

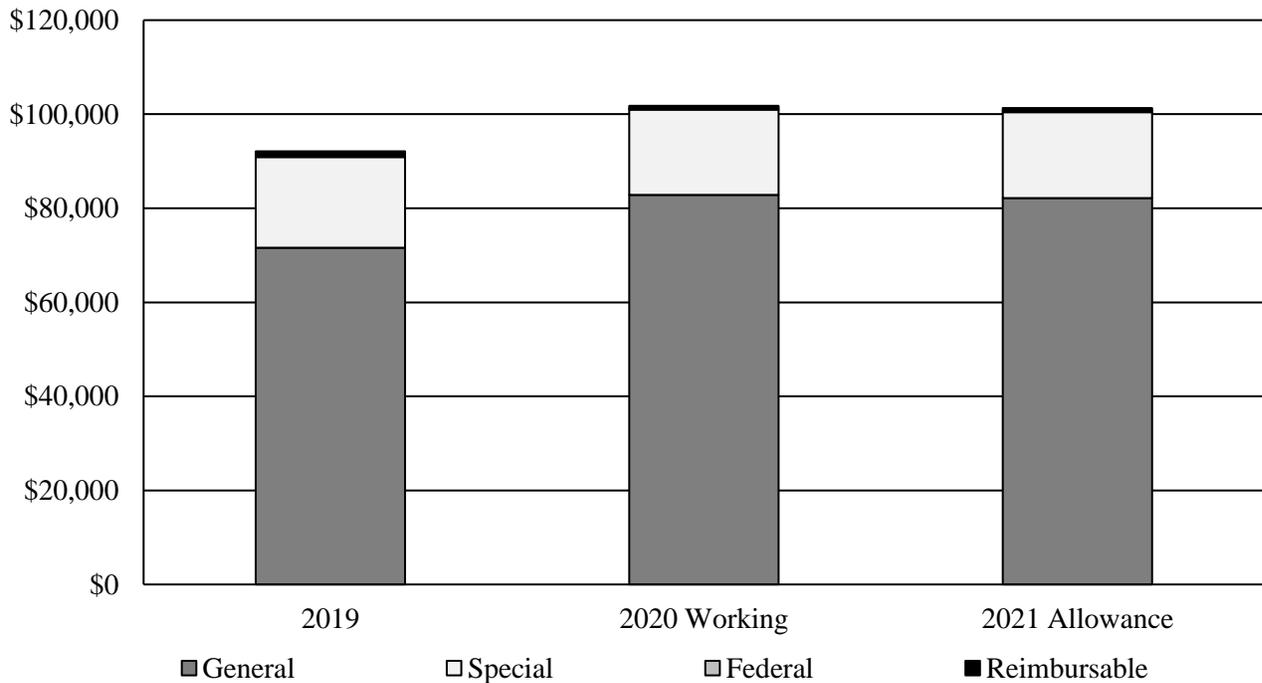
R62I0001
Maryland Higher Education Commission

Executive Summary

The Maryland Higher Education Commission is the State’s coordinating body for the State’s public four-year and independent institutions, community colleges, and private career schools and other for-profit institutions.

Operating Budget Summary

Fiscal 2021 Budget Decreases \$0.5 Million or 0.4% to \$101.3 Million
(\$ in Thousands)



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- There are two deficiencies that would provide \$4.0 million in general funds of which \$3.7 million is to meet the State’s matching requirement for the Save4College Program.
- The Budget Reconciliation and Financing Act of 2020 proposed to fund the Joseph A. Sellinger Program formula at the fiscal 2020 level of \$59.0 million, a \$32.0 million reduction from that anticipated under current law.

Key Observations

- ***Remediation Rates Decline:*** Remediation rates of Maryland high school students enrolled in a community college declined in fiscal 2018.
- ***Maryland a Net Exporter of Online Students:*** In fiscal 2018, over 32,000 Maryland students were enrolled in an online program at an out-of-state institution, while almost 13,000 out-of-state students enrolled in an online program at a Maryland institution.

Operating Budget Recommended Actions

1. Adopt narrative requesting a report on best practices and progress toward the 55% completion goal.
2. Adopt narrative requesting a report on the impact of credit completion requirement on financial aid awards.
3. Adopt narrative requesting a report on fiscal 2019 financial aid categories by expected family incomes.

Budget Reconciliation and Financing Act Recommended Actions

1. Amend the Budget Reconciliation and Financing Act (BRFA) to restore the link between the Joseph A. Sellinger Program formula and enrollment at the independent institutions receiving support through the formula and State per full-time equivalent student (FTES) appropriation at selected four-year public institutions of higher education. Further amend the BRFA to calculate the formula for fiscal 2022 and subsequent years using the percentage of the State's per FTES funding for selected public four-year institutions of higher education to which the fiscal 2021 Sellinger funding level approved by the General Assembly equates.

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Maryland Higher Education Commission

Operating Budget Analysis

Program Description

The Maryland Higher Education Commission is the State’s coordinating body for the University System of Maryland (USM), Morgan State University, St. Mary’s College of Maryland (SMCM), 16 community colleges, the State’s independent colleges and universities, and private career schools 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. The vision of MHEC 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.

The key goals of MHEC 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; and
- Maryland will create and support an open and collaborative environment of quality data use and distribution that promotes constructive communication, effective policy analysis, informed decision making, and achievement of State goals.

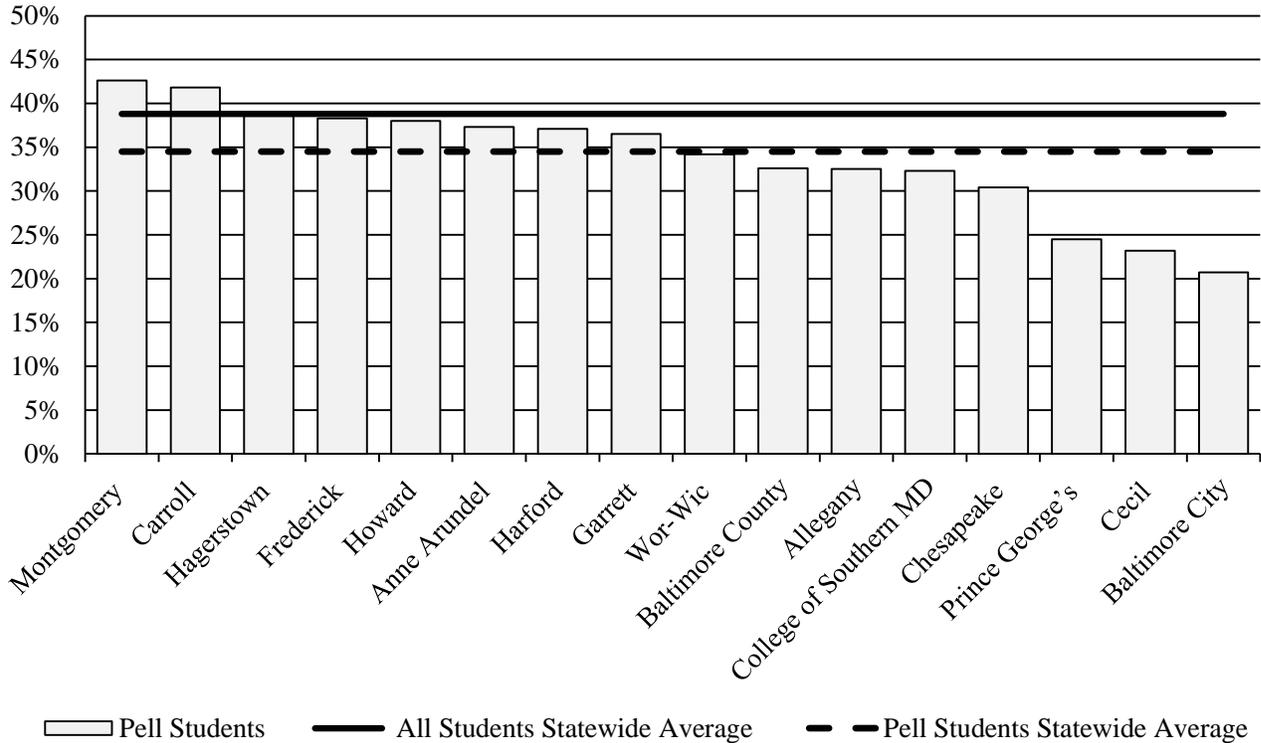
Performance Analysis: Managing for Results

1. Performance of Pell Recipients

Two of the goals of the 2017 to 2021 *State Plan for Postsecondary Success* are to ensure equitable access to affordable and quality postsecondary education and to promote and implement practices and policies to ensure that all students succeed. Strategies of the plan support the State’s goal that at least 55% of Maryland adults will hold one degree credential by 2025. In order to meet this goal, institutions will need to improve the success of students from those typically underserved populations, including minorities, first generation, and those with low incomes. These students come from various backgrounds with varying levels of college readiness, including how to pay for college.

Exhibit 1, for the 2014 cohort, compares the percentage of Pell recipients at community colleges who either transferred to a four-year institution or graduated to the statewide community college average of all students. At 20.7%, Baltimore City Community College (BCCC) has the lowest percentage of Pell recipients who either transferred or graduated. Eight colleges fall below the statewide Pell average of 34.5%, while the outcomes of Pell recipients at 14 colleges fall below the statewide average of all students at 38.8%. Overall, there is a 4.3 percentage point achievement gap between the statewide average rate of all students and Pell recipients. This indicates that there are opportunities at all colleges to improve the outcomes of students by targeting programs and services to help them improve the success rate of these students. One factor impacting the outcomes of Pell students is the number of students who require remediation, which will be discussed later in the analysis.

**Exhibit 1
Comparison of Four-year Transfer and Graduation Rate
Of Pell Recipients by Community College
2014 Cohort**

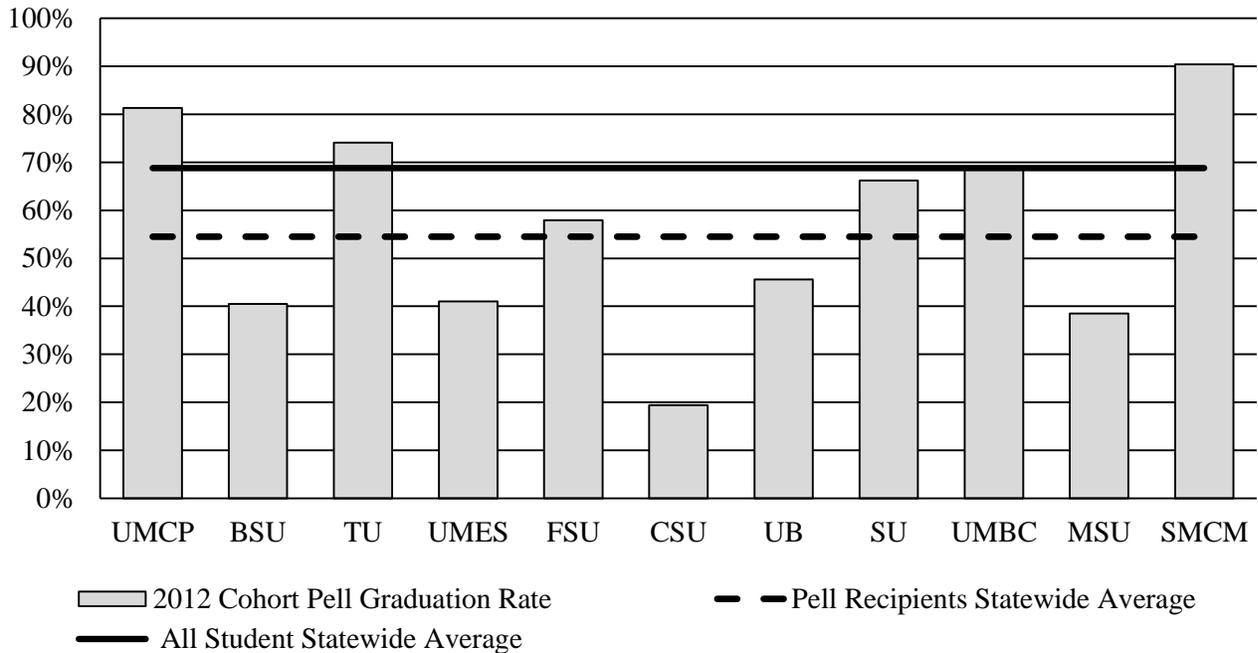


Note: Transfer rates represent student who enrolled at a four-year institution with or without a degree, and graduation rate reflects students who earned a degree but did not transfer. Data reflects students receiving a Pell grant during the year of entry to the community college.

Source: Maryland Higher Education Commission

Exhibit 2 compares the six-year graduation of Pell recipients in the 2012 cohort at the public four-year institutions to the statewide average of all students and Pell recipients. At four institutions – University of Maryland, College Park Campus; Towson University; University of Maryland Baltimore County; and SMCM – the graduation rate of Pell recipients exceeds the statewide average of all students. At four institutions, there is a significant achievement gap between the graduation rates of Pell recipients and the statewide Pell average with the largest gap of 35.1 percentage points occurring at Coppin State University. As with community colleges, this indicates that there are opportunities for institutions to do more to address the needs of this population by creating support systems to help ensure that these students progress and graduate.

**Exhibit 2
Six-year Graduation Rate of Pell Recipients at Public Four-year Institutions
2012 Cohort**



BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 MSU: Morgan State University
 SMCM: St. Mary’s College of Maryland
 SU: Salisbury University

TU: Towson University
 UB: University of Baltimore
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park Campus
 UMES: University of Maryland Eastern Shore

Note: Graduation rates are for first-time, full-time students who received a Pell grant during the year of entry to the institution.

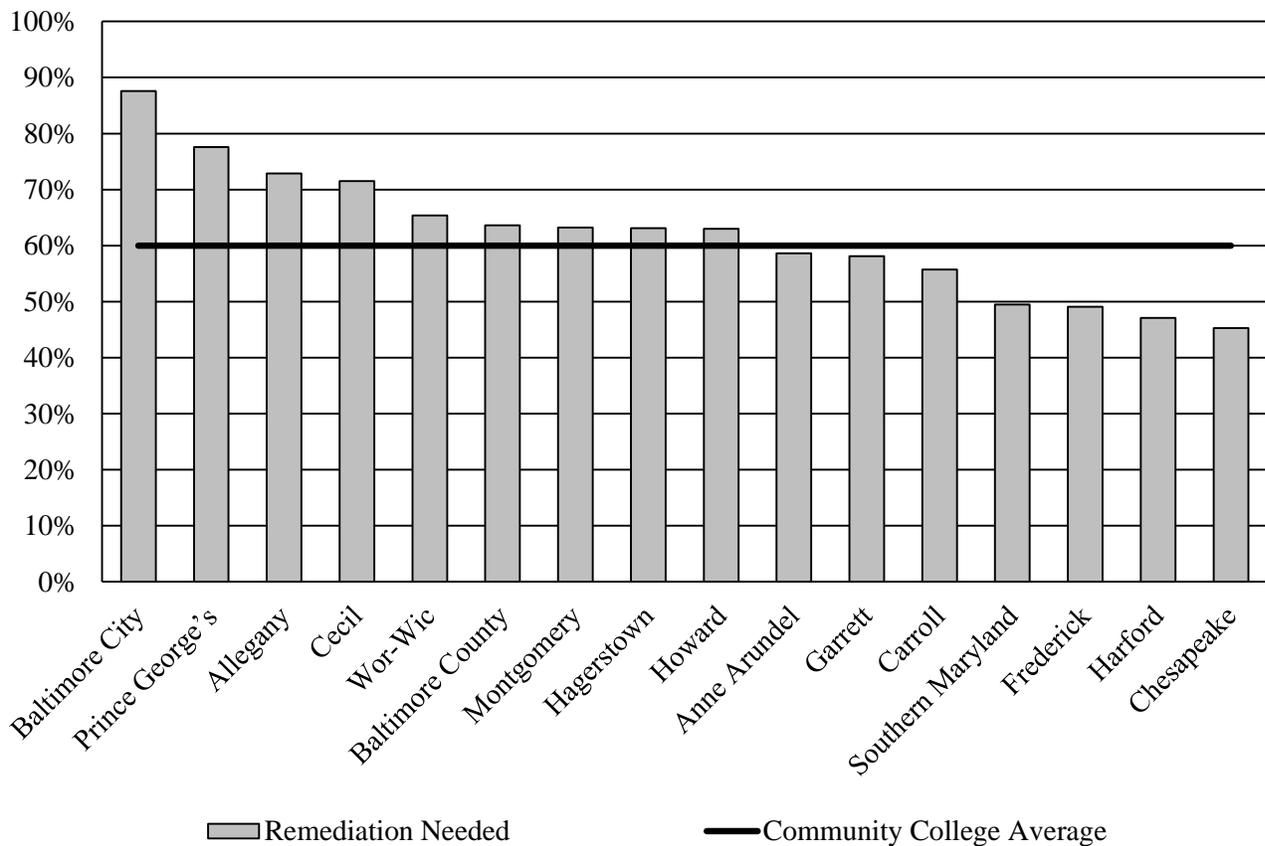
Source: Maryland Higher Education Commission

2. Remediation Rates

One of the strategies of the 2017 to 2021 *State Plan for Postsecondary Success* is to improve college readiness among K-12 students and, in particular, high school students. Since a high school diploma does not necessarily indicate that a student is ready for college coursework, institutions use other methods to determine readiness such as placement tests.

Due to open door policies, a majority of students who enroll in community colleges require some remediation. According to Complete College America, in Maryland for the 2010 cohort, for every 100 students enrolled at a community college, 52 will take remedial math of which 42 will fail to complete the course within two years. As shown in **Exhibit 3**, on average, in fiscal 2018, 60.0% of Maryland high school students who enrolled in a community college required some remediation, an improvement from 69.3% the previous year. In fiscal 2016, two community colleges had remediation rates exceeding 90% compared to fiscal 2018 when no community colleges had remediation rates exceeding 88%. BCCC and Prince George’s Community College had the highest remediation rates at 87.6% and 77.6%, respectively. Allegany Community College had the third highest rate of 72.6%. Seven institutions had rates below the average with Chesapeake Community College having the lowest remediation rate of 45.3%.

Exhibit 3
Remediation Rates of Maryland High School Graduates
Enrolled in Community Colleges
Fiscal 2018

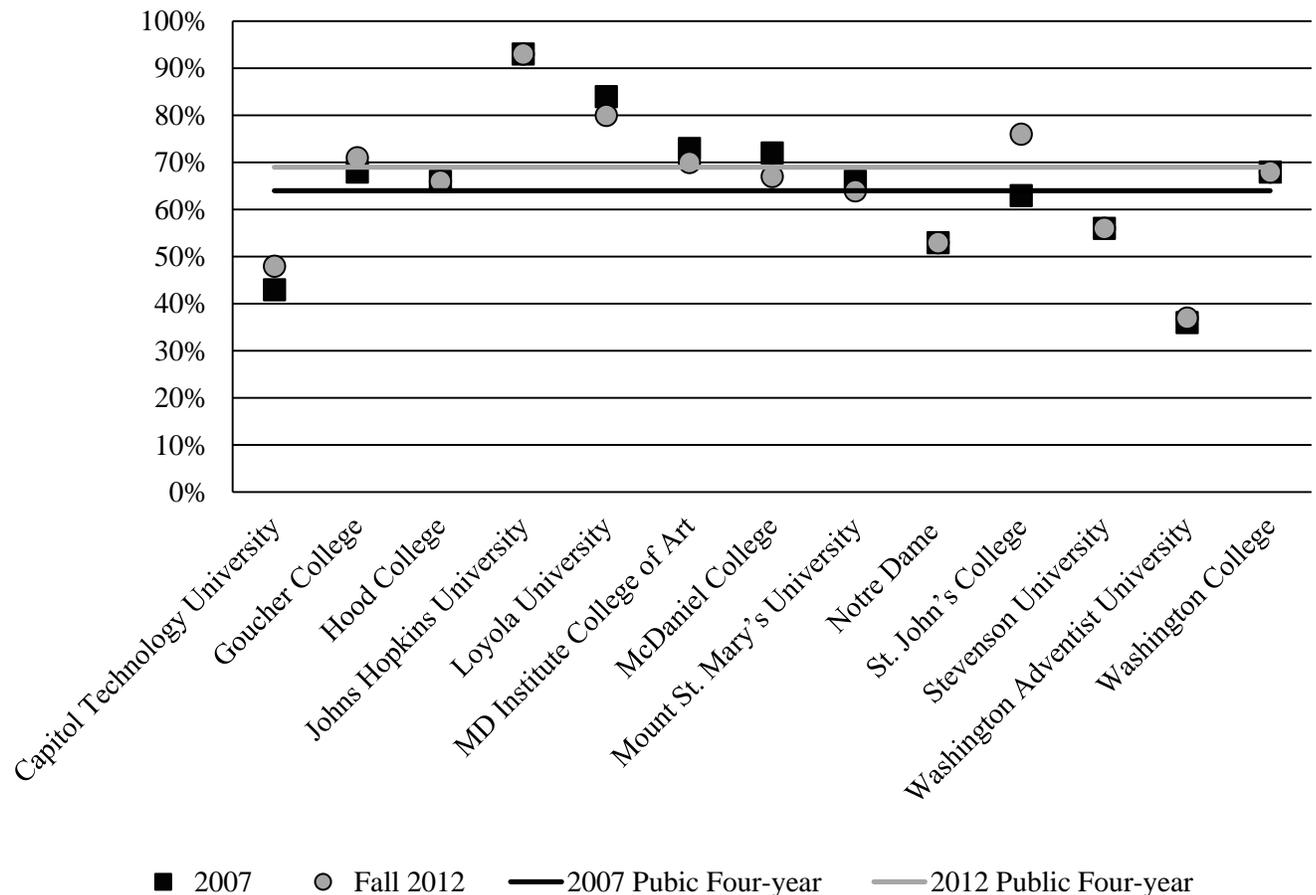


Source: Maryland Higher Education Commission

3. Student Outcomes at Independent Institutions

Exhibit 4 compares the six-year graduation rates of the fall 2007 and 2012 cohort of first-time, full-time students by independent institution. The Johns Hopkins University (JHU) has the highest graduation rate at 93%. The graduation rate improved at four institutions with St. John’s College experiencing the largest increase of 13 percentage points. The rate remained unchanged at five institutions. When compared to the statewide six-year graduation rate of the 2007 cohorts at the public four-year institutions, five independent institutions fell below the statewide rate of 64%, and eight institutions fell below the public four-year rate of 69% with the 2012 cohort.

Exhibit 4
Six-year Graduation Rates at Maryland Independent Institutions
Fall 2007 and 2012 Cohorts



Source: Integrated Postsecondary Education Data System

4. Where Are Maryland Students Enrolling in Online Courses?

Institutions in states participating in the State Authorization Reciprocity Agreement (SARA) are required to annually report on the number of students enrolled in out-of-state online programs and the number of out-of-state students enrolled in its online programs. SARA is a voluntary agreement program among states and U.S. districts and territories. It establishes national standards for interstate offerings of postsecondary distance education courses and programs.

SARA requires states to approve their in-state institutions for SARA participation (based upon institutional accreditation and financial stability) and resolve student complaints. In addition, SARA states agree to impose no additional requirements on institutions from other SARA states. Maryland became a full participant in 2016. Currently, California is the only state not participating in SARA.

In fiscal 2018, 32,052 Maryland students were enrolled in a total of 887 SARA participating out-of-state institutions in every SARA state. As shown in **Exhibit 5**, 68% of Maryland students were enrolled in programs in 1 of 10 states. Two institutions in Arizona account for the majority of the Arizona enrollment (70.3%): the University of Phoenix; and Grand Canyon. Strayer and Liberty University account for 66.2% and 70%, respectively, of the enrollments in the District of Columbia and Virginia.

Exhibit 5
Top 10 States Where Maryland Students Enroll in Online Programs
Fiscal 2018

| | <u>Enrollment</u> | <u>Institutions Enrolling Students</u> |
|----------------------|-------------------|--|
| Arizona | 5,020 | 20 |
| District of Columbia | 3,982 | 10 |
| Virginia | 2,751 | 36 |
| West Virginia | 1,872 | 19 |
| New Hampshire | 1,585 | 7 |
| Pennsylvania | 1,441 | 63 |
| Indiana | 1,319 | 25 |
| Georgia | 1,307 | 25 |
| Utah | 1,271 | 8 |
| Colorado | 1,245 | 26 |
| Total | 21,793 | |

Source: National Council for State Authorization Reciprocity Agreements

In fiscal 2018, 12,979 out-of-state students were enrolled in an online program offered at a Maryland institutions, as shown in **Exhibit 6**. Two institutions, University of Maryland Global Campus and JHU, accounted for 86.5% of all enrollments.

Exhibit 6
Online Out-of-state Enrollment at Maryland Institutions
Fiscal 2018

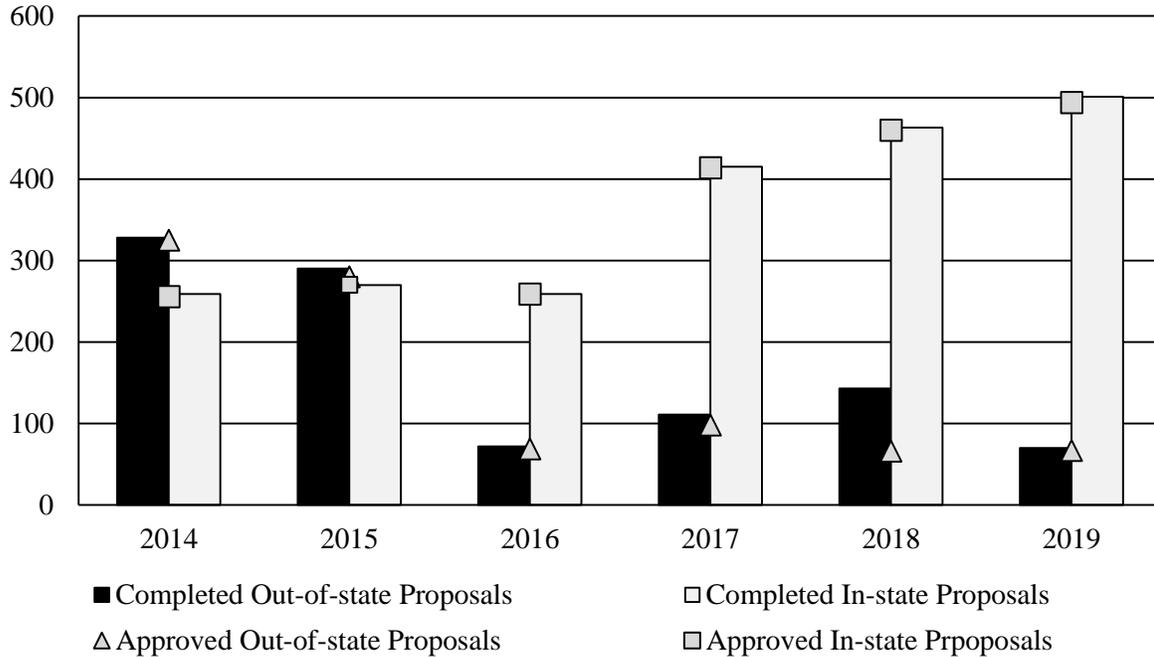
| | |
|---|-------|
| University of Maryland Global Campus | 6,736 |
| Johns Hopkins University | 4,488 |
| University of Maryland, College Park Campus | 346 |
| SANS Technology Institute | 306 |
| University System of Maryland institutions | 260 |
| Nonprofit Independent Institutions | 203 |
| Capital Technology University | 165 |
| Community Colleges | 157 |
| University of Maryland, Baltimore Campus | 143 |
| Stevenson University | 132 |
| Morgan State University | 43 |

Source: National Council for State Authorization Reciprocity Agreements

5. Program Approval

MHEC is responsible for the academic integrity of higher education in Maryland, including approving academic programs offered by public and private two- and four-year institutions (both in-state and out-of-state institutions). As shown in **Exhibit 7**, the number of completed in-state academic proposals increased 93.4%, from 259 in fiscal 2014 to 501 in 2019.

Exhibit 7
Completed Proposals Received and Approved by
In-state and Out-of-state Institutions
Fiscal 2014-2019



Note: Unlike in-state proposals, for certificates of approval, out-of-state proposals may include multiple academic programs is a single proposal.

Source: Maryland Higher Education Commission

According to MHEC, this increase is due to a variety of factors including:

- Institutions critically reviewing existing programs leading to changes to meet workforce needs and further specializing programs to remain competitive. Changes include title change, an addition or revision of an area of concentration, change to a program’s existing curriculum, or a new program.
- Previously, institutions submitted multiple actions within one proposal, *i.e.*, requesting a program name change and adding an area of concentration. After an internal review, it was found that this was creating confusion for both MHEC staff and institutions. Therefore, institutions were requested to submit one action per proposal.

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- A regulatory change allowed community colleges that offer options or tracks within programs to convert those into areas of concentration, resulting in an increase in community colleges offering areas of concentrations within existing programs.

The number of completed proposals from out-of-state institution fell 78.7% from fiscal 2014 to 2019. MHEC attributes this to:

- Out-of-state institutions must annually reapply to operate in the State. After five years of annual approvals, an institution can request an extended approval for up to five years. Several institutions were granted extended approvals over the last five years.
- Since joining SARA, MHEC clarified that out-of-state institutions that only place students in Maryland for supervised internship, practicum, or field experience only have to submit a report to MHEC.
- Out-of-state institutions, like in-state institutions, are reevaluating curricula and implementing new programs to meet market demand.

Fiscal 2020

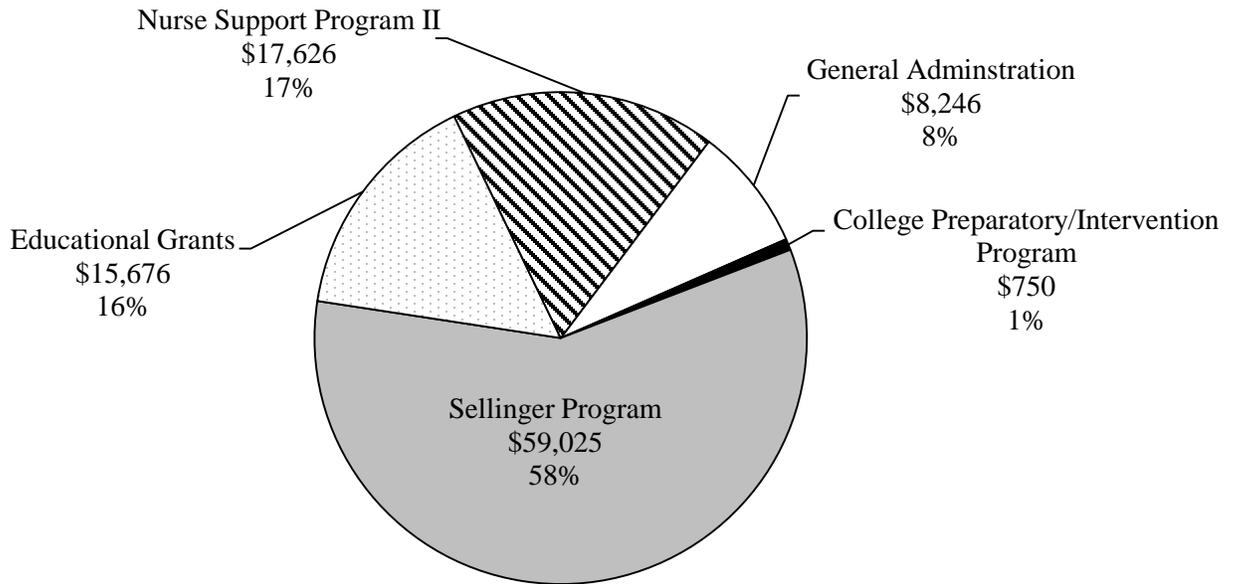
Proposed Deficiency

There are two fiscal 2020 deficiencies that would provide \$4.0 million in general funds: \$3.7 million to meet the State match requirement for the Save4College Program due to increase in applications; and \$0.3 million to support operations of the Maryland 529 Achieving a Better Life Experience (ABLE) program due to account fees being lower than anticipated.

Fiscal 2021 Overview of Agency Spending

The fiscal 2021 allowance for MHEC totals \$101.3 million (excluding financial aid that is analyzed in a separate analysis). Funding for the Joseph A. Sellinger (Sellinger) Program accounts for 58% (\$59.0 million) of the spending, as shown in **Exhibit 8**. The Nurse Support Program II and Education Grants comprise 33% (\$32.9 million) of expenditures, while administration accounts for 8%, or \$8.2 million of total expenditures.

Exhibit 8
Overview of Agency Spending
Fiscal 2021 Allowance
(\$ in Thousands)



Total: \$101.3 Million

Sellinger: Joseph A. Sellinger Program

Source: Governor's Fiscal 2021 Budget Books; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 9**, the adjusted fiscal 2021 budget decreases \$0.5 million, or 0.4%, from the adjusted fiscal 2020 working appropriation.

Exhibit 9
Proposed Budget
Maryland Higher Education Commission
(\$ in Thousands)

| How Much It Grows: | General Fund | Special Fund | Federal Fund | Reimb. Fund | Total |
|---|-------------------------|-------------------------|-------------------------|------------------------|----------------------|
| Fiscal 2019 Actual | \$71,592 | \$19,270 | \$292 | \$937 | \$92,091 |
| Fiscal 2020 Working Appropriation | 82,841 | 18,130 | 323 | 479 | 101,773 |
| Fiscal 2021 Allowance | <u>82,152</u> | <u>18,280</u> | <u>389</u> | <u>501</u> | <u>101,323</u> |
| Fiscal 2020-2021 Amount Change | -\$689 | \$150 | \$66 | \$23 | -\$451 |
| Fiscal 2020-2021 Percent Change | -0.8% | 0.8% | 20.6% | 4.7% | -0.4% |
| Where It Goes: | | | | | <u>Change</u> |
| Personnel Expenses | | | | | |
| New positions (2 full-time equivalents in the Office of Student Financial Assistance)..... | | | | | \$88 |
| Fiscal 2021 2% general salary increase effective January 1, 2021..... | | | | | 48 |
| Annualization of the fiscal 2020 1% general salary increase effective January 1, 2020..... | | | | | 24 |
| Retirement contributions | | | | | 19 |
| Workers' compensation premium assessment..... | | | | | 14 |
| Social Security contribution | | | | | -10 |
| Reclassifying salaries at base | | | | | -139 |
| Other Changes | | | | | |
| Nurse Support II special funds aligning expenses with revenue | | | | | 381 |
| Increase for administering the Legal Representation Fund for Title IX proceedings as mandated in Chapter 674 of 2019 | | | | | 250 |
| Increased funding for the Near Completers Grant Program as mandated in Chapter 554 of 2018..... | | | | | 125 |
| Administrative costs, primarily for a part-time administrative position, associated with veterans programs (federal funds) | | | | | 45 |
| Vehicle replacement cost..... | | | | | 30 |
| John R. Justice Grant (federal funds) | | | | | 17 |
| Other expenditures | | | | | -3 |
| One-time funding for Maryland Health and Higher Educational Facilities Authority to conduct study on student loan refinancing in Maryland | | | | | -250 |
| One-time funding for modifications of the Maryland College Aid Processing Systems to incorporate new scholarship programs, changes made to other programs such as eligibility requirements, and new application to process applications for Dreamers | | | | | -291 |
| One-time funding budgeted for the St. Mary's College of Maryland (SMCM) DeSousa-Brent Scholars Program for the fall 2015 cohort meeting specific retention and graduation rates that is now budgeted in SMCM | | | | | -800 |
| Total | | | | | -\$451 |

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Sellinger Formula

The fiscal 2021 allowance includes \$59.0 million for the Sellinger formula contingent on the Budget Reconciliation and Financing Act (BRFA) of 2020 which level funds Sellinger at the fiscal 2020 level, a \$32.0 million reduction. The BRFA also changes the formula moving forward.

The Sellinger formula is based on a percentage of the State's per full-time equivalent student (FTES) funding for selected public four-year institutions. This is then used to determine per FTES funding amount for the eligible independent institutions based on the FTES enrollment at each institution. This percentage was reduced during the prior recession but has been gradually increasing in recent years, reaching 15.5% for fiscal 2021 and each fiscal year thereafter. The proposed funding change is shown in **Exhibit 10**.

Exhibit 10 Comparison of Projected Sellinger Funding Fiscal 2021-2025

| | <u>Allowance 2021</u> | <u>Projected 2022</u> | <u>Projected 2023</u> | <u>Projected 2024</u> | <u>Projected 2025</u> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Current Law | \$91,059,994 | \$98,556,976 | \$103,022,108 | \$107,771,412 | \$112,683,649 |
| BRFA | \$59,024,905 | \$59,851,254 | \$61,347,535 | \$62,942,571 | \$64,453,193 |
| <i>Estimated Growth (1% Less Than Estimated General Fund growth)</i> | | 1.4% | 2.5% | 2.6% | 2.4% |
| Difference | | | | | |
| BRFA/Current Law | -\$32,035,089 | -\$38,705,722 | -\$41,674,573 | -\$44,828,841 | -\$48,230,456 |

BRFA: Budget Reconciliation and Financing Act

Source: Department of Legislative Services

The BRFA also changes the methodology for calculating future increases in Sellinger. Instead of basing funding increases on a State funding per FTES at selected public four-year institutions of higher education and total FTES enrollment at the independent institutions, the BRFA increases future funding by the expected growth of general fund revenues for the upcoming fiscal year, less 1%.

In other words, the BRFA breaks the link in funding between the selected public four-year and independent institutions and removes enrollment as a component of the funding formula.

As shown in Exhibit 10, under current law, it is estimated that funding for Sellinger would reach \$112.7 million in fiscal 2025. The BRFA would temper this growth to \$64.5 million. **Exhibit 11** compares the distribution of funds under current law to that proposed in the BRFA. As noted above, under current law, funding distribution is based on the second year prior total enrollment. While total enrollment is not shown, eight institutions experienced a decline in enrollment. However, the

\$32.0 million increase in funding mitigates any impact a decline may have had on the allocation of funds. Overall, under current law, funding at eight institutions would increase by over 50%. McDaniel College would receive the largest percentage increase of 74.1%, or \$2.1 million, due to a 13.8% increase in enrollment. The remaining five institutions would experience funding increases of over 40%.

Exhibit 11
Comparison of Funding Distribution by Enrollment
Fiscal 2020-2021

| <u>Institution</u> | <u>2020</u> | <u>Current Law</u> <u>2021</u> | <u>\$ Change</u> | <u>% Change</u> |
|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------|
| The Johns Hopkins University | \$29,019,524 | \$45,504,381 | \$16,484,857 | 56.8% |
| Loyola College | 6,534,728 | 9,877,993 | 3,343,265 | 51.2% |
| Stevenson University | 4,358,920 | 6,615,819 | 2,256,899 | 51.8% |
| McDaniel College | 2,771,043 | 4,825,157 | 2,054,114 | 74.1% |
| Maryland Institute College of Art | 2,823,062 | 4,347,606 | 1,524,544 | 54.0% |
| Mount St. Mary's College | 2,676,349 | 4,026,474 | 1,350,125 | 50.4% |
| Goucher College | 2,466,084 | 3,481,644 | 1,015,560 | 41.2% |
| Washington College | 2,012,424 | 2,893,275 | 880,851 | 43.8% |
| Hood College | 1,834,286 | 2,882,901 | 1,048,615 | 57.2% |
| Notre Dame of Maryland University | 1,842,589 | 2,600,462 | 757,873 | 41.1% |
| Washington Adventist University | 1,171,808 | 1,681,763 | 509,955 | 43.5% |
| St. John's College | 843,131 | 1,333,344 | 490,213 | 58.1% |
| Capitol Technology University | 670,957 | 989,175 | 318,218 | 47.4% |
| Total | \$59,024,905 | \$91,059,994 | \$32,035,089 | 54.3% |

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

The Department of Legislative Services (DLS) recommends amending the BRFA to restore the link between the Sellinger formula and enrollment at eligible independent institutions receiving support through the formula and State aid per FTES appropriation to selected four-year public institutions of higher education. DLS also recommends permanently calculating the Sellinger allocation using the percentage of the State's per FTES funding for selected public four-year institutions of higher education to which the fiscal 2021 Sellinger funding level approved by the General Assembly equates.

Educational Grants

The educational grants program provides financial assistance to State, local, and private entities to enrich the quality of higher education. As shown in **Exhibit 12**, educational grants decline 4.0%, or \$0.7 million, from fiscal 2020 to 2021. This is due to funding for the SMCM DeSousa-Brent Scholars

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Program being included in fiscal 2020 that is budgeted for SMCM in fiscal 2021. This decrease is partly offset by an increase of \$0.1 million for the Near Completers Grant Program. Fiscal 2020 deficiencies provide \$3.7 million for the College Savings Match Program, increasing funding to \$10.1 million and \$0.3 million for the ABLÉ program, funding levels which are maintained in fiscal 2021.

Exhibit 12
Maryland Higher Education Commission Education Grants
Fiscal 2020-2021

| Programs | Adjusted Working <u>2020</u> | Adjusted Allowance <u>2021</u> | \$ <u>Difference</u> | % <u>Difference</u> |
|--|---|---|---------------------------------|--------------------------------|
| Federal Funds | | | | |
| John R. Justice Grant | 21,482 | 38,826 | 17,344 | 80.7% |
| Subtotal | \$21,482 | \$38,826 | \$17,344 | 80.7% |
| General Funds | | | | |
| Complete College Maryland | \$250,000 | \$250,000 | \$0 | 0.0% |
| Washington Center for Internships and Academic Seminars | 250,000 | 250,000 | 0 | 0.0% |
| UMB – WellMobile ¹ | 285,000 | 285,000 | 0 | 0.0% |
| Regional Higher Education Centers ² | 1,609,861 | 1,609,861 | 0 | 0.0% |
| Colleges Savings Plan Match ³ | 10,067,500 | 10,067,500 | 0 | 0.0% |
| ABLE Program ³ | 300,000 | 300,000 | 0 | 0.0% |
| Cyber Warrior Diversity Program | 2,500,000 | 2,500,000 | 0 | 0.0% |
| Near Completers Grant | 250,000 | 375,000 | 125,000 | 50.0% |
| DeSousa-Brent Scholars Program | 800,000 | 0 | -800,000 | -100.0% |
| Subtotal Including Grants to Be Transferred | \$16,312,361 | \$15,637,361 | -\$675,000 | |
| Total Funds including Grants | \$16,333,843 | \$15,676,187 | -\$657,656 | -4.0% |

ABLE: Achieving a Better Life Experience Program

UMB: University of Maryland, Baltimore Campus

¹ Funding will be transferred to UMB by budget amendment.

² Fiscal 2020 and 2021 includes \$0.4 million for the Waldorf Center that will be transferred by budget amendment to the University of Maryland, Global Campus.

³ Fiscal 2020 includes \$3.7 million deficiency to satisfy match requirement for the Save4College Contribution Program and \$0.3 million for ABLÉ program.

Source: Governor's Fiscal 2021 Budget Books

Regional Higher Education Centers

While total funding for the non-USM regional higher education centers (RHEC) remains unchanged from fiscal 2020, the allocation among the RHECs varies, as shown in **Exhibit 13**. This is due to funding for the non-USM RHECs being based on each receiving \$0.2 million in base funding with the remaining funds allocated based on the fiscal 2019 audited FTES enrollment in 2+2 and upper division courses. Laurel College receives the largest increase in funding of \$44,782 due to a 31.3 FTES increase in enrollment in those courses.

Exhibit 13 State Support for Regional Higher Education Centers Fiscal 2020-2021

| Non-USM RHECs | <u>2020</u> | <u>2021</u> | <u>\$ Change 2020-2021</u> | <u>% Change 2020-2021</u> |
|--|---------------------|---------------------|--------------------------------|-------------------------------|
| AACC RHEC at Arundel Mills | \$298,346 | \$288,363 | -\$9,983 | -3.3% |
| Eastern Shore Higher Education | 348,794 | 366,489 | 17,695 | 5.1% |
| Laurel College | 317,080 | 361,862 | 44,782 | 14.1% |
| University Center ¹ | 200,000 | 200,000 | 0 | 0.0% |
| Waldorf | 445,641 | 393,147 | -52,494 | -11.8% |
| Total All Non-USM – RHECs | \$1,609,861 | \$1,609,861 | \$0 | 0.0% |
| USM RHECs | | | | |
| Universities at Shady Grove | \$22,126,816 | \$23,966,816 | \$1,840,000 | 8.3% |
| University System of Maryland at Hagerstown | 2,312,348 | 2,312,348 | 0 | 0.0% |
| Southern Maryland | 1,541,092 | 2,121,092 | 580,000 | 37.6% |
| Total USM RHECs | \$25,980,256 | \$28,400,256 | \$2,420,000 | 9.3% |

AACC: Anne Arundel Community College

RHEC: regional higher education centers

USM: University System of Maryland

¹ Fiscal 2020 and 2021 funding will not be distributed until the center receives MHEC approval to operate in a new facility.

Source: Maryland Higher Education Commission

Unlike the formula funded non-USM RHECs, USM RHECs are funded through the University of Maryland System Office, which determines the allocations of the funds to the Universities at Shady Grove, USM Hagerstown, and USM at Southern Maryland. Total funding for USM RHECs increases 9.3%, or \$2.4 million, which is related to USM's Workforce Development Initiative and equipment purchases.

Personnel Data

| | <u>FY 19 Actual</u> | <u>FY 20 Working</u> | <u>FY 21 Allowance</u> | <u>FY 20-21 Change</u> |
|------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Regular Positions | 57.60 | 57.60 | 59.60 | 2.00 |
| Contractual FTEs | <u>0.00</u> | <u>8.60</u> | <u>9.35</u> | <u>0.75</u> |
| Total Personnel | 57.60 | 66.20 | 68.95 | 2.75 |

Vacancy Data: Regular Positions

| | | |
|---|------|--------|
| Turnover and Necessary Vacancies, Excluding New Positions | 3.74 | 6.49% |
| Positions and Percentage Vacant as of 12/31/19 | 6.00 | 10.42% |
| Vacancies Above Turnover | 2.26 | |

- The allowance provides for 2.0 new regular positions for the Office of Student Financial Assistance to assist with the increased workload due to the establishment of several new programs.
- The allowance provides 0.75 full-time equivalent contractual positions for a part-time position funded with federal and reimbursable funds.

Issues

1. Student Loan Debt Tax Credit

The Student Loan Debt Relief Tax Credit (Chapters 689 and 690 of 2016) established a refundable tax credit of up to \$5,000 for qualified undergraduate student loans to Maryland residents beginning in the 2017 tax year. Chapter 382 of 2018 expanded the types of qualifying debt to include debt incurred for graduate school. MHEC was initially authorized to approve \$5.0 million of tax credit annually. Chapter 419 of 2018 increased the total amount of credits that can be awarded to \$9.0 million annually.

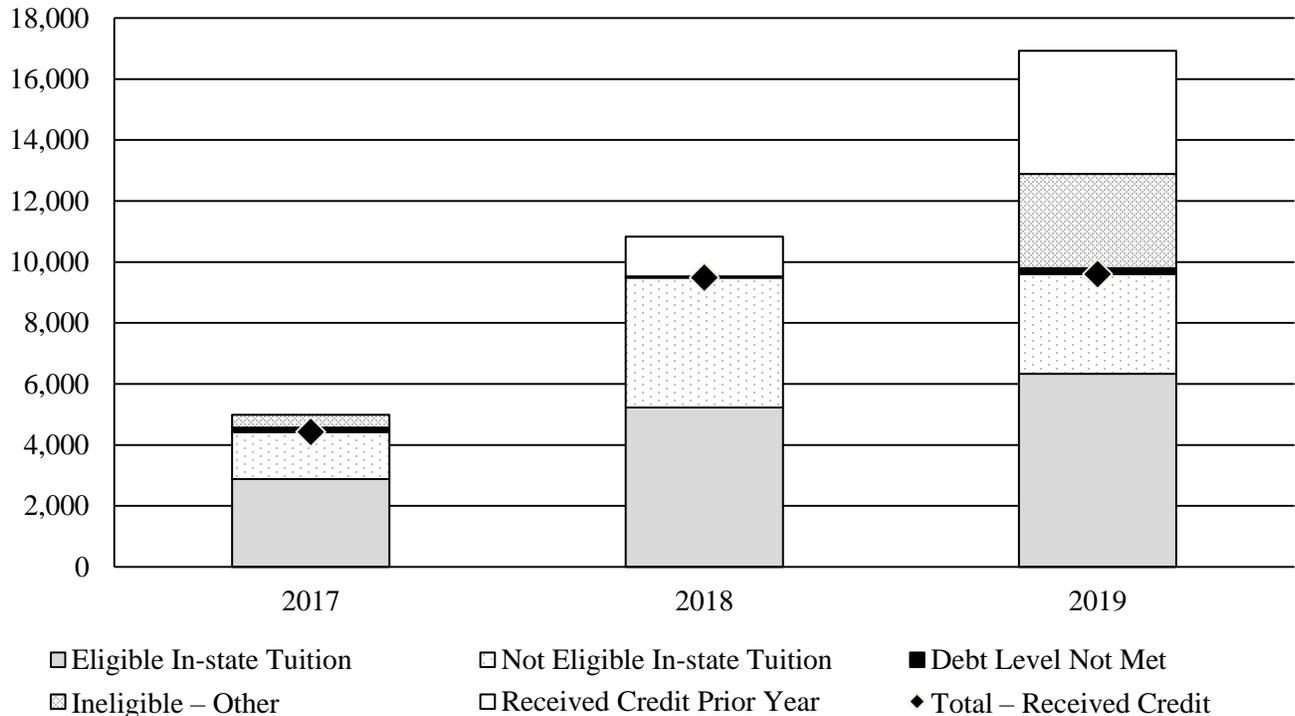
Qualifying tax payers must have had at least \$20,000 in total undergraduate and/or graduate student debt and a remaining balance of at least \$5,000. Recipients must use the credit within two years to pay down the student loan. Applications must be submitted by September 15, and MHEC must certify the amount of the tax credit by December 15.

Tax credit recipients and the amount they receive are prioritized in the following order by MHEC by qualified taxpayers who:

- did not receive a tax credit in the prior year and were eligible for in-state tuition (eligibility is based on the applicant's place of residency while enrolled in college);
- did not receive a tax credit in the prior year and graduated from a Maryland institution of higher education;
- did receive a tax credit in the prior year and were eligible for in-state tuition;
- did receive a tax credit in the prior year and graduated from a Maryland institution of higher education; and
- have higher debt-burden-to-income ratios.

Since its inception, the number of applications has increased 239.4%, as shown in **Exhibit 14**. Applications more than doubled for the 2018 tax year, which can be attributed to expanding qualified loans to include graduate debt. The 2019 applications increased 56.3%, or 6,098 applications, to a total of 16,929. This increase is attributed to the fact that this was the first year applications could be submitted online. The number of applications that were determined to be eligible for in-state tuition for the 2019 tax year increased 38.2%, or 1,100 applicants, while those determined not eligible for in-state tuition fell 64.2%, or 990 applicants.

**Exhibit 14
Student Loan Debt Tax Credit Applications
2017-2019 Tax Year**



Note: Ineligible other includes duplicate applications, incomplete applications, applications containing errors, and applications received after the September 15 deadline. Eligible for in-state tuition is based on an applicant’s residency while enrolled in college.

Source: Maryland Higher Education Commission

For the 2017 and 2018 tax year, over 88% of applicants were eligible for a tax credit. This declined to 56.7% for 2019. However, 23.8% of the applications were ineligible due to receiving credit in a prior year, which is up from 12.0% from the prior year. For the 2019 tax year, 18.3% of the applications were deemed ineligible for other reasons including duplicate applications, incomplete applications, and applications containing errors. MHEC notes that for incomplete applications and those containing errors, they will follow up with the applicant to complete and fix errors before the September 15 deadline.

As shown in **Exhibit 15**, despite an increase in the total amount of credit that could be awarded, the more than doubling of applicants led to a decrease in the value of the tax credit awards for the 2018 tax year. For 2019, the credit for those eligible for in-state tuition remained at \$1,000 and that for those not eligible for in-state tuition, decreased to \$813.

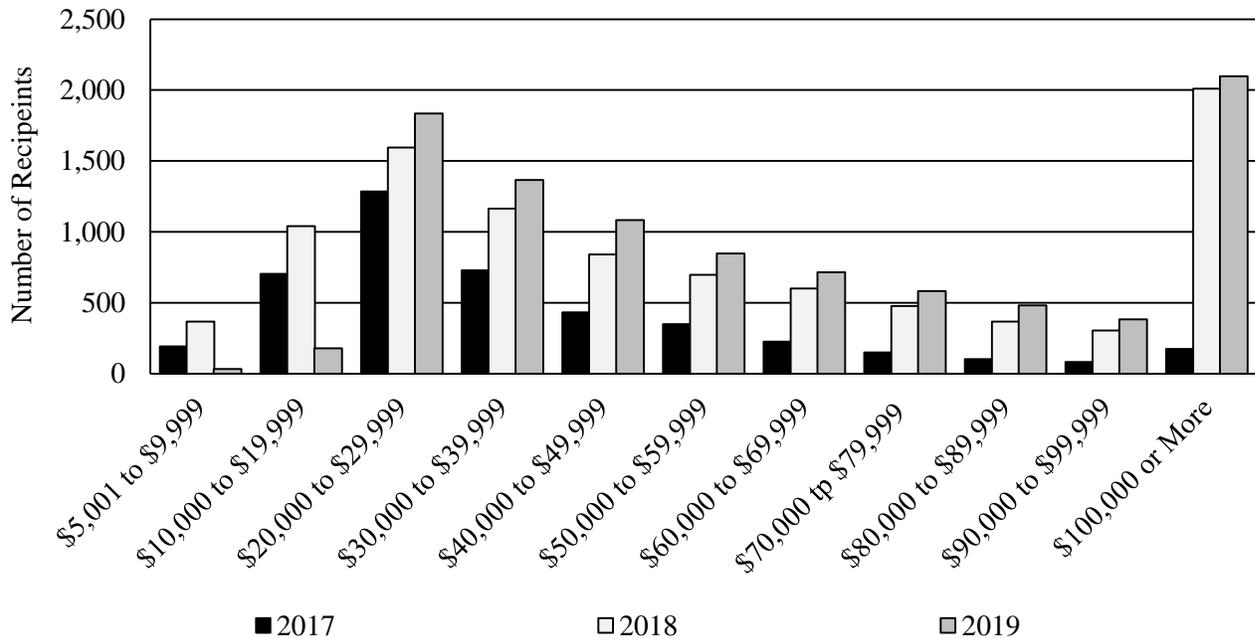
**Exhibit 15
Tax Credit Awarded
2017-2019 Tax Year**

| | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------------------------|-------------|-------------|-------------|
| Eligible for In-state Tuition | \$1,201 | \$1,000 | \$1,000 |
| Not eligible for In-state Tuition | 1,000 | 833 | 813 |

Source: Maryland Higher Education Commission

Exhibit 16 compares the outstanding loan balances of tax credit recipients from 2017 to 2019. Due to the inclusion of graduate debt in 2018, the number of recipients with debt balances over \$100,000 increased from 174 in 2017 to 2,010 in 2019. The number of recipients with balances under \$19,999 declined 85.0% in 2019 while it increased in other categories, reflecting prioritizing those with a higher debt-burden-to-income ratio.

**Exhibit 16
Outstanding Loan Balances of Student Loan Tax Credit Recipients
2017-2019 Tax Year**



Note: The 2017 tax year only included undergraduate debt; subsequent years also includes graduate debt.

Source: Maryland Higher Education Commission

Operating Budget Recommended Actions

1. Adopt the following narrative:

Report on Best Practices and Annual Progress Toward the 55% Completion Goal: The budget 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 budget 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.

| Information Request | Author | Due Date |
|---|---------------|-------------------|
| Report on best practices and annual progress toward the 55% completion goal | MHEC | December 15, 2020 |

2. Adopt the following narrative:

Report on Impact of Credit Completion Requirement on Financial Aid Awards: Beginning in the 2018-2019 academic year and in a student’s third academic year, students receiving the Educational Excellence Award must successfully complete 30 credit hours in the prior academic year in order to receive the full award amount. Students who completed at least 24 credit hours but less than 30 credit hours will have their awards prorated, and those who do not complete at least 24 credit hours will lose their award. The committees are interested in the impact the new 30-credit-hour requirement had on students in the 2019-2020 academic year, particularly if students are meeting the requirement in order to receive the full amount of award, how many students had their awards prorated, and how many students lost eligibility. The report should also include the graduation rates of students who completed 30 credit hours compared to those who completed less than 30 credit hours. The report should provide summary data by segment (community colleges, four-year public, and independent institutions) and by institution. The report is due by December 15, 2020.

| Information Request | Author | Due Date |
|---|--------------------------------------|-------------------|
| Report on impact of credit completion requirement on financial aid awards | Maryland Higher Education Commission | December 15, 2020 |

3. Adopt the following narrative:

Institutional Aid, Pell Grants, and Loan Data by Expected Family Contribution Category: In order to more fully understand all types of aid available to students, the committees request that data be submitted for each community college, public four-year institution, and independent institution on institutional aid, Pell grants, and student loans. Data should include, by expected family contribution (EFC), the number of loans and average loan size of federal subsidized and unsubsidized loans and loans from private sources as reported to the Maryland Higher Education Commission (MHEC). Additionally, data should be provided on Pell grants, including the number and average award size by EFC. Finally, data should include the number of institutional aid awards and average award size by EFC for institutional grants, institutional athletic scholarships, and other institutional scholarships. The data in the response should differentiate between need-based aid and merit scholarships. Data should also include the number of institutional aid awards and average award size by EFC for tuition waivers/remissions of fees to employees and dependents and students. Waiver information for students should be reported by each type of waiver in State law. This report should cover fiscal 2019 data received by MHEC from State institutions and is to be submitted in an electronic format (Excel file).

| Information Request | Author | Due Date |
|---|---------------|-----------------|
| Report on fiscal 2019 financial aid categories by EFC | MHEC | June 30, 2020 |

Budget Reconciliation and Financing Act Recommended Actions

1. Amend the Budget Reconciliation and Financing Act (BRFA) to restore the link between the Joseph A. Sellinger Program formula and enrollment at independent institutions receiving support through the formula and State per full-time equivalent student (FTES) appropriation at selected four-year public institutions of higher education. Further amend the BRFA to calculate the formula for fiscal 2022 and subsequent years using the percentage of the State's per FTES funding for selected public four-year institutions of higher education to which the fiscal 2021 Sellinger funding level approved by the General Assembly equates.

Appendix 1
2019 Joint Chairmen’s Report Responses from Agency

The 2019 *Joint Chairmen’s Report* (JCR) requested that the Maryland Higher Education Commission (MHEC) prepare three reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on Best Practices and Annual Progress Toward the 55% Completion Goal:*** The report summarizes the methodology to determine increases needed in degree production at Maryland institutions for the State to meet its goal. Data is provided on each segment targets and actual degree production. The report also provided a summary on the college completion summit. Further discussion of the State’s progress toward the completion goal can be found in the Higher Education Overview.
- ***Report on Impact of Credit Completion Requirement on Financial Aid Awards:*** The report is to provide data on the impact the 30-credit requirement has on students, particularly if students received partial awards or lost their awards. MHEC requested an extension until March 2020 due to institutions not submitting data in a timely manner.
- ***Institutional Aid, Pell Grants, and Loan Data by Expected Family Contribution Category:*** The spreadsheet contains institutional aid, Pell, and loan data for the community colleges, public four-year institutions, and nonprofit independents.

**Appendix 2
Object/Fund Difference Report
Maryland Higher Education Commission**

| <u>Object/Fund</u> | <u>FY 19 Actual</u> | <u>FY 20 Working Appropriation</u> | <u>FY 21 Allowance</u> | <u>FY 20 - FY 21 Amount Change</u> | <u>Percent Change</u> |
|---|-------------------------|--|----------------------------|--|---------------------------|
| Positions | | | | | |
| 01 Regular | 57.60 | 57.60 | 59.60 | 2.00 | 3.5% |
| 02 Contractual | 8.00 | 8.60 | 9.35 | 0.75 | 8.7% |
| Total Positions | 65.60 | 66.20 | 68.95 | 2.75 | 4.2% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 5,045,789 | \$ 5,602,243 | \$ 5,574,145 | -\$ 28,098 | -0.5% |
| 02 Technical and Spec. Fees | 351,335 | 515,653 | 544,610 | 28,957 | 5.6% |
| 03 Communication | 56,877 | 41,150 | 41,150 | 0 | 0% |
| 04 Travel | 93,644 | 76,712 | 76,712 | 0 | 0% |
| 07 Motor Vehicles | 72,661 | 91,712 | 121,712 | 30,000 | 32.7% |
| 08 Contractual Services | 1,610,298 | 1,684,965 | 1,382,169 | -302,796 | -18.0% |
| 09 Supplies and Materials | 21,362 | 38,800 | 38,800 | 0 | 0% |
| 10 Equipment – Replacement | 36,745 | 16,237 | 16,237 | 0 | 0% |
| 11 Equipment – Additional | 0 | 7,500 | 7,500 | 0 | 0% |
| 12 Grants, Subsidies, and Contributions | 84,540,098 | 89,176,172 | 124,999,639 | 35,823,467 | 40.2% |
| 13 Fixed Charges | 262,336 | 457,546 | 459,852 | 2,306 | 0.5% |
| Total Objects | \$ 92,091,145 | \$ 97,708,690 | \$ 133,262,526 | \$ 35,553,836 | 36.4% |
| Funds | | | | | |
| 01 General Fund | \$ 71,592,374 | \$ 78,780,963 | \$ 114,108,697 | \$ 35,327,734 | 44.8% |
| 03 Special Fund | 19,269,843 | 18,127,397 | 18,268,139 | 140,742 | 0.8% |
| 05 Federal Fund | 292,139 | 321,542 | 384,317 | 62,775 | 19.5% |
| 09 Reimbursable Fund | 936,789 | 478,788 | 501,373 | 22,585 | 4.7% |
| Total Funds | \$ 92,091,145 | \$ 97,708,690 | \$ 133,262,526 | \$ 35,553,836 | 36.4% |

Note: The fiscal 2020 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2021 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 3
Fiscal Summary
Maryland Higher Education Commission**

| <u>Program/Unit</u> | <u>FY 19 Actual</u> | <u>FY 20 Wrk Approp</u> | <u>FY 21 Allowance</u> | <u>Change</u> | <u>FY 20 - FY 21 % Change</u> |
|--------------------------------------|-------------------------|-----------------------------|----------------------------|----------------------|-----------------------------------|
| 01 General Administration | \$ 8,369,353 | \$ 8,396,053 | \$ 8,150,167 | -\$ 245,886 | -2.9% |
| 02 College Prep/Intervention Program | 749,598 | 750,000 | 750,000 | 0 | 0% |
| 03 Joseph A. Sellinger Program | 56,273,000 | 59,024,905 | 91,059,994 | 32,035,089 | 54.3% |
| 07 Educational Grants | 8,105,952 | 12,292,843 | 15,676,187 | 3,383,344 | 27.5% |
| 38 Nurse Support Program II | 18,593,242 | 17,244,889 | 17,626,178 | 381,289 | 2.2% |
| Total Expenditures | \$ 92,091,145 | \$ 97,708,690 | \$ 133,262,526 | \$ 35,553,836 | 36.4% |
| General Fund | \$ 71,592,374 | \$ 78,780,963 | \$ 114,108,697 | \$ 35,327,734 | 44.8% |
| Special Fund | 19,269,843 | 18,127,397 | 18,268,139 | 140,742 | 0.8% |
| Federal Fund | 292,139 | 321,542 | 384,317 | 62,775 | 19.5% |
| Total Appropriations | \$ 91,154,356 | \$ 97,229,902 | \$ 132,761,153 | \$ 35,531,251 | 36.5% |
| Reimbursable Fund | \$ 936,789 | \$ 478,788 | \$ 501,373 | \$ 22,585 | 4.7% |
| Total Funds | \$ 92,091,145 | \$ 97,708,690 | \$ 133,262,526 | \$ 35,553,836 | 36.4% |

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.