinger Formula**

**Exhibit 6** 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 2014 sets this percentage for fiscal 2016 at 9.6%. Per full-time equivalent student (FTES) support increases to \$1,097, or \$79 more per student than in fiscal 2015. This amount is then multiplied by independent college and university enrollments, which grew by only seven students in the most recent audited data, in fiscal 2014. The Sellinger appropriation grows to \$47.9 million in 2016, an increase of \$3.4 million, or 7.8%. The growth is nearly entirely driven by an increase in State support to public four-year institutions. However, the BRFA of 2015 includes a contingent reduction of \$6,461,675 that sets the Sellinger Formula at \$41,422,240 in fiscal 2016 but does not change the out-year percentages of the formula in any way. The rounded equivalent percentage that could have achieved the same result by modifying the formula is 8.9%. Sellinger aid peaked at \$56.1 million in fiscal 2008 and has declined by \$14.7 million, or just over 25%, in fiscal 2016. Part of this is due to slower than anticipated growth in the funding percentage in statute and partly due to Sellinger being frequently reduced through cost containment beginning during the economic recession.

**Exhibit 6**  
**Sellinger Aid Formula**  
**Fiscal 2015-2016**

	<u>2015</u> <u>Appropriation</u>	<u>2016</u> <u>Allowance</u>	<u>Change \$</u>	<u>Change %</u>
Per FTES General Funds Per Selected Public Institutions*	\$10,826	\$11,425	\$599	5.5%
Statutory Sellinger Percentage	9.4%	9.6%		
General Funds*	1,018	1,097	79	7.8%
Projected Independent Enrollment	43,650	43,657	7	0.0%
<b>Sellinger Appropriation</b>	<b>\$44,422,240</b>	<b>\$47,883,915</b>	<b>\$3,461,675</b>	7.8%
<b>After Cost Containment</b>	<b>\$41,422,240</b>	<b>\$41,422,240</b>	\$0	0.0%

FTES: full-time equivalent student

\* This is based on the allowance without any subsequent changes.

Source: Governor's Budget Book, Fiscal 2016; Department of Legislative Services

**Exhibit 7** shows the per institution allocation of the fiscal 2016 allowance and BRFA allocation. In flat funding Sellinger aid through the BRFA, the Administration froze all fiscal 2015 institutional allotments. However, if newer audited enrollments from fiscal 2014 are used, the per-institution appropriation changes due to enrollment changes at individual institutions, like Washington Adventist University. Although, as will be mentioned next, the BRFA practically severs the link between Sellinger aid and aid to public four-year institutions in Maryland, it would still be possible to allocate aid based on enrollment.

**DLS concurs with the reduction to Sellinger aid in fiscal 2016, but recommends that such aid be distributed by enrollment, rather than the prior year per-institution appropriation as specified in the BRFA of 2015. This would require an amendment to the BRFA.**

Section 13 of the BRFA of 2015 also contains a mandated relief provision that applies generally to all mandated funding programs in the State but is then also repeated specifically for Sellinger aid and the John A. Cade funding formula for local community colleges. This mandated relief provision restricts growth in funding formulas to the lesser of the formula currently in statute or the growth of general fund revenues less one percentage point. As shown in **Exhibit 8**, this would have a significant impact upon Sellinger aid, especially in fiscal 2021. Because Sellinger aid resets every year, that is, the prior year has no direct impact on the next year's funding formula, the growth restriction becomes very pronounced. Overall, from fiscal 2017 through 2020, DLS estimates that Sellinger aid would receive \$48.8 million less than the statutory formula would provide. By fiscal 2021, Sellinger aid would effectively receive 7.8% of the projected public four-year per-student funding instead of the

**Exhibit 7**  
**Sellinger Aid Formula**  
**Fiscal 2016**

<b>Institution</b>	<b><u>Allowance</u></b>	<b><u>BRFA of</u> <b>2015</b></b>	<b><u>Formula</u> <b>Allocation</b></b>	<b><u>Formula vs.</u> <b>BRFA</b></b>
Capitol College	\$536,784	\$497,379	\$464,348	-\$33,031
College of Notre Dame	1,641,643	1,460,006	1,420,113	-39,893
Washington Adventist University	832,048	834,640	719,767	-114,873
Goucher College	1,909,926	1,638,923	1,652,191	13,268
Hood College	1,793,487	1,542,917	1,551,466	8,549
The Johns Hopkins University	21,291,393	18,108,588	18,418,235	309,647
Loyola College	5,627,202	4,792,569	4,867,842	75,273
Maryland Institute College of Art	2,442,695	2,040,049	2,113,066	73,017
McDaniel College	2,542,429	2,184,320	2,199,342	15,022
Mount St. Mary's College	2,104,249	1,754,630	1,820,292	65,662
St. John's College	616,852	548,433	533,611	-14,822
Sojourner-Douglass College	671,989	855,898	581,307	-274,591
Stevenson University	4,148,722	3,653,834	3,588,874	-64,960
Washington College	1,724,497	1,510,054	1,491,786	-18,268
<b>Total</b>	<b>\$47,883,915</b>	<b>\$41,422,240</b>	<b>\$41,422,240</b>	

BRFA: Budget Reconciliation and Financing Act

Source: Department of Budget and Management; Department of Legislative Services

15.5% statutory percentage. The Governor could, however, choose to appropriate more funding in any particular fiscal year but would not be required to do so. This would effectively sever the link between the funding for the public institutions and independent institutions, which has been strongly supported by the General Assembly, the Commission to Develop a Maryland Model for Funding Higher Education, and the institutions themselves. It should be noted that the current statutory percentage is scheduled to increase from 11.1% to 15.5% in fiscal 2021, resulting in an estimated \$30.0 million increase in Sellinger aid that year based on current projections.

**Exhibit 8**  
**Sellinger Formula Mandate vs. BRFA Mandate Relief**  
**Fiscal 2016-2021**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Formula Mandate	\$41,422,240	\$49,296,546	\$54,261,095	\$58,785,545	\$63,610,524	\$93,564,962
BRFA Relief	41,422,240	42,664,907	43,816,860	44,737,014	45,989,650	47,154,721
Difference		-\$6,631,639	-\$10,444,235	-\$14,048,531	-\$17,620,874	-\$46,410,241

BRFA: Budget Reconciliation and Financing Act of 2015, Section 13

Source: Department of Legislative Services

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## **Independent Institutions**

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 over \$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 2014, 89% of funding was used this way, an increase of 3 percentage points over the prior year. Sellinger aid accounts for about 6% of all financial aid given out by MICUA institutions, or about a quarter of nonfederal 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 annually on promoting cultural diversity.

Sojourner-Douglass College (SDC), one of the smallest MICUA members by student headcount enrollment, expects to hear from the Middle States Commission on Higher Education in spring 2015 as to whether it will remain accredited. Should it lose accreditation, the school would likely close due to ineligibility to receive federal financial aid. If this occurs, Sellinger aid to SDC in fiscal 2016, totaling \$0.9 million per the BRFA of 2015 or \$0.7 million per the DLS recommendation, would not be disbursed and would revert to the general fund.



## 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*. **Exhibit 9** shows educational grant appropriations for fiscal 2015 and 2016. MHEC reported that the fiscal 2015 working numbers for federal funds in the budget book are incorrect, so the exhibit below reflects MHEC's corrections. The total amount of federal funding, \$3.1 million, is the same.

### Exhibit 9 Maryland Higher Education Commission Educational Grants Fiscal 2015-2016

	<u>2015 Working</u>	<u>2016 Allowance</u>	<u>\$ Difference</u>	<u>% Difference</u>
<b>Programs</b>				
<b>Federal Funds</b>				
Improving Teacher Quality	\$1,430,000	\$1,000,000	-\$430,000	-30.1%
College Access Challenge Grant Program	1,600,000	1,200,000	-400,000	-25.0%
John R. Justice Grant	70,000	30,000	-40,000	-57.1%
<b>Subtotal</b>	<b>\$3,100,000</b>	<b>\$2,230,000</b>	<b>-\$870,000</b>	<b>-28.1%</b>
<b>General Funds</b>				
Complete College Maryland	\$250,000	\$250,000	\$0	0.0%
OCR Enhancement Funds	4,900,000	4,900,000	0	0.0%
Washington Center for Internships and Academic Seminars	175,000	175,000	0	0.0%
UMB – Wellmobile	285,250	285,250	0	0.0%
Regional Higher Education Centers	1,950,000	2,150,000	200,000	10.3%
St. Mary's College of Maryland Stabilization Grant	1,500,000	0	-1,500,000	-100.0%
<b>Subtotal</b>	<b>\$9,060,250</b>	<b>\$7,760,250</b>	<b>-\$1,300,000</b>	<b>-14.3%</b>
<b>Special Funds</b>				
Credit When It's Due (USA Funds)	\$136,605	\$0	-\$136,605	-100.0%
<b>Total</b>	<b>\$12,296,855</b>	<b>\$9,990,250</b>	<b>-\$2,306,605</b>	<b>-18.8%</b>

UMB: University of Maryland, Baltimore

OCR: Office for Civil Rights

Note: The 2015 working reflects a Board of Public Works reduction to Regional Higher Education Center funding. The Maryland Higher Education Commission reports different numbers for fiscal 2015.

Source: Governor's Budget Books, Fiscal 2016; Maryland Higher Education Commission

Decreases in fiscal 2016 reflect the conclusion of the Credit When It's Due grant in fiscal 2015 and a loss of nearly \$0.9 million in federal grants, mostly in Improving Teacher Quality and the College Access Challenge Grant Program. Although MHEC received the funds in the past, the newest award for Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) for \$2.2 million in fiscal 2016, is budgeted within the Maryland State Department of Education (MSDE). Maryland will use MHEC's College Preparation Intervention Program as matching funds for GEAR UP's six-year grant to support college preparation, access, and outreach initiatives.

General funds for educational grants decline by \$1.3 million due to the permanent transfer of the \$1.5 million SMCM Stabilization Grant to that college and an increase of \$0.2 million for non-USM RHEC. This 2016 RHEC funding is still below the 2014 appropriation and the fiscal 2015 legislative appropriation of \$2.6 million, which was reduced by \$600,000 by BPW in July 2015. None of the other four general funds grants change in the allowance. At \$7.8 million in fiscal 2016, general funds for MHEC's education grants are down over 50% from an all-time high in fiscal 2006 of \$16.4 million.

Recently, DLS became aware of two issues affecting two general fund grant programs. First, for both the Office for Civil Rights (OCR) enhancement funds and the SMCM Stabilization Grant, funds are disbursed to State institutions outside of the budget amendment process. This has been occurring for many years. While the OCR funding is annually restricted by the legislature pending a report on its proposed uses, there is never actual confirmation that the funding is disbursed through the budget system. In a similar manner, it was unclear to DLS when the SMCM Stabilization Grant was actually sent to the respective college. Second, for the same two programs, it appears that funding may be double counted. For example, the 2015 working number in the Governor's Budget Books shows \$1.5 million for the SMCM grant in MHEC's educational grants (shown in Exhibit 9) and as current unrestricted revenue for SMCM.

**DLS recommends budget bill language that general fund grant disbursements made directly to State institutions of higher education be transferred only through budget amendment so that the budget system does not double count the grants in the working appropriation and properly shows the total State support going to the institutions.**

## **Regional Higher Education Centers**

**Exhibit 10** also shows the allocation of funding for USM and non-USM RHECs in fiscal 2016. 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 was flat in fiscal 2015 and then reduced \$0.6 million by BPW. This means the RHECs will redivide a smaller amount of funding based upon changes in enrollment. Overall, the audited fiscal 2014 enrollments used in the 2016 formula declined by about 199 FTES, or 22.3%. The University Center RHEC receives the largest increase in State support, growing by almost \$60,000, or 15.7%. Despite the increase over the reduced amount in fiscal 2015, Arundel Mills RHEC still loses some State support, \$2,000, in fiscal 2016. The allowance funds non-USM RHECs at \$3,108 per FTES versus \$2,189 in the working appropriation.

**Exhibit 10**  
**State Support for RHECs**  
**Fiscal 2015-2016**

<b>Non-USM RHECs</b>	<b><u>Adjusted</u> <u>2015</u></b>	<b><u>% of</u> <u>FTES</u></b>	<b><u>2016</u></b>	<b><u>% of</u> <u>FTES</u></b>	<b><u>\$ Change</u> <u>2015-2016</u></b>	<b><u>% Change</u> <u>2015-2016</u></b>
AACC RHEC at Arundel Mills	\$292,193	12.3%	\$290,088	9.5%	-\$2,105	-0.7%
Eastern Shore Higher Education University Center*	281,172	10.8%	321,206	12.8%	40,034	14.2%
Laurel College	360,223	21.4%	416,842	22.8%	56,619	15.7%
Southern Maryland Waldorf	247,201	6.3%	281,561	8.6%	34,360	13.9%
	488,662	38.5%	527,529	34.5%	38,867	8.0%
	280,549	10.7%	312,774	11.9%	32,225	11.5%
<b>Total All Non-USM RHECs</b>	<b>\$1,950,000</b>	<b>100.0%</b>	<b>\$2,150,000</b>	<b>100.0%</b>	<b>\$200,000</b>	<b>10.3%</b>
<b>USM RHECs</b>						
Universities of Shady Grove	\$7,738,525		\$8,689,532		\$951,007	12.3%
USM at Hagerstown	1,831,703		1,865,038		33,335	1.8%
<b>Total USM RHECs</b>	<b>\$9,570,228</b>		<b>\$10,554,570</b>		<b>\$984,342</b>	<b>10.3%</b>

AACC: Anne Arundel Community College

FTES: full-time equivalent student

RHEC: Regional Higher Education Center

USM: University System of Maryland

\*Formerly called the Higher Education and Applied Technology (HEAT) Center (in Harford County).

Source: Maryland Higher Education Commission

Despite the recent decline in enrollment, the intent of RHECs is to 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. In total, the two USM RHECs receive about \$8.4 million more in State support than the six non-USM RHECs.

In summer 2014, MHEC released two regional higher education assessments to determine needs in Frederick County and in Northeastern Maryland. Both studies used \$120,000 restricted funds in the fiscal 2014 budget for that purpose. The Frederick RHEC report conducted a market review, solicited stakeholder input, and conducted a gap analysis of degree programs. The greatest need, and thus reason for establishing a new RHEC, fell into two categories. One category consists of medical scientists and

health care professionals, while the other category is made up of civil engineers, engineering technicians, and information technology (IT) professionals. HB 37/SB 25 of the 2015 legislative session to rename the proposed Frederick RHEC to be the Frederick Center for Research and Education in Science and Technology (FREST) as recommended by the study. However, if the center is approved by MHEC, it would likely first receive funding in fiscal 2017.

The Northeastern Maryland study group was focused on updating the postsecondary education programs at the existing University Center (formerly called the Higher Education and Applied Technology Center), as well as how to take advantage of the nearby Aberdeen Proving Grounds (APG), which produces a strong regional demand for well-educated workers. The report concluded that there needs to be a better regional strategy involving communications and marketing between local businesses, APG leadership, and the University Center. For example, the University Center has started a new cybersecurity program in coordination with APG, but this should be extended to other in-demand degree programs.

### **Health Professional Shortage Incentive Grants**

HPSIG is one of the two main health-related grant programs operated by MHEC. It is funded by 12% of the fees collected by the Maryland Board of Physicians, which are transferred to MHEC toward the end of every fiscal year. Half of the funds received go to a Loan Assistance Repayment Program for Physicians and Physician Assistants budgeted within MHEC's Student Financial Assistance, and the other half goes to HPSIG. These funds are then distributed to postsecondary institutions to enhance or expand approved academic programs in health occupations experiencing personnel shortages in Maryland. If the Governor does not budget \$500,000 for the program, then MHEC is to collect the revenue from the Board of Physicians. Since its first round of awards in fiscal 1992, no general funds have ever been appropriated for this program.

The Department of Health and Mental Hygiene (DHMH) annually approves the list of health personnel shortage areas based on health care occupational projections produced by the Department of Labor, Licensing, and Regulation (DLLR) and certified the following health personnel shortage areas for the fiscal 2014 funding round:

- Family Practice Physician;
- Pediatrician;
- Pharmacist;
- Physical Therapist

- Occupational Therapist;
- Licensed Practical Nurse; and
- Laboratory Technician.

MHEC has raised concerns over some of the areas certified by DHMH, such as nurse practitioners, which is not among the job fields listed in the original statute for HPSIG in 1991. High personnel turnover at DHMH and unclear legal guidance on whether the funds should be spent or not led to the uneven program outcomes shown in **Exhibit 11**. Despite annually receiving nearly \$0.5 million from the Board of Physicians for HPSIG, in some fiscal years, such as fiscal 2012 and 2013, no awards were made at all, and unspent funds were actually returned from institutions to MHEC from prior years resulting in a growth in HPSIG's nonreverting fund balance.

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**Exhibit 11**  
**Health Personnel Shortage Incentive Grant Funding**  
**Fiscal 2009-2014**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Actual Difference from the Appropriation</b>	-\$500,000	\$107,423	\$0	-\$539,117	-\$524,361	-\$426,743

Source: Governor's Budget Books, 2010-2016

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The Board of Physicians has raised concerns over the categories of workforce shortages that are eligible to receive funding, since many of them are increasingly not directly related to physicians, and because this board is the only licensing board to contribute funding toward this program.

The BRFA of 2015 takes \$1.7 million from the HPSIG fund balance, leaving \$37,198. As noted above, the BRFA of 2017 transfers \$1.7 million from the HPSIG fund balance to the general fund. MHEC still plans on receiving fiscal 2015 revenue from the Board of Physicians toward the end of fiscal 2015 and reports it will try to issue more awards this fiscal year. If MHEC is concerned about not spending the funds, another option would be to mimic NSP II, which halted collection of fees for over a year due to a rapidly growing fund balance and an inability to spend the funds down in a timely manner.

**The Secretary should comment on progress toward working with DHMH and the Board of Physicians so that HPSIG awarding may resume as intended under current statute.**

## ***Issues***

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### **1. The Past and Future of MHEC**

MHEC is not an executive agency of the State, like, for example, MSDE. Rather, it is an ongoing executive commission funded by the State. It can trace its origins back to 1963, with the creation of the Advisory Council on Higher Education (Chapter 41 of 1963). This was the recommendation of the 1961 Commission for the Expansion of Public Higher Education in Maryland, which, also at the same time, recommended a new USM campus that became the University of Maryland Baltimore County. For comparison, this was a century after the precursor to MSDE was established. The original 1963 plan called for MHEC's precursor to be made up of representatives from USM, the State colleges (merged into USM in 1988), and MSDE. In addition, this original plan called for a Division of Higher Education within MSDE to assist MSDE and the State Superintendent of Schools in exercising their (then) responsibilities in the field of higher education. Following several name changes, the Advisory Council on Higher Education gained its current name of MHEC at the same time as the alignment of USM institutions (Chapter 246 of 1988) and also gained the institutional authorization power originally envisioned for MSDE. In 1991, when the State Board for Community Colleges was abolished, its functions transferred to MHEC.

MHEC is responsible for coordinating the overall growth and development of postsecondary education in Maryland to ensure that higher education activities serve the State's interest. The commission provides statewide oversight by establishing and updating the *State Plan for Postsecondary Education* every four years and approving new academic programs, RHECs, and two- and four-year public and private institutions to operate in the State. For each public campus, the commission approves mission statements and recommends funding levels and priorities among institutions, in keeping with the *State Plan for Postsecondary Education*. The commission also oversees academic matters; administers State support for community colleges, private institutions, and State student financial aid programs; and upon request by a local government, makes a recommendation to the Governor concerning the establishment of a new community college. MHEC also conducts research and produces official State data on graduation and retention rates and enrollment projections, which are used by DLS and the Department of Budget and Management (DBM) for capital planning. Without such coordination, each segment would be left to act in its own interest, at significant potential cost to the State.

The commission itself has a chairman, and there is also a Secretary of Higher Education appointed by the Governor from a list of three names recommended by the commission. The commission has several advisory councils and staffed offices.

- **Advisory Councils**

- Faculty;
- Students;

- Financial Assistance; and
- Private Career Schools.
- **Staffed Offices**
  - Academic Affairs;
  - Research, Planning, and Policy Analysis;
  - Student Financial Assistance;
  - IT; and
  - Finance.

Over the past decade, MHEC has seen a significant reduction in its personnel and budget, and in 2011, it was relocated from a rented office space in Annapolis to three different floors of the Nancy Grasmick Building in downtown Baltimore City, the headquarters of MSDE. At that time, there was a proposal to merge MHEC and MSDE, but it did not move forward.

Over the same time period, MHEC has frequently struggled to keep up with required and requested reports. For example, the 2013 *State Plan for Postsecondary Education*, one of the most critical publications from MHEC, was about nine months late. Items from the *Joint Chairmen's Report* (JCR) are often late, requiring extensions of due dates from the budget committees. The Report on Students with Disabilities was extended three times. In the 2014 JCR, reports on redesign classes and progress toward the 55% completion goal, both due in December 2014, were both at least two months late. Part of this struggle to produce research reports is the fact that offices within MHEC have not been fully staffed for many years. In the past year alone, MHEC has had one Secretary, two Acting Secretaries, and lost its director of research, director of grants, and director of financial aid.

With a new Administration, a new Secretary, and a challenging budget for MHEC to work with, now may be the time to consider significantly changing the operations of MHEC. A small, specialized State unit of government has been merged into larger units of government in the past, so there is precedent for continued discussion of what the most productive relationship between MHEC and MSDE is. For example, during the economic recession in the early 2000s, the Office of Smart Growth was absorbed into the Maryland Department of Planning and the Governor's Workforce Investment Board was merged into DLLR. In both cases, a specialized group was merged into an agency with a similar, but broader, mission. Bringing higher education coordination under a larger existing agency, such as MSDE, would achieve administrative efficiencies in areas such as IT, administration, and human resources, while protecting the critical staff, funding, and leadership resources that support MHEC's mission to coordinate postsecondary activities in Maryland. Perhaps most importantly, this structure would improve coordination between the primary, secondary, and higher education segments,

already underway with varying success through the efforts of the Governor's Prekindergarten-20 (P-20) Council and co-location of MSDE and MHEC.

In addition, the federal government and competitor states Massachusetts, New York, and Pennsylvania organize higher education coordination under a state Department of Education rather than as an autonomous coordinating body. In Massachusetts, higher education is one of several departments organized under a Secretary of Education. New York and Pennsylvania have a single state board for primary, secondary, and higher education. Proposals to reorganize higher education coordination under a larger state department of education have also been put to Washington State in recent years. In 2011, New Jersey abolished the New Jersey Commission on Higher Education and transferred all powers and duties to the Secretary of Higher Education.

**Given the co-location of both MHEC and MSDE, DLS recommends that MHEC work with MSDE and other higher education stakeholders to create recommendations on the organizational structure of MHEC, which should include considering whether MHEC should become an office within MSDE, an equal partner with MSDE within a new State-level P-20 agency, or whether MHEC should retain its current form.**

## **2. Campus Sexual Misconduct Policies and MHEC**

MHEC has had statutory responsibility (Section 11-601 of the Education Article) since 1993 to review sexual assault policies and how those policies should be posted and distributed in Maryland. This includes the right to file criminal charges, designation of the nearest hospital, *etc.* MHEC must also periodically review and make changes to institutional policies to ensure that higher education institutions in Maryland are in compliance with federal regulations and are adopting best practices.

In summer 2014, MHEC began requesting all institutions' sexual assault policies. By January 2015, MHEC had reviewed all the policies of the public and independent institutions in the State to ensure that all are in compliance with federal Title IX. This is a part of the Education Amendments of 1972, which prohibits discrimination on the basis of sex in all education programs that receive federal financial assistance. A related but distinct federal law from Title IX is the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics (Clery) Act of 1990. This requires all universities to submit, at the beginning of every federal fiscal year (October 1), an Annual Security Report (ASR) providing specific crime statistics, maintain a public crime log that covers the campus and certain areas adjacent to campus, and meet several other requirements.

MHEC has requested that each institution revise its policies consistent with OCR best practices. One concern that has arisen out of this process is the ease of access that USM has to the State's Office of the Attorney General (OAG). While these two entities worked together closely to resolve the issue at USM institutions, the State's community colleges generally do not have the same level of access to the Attorney General's Office. This is because public four-year institutions all have assigned OAG counsel from the State and may also have in-house counsel, whereas the community colleges share MHEC's OAG counsels. Additional information on the update to the USM policy is provided in the



USM Overview budget analysis. The OAG has recommended that all Maryland institutions should adopt misconduct policies similar to USM's.

In addition to reviewing policies, MHEC, in conjunction with the Maryland Association of Community Colleges (MACC), held an all-day workshop for community colleges on sexual violence in January 2015. This covered definitions of key terms, case studies of campus policies, and reporting and adjudicating procedures. Maryland's criminal code does not specifically define some terms frequently used in Title IX and Clery discussions, such as sexual assault, domestic violence, dating violence, or consent, so the workshop was able to assist community colleges in meeting federal intent. This was very beneficial to smaller campuses, namely community colleges, who do not necessarily have full-time legal representation on staff. This ensures that new policies are more inclusive and will bring institutions into compliance with the next round of federal regulations, which take effect in summer 2015. These changes expand rights afforded to campus survivors of sexual assault, expand reporting for such incidents, and require institutions to provide certain training programs. It also expands the types of crimes covered in the ASR and requires institutions to report the number of withheld crime statistics. Finally, complicating implementation of sexual assault policies has been compliance with the Family Education Rights and Privacy Act (FERPA), which governs access to education records but allows disclosure of criminal conduct. Online federal resources provide materials explaining how institutions are to comply with Title IX, the Clery Act, and FERPA. While MICUA institutions were not included in this directly, Goucher College did provide resources and examples for the two-year sector.

**The Secretary and Director of MACC should comment on the outcomes of the sexual assault policy workshop with the community colleges.**

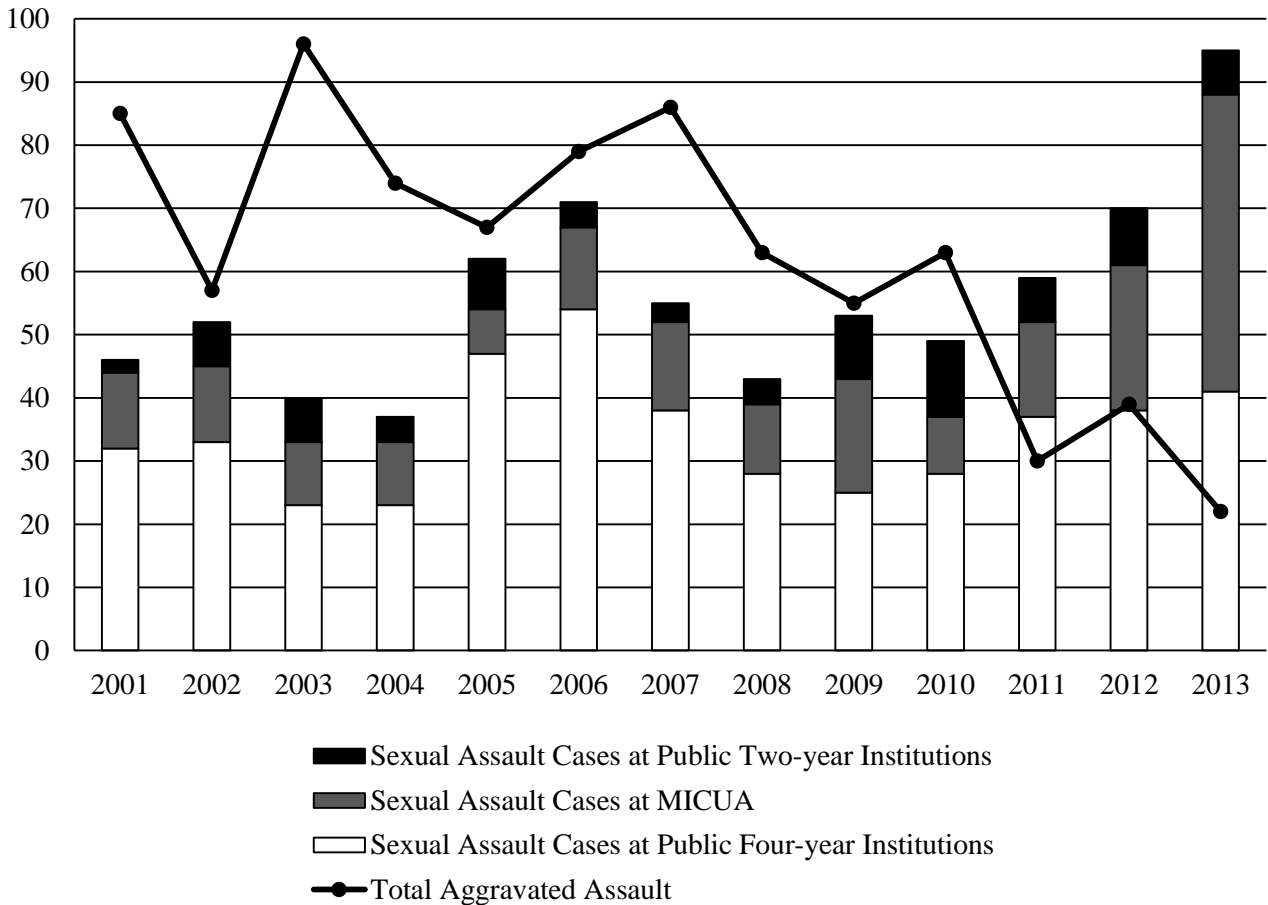
This MHEC review of Title IX and Clery policies coincides with an increase in federal Department of Justice (DOJ) investigations into Title IX compliance nationwide. As of January 2015, the following Maryland institutions are under investigation by the OCR within the U.S. Department of Education (ED):

- Frostburg State University as of September 18, 2013;
- MSU as of June 26, 2014; and
- The Johns Hopkins University as of August 8, 2014.

Every state bordering Maryland, as well as the District of Columbia, has institutions under investigation, including 5 in Virginia and 7 in Pennsylvania. Of the 94 current investigations, nearly all are at residential four-year institutions. Cases investigated are individual, hence, some campuses have more than one ongoing OCR investigation.

**Exhibit 12** shows campus crime statistics for sexual assault and aggravated assault for all years currently available from ED. Overall, during this time period reported cases of aggravated assault

**Exhibit 12**  
**Reported Aggravated and Sexual Assault Crimes in Maryland**  
**Reporting Years 2001-2013**



MICUA: Maryland Independent College and University Association

Note: Includes crimes whose locations were reported as “campus” and “noncampus.” Educational sectors not shown accounted for no more than one sexual assault and three aggravated assaults in any given reporting year and so are excluded from this exhibit.

Source: U.S. Department of Education, *Campus Safety and Security Data Analysis Cutting Tool*

dropped from 80 cases or more per year down to less than half in 2011 through 2013. Meanwhile, reported cases of sexual assault at Maryland campuses increased rapidly from 2010 through 2013, especially at MICUA institutions. Whether this represents an increase in the incidence of sexual assaults or an improvement in reporting crimes cannot be determined from this data.

In September 2014, California passed a “Yes Means Yes” bill, upending the prior “No Means No” standard used to determine consent in sexual relations. While codifying human sexual behavior is not without complexity, the California measure requires “affirmative consent” and lists situations in which a person cannot legally give consent. HB 138 in the current legislative session proposes a similar policy for all Maryland institutions.

**The Secretary, Director of MACC, and President of MICUA should comment on any next steps for Maryland institutions to come into compliance with federal regulations on sexual assault policies and any role MHEC may play in the near future to facilitate compliance for any postsecondary education institution in Maryland.**

### **3. New Funding Guidelines Model Adopted**

In 1999, MHEC developed guidelines for operating funding for the public four-year higher education institutions by identifying peer institutions that are similar to each Maryland institution in size, program mix, enrollment composition, and other characteristics. After this selection process, the financial characteristics of the peer institutions are analyzed to determine the resources available per FTES. The overall goal has been to fund Maryland’s institutions at the seventy-fifth percentile of their current peer institutions. Operating funds for SMCMD are not evaluated through this process because the college receives funding through a statutory formula.

In 2001, the commission staff, in consultation with representatives from USM, DLS, DBM, and MSU, reviewed the funding guidelines process and established criteria for periodically updating peer groups and for making adjustments to an institution’s peer group that is not in the normal cycle. The MHEC schedule calls for an update every three to four years, with the opportunity for reevaluation of any institution’s peer group when requested by the Maryland public college or university. In 2006, the Commission to Develop the Maryland Model for Funding Higher Education (Funding Commission) spent two years studying the levels, models, and policies for State funding provided to colleges and universities and for student financial assistance. At the conclusion of this study in 2008, the Funding Commission made several recommendations for modification of State higher education funding policies such as setting State funding of public four-year institutions at the seventy-fifth percentile of funding per student of a group of comparable institutions (“peers”) residing in states with which Maryland principally competes for employers. These 10 states are referred to as Maryland’s competitor states: California, Massachusetts, Minnesota, North Carolina, New Jersey, New York, Ohio, Pennsylvania, Virginia, and Washington. Additionally, for historically black colleges and universities (HBCU) the funding goal is raised to the eightieth percentile in recognition of the additional resources needed for HBCUs to compete with other public institutions. This method is called the Competitor State Funding Guideline Model.

The peer institutions selected for each Maryland school have similar academic scope, comparable size, and a somewhat similar student financial profile and are reflected in each institution’s Carnegie Classification. For the University of Maryland, College Park, an Association of American Universities (AAU) school, other AAU schools in the competitor states have been used; and for University of Maryland, Baltimore, other institutions within the Carnegie Classification of Special

Focus Institutions – Medical Schools and Medical Centers and research institutions with medical schools or freestanding medical centers have been selected. To recognize that institutions can change Carnegie Classifications over time as they offer new programs and award new degrees, MHEC will continue with the established schedule for an update to the peer groups every three to four years and reevaluation of any institution's peer group when requested by the Maryland public college or the university.

The funding guideline for each institution is calculated by determining the seventy-fifth percentile of the sum of State appropriation and tuition and fee revenue per FTES of the competitor state peer institutions. The resulting per student rate is multiplied by the institution's projected enrollment to determine the recommended resources. Projected institutional tuition and fee revenue is then subtracted from the recommended resources. The remainder represents the State investment. The reason for selecting the seventy-fifth percentile reflects the commitment to raise Maryland's public colleges and universities into the upper quartile of other public colleges and universities.

The Competitor State Funding Guideline information for each institution, as determined by the peer groups recommended by the funding commission in 2008, is provided in **Exhibit 13**. Overall, total State attainment was 76.5% in fiscal 2015 but declines to 70.8% in fiscal 2016, although neither years reflect cost containment so the percentages will change. HBCUs as a group meet their goal of eightieth percentile funding in both years, but the traditionally white institutions as a group do not meet their seventy-fifth percentile goal in either year. The University of Maryland University College (UMUC) has the lowest funding attainment in both years, below 54.0%, while Coppin State University (CSU) has the highest in both years, over 125%. Coincidentally, UMUC and CSU are the only institutions to see their funding attainment percentage improve in the unadjusted 2016 allowance. All of these percentages will likely decrease given cost containment actions in the fiscal 2016 budget bill.

In April 2014, MHEC voted to adopt the competitor states model described previously, which replaces the prior system of using institutional peers selected from throughout the country. **The Secretary should comment on how MHEC will use the funding guideline model with DBM given the fiscal challenges facing the State. The Secretary should also comment on whether the funding guidelines should be used by the General Assembly to inform budget decisions this legislative session.**

**Exhibit 13**  
**Competitor State Funding Guidelines**  
**Fiscal 2015 and 2016**

<u><b>Institution</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>Change</b></u>
Bowie State University	94.7%	87.3%	-7.4%
Coppin State University	125.6%	126.0%	0.3%
Frostburg State University	85.5%	83.5%	-2.0%
Salisbury University	70.0%	69.5%	-0.5%
Towson University	64.8%	59.3%	-5.5%
University of Baltimore	66.4%	62.8%	-3.6%
University of Maryland, Baltimore	71.7%	66.1%	-5.6%
University of Maryland Baltimore County	61.7%	57.6%	-4.1%
University of Maryland Center for Environmental Science	82.8%	79.2%	-3.6%
University of Maryland, College Park	80.4%	72.9%	-7.5%
University of Maryland Eastern Shore	85.4%	76.3%	-9.1%
University of Maryland University College <sup>1</sup>	53.3%	53.7%	0.4%
University System of Maryland (USM) Office			
<b>USM Total</b>	<b>76.1%</b>	<b>70.6%</b>	<b>-5.5%</b>
Morgan State University	81.3%	74.7%	-6.6%
<b>Total</b>	<b>76.5%</b>	<b>70.8%</b>	<b>-5.6%</b>
Historically Black Colleges and Universities	91.4%	84.8%	-6.7%
Traditionally White Institutions	72.7%	67.3%	-5.4%

<sup>1</sup> University of Maryland University College calculations use only Maryland enrollment and statewide tuition revenue.

Note: This exhibit does not adjust numbers for cost containment in Maryland in either fiscal year.

Source: Maryland Higher Education Commission

#### **4. Nursing Support Program II Extended**

In 2006, at the request of the General Assembly, MHEC and the Maryland Board of Nursing completed the *Maryland Nursing Program Capacity Study*. This stated Maryland would need over 62,000 registered nurses (RN) in 2012 and nearly 75,000 in 2016. The report predicted a shortage of 11,000 to 20,000 RNs in Maryland in 2012 without any new policies. The primary finding was that the NSP I, a hospital-based initiative, was not sufficiently increasing the number of licensed nurses in Maryland. This led directly to the creation of the NSP II, which is designed to increase the capacity of Maryland's nursing programs to produce more qualified nurses. Eligible programs can use funding to support degree programs leading to an associate's (RN), bachelor's (Bachelor in Science of Nursing, (BSN)), master's, postgraduate certificates, or doctoral degrees. Since fiscal 2006, NSP II has distributed about \$91.4 million as follows:

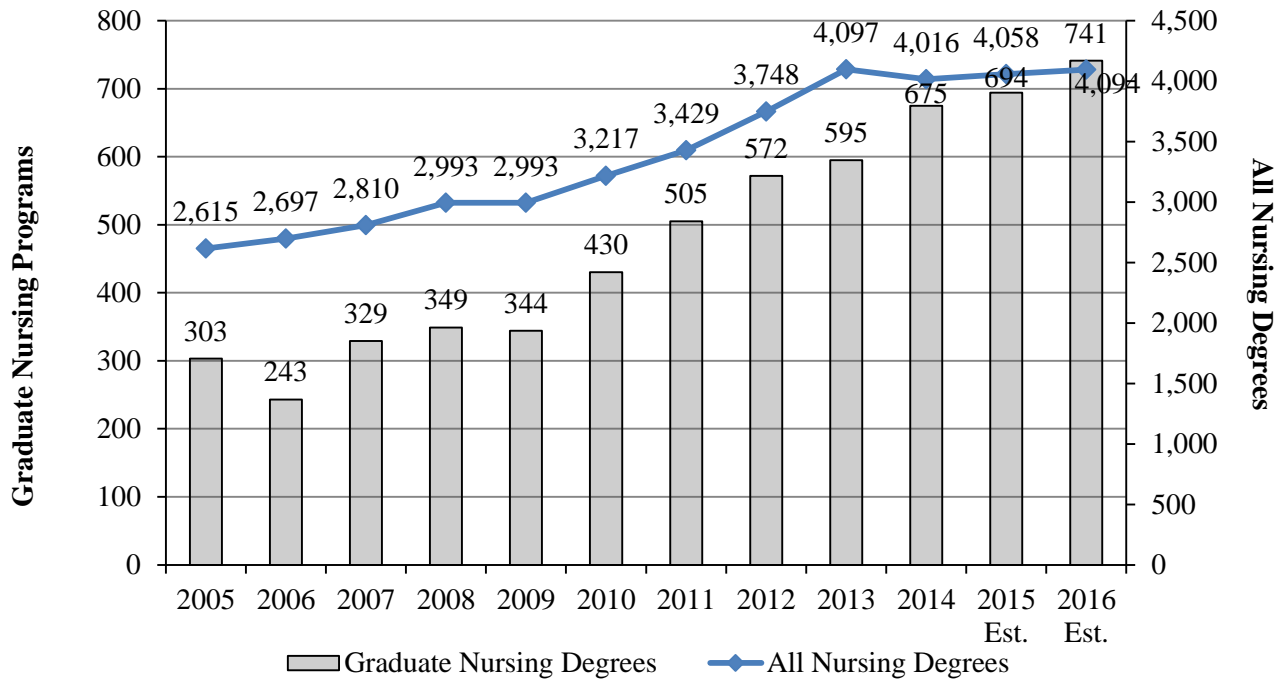
- **Competitive Institutional Grants (\$63.4 Million):** Between July 1, 2005, and July 1, 2014, 109 multi-year grants were awarded to 15 community colleges and 11 universities. Currently, 41 projects have concluded, and 68 are ongoing, some of which will not wrap up until fiscal 2017. MHEC estimates 27% of nursing degree growth over the past decade is attributable to these grants.
- **Scholarships and Grants (\$19.1 Million):** Almost 700 students are expected to complete degree or postgraduate certificate programs to become nursing faculty and are required to fulfill service obligations in Maryland.
- **New Nursing Faculty Fellowships (\$4.1 Million):** Since fiscal 2007, 245 new nursing faculty have been supported for up to three years. Over 40% of these fellowships went to underrepresented groups in the field of nursing, including African Americans and men.
- **Nurse Educator Doctoral Grants (\$0.6 Million):** Almost 30 doctoral nursing students have received funding to assist in dissertation research and other scholarly projects.

The remaining \$4.2 million is mostly dedicated to go out as scholarships and grants in fiscal 2015 through 2018.

Funding for NSP II came from a 0.1% assessment on a hospital's gross patient revenue over a 10-year period that is scheduled to end June 30, 2015. Legislation enacted in 2006 (Chapter 221) created a nonlapsing special fund for NSP II revenues so that funds may be carried forward to future fiscal years. The hospital fee was suspended for 23 months from February 2009 to January 2011 due to higher than anticipated revenue and lower than anticipated initial proposals.

**Exhibit 14** shows the number of master's and doctoral degrees awarded in nursing in Maryland from fiscal 2005 to 2014, as well as the total number of nursing graduates produced each year. Since the first round of NSP II grants in fiscal 2006 to 2014, the number of master's and doctoral degrees awarded per year in nursing has increased 178.0%, from 243 to 675. This far exceeds MHEC's original goal of 350 graduates by 2013. The new goal set by MHEC is now to maintain 600 graduates a year through 2018. Additionally, while all nursing degrees increased about 14.5% over the four-year period of 2005 to 2009, it grew by 34.0% over the next five-year period, 2009 to 2014. 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. Impressively, despite the rapid growth in nursing degrees, the National Council Licensure Examination pass rate in 2013 was 86.0%, down only 1 percentage point since 2005. These graduates are themselves qualified to teach RN and BSN programs. However, in fiscal 2012, the program began to prioritize doctoral degrees as these are increasingly preferred for nursing faculty, even at the community college level.

**Exhibit 14**  
**Nursing Degrees Produced**  
**Fiscal 2005-2016 Est.**



Source: Maryland Higher Education Commission

The anticipated final round of new competitive grants was awarded in fiscal 2014, with the last round of statewide initiatives scheduled to be awarded in fiscal 2015. Fiscal 2018 would be the NSP II's last year of operation, and the program was expected to close with no fund balance or carry forward funds. However, in January 2015, the Health Services Cost Review Commission (HSCRC) unanimously agreed to a five-year extension of the NSP II contingent on a workgroup providing recommendations to direct the next phase. The extension was supported by the Maryland Hospital Association and the Maryland Nurses Association, as well as numerous educational institutions. With this extension, there will be no pause in revenue collection, and new awards will be made in 2016. Part of the workgroup's recommendations will likely address concerns that arose from the most recent federal Health Resources and Services Administration data, which reveals that Maryland will have a deficit of nurses in 2025, whereas all of Maryland's neighboring states do not. This raises the possibility that NSP II has been successful at increasing Maryland's output of nurses but that the graduates may not be staying in Maryland for employment.

**The Secretary and Executive Director of HSCRC should comment on how MHEC can be sure Maryland hospitals are not simply paying for the training of nurses bound for other states.**

## **5. Progress Toward 55% Degree Attainment**

In February 2015, MHEC submitted a JCR that was due in December 2014 updating the State's progress toward the 55% degree completion goal by 2025. MHEC updated the 2012 model with new demographic and employment information. In 2012, Maryland's degree attainment was 44.7%, or 1.4 million Marylanders with a higher education credential of an associate's degree or higher. The estimate for Maryland put the target in 2025 at 3.3 million Marylanders to meet the goal given population growth. Accounting for population growth and mortality, Maryland needs to produce approximately 925,000 degrees between 2010 and 2025 and then sustain that level in the future.

The independent sector's projections have been complicated by the closure of several institutions recently, but about 105,000 of these degrees will come from private, nonprofit institutions, while the remainder will come from the public sector. MHEC notes that enrollment growth will not carry the State to the 2025 target as even the most generous high school graduate forecasts used by MHEC only project 1.6% growth, while the federal government forecasts just 0.2% growth for Maryland. For this reason, MHEC has erred on the side of conservatism with this model. For example, it excludes out-of-state institutions.

**Exhibit 15** shows the actual degrees produced and targets for the community colleges and public four-year institutions. Both sectors surpassed their respective goals in all years of data in MHEC's report. This raises an issue of whether the degree production goals were set too low in the model.

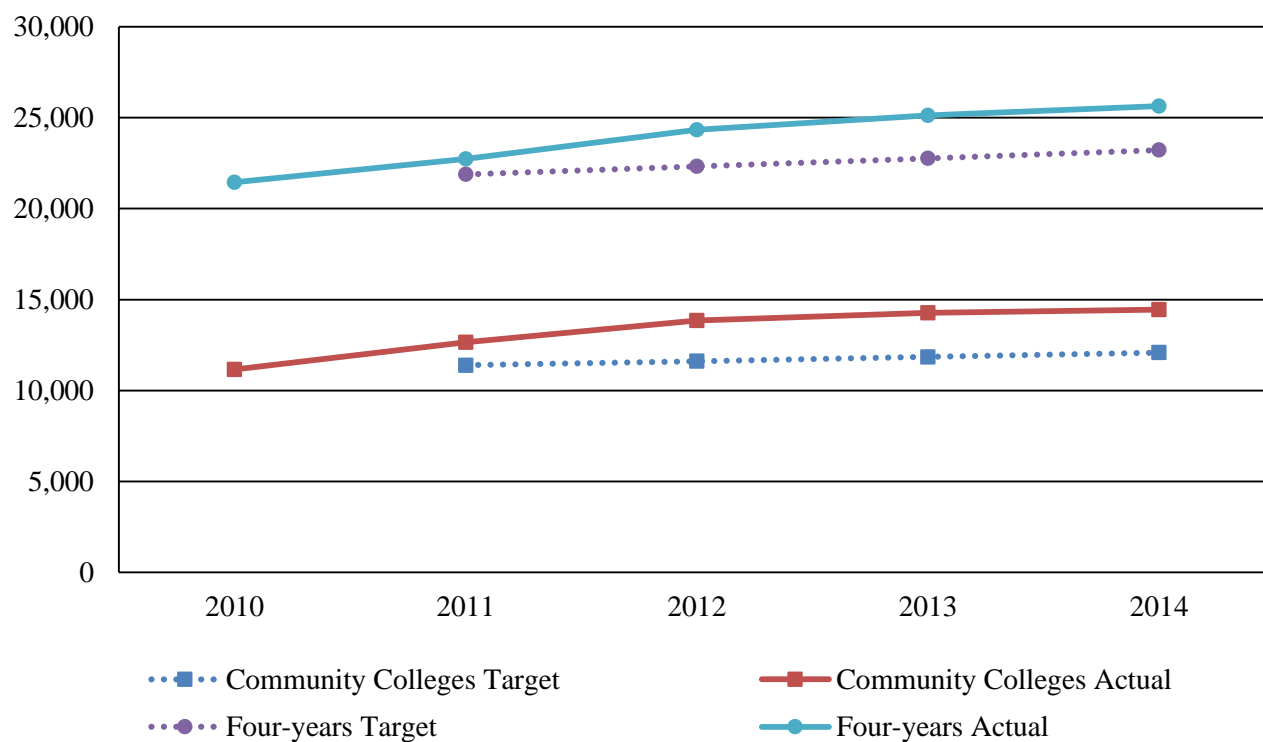
MHEC suggests best practices to institutions that will assist the State in maintaining progress on the 55% goal. First, MHEC recommends increasing enrollment of additional high school students and adult students through dual enrollment high school programs and simplified admissions processes, respectively. Second, institutions should retain and graduate more existing students, which is more efficient than having to enroll more in the first place. This would involve improving academic supports and supporting the redesign of introductory courses. Third, MHEC recommends reducing the achievement gap between all students and minority students through targeted advising, student mentors, and financial literacy efforts.

To support these practices, MHEC held its second Statewide College Completion conference in November 2014. MHEC suggests the best policy approach going forward may be to encourage efforts by institutions through competitions and other incentives and to encourage further research into problems of student persistence and departure from the classroom.

**The Secretary should comment on whether UMUC should be shown separately as a sector in future analyses due to the different mission and enrollment size of that institution.**



**Exhibit 15**  
**55% Degree Attainment Goals by Sector**  
**Fiscal 2010-2014**



Source: Maryland Higher Education Commission

## ***Recommended Actions***

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1. Add the following language:

, provided that it is the intent of the General Assembly that institutional grants to a public four-year institution should be transferred only by budget amendment to that institution.

**Explanation:** This action provides greater clarity to the General Assembly on when an institution receives an institutional grant from the Maryland Higher Education Commission and also prevents funds from being double counted in the working appropriation.

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

~~, provided that this appropriation shall be reduced by \$6,461,675 contingent upon the enactment of legislation reducing the required appropriation for aid to non-public institutions of higher education~~

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

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

, provided that funding in the Sellinger Program in fiscal 2016 should be distributed by the most recent audited enrollment figures.

**Explanation:** This reruns the Sellinger formula based on enrollment rather than being frozen at the prior year's numbers.

- |   | <b><u>Amount<br/>Reduction</u></b> |
|---|------------------------------------|
| 4. Reduce Sellinger formula funding.  | \$ 6,461,675 GF                    |
| 5. Add the following language to the general fund appropriation:  |                                    |
| <u>, 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.</u> |                                    |

**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).

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
HBCU enhancement expenditure report	Maryland Higher Education Commission	July 1, 2015

6. 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 Prekindergarten-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.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on best practices and progress toward 55% completion goal	MHEC	December 15, 2015, and each year thereafter

7. 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 (HBCU) 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 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 2015. 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 and graduation rates. The report should include a summary of fiscal 2015 programs supported by Access and Success funds and a statement from each institution on how findings from the 2014 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, 2015, and every year thereafter.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on the fiscal 2015 outcomes by cohort of students participating in Access and Success programs	MHEC	October 15, 2015, and annually thereafter

8. Adopt the following narrative:

**Future of the Maryland Higher Education Commission:** With changes in leadership at the Maryland Higher Education Commission (MHEC) and a continued effort to maximize State resources across all agencies in times of limited State support, the committees believe it is an appropriate time for MHEC to reexamine the current structure of MHEC and to develop recommendations to improve the higher education coordination, monitoring, and reporting body in Maryland. MHEC should work with the Maryland State Department of Education (MSDE), the University System of Maryland (USM), and representatives from the community colleges and independent institutions to consider and make recommendations, including the following options: (1) that MHEC should become an office within MSDE; (2) that MHEC should be an equal partner with MSDE within a new State-level prekindergarten-20 agency; or that (3) MHEC should retain its current form. The authors of this report are encouraged to think broadly and to explore, at a minimum, sharing administrative resources to generate cost efficiencies for MHEC and MSDE and to reduce redundancies. The authors should also consider agency models used in other states, and to note whether ideas from prior State commissions such as the 1963 Curlett Report or 1999 Larson Report have been implemented or addressed.

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<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report on the Role, Structure, and Future of MHEC	MHEC MSDE USM Maryland Association of Community Colleges Maryland Independent College and University Association	December 15, 2015
<b>Total General Fund Reductions</b>		<b>\$ 6,461,675</b>

## ***Updates***

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### **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 Master of Business Administration 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 court’s 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.

Negotiations are ongoing, but in the event they are not successful, the court has set a briefing schedule for proposed remedies beginning at the end of April 2015.

### **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 and their graduation rates.

The 2014 *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. 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 Bowie State University (BSU), participants earn six to eight more credits in the first year and maintain comparable grade point averages (GPA). Unfortunately, A&S students at BSU actually had a four-year graduation rate half that of regular students in fall 2008 and 2010 cohorts. This indicates that while A&S may get some students on track for the first year, the effect does not last long enough to improve, let alone maintain, on-time graduation rates.

Other anomalies include the fact that A&S students at CSU are less likely to complete developmental math than their peers, despite the extra support services provided, in the last three cohorts. In the fall 2012 cohort, the gap was 17 percentage points, while in fall 2011 and 2013, the rates were only 1 percentage point lower. Additionally, CSU's summer bridge program participation fell from about 250 students in fall 2011 to only 110 students in fall 2013. CSU's A&S students, however, have consistently higher GPAs than other students.

At MSU, A&S summer bridge participation fell from 42 in fall 2011 to only 20 in fall 2013. Additionally, the bridge students were about 30 percentage points less likely to participate in developmental education, so it is not clear if this funding is actually making college more accessible. The MSU A&S students consistently earn three to seven additional credits in the first year and have significantly higher GPAs. Despite this, the on-time four-year graduation rate remains in the single digits.

The University of Maryland Eastern Shore (UMES) does not offer any summer bridge and instead focuses on broad programs intended to promote retention and progression across much of the student body (about one-third to half in total, depending on the year). As shown in **Exhibit 16**, UMES' four-year graduation rate of 17% is the only one of the HBCUs to break 10% for students served by A&S funding. While UMES' A&S students' throughput completion rates were sometimes worse than their peers, they earned more credits and had higher GPAs, indicating that they persisted, even when they were not initially on time to graduation in the first year of studies. UMES' rate is comparable to the State average for African American students in the 2010 cohort.

The key difference between UMES and the other three institutions is that UMES does not fund a bridge program. Given that the three bridge programs operating each focus on a different population and none of them have greatly improved students outcomes, whether summer bridges remain a best practice for Maryland schools becomes an issue. MHEC did conclude its report with "Campuses should make every effort to extend the reach of their Access and Success programs, to ensure the greatest number of students is able to access the variety of series support by these funds."

**Exhibit 16**  
**Four-year Graduation Rates at HBCUs**  
**2008 and 2010 cohorts**

	<u>UMES</u>		<u>BSU</u>		<u>CSU</u>		<u>MSU</u>		<u>State Average**</u>
	<u>A&amp;S</u>	<u>All Others</u>	<u>A&amp;S</u>	<u>All Others</u>	<u>A&amp;S</u>	<u>All Others</u>	<u>A&amp;S</u>	<u>All Others</u>	
2010 Cohort	17.2%	15.5%	6.3%	12.0%	6.1%	6.0%	9.1%	9.2%	*
2008 Cohort	18.2%	19.2%	3.8%	7.8%	*	*	7.9%	11.8%	18.1%

A&amp;S: Access and Success

BSU: Bowie State University

CSU: Coppin State University

HBCU: Historically Black Colleges and Universities

MSU: Morgan State University

UMES: University of Maryland Eastern Shore

\*Data not available.

\*\* For first-time, full-time African American students.

Source: Maryland Higher Education Commission, Access and Success, 2014 Report

### 3. Renewable Energy Research Grants and Degree Programs

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 17** shows the grants that MHEC and MEA approved for four institutions in fiscal 2014. About \$1 million remains that had previously been awarded in fiscal 2013. The overall goal is to raise the prominence of Maryland institutions in OSW energy and related research.



**Exhibit 17**  
**Offshore Wind Research Grants**  
**Fiscal 2014**

<u>Institution</u>	<u>Project Title</u>	<u>Award</u>
MSU	Foundation Anchorages for OSW Turbines in Deep Water Using Composite Materials	\$265,000
UMBC	OSW Turbine Foundation Design and Optimization toward Effective Deployment of OSW Turbines in Maryland	300,630
UMCP	Stochastic Life Cycle Cost and ROI Modeling to Support Cost Avoidance Business Cases for OSW Operation and Maintenance	260,000
UMES	Management Strategy to Produce Cost Effective OSW Power	120,000
<b>Total</b>		<b>\$945,630</b>
Fiscal 2013 Awards Made		\$1,054,370
<b>Total Grant Amount</b>		<b>\$2,000,000</b>

MSU: Morgan State University  
OSW: offshore wind  
ROI: return on investment  
UMBC: University of Maryland Baltimore County  
UMCP: University of Maryland, College Park  
UMES: University of Maryland Eastern Shore

Source: Maryland Higher Education Commission

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Additionally, new renewable energy degree programs will be developed at community colleges and HBCUs in Maryland. This follows in the footsteps of prior statewide efforts at building academic and workforce leadership through development of biotechnology, nursing, and cybersecurity programs. The Maryland Offshore Wind Energy Act (Chapter 3 of 2013) created the Clean Energy Technical Education Task Force. The task force was supported by MHEC and MEA and issued a report in June 2014 on its mandate to study programs and course offerings currently offered in clean energy and to identify areas where more course offerings should be made at community colleges. The final report made four recommendations:

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- Focus on supply chain and logistics management.
- Develop partnerships in marine operations and maintenance, safety, seamanship; and explore workforce development at the Port of Baltimore.
- Develop and fund a Renewable Energy Affinity Group to match industry needs to educational entities that can help meet those needs.
- Incentivize community college renewable energy associate degree, certificate, continuing education, and/or training program development, through a competitive grant program jointly managed by MHEC and MEA.

Funding to enact these recommendations is not included in the fiscal 2016 allowance.

The same legislation also established a Clean Energy Program Task Force to study academic degree opportunities for HBCUs, both terminal degrees and certificate programs. This task force produced six interlinked recommendations that included funding new faculty at the HBCUs to create new master's degree programs that would feed into new doctoral programs on other HBCU campuses. While the final recommendation would restrict a portion of the Maryland E-Nnovation Fund for HBCUs, this would still presumably depend on HBCUs procuring matching funds. Additionally, since the E-Nnovation's special fund source is expected to decline in out-years, this may not be the most stable source of funding to use for faculty positions.

## ***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$55,799	\$16,902	\$3,615	\$118	\$76,434
Deficiency Appropriation	-203	0	0	0	-203
Budget Amendments	86	499	0	170	755
Reversions and Cancellations	-132	-4,086	-1,503	-68	-5,790
<b>Actual Expenditures</b>	<b>\$55,550</b>	<b>\$13,315</b>	<b>\$2,112</b>	<b>\$220</b>	<b>\$71,196</b>
<b>Fiscal 2015</b>					
Legislative Appropriation	\$60,176	\$18,210	\$3,570	\$0	\$82,143
Cost Containment	-3,298	0	0	0	-3,298
Budget Amendments	37	467	2	134	639
<b>Working Appropriation</b>	<b>\$56,915</b>	<b>\$18,677</b>	<b>\$3,572</b>	<b>\$321</b>	<b>\$79,485</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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## **Fiscal 2014**

The fiscal 2014 legislative appropriation for MHEC was reduced by \$5.2 million. Deficiency appropriations decreased general funds by \$203,000.

Budget amendments added \$755,000: general funds increased \$68,000, special funds \$4,000, and federal funds \$4,000 to support the COLA and salary increments; special funds also increased \$500,000 due to an ongoing, but unspent, Credit When It's Due grant being moved to fiscal 2014 from the prior year; and reimbursable funds increased by \$170,000 to fund a memorandum of understanding for a new Adult Learning position to coordinate between MHEC and DLLR under the Workforce Investment Act (WIA).

Reversions and cancellations totaled \$5.8 million. Of this:

- \$132,000 in general funds reverted due to a change in scope and timeline for a large IT project that MHEC is working on with guidance from other State agencies;
- \$4.1 million in special funds were canceled. Of that amount, \$3.9 million is fund balance from the NSP II and other health grants that MHEC will carry forward to fiscal 2015 because application reviews were not completed or funds were returned. The remainder represents about \$140,000 in reduced income from online program registration fees;
- \$1.5 million in federal funds were cancelled 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; and \$68,000 in reimbursable funds were cancelled due to lower WIA charges.

## **Fiscal 2015**

To date in fiscal 2015, cost containment actions by BPW decreased general funds by a total of \$3.3 million by reducing Sellinger aid by \$3.0 million, cutting operating expenses by \$52,000, and transferring \$246,000 in administrative positions to a program fee providing special funds.

General funds increased about \$37,000, special funds by \$3,000, and federal funds by \$2,000 to account for the fiscal 2015 COLA. Special funds increased \$463,000 due to an ongoing, but unspent, Credit When It's Due grant being moved to fiscal year 2015 from the prior year.

**Object/Fund Difference Report  
Maryland Higher Education Commission**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	55.60	56.60	58.60	2.00	3.5%
02 Contractual	7.34	13.00	6.83	-6.17	-47.5%
<b>Total Positions</b>	<b>62.94</b>	<b>69.60</b>	<b>65.43</b>	<b>-4.17</b>	<b>-6.0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 4,543,120	\$ 5,196,891	\$ 5,520,029	\$ 323,138	6.2%
02 Technical and Spec. Fees	432,546	722,879	455,149	-267,730	-37.0%
03 Communication	55,822	36,602	67,311	30,709	83.9%
04 Travel	61,785	49,650	53,044	3,394	6.8%
07 Motor Vehicles	67,932	76,420	58,620	-17,800	-23.3%
08 Contractual Services	935,036	549,505	427,365	-122,140	-22.2%
09 Supplies and Materials	23,544	16,269	11,600	-4,669	-28.7%
10 Equipment – Replacement	27,738	7,500	12,250	4,750	63.3%
11 Equipment – Additional	0	2,480	2,500	20	0.8%
12 Grants, Subsidies, and Contributions	64,581,648	72,414,967	65,917,069	-6,497,898	-9.0%
13 Fixed Charges	466,578	412,198	413,728	1,530	0.4%
<b>Total Objects</b>	<b>\$ 71,195,749</b>	<b>\$ 79,485,361</b>	<b>\$ 72,938,665</b>	<b>-\$ 6,546,696</b>	<b>-8.2%</b>
<b>Funds</b>					
01 General Fund	\$ 55,549,691	\$ 56,915,057	\$ 61,612,902	\$ 4,697,845	8.3%
03 Special Fund	13,314,763	18,676,852	8,214,856	-10,461,996	-56.0%
05 Federal Fund	2,111,540	3,572,013	2,764,634	-807,379	-22.6%
09 Reimbursable Fund	219,755	321,439	346,273	24,834	7.7%
<b>Total Funds</b>	<b>\$ 71,195,749</b>	<b>\$ 79,485,361</b>	<b>\$ 72,938,665</b>	<b>-\$ 6,546,696</b>	<b>-8.2%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary**  
**Maryland Higher Education Commission**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 General Administration	\$ 6,445,470	\$ 6,929,345	\$ 7,042,910	\$ 113,565	1.6%
02 College Prep/Intervention Program	750,000	750,000	750,000	0	0%
03 Joseph A. Sellinger Program	41,291,975	41,422,240	47,883,915	6,461,675	15.6%
07 Educational Grants	9,954,337	12,896,855	9,990,250	-2,906,605	-22.5%
34 Major Information Technology Development Projects	200,622	0	0	0	0%
38 Nurse Support Program II	11,980,088	15,486,921	6,521,590	-8,965,331	-57.9%
39 Health Personnel Shortage Incentive Grant Program	573,257	2,000,000	750,000	-1,250,000	-62.5%
<b>Total Expenditures</b>	<b>\$ 71,195,749</b>	<b>\$ 79,485,361</b>	<b>\$ 72,938,665</b>	<b>-\$ 6,546,696</b>	<b>-8.2%</b>
General Fund	\$ 55,549,691	\$ 56,915,057	\$ 61,612,902	\$ 4,697,845	8.3%
Special Fund	13,314,763	18,676,852	8,214,856	-10,461,996	-56.0%
Federal Fund	2,111,540	3,572,013	2,764,634	-807,379	-22.6%
<b>Total Appropriations</b>	<b>\$ 70,975,994</b>	<b>\$ 79,163,922</b>	<b>\$ 72,592,392</b>	<b>-\$ 6,571,530</b>	<b>-8.3%</b>
Reimbursable Fund	\$ 219,755	\$ 321,439	\$ 346,273	\$ 24,834	7.7%
<b>Total Funds</b>	<b>\$ 71,195,749</b>	<b>\$ 79,485,361</b>	<b>\$ 72,938,665</b>	<b>-\$ 6,546,696</b>	<b>-8.2%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.