

R62I0001
Maryland Higher Education Commission

Operating Budget Data

(\$ in Thousands)

	FY 07	FY 08	FY 09	FY 08-09	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$74,912	\$76,073	\$81,063	\$4,990	6.6%
Special Fund	2,290	9,602	12,647	3,045	31.7%
Federal Fund	2,975	3,731	3,576	-155	-4.2%
Reimbursable Fund	<u>713</u>	<u>246</u>	<u>220</u>	<u>-26</u>	<u>-10.5%</u>
Total Funds	\$80,890	\$89,652	\$97,507	\$7,854	8.8%

- Total funds increase 8.8%. The underlying fiscal 2009 budget change absent health insurance and Other Post Employment Benefits funding, which distorts year-to-year comparison, is \$7.6 million, or 8.5%, over fiscal 2008.
- Special funds increase by \$3 million for Base Realignment and Closure-related higher education initiatives.

Personnel Data

	FY 07	FY 08	FY 09	FY 08-09
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	75.10	75.10	72.60	-2.50
Contractual FTEs	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	76.10	76.10	73.60	-2.50

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	4.89	6.74%
Positions Vacant as of 1/1/08	8.50	11.32%

- Due to a Board of Public Works action in January 2008, 2.5 regular administrative staff positions are abolished in the fiscal 2009 allowance.
- As of January 1, 2008, the commission has 8.5 vacancies. Budgeted turnover for fiscal 2009 is 6.74%, or 4.9 positions.

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

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Analysis in Brief

Major Trends

Graduation Rate Continues to Increase for Public Four-year Colleges: Six-year graduation rates have slowly increased for all first-time, full-time students at public four-year colleges and are expected to continue increasing in fiscal 2008 and 2009.

Number of Nursing Graduates Continues to Increase: The number of nursing graduates increased significantly from fiscal 2002 to 2007 and is expected to continue increasing in fiscal 2008 and 2009.

Issues

Full Cost of State Funding Increases for Higher Education Lags One Year in Budget: State funds per student for selected public four-year institutions from the previous fiscal year are utilized to determine State aid under the Senator John A. Cade funding formula, the Baltimore City Community College funding formula, and the Joseph A. Sellinger Program. This issue will examine the possibility of using State funds per student in the same fiscal year.

Nurse Support Program II: Nursing programs in the State continue to face capacity issues. This issue will examine the second year of the Nurse Support Program II and highlight the second round of grants awarded in fiscal 2008.

Funding Guidelines: The Maryland Higher Education Commission (MHEC) is in the process of updating the funding peers used in the calculation of funding guidelines for public four-year institutions. This issue will show attainment trends for the State's public four-year institutions and discuss the impact of the new funding peers.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce Sellinger program aid to nonpublic institutions.	\$ 3,096,198	
2. Add language to the general fund appropriation to restrict funding until the Maryland Higher Education Commission reports on funding plans for the State's historically black institutions.		
Total Reductions	\$ 3,096,198	

Updates

Historically Black Institutions' Enhancement Funds: The expenditure of enhancement funds was restricted until MHEC reported to the budget committees on the plans for spending funds designated to enhance the State's four historically black institutions (HBIs). This update will provide information on how the institutions utilized fiscal 2008 enhancement funds.

Professional Development Schools: The expenditure of Professional Development Schools grants were restricted until MHEC submitted a report to the budget committees. This update will provide a summary of the report and how funds were spent.

Office for Civil Rights Partnership and the MHEC Program Review Process: A high profile dispute between Morgan State University and Towson University has led to questions about MHEC's program review process. This update will examine the extent to which Maryland is meeting the Office for Civil Rights requirement regarding unnecessary duplication of programs.

Parity with Respect to Maryland's HBIs: The Maryland Coalition for Equity and Excellence in Higher Education reopened a lawsuit against MHEC alleging that it violated federal laws and did not fulfill its obligations as required by the Office for Civil Rights Partnership agreement. This update will provide a brief summary of the lawsuit.

R62I0001 – Maryland Higher Education Commission

R62I0001
Maryland Higher Education Commission

Operating Budget Analysis

Program Description

The Maryland Higher Education Commission (MHEC) is the State's coordinating body for the 13 campuses of the University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland, 16 community colleges, the State's private colleges and universities, and private career schools. The mission of MHEC is to ensure that the people of Maryland 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 the citizens of Maryland equally prepared to be productive, socially engaged, and responsible members of a healthy economy. The Secretary of Higher Education is the head of the agency and serves at the pleasure of the 12-member commission.

The key goals for MHEC:

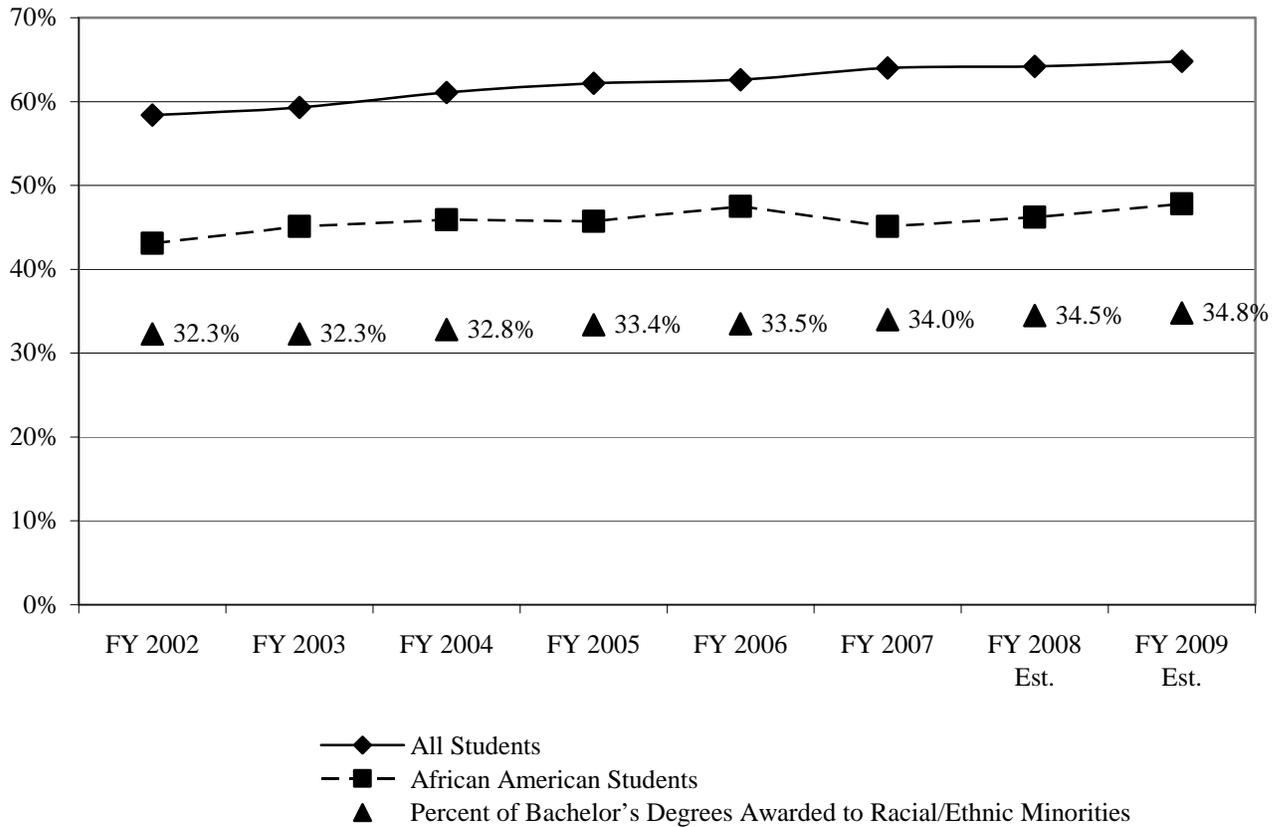
- to achieve and sustain a preeminent statewide array of postsecondary educational institutions that are recognized for their distinctiveness and their excellence nationally and internationally;
- to provide affordable and equitable access for every qualified Maryland citizen;
- to strengthen teacher preparation and improve the readiness of students for postsecondary education; and
- to contribute to the further development of Maryland's economic health and vitality.

Performance Analysis: Managing for Results

It is the role of MHEC to focus and coordinate the various segments of higher education in Maryland and ensure that progress is made toward the State goals for higher education. MHEC's performance measures provide an overview of institutional data in the many areas for which it has oversight, including college preparation; minority student achievement; graduates of workforce shortage degree programs; and the connection between community colleges and four-year institutions.

One of MHEC's key goals is to maintain and strengthen postsecondary institutions by increasing the percentage of bachelor's degrees awarded at Maryland campuses. From fiscal 2002 to 2007, six-year graduation rates have slowly increased for all first-time, full-time students at public four-year colleges, as shown in **Exhibit 1**. This trend is also evident in the bachelor's degrees awarded to all racial/ethnic minority students enrolled at public four-year colleges. Graduation rates for these categories are expected to continue this trend in fiscal 2008 and 2009. The graduation rate for African American students fluctuated from fiscal 2002 to 2007. The rate is expected to slightly increase in fiscal 2008 and 2009.

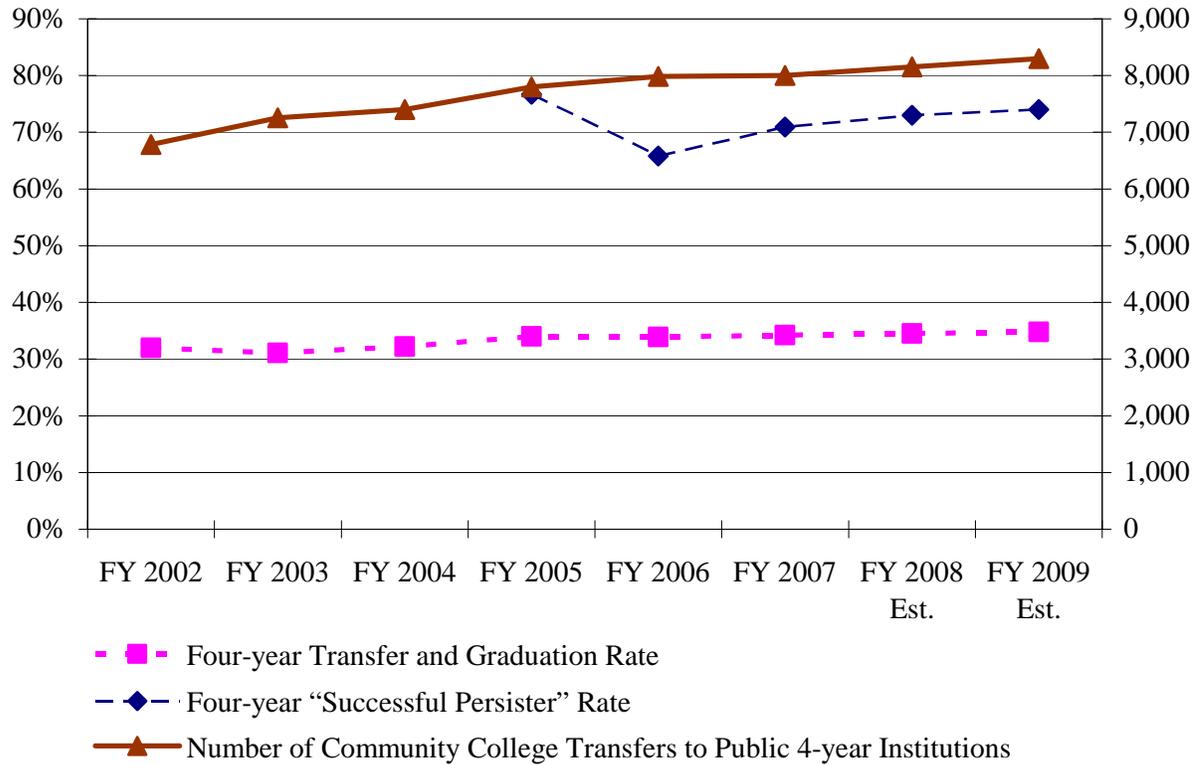
Exhibit 1
Six-year Graduation Rates of All Students and African American Students and
Degrees Awarded to Racial/Ethnic Minority Students
Fiscal 2002-2009 Estimates



Source: Governor's Budget Books, Fiscal 2005, 2007, and 2009

MHEC is also the coordinating body for the State's community colleges and collects data regarding the community college transfer rate. MHEC wants to ensure that community college students are progressing successfully toward their goals. **Exhibit 2** shows the four-year transfer and graduation rate, four-year "successful persister" rate, and the number of community college transfers to public four-year institutions. The four-year transfer and graduation rate fluctuated up and down from fiscal 2002 to 2006. After slightly increasing in fiscal 2007, the rate is expected to remain relatively level in fiscal 2008 and 2009. The percentage of students who graduate, transfer, or are still enrolled after four years declined significantly in fiscal 2006. The percentage increased in fiscal 2007 and is expected to continue in fiscal 2008 and 2009.

**Exhibit 2
Community College Performance Measures
Fiscal 2002-2009 Estimates**

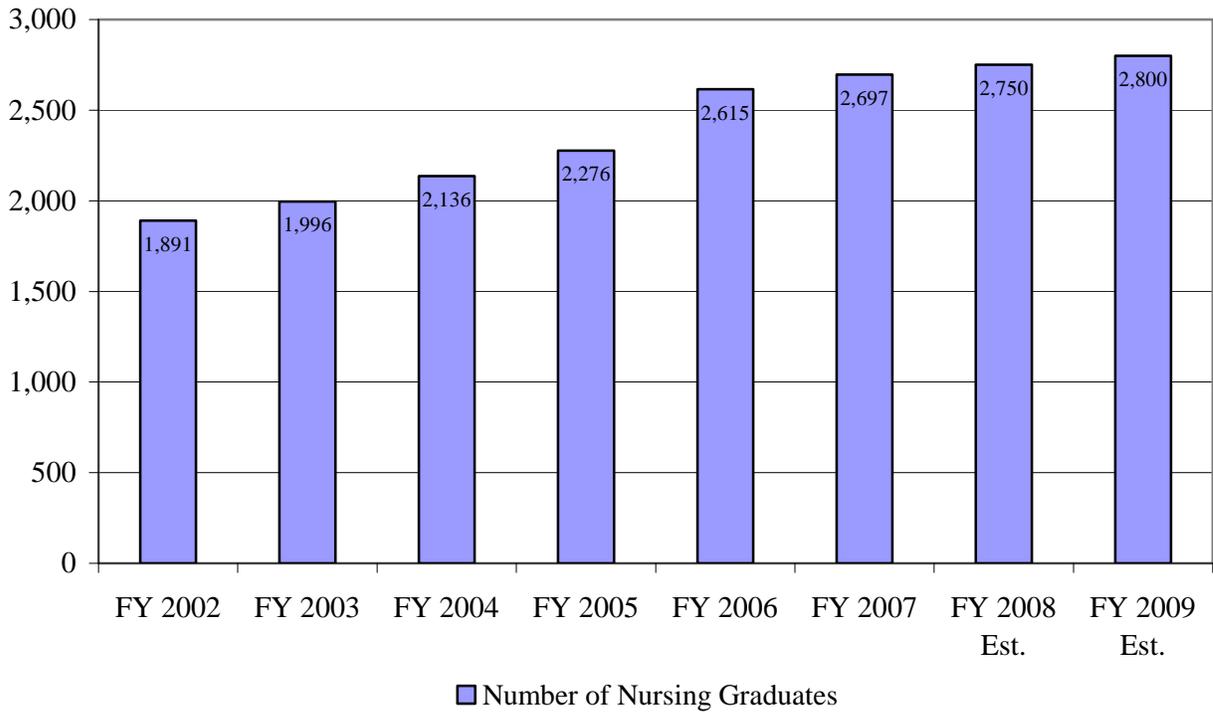


Note: Four-year "successful persister" rate collected beginning fiscal 2005.

Source: Governor's Budget Books, Fiscal 2005, 2007, and 2009

It is the role of MHEC to focus and coordinate programs that support Maryland's economic health. It is imperative that higher education recruit and educate qualified applicants to meet the demand of critical workforce shortages. Two of the most critical areas are nursing and teaching. Currently, there is a shortage in the production of master's level nursing programs that may impact the supply of eligible nurse faculty as well as limit the ability of nursing programs to expand enrollments. **Exhibit 3** shows the number of nursing graduates from fiscal 2002 to 2009. The number of nursing graduates increased significantly from fiscal 2002 to 2007 and is expected to continue increasing at a moderate rate in fiscal 2008 and 2009.

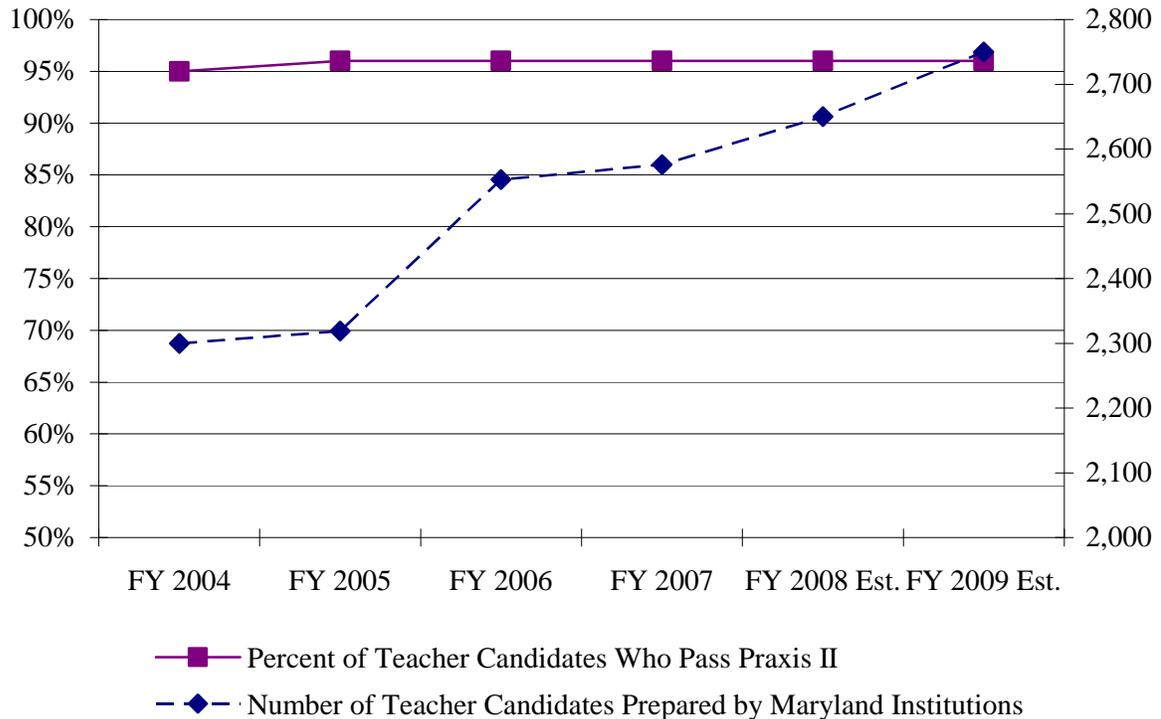
Exhibit 3
Trends in Nursing Graduates
Fiscal 2002-2009 Estimates



Source: Governor’s Budget Books, Fiscal 2005, 2007, and 2009

Another workforce area in which qualified applicants are needed is teaching. **Exhibit 4** shows the percentage of Maryland teacher candidates who pass Praxis II and the number of teacher candidates educated by Maryland institutions. As the exhibit shows, the Praxis II pass rate remains flat at 96% from fiscal 2006 to 2007, and this is expected to continue in fiscal 2008 and 2009. However, the number of teacher candidates prepared by Maryland institutions steadily increased from fiscal 2004 to 2007 and is expected to continue increasing in fiscal 2008 and 2009.

Exhibit 4
Teacher Candidates Who Pass Praxis II
Candidates Prepared by Maryland Institutions
Fiscal 2005-2009 Estimates



Source: Governor’s Budget Books, Fiscal 2007 and 2009

Fiscal 2008 Actions

Impact of Cost Containment

Cost containment actions by the Board of Public Works (BPW) on July 11, 2007, reduced MHEC’s budget by a total of \$3,065,000, or 4%. Details of cost containment measures appear in **Exhibit 5**.

Exhibit 5
Fiscal 2008 Cost Containment

<u>Impact</u>	<u>Reduction</u>
Administration	\$65,000
Savings achieved by increasing the vacancy rate	
Educational Grants	500,000
Reduces the grant amount for Professional Development Schools	
Sellinger	2,500,000
Reduces aid to nonpublic institutions by 4%	
Total	\$3,065,000

Source: Maryland Department of Budget and Management

Governor's Proposed Budget

As shown in **Exhibit 6**, the fiscal 2009 allowance increases MHEC's general fund budget by \$7.8 million, or 8.8%, as required by statutory formula. The allowance provides a \$5.6 million increase to the Sellinger aid to private colleges and universities. However, Senate Bill 91/House Bill 101 – Budget Reconciliation and Financing Act of 2008 (BRFA) proposed by the Administration would hold funding for Sellinger at the fiscal 2008 amount. If Sellinger aid is level funded, the underlying general fund change absent health insurance and Other Post Employment Benefits is -\$835,318, or -1.11%. Educational grants increase \$2.0 million due to \$3.0 million in special funds from the Higher Education Investment Fund (HEIF), the elimination of the Professional Development Schools and First Year Experience grants, and the reduction in Improving Teacher Quality grants.

Exhibit 6
Governor’s Proposed Budget
Maryland Higher Education Commission
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2008 Working Appropriation	\$76,073	\$9,602	\$3,731	\$246	\$89,652
2009 Governor’s Allowance	<u>81,063</u>	<u>12,647</u>	<u>3,576</u>	<u>220</u>	<u>97,507</u>
Amount Change	\$4,990	\$3,045	-\$155	-\$26	\$7,854
Percent Change	6.6%	31.7%	-4.2%	-10.5%	8.8%

Where It Goes:

Personnel Expenses

Board of Public Works abolished 2.5 positions.....	-\$138
Employee increments and other compensation	65
Employee and retiree health insurance	40
Retirement	46
Turnover adjustments	1
Other Post Employment Benefits	247
Fiscal 2008 one-time hiring freeze savings	25

Other Changes

Sellinger Aid Funding to Private Colleges and Universities	5,625
Higher Education Investment Fund Workforce Initiatives Grants	3,000
Nurse Support II	97
Motor Vehicles and Fuel/Utilities	-10
Reduction in administrative costs (travel, communication, etc.).....	-19
Private Donation Incentive Grant.....	-69
Other Grants	-77
Eliminate First Year Experience Grant.....	-100
Decrease Improving Teacher Quality State Grants	-379
Eliminate Professional Development Schools Grant.....	-500

Total **\$7,854**

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

Joseph A. Sellinger Formula

MHEC administers funding to eligible independent colleges and universities through the Joseph A. Sellinger funding formula. The annual aid is calculated by multiplying the number of full-time equivalent students (FTES) enrolled at the independent institutions by 16% of the prior year's State general fund and non-capital HEIF appropriation per FTES at selected four-year public institutions. BPW reduced the 2008 legislative appropriation by \$2.5 million on July 11, 2007, which lowered the per student appropriation to 15.32% of the public four-year-per-student amount. The fiscal 2009 allowance provides a \$5.6 million increase consistent with the 16.0% requirement. However, language in the fiscal 2009 budget bill holds the funding for Sellinger at the fiscal 2008 amount (\$56,051,065) contingent on budget reconciliation legislation. This would equate to 14.54% under the formula. The BRFA also proposes to reduce the percentage of the State's general fund and HEIF per FTES to 15.25% in fiscal 2010, returning to 16.0% in fiscal 2011. The General Assembly may reduce fiscal 2009 Sellinger funding without a BRFA provision; changes to the mandated funding in fiscal 2010 and beyond would require legislation.

Private Donation Incentive Program

The Private Donation Incentive Program (PDIP) provides State matching funds to promote private fundraising within Maryland's public colleges and universities and to encourage public institutions of higher education to pursue gifts and donations to the institutions' endowments. First created by the General Assembly in 1990 for a seven-year period, the State provided matching funds for donations made to the endowments of public institutions and their affiliated foundations. In 1999, the General Assembly reauthorized the program for an additional six-year period for eligible institutions. The grant period began in fiscal 1999, and with the exception of the State's HBIs, all donation payments were to be made by June 30, 2004. The State deferred \$8.3 million in owed payments to institutions (excluding HBIs) in fiscal 2004 and 2005. Private Donation Incentive matching grants are budgeted at \$2.27 million in the fiscal 2009 allowance. This amount fulfills the State's statutory obligation to institutions.

Educational Grants

The educational grants program provides miscellaneous educational grants and special financial assistance to various State, local, and private entities. The grants are intended to foster and enrich the quality of higher education within the goals set by the 2004 State Plan for Postsecondary Education. **Exhibit 7** shows the list of educational grants from fiscal 2007 to 2009. In the fiscal 2009 allowance, Improving Teacher Quality State grants decrease \$379,311, and the First Year Experience and Professional Development Schools grants are eliminated. Overall, educational grants increase by approximately \$2 million over fiscal 2008.

Exhibit 7
Maryland Higher Education Commission
Educational Grants
Fiscal 2007-2009

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>\$ Change</u> <u>FY 08-09</u>
Improving Teacher Quality State Grants	\$1,280,317	\$2,079,131	\$1,700,000	-\$379,131
Henry H. Welcome Grants	200,000	200,000	200,000	0
Diversity Grants	180,000	180,000	180,000	0
HBCU Enhancement Fund	4,900,000	4,900,000	4,900,000	0
Doctoral Grant	60,000	60,000	60,000	0
The Honorable Howard “Pete” Rawlings Washington Center for Internships and Academic Seminars	200,000	200,000	200,000	0
Interstate Educational Compacts in Optometry	165,500	165,500	165,500	0
UMBI, Maryland-Israeli Partnership	250,000	250,000	250,000	0
Higher Education Heritage Action Committee/ IMPART	200,000	200,000	200,000	0
UMB Wellmobile Program	570,500	570,500	570,500	0
Aging Studies at UMBC	3,500,000	0	0	0
Regional Higher Education Centers.	850,000	850,000	850,000	0
Academy of Leadership	500,000	500,000	500,000	0
“Maryland Go For It!” Outreach Activities	100,000	100,000	100,000	0
First Year Experience Program	100,000	100,000	0	-100,000
Community College Disability Demonstration Project	500,000	500,000	500,000	0
Maryland Industrial Partnerships	1,000,000	1,000,000	1,000,000	0
Harry Hughes Center for Agro-Ecology		81,809	81,809	0
Professional Development Schools	2,000,000	500,000	0	-500,000
Higher Education Investment Fund Workforce Initiatives			3,000,000	3,000,000
Total	\$16,556,317	\$12,436,940	\$14,457,809	\$2,020,869

HBCU: Historically Black Colleges and Universities

Source: Governor’s Budget Books, Fiscal 2009

Higher Education Investment Fund Workforce Initiatives

The fiscal 2009 allowance includes \$3 million from the Higher Education Investment Fund for workforce initiatives. These funds will be used to establish a grant program to assist Maryland's higher education institutions with program development and the implementation of initiatives to meet the needs of the State related to 2005 Defense Base Realignment and Closure (BRAC). The Lieutenant Governor chairs the BRAC subcabinet which is responsible for coordinating the State's response to the 2005 BRAC. Examples of initiatives may include the expansion of campus capabilities through the design and use of multimedia instruction and the development of Internet-based course offerings; projects that advance Maryland's competitiveness in the science-technology-engineering-math fields; the expansion and development of adult basic education initiatives; and projects that develop programs or courses directly related to BRAC educational needs. Grants will be awarded to institutions through a Request for Proposal (RFP) process. **The Secretary should comment on the timeline for the RFP process and the average grant amount for projects.**

Issues

1. Full Cost of State Funding Increases for Higher Education Lags One Year in Budget

State aid to community colleges and private colleges and universities is determined by a formula based on average State funding per student at most of the public four-year institutions. Locally operated community colleges are funded by the Senator John A. Cade Funding Formula, and Baltimore City Community College has its own formula, while private colleges and universities are tied to the Joseph A. Sellinger Program. All three formulas are based on two factors, as outlined below.

- The number of FTES enrolled at the institution in the second previous year. This is the most recent actual enrollment data available.
- The amount of general funds and HEIF per FTES at selected public four-year institutions received in the *previous* year. For the fiscal 2009 budget, this refers to funding received in fiscal 2008. With the establishment of HEIF in the special session, non-capital HEIF appropriations were added to the statutory formulas by House Bill 1 of the 2007 special session.

The only difference among the formulas is the percentage of previous year per FTES funding they receive in the upcoming fiscal year.

One issue these formulas present is that the full cost of increases in State appropriations to public institutions does not appear in the State budget until the following year when it is incorporated in the per FTES funding used in the formulas. One way to realize the full cost at the time the decision is being made to increase higher education funding would be to “true up” the per FTES funding in the formulas so it does not lag a year. The funding formulas would then reflect the full appropriation for public four-year institutions in the same fiscal year. Since per FTES funding has been increasing each year, truing up the formulas would have a one-time budgetary impact. For illustrative purposes, **Exhibit 8** shows the amount each formula would increase if the formulas were to “true up” in fiscal 2009. In total, the formulas would increase \$21.7 million, although the Governor is not required to provide additional funding in fiscal 2009.

The Department of Legislative Services recommends that the 2008 BRFA include provisions to true up the Senator John A. Cade Funding Formula, the Joseph A. Sellinger Program, and Baltimore City Community College funding formula. Beginning in fiscal 2010, the formulas would be calculated using the fiscal 2010 State funding per FTES. The impact on fiscal 2010 would depend on changes in higher education enrollments and State funding for higher education in the fiscal 2010 budget.

Exhibit 8
Impact of “True Up” in Fiscal 2009

	<u>Allowance</u>	<u>"True Up"</u>	<u>Difference</u>
Cade	\$218,733,777	\$233,528,987	\$14,795,211
Sellinger	61,675,814	65,847,476	4,171,662
BCCC	40,503,130	43,242,720	2,739,590
Total			\$21,706,462

Source: Governor’s Budget Books, Fiscal 2009; Department of Legislative Services

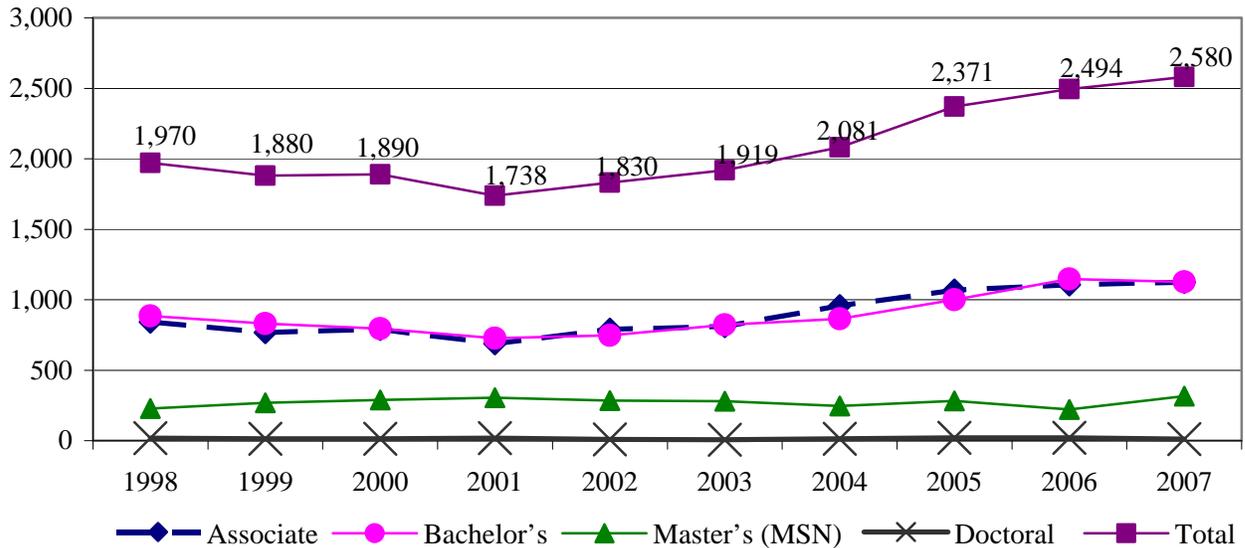
2. Nurse Support Program II

Background

Like most states, Maryland is facing an increasing need for nurses. Maryland’s institutions of higher education have been unable to keep up with the growing demand for nursing education and are admitting less than half of all qualified applicants. In fall 2005, 2,357 qualified applicants were not admitted to nursing programs, while 79% of the nursing programs in the State met or exceeded their enrollment capacity.

Despite the continued gap between the supply of and demand for nurses, Maryland schools have responded to the call for more nurses by steadily increasing the number of nursing students who have earned degrees since 2001. (See **Exhibit 9**.) However, the number of graduates from master’s and doctoral level nursing programs has fluctuated over the last 10 years. From 1998 to 2001, graduates of master’s level nursing programs steadily increased from 227 to 301. However, this trend discontinued and decreased to 222 graduates in 2006. This trend was similar for doctoral level degrees, which is at 12 graduates in 2007 compared to 21 in 2005 and 2006. This unstable trend in the awarding of graduate level nursing degrees is particularly troubling because the scarcity of bedside nurses has been linked to the critical shortage of nursing faculty. If the pattern continues, it may impact the supply of nurse faculty and limit the ability of nursing programs to expand enrollment.

**Exhibit 9
Trends in the Number of Degrees Awarded
at Maryland Institutions by Type of Degree
1998-2007**



Source: Maryland Higher Education Commission

Nurse Support Program II

The Nurse Support Program II (NSP II) was established to increase the number of bedside nurses in Maryland hospitals and the nurse faculty necessary to train these nurses. NSP II is a 10-year program that annually will provide approximately \$8.8 million to support nursing programs. Funding for NSP II is generated through a 0.1% increase in the rates for all hospitals in the State. The rate increase was adopted by the Maryland Health Services Cost Review Commission (HSCRC) and began July 1, 2005. The revenue collected from the rate increases will be used to award competitive institutional grants, implement statewide initiatives, and administer NSP II. Legislation enacted in 2006 (Chapter 221) created a nonlapsing special fund for program revenues so that funds may be carried forward and awarded in future years. In addition to establishing the fund, the legislation requires that a portion of the funds be used to attract minorities to nursing and nurse faculty careers in Maryland and to retain minorities working in this field.

Competitive Institutional Grants Awarded

Competitive Institutional Grants are designed to increase the structural capacity of Maryland nursing schools through shared resources, innovative educational designs, and streamlined processes. In the first round of funding in fiscal 2007, seven projects were selected jointly by the Maryland Higher Education Commission (MHEC) and HSCRC to receive program funds. The programs were

chosen because of their potential to address multiple aspects of the nursing shortage by accelerating the number of Associate Degree Nursing (ADN) graduates, increasing the pipeline of ADN to Bachelor of Science Nursing students, and creating pathways to nurse faculty positions through Master of Science Nursing and doctoral programs. Approved fiscal 2007 grant awards total \$6.2 million to be awarded over multiple years.

Twenty-three proposals were received for the fiscal 2008 NSP II Competitive Institutional Grants. An eight-member review panel which included MHEC and HSCRC staff, reviewed the proposals based on the criteria set forth in the request for applications, the comparative outcomes of each initiative, the geographic distribution of programs, and the emphasis placed on attracting and retaining minorities in nursing and nurse faculty careers. **Exhibit 10** provides an overview of the nine proposals selected which include initiatives impacting the Western, Central, and Eastern Shore regions of the State; initiatives addressing minority student recruitment and retention; and initiatives encouraging more males to choose nursing as a career. The fiscal 2008 grant awards total \$5.9 million with \$1.6 million provided in fiscal 2008.

Exhibit 10
Nurse Support II Competitive Institutional Grants Funded in Fiscal 2008

<u>Institution</u>	<u>Consortium Members</u>	<u>Program Description</u>	<u>Duration</u>	<u>Year One Funding</u>	<u>Total Funding</u>
College of Notre Dame	Good Samaritan; Harbor Hospital; St. Agnes Hospital	Increase BSN nurses; increase retention; introduce MSN/Ed. focus	5 years	\$295,283	\$1,375,978
Comm. Col. of Baltimore County	Allegheny College; Chesapeake College	Adapt course for EMTs to enter nurse program through distance learning	3 years	110,862	295,005
Comm. Col. of Baltimore County	Mercy Medical Center; St. Agnes Hospital; Union Memorial Hospital	Increased student support through clinical tutoring, mentoring and nurse success class	3 years	131,449	396,033
Hagerstown Comm. College	Washington County Health System	Increase pre-nurse students; outreach to minorities and males to increase retention	5 years	224,760	1,029,141
Johns Hopkins (JH) University	JH Hospital, JH Bayview; Howard Co. GH; St. Agnes Hospital; Mercy Medical Center	On-line and distance graduate studies for staff at hospitals; hospital support for staff while studying	5 years	351,673	970,299

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<u>Institution</u>	<u>Consortium Members</u>	<u>Program Description</u>	<u>Duration</u>	<u>Year One Funding</u>	<u>Total Funding</u>
Prince George's Comm. College	MedStar (Good Samaritan); Drs. Community Hospital	Increase enrollment in LPN to RN prog., start satellite prog. at Good Sam. Hospital; increase retention	5 years	81,967	876,052
Salisbury University	None	Create clinical nurse educator; create RN to MSN track; 1/2 courses in distance learning	3 years	112,794	261,009
Towson University	Sheppard Pratt; GBMC; Frederick Memorial Hospital	MS/nurse ed. or admin. program; on-line and distance learning; additional clinical sites	5 years	219,182	445,356
Wor-Wic Comm. College	Atlantic Gen. Hosp.; Peninsula Regional Medical Center	Expand LPN and RN program through adding faculty and shared resources	3 years	75,112	284,520
Total Competitive Institutional Grant Funding				\$1,603,082	\$5,933,392

Source: Maryland Higher Education Commission

As shown in **Exhibit 11**, the Competitive Institutional Grant initiatives funded in the first two rounds are expected to increase nursing enrollments by more than 3,000 students. Of that number, approximately 690 would be eligible to serve as clinical instructors or full-time nursing faculty after completing master's and doctoral level programs.

Exhibit 11
Projected Additional Nursing Enrollments from
Competitive Institutional Grant Initiatives

	<u>Round 1 Grants</u>	<u>Round 2 Grants</u>
Undergraduate Nursing Programs		
Associate’s Degree Nursing	146	974
Registered Nurse – Bachelor of Science Nursing	298	425
Bachelor of Science Nursing	120	450
Subtotal	564	1,849
Graduate Nursing Programs		
Registered Nurse – Master of Science Nursing	0	71
Clinical Nurse Educator	0	14
Master of Science Nursing	220	80
Doctoral Science Nursing	125-184	125
Subtotal	345-404	290
Total	909-968	2,139

Source: Maryland Higher Education Commission

Nursing Faculty Fellowships Will Address Recruitment and Retention

Despite the gains expected from the Competitive Institutional Grants, salaries remain a barrier in recruiting and retaining nurse faculty. Data provided on master’s prepared nurses in the 2004 National Sample Survey of Registered Nurses raises some concern about the competitiveness of nurse faculty salaries. Compared with other nurses who have the same educational credentials, master’s prepared nurse faculty are paid 33% less than nurse anesthetists, 17% less than head nurses and nurse midwives, and approximately 12% less than nurse practitioners and clinical nurse specialists.

In an effort to address the issue of salary competitiveness, HSCRC set aside funding in NSP II for statewide initiatives, including new Nursing Faculty Fellowships. Individuals who are offered a full-time, long-term contract to serve as clinical track nursing faculty may be eligible to receive a maximum of \$20,000 over three years, with \$10,000 distributed the first year and \$5,000 in each of the next two years, assuming continuous employment in good standing. Currently, 23 new Nursing Faculty Fellowships have been awarded at a cost of approximately \$300,000.

3. Funding Guidelines

Chapter 515 of 1999 directed MHEC to develop funding guidelines in consultation with the public four-year institutions. In September 1999, MHEC adopted funding guidelines, a peer-based model designed to inform the budget process by providing both a funding standard and a basis for comparison between public four-year institutions excluding St. Mary's College of Maryland. The basic concept of the funding guidelines is to identify peer institutions (*i.e.*, funding peers) that are similar to the Maryland institution (*i.e.*, home institution) in mission, size, program mix, enrollment composition, and other defining characteristics. The majority of the institutions' peers are determined by a statistical cluster approach. However, the funding peers for a few select institutions formed outside the cluster method utilize composite or aspirational peers. Funding for institutions utilizing composite peers, which are selected by the institution and MHEC, is based on the average of the composite peers. Aspirational peers are consistent with the institution's approved mission statement and the State Plan for Higher Education and are those institutions that the institution aspires to emulate in performance and reputation. Recently, MHEC in conjunction with the University System of Maryland updated funding peers. **The Secretary should comment on the changes and any concerns regarding the new funding peers.**

The funding guidelines are based on per-student funding at peer institutions. In order to provide national comparisons, the funding guidelines use an adjusted full-time equivalent student (AFTES) enrollment to calculate the resources per FTES for current and aspirational peer institutions. The AFTES enrollment is based on fall headcount enrollment data taken from the Integrated Postsecondary Data Systems national database. The resources per FTES is adjusted using the Higher Education Price Index three-year average annual rate and is used to estimate the seventy-fifth percentile funding level of peers. The seventy-fifth percentile is multiplied by MHEC's projected FTES enrollment for the Maryland institution. The institutional operating budget, which includes total resources from tuition, mandatory fees, and State general fund appropriations, is used to determine the attainment of the funding guideline. However, in order to determine the general funds required for an institution to attain its funding guideline, tuition and fee revenue is subtracted from the projected institutional budget.

Exhibit 12 shows the funding guideline attainment trend for University System of Maryland institutions and Morgan State University (MSU) from fiscal 2001 to 2009. The exhibit shows what percent of general funds are necessary to attain guidelines an institution is receiving. After increasing to 91% in fiscal 2002, the total guideline attainment steadily declined from fiscal 2003 to 2005 due to fiscal constraints. The guideline attainment remained level in fiscal 2006 but significantly increased in fiscal 2007. In fiscal 2008 the attainment slightly declined and is expected to remain level in fiscal 2009 with four institutions slightly below or above their guidelines.

Exhibit 12
Funding Guideline Attainments
Fiscal 2001-2009

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Bowie State University	94%	95%	86%	68%	53%	52%	94%	74%	87%
Coppin State University	88%	90%	82%	70%	64%	70%	108%	93%	101%
Frostburg State University	89%	89%	74%	80%	73%	78%	90%	82%	92%
Morgan State University	n/a	102%	90%	76%	70%	75%	91%	95%	98%
Salisbury University	90%	90%	70%	66%	63%	74%	104%	79%	78%
Towson University	91%	92%	75%	82%	77%	80%	100%	90%	87%
University of Baltimore	88%	96%	90%	80%	84%	80%	141%	132%	106%
UM Baltimore	81%	85%	74%	63%	56%	53%	72%	73%	75%
UM Baltimore County	81%	82%	71%	66%	61%	64%	81%	74%	89%
UM Biotechnology Institute	96%	97%	78%	80%	65%	74%	88%	76%	73%
UM Center for Env. Science	89%	88%	81%	84%	65%	68%	81%	82%	85%
UM College Park	89%	90%	76%	76%	65%	68%	82%	78%	80%
UM Eastern Shore	98%	107%	110%	90%	70%	73%	99%	88%	82%
UM University College	64%	80%	58%	46%	43%	34%	40%	61%	39%
Total	88%	91%	78%	73%	65%	66%	84%	81%	81%

Note: Fiscal 2009 allowance includes non-capital Higher Education Investment Funds.

Source: Maryland Higher Education Commission

Recommended Actions

	<u>Amount Reduction</u>	<u>Position Reduction</u>
1. Reduce Sellinger program aid to nonpublic institutions.	\$ 3,096,198	GF

This action allows a 4% increase to the grant per full-time equivalent student over fiscal 2008. This increase will allow for an overall 4.51% over fiscal 2008.

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

. provided that \$4,900,000 in general funds designated to enhance the State’s four historically black institutions may not be expended until the Maryland Higher Education Commission (MHEC) submits a report to the budget committees prior to July 1, 2008, outlining how the funds will be spent. The budget committees shall have 45 days to review and comment on the report.

Explanation: The 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 institutions.

Information Request	Author	Due Date
Enhancement expenditure report	MHEC	July 2008
Total General Fund Reductions		\$ 3,096,198

Updates

1. Historically Black Institutions' Enhancement Funds

The General Assembly added budget language to the 2008 budget bill that restricted the expenditure of \$4.9 million in general funds designated for the enhancement of the State's four HBIs until a report was submitted to the budget committees by MHEC outlining how the funds will be spent by each HBI.

MHEC submitted a report outlining how the general funds would be spent by the State's HBIs for enhancement. UMES and MSU will use \$842,454 of the enhancement funds for debt service payments associated with academic revenue bonds in the following amounts: UMES (\$494,104) and MSU (\$348,350). These funds will satisfy the debt service on academic revenue bonds previously issued in fiscal 2003 and fiscal 2004 for the following capital projects: MSU – Boiler Plant Project and the UMES – Utilities Upgrade and Site Improvements.

BSU received a total of \$1.27 million in enhancement funds. The university will use \$1.12 million to make improvements to the Thurgood Marshall Library: \$900,000 to replace the library's roof, \$180,000 to replace computers in the computer lab, and \$41,000 to provide 16 wireless access points in the library for students to connect to the campus network through mobile devices and laptops. The remaining balance will be used to enhance campus buildings and grounds (\$117,000) and increase the visibility of the Office of Public Safety to respond to potential incidents by replacing three police cars (\$30,000).

CSU received a total of \$858,689 in enhancement funds. The university will use \$620,000 to provide space, shuttle services, and parking alternatives for students relocated because of new building construction. The remaining funds will be utilized to upgrade its information technology system (\$188,689) for the campus police to effectively communicate with the Baltimore City police and \$50,000 to increase enrollment. The latter will be accomplished by implementing recommendations found in the 2001 Noel Levitz enrollment and financial aid study.

MSU received a total of \$965,498 in enhancement funds. The university will utilize funds to continue consulting services for the student administrative management software system in order to improve and streamline business practices. Previous enhancement allocations supported the implementation of the Banner Software. However, to assist the university and maximize the use of the software, \$100,000 will be used for on-call consulting services. The remaining funds will provide enhancement to the network security systems (\$587,000) and continue enhancing the information technology infrastructure (\$278,498) by replacing 150 computers in labs throughout the campus.

UMES received a total of \$965,263 in enhancement funds. The university will use \$300,000 to enhance academic programs particularly for the foreign language laboratory, distance education upgrades for the sciences, bio-security for science laboratories, and aquaculture activities, and to prepare for accreditation of the business, management and accounting, computer science, and engineering programs. The remaining \$665,263 will allow the university to continue upgrading its

technology infrastructure to the next version of the PeopleSoft student administration system and enhance its ability to monitor network resources and improve systems to maintain data integrity.

2. Professional Development Schools

The General Assembly added budget language to the fiscal 2008 budget bill that restricted the expenditure of \$1,000,000 in general funds designated to support professional development schools (PDS) until a report was submitted to the budget committees. (BPW reduced the appropriation to \$500,000 in July 2007). The language required a plan for distribution of funds to professional development schools, information on each higher education institution proposed to receive PDS funds, number of PDS sites, number of teacher interns, other affiliated higher education institutions, affiliated local education agencies, total operating budget for PDS, and total revenue by source for PDS for academic year 2006-2007.

MHEC and the PreK-16 Leadership Council submitted a report which addressed the information requested in the *2007 Joint Chairmen's Report*. The report provided background information on professional development schools and summarizes services funded by the fiscal 2007 PDS grants. Funds were utilized to enhance and expand PDS in the areas of strategic planning, portfolio review, coordination, mentoring, and professional development. A small portion of the fiscal 2007 PDS funding (\$280,000) went toward strategic planning and data collection. The remaining balance (\$1,720,000) was distributed to the 20 eligible institutions of higher education based on the number of PDS students served.

Institutions were required by MHEC to provide projected budgets to show how grants would be spent. Grants were paid to the institutions after their budgets were approved. Strategic planning for PDS usually takes place during the summer and fall. During fiscal 2007, a total of \$9.9 million from all funding sources was spent on PDS. More specifically, 45% was attributed to in-kind contributions; 35% came out of the institutions' budgets; the local school systems (LSS) provided approximately 9%; and the remaining 11% came from grants which include State, federal, and private grants. Since the grant period does not coincide with the fiscal year, there is a total remaining balance of approximately \$1.0 million reflected in the operating budget after the close of fiscal 2007.

The distribution of fiscal 2008 funding utilized the same funding methodology from fiscal 2007, which included base funding plus additional funding. A total of \$111,000 went toward base funding which includes strategic planning (\$85,000) and data collection (\$26,000). Each of the 20 institutions with professional development schools received either \$2,500 or \$5,000 for purposes of strategic planning. Institutions with at least 2,000 full-time equivalent students (FTES) and accreditation by the National Council for Accreditation of Teacher Education (NCATE) received \$5,000 for strategic planning while institutions with fewer than 2,000 FTES without NCATE accreditation received \$2,500 for strategic planning. Each of the 20 eligible institutions received \$1,250 for data collection. Two other institutions, Peabody Institute and Maryland Institute College of Art (MICA), each received \$500. Data collection will include PDS activities through the annual submission of the Teacher Preparation Improvement Plan. Peabody and MICA do not have PDS but are required to collect retention data.

The remaining balance of the PDS funding, \$389,000, was distributed to the 20 eligible institutions based on the number of PDS students served and the average State appropriation per intern, \$180.59 (remaining funding divided by total number of interns). The number of interns will be based on data for academic year 2005-2006 as reported by the institutions.

3. Office for Civil Rights Partnership and the MHEC Program Review Process

Eliminating the Remnants of *de jure* Segregation in Higher Education

The Supreme Court declared segregation in public education to be a violation of the Equal Protection Clause of the Fourteenth Amendment of the United States Constitution with the *Brown v. Board of Education* decision of 1954. Although this decision spurred changes within primary and secondary education systems, it took another 15 years before any efforts at change took place within higher education systems.

Office for Civil Rights Partnership with Maryland

In 1969, the United States Office for Civil Rights (OCR) required Maryland, 1 of 10 states, to submit a plan for approval by OCR to address removing all vestiges of its formerly segregated system of higher education. OCR asserted that Maryland (and these other states) had a responsibility to “adopt measures necessary to overcome the effect of past segregation” and that it would not be enough “that an institution maintain a nondiscriminatory admissions policy if the student population continues to reflect the formerly *de jure* racial identification of that institution.”

Over the course of the next 20 years, Maryland submitted and resubmitted various plans to OCR in order to enhance its public HBIs, which are Bowie State University (BSU), Coppin State University (CSU), MSU, and the University of Maryland Eastern Shore (UMES). In 1991, Maryland reported full or substantial compliance with all of the elements of its previous plans. Nearly 10 years passed before a response was received from OCR.

In December 2000, the State and OCR entered into a partnership agreement that included a commitment from the State to further enhance its four HBIs and to improve higher education opportunities for African American students. Although this partnership agreement expired on December 31, 2005, the State has not yet been released from its obligations under the agreement.

U.S. v. Fordice

In 1992, the Supreme Court decided *U.S. v. Fordice*,¹ a Mississippi lawsuit that had been initiated in 1975 relating to Mississippi’s efforts at desegregating its formerly *de jure* system of segregation in higher education. The Supreme Court analyzed four areas of Mississippi’s higher

¹ *United States v. Fordice*, 505 U.S. 717 (1991).

education system: admission standards; program duplication; institutional missions assignments; and continued operation (funding) of all eight public universities. In its decision, the Supreme Court specifically advised that if policies and practices were without “sound educational justification and can be practicably eliminated,” then Mississippi has not satisfied its burden of proof relating to dismantling its prior system of segregation. However, the Supreme Court also advised that if policies and practices were traceable to a prior *de jure* system of segregation, these policies and practices could be maintained but only in very limited and narrow circumstances. The burden, in these instances, was on the state to prove that the educational goals could not have been accomplished through less segregative means.

MHEC Program Review

MHEC is responsible for approving or disapproving new academic programs proposed by higher education institutions in the State. When a new academic program is proposed, MHEC and other institutions may object to the new program for several reasons, one of which is that the program would unreasonably duplicate an existing program. Additionally, MHEC must comply with federal laws regarding unnecessary duplication and may only allow for such if there is sound educational justification.² If the objection cannot be resolved, a final recommendation on implementation of the proposed program must be made by MHEC.

Joint Masters of Business Administration Program at Towson University and the University of Baltimore

A 2005 decision by the Secretary of Higher Education authorized Towson University, a traditionally white institution (TWI), to offer a joint Masters of Business Administration (MBA) program with the University of Baltimore (UB). This decision resulted in an appeal to the full commission by MSU, which has had an MBA program for over 30 years and, like Towson and UB, is located in the Baltimore area. MSU claimed that the new MBA program would unnecessarily duplicate its program and would lead to further segregation in Baltimore-area universities. In November 2005, MHEC members affirmed the Secretary’s decision to allow Towson and UB to implement the new joint MBA program.

Towson reports that 391 students have enrolled in the joint MBA program since its inception. In its first year, 30 students identified Towson as their “home” institution. However, because students take classes on both campuses and in order to clarify and emphasize the collaborative nature of the program, in its second and future years, students will no longer declare a home institution. The first graduates of the joint MBA program will be awarded degrees in the spring of 2008.

² “Unnecessary duplication” is a federal standard set forth in *United States v. Fordice*, 505 U.S. 717 (1992) that prohibits a traditionally white institution in close geographic proximity to an HBI from offering bachelor’s level nonbasic liberal arts and sciences courses or master’s and doctorate level courses that are broadly similar to courses already offered at an HBI unless there is a sound educational justification for the duplication.

Legislative Remedies Sought

In response to the MHEC decision to allow the joint MBA program at Towson and UB to move forward, legislation was introduced during both the 2006 and 2007 sessions. The 2006 legislation would have enabled an institution directly affected by what is believed to be an unreasonably duplicative academic program to appeal a decision of MHEC to the circuit court; however, the bill was vetoed by the Governor. The 2007 legislation also would have provided an avenue of appeal to an aggrieved institution. The Senate version of the bill authorized judicial review in the circuit court of MHEC's decision regarding the joint MBA program at Towson and UB and all future MHEC decisions regarding unnecessary duplication. The House version of the bill permitted MSU to file an appeal regarding the joint MBA program determination, which would set in motion a process of mediation and binding arbitration. If the parties were unable to resolve the dispute through mediation, the dispute would be submitted to binding arbitration, and an arbitration panel consisting of three members chosen by the parties would resolve the dispute. The House version of the bill did not permit appeals of future MHEC determinations; however, the bill required MHEC to convene a workgroup to review the academic program approval process and make recommendations to the General Assembly regarding the program approval and appeal process prior to the 2008 session. The differences in the two versions of the bill were not resolved in time for final passage. Legislation has been introduced in the Senate and the House (SB 49/HB 506 of 2008) that is similar to the final Senate version from the 2007 session.

Recent Developments

On December 17, 2007, the Attorney General's Office issued an opinion regarding whether a State higher educational institution may sue another State higher educational institution in circuit court. The opinion holds that current law does not allow for this in the specific context of higher education, but that the General Assembly has authorized such a suit in other contexts (*e.g.*, see Environment Article § 20-601 et seq. in which an enforcement action may be brought against a 'person', inclusive of governmental agencies, for the violation of certain environmental laws). Additionally, the opinion further addresses whether judicial review of a decision of MHEC may be sought. The opinion affirms previous advice from the Attorney General's Office that current law expressly denies judicial review of a commission decision regarding program duplication; however, the Constitution does not prohibit legislation that would grant the right for judicial review of a commission decision. Therefore, legislative action would be needed to permit higher education institutions to sue each other or to authorize judicial review of MHEC's decision.

MHEC Program Review Workgroup

Although legislation requiring MHEC to review the program approval process did not pass, MHEC still undertook this assignment during the interim of 2007. Workgroup members included two representatives from each segment of higher education: the University System of Maryland, MSU, St. Mary's College of Maryland, community colleges, independent institutions, and private career schools. The workgroup met numerous times and has been reviewing the criteria used and

procedures followed when considering new academic programs. The workgroup anticipates finalizing its recommendations in late spring 2008.

Commission to Develop the Maryland Model for Funding Higher Education

As part of its charge relating to the funding of HBIs, the Commission to Develop the Maryland Model for Funding Higher Education (commission) included an examination of the programs, resources, and facilities at both TWIs and HBIs in its RFP from contractors with expertise in higher education and HBIs. Unfortunately, when the RFP was released, no bids were received. The commission is contracting with a team of national experts on higher education and HBIs to conduct the study. The study is scheduled to be completed in August 2008, and the commission's final report will be submitted in December 2008.

4. Parity with Respect to Maryland's HBIs

On October 13, 2006, the Coalition for Equity and Excellence in Maryland Higher Education filed a lawsuit in Baltimore circuit court arguing that the State has failed to desegregate its higher education system. The lawsuit specifically charged the State with failing to adhere to eliminating all unnecessary academic program duplication as contained in the OCR Partnership Agreement and requests the elimination of several new academic programs at TWIs, including the joint MBA program at Towson University and the University of Baltimore. Since the case involved claims of rights arising under the U.S. Constitution and laws of the United States, the case was moved to the United States District Court.

On January 30, 2007, the attorneys withdrew as counsel and requested the court administratively close the case while preserving the plaintiffs' right to proceed with the case at any time prior to December 31, 2007. On December 30, 2007, the Coalition for Equity and Excellence in Maryland Higher Education reopened the case in the United States Maryland District Court with an amended complaint against MHEC. The coalition seeks declaratory and injunctive relief to require the State to honor its obligations to its four historically black colleges and universities as required by the 2000 Partnership Agreement between Maryland and the United States Department of Education Office of Civil Rights, Title VI of the Civil Rights Act of 1964, the Equal Protection Clause of the Fourteenth Amendment, *United States v. Fordice*, 505 U.S. 717 (1992), and any other applicable federal and State law.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$73,121	\$6,420	\$1,493	\$241	\$81,276
Deficiency Appropriation	1,750	0	0	0	1,750
Budget Amendments	40	-200	1,800	700	2,340
Reversions and Cancellations	0	-3,931	-318	-228	-4,477
Actual Expenditures	\$74,912	\$2,290	\$2,975	\$713	\$80,890
Fiscal 2008					
Legislative Appropriation	\$79,059	\$9,598	\$2,687	\$246	\$91,589
Cost Containment	-3,065	0	0	0	-3,065
Budget Amendments	79	4	1,044	0	1,128
Working Appropriation	\$76,073	\$9,602	\$3,731	\$246	\$89,652

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

Fiscal 2007

General funds increased by 1,790,208 due to the following budget amendments:

- a \$1,152 decrease due to funding for a comprehensive salary study transferred to the Department of Budget and Management;
- \$61,792 increase to General Administration;
- \$66,350 increase to cover costs associated with the fiscal 2007 general salary increase;
- \$86,782 decrease due to a cost containment action taken in February; and
- \$1,750,000 deficiency appropriation to support general administrative costs and replace \$500,000 in the College Preparation Intervention Program.

Special Funds decreased \$199,782 due to realigning Nurse Support II into its own cost center.

Special funds decreased \$3,930,931 in reversions and cancellations due to the following:

- the balance of \$175,879 for Guaranteed Students funds was carried forward to fiscal 2008;
- \$3,663,680 represents Nurse Support II appropriations that were not used and carried forward in subsequent years; and
- funds from the Department of Health and Mental Hygiene were less than anticipated by \$91,372.

Federal funds increased \$1.8 million for the GEAR UP Scholarship Program (\$1.5 million) and Improving Teacher Quality Grants (\$300,000) through budget amendments.

Federal funds decreased \$317,923 in reversions and cancellations due to the following:

- \$37,486 balance of appropriation for Gear-Up not spent and carried forward to fiscal 2008;
- \$225,932 balance of appropriation for Gear-Up not needed and cancelled; and
- \$54,505 due to cancellation of federal funds for ITQ.

Reimbursable funds increased \$700,000 through a \$400,000 budget amendment from the Department of Labor, Licensing, and Regulations for the Teach for the Health of It initiative, and \$300,000 for major information technology projects.

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Reimbursable funds decreased by \$228,115 in reversions and cancellations because the consultant for the major information technology project came in \$57,120 under the estimated costs, and \$170,995 of the Teach for the Health of It appropriation was not needed and cancelled.

Fiscal 2008

General funds decrease \$3,065,000 in July 2007 through the Board of Public Work's cost containment action. A budget amendment increases general funds by \$79,404 to cover costs associated with the fiscal 2008 general salary increase. Special funds increase \$4,447 due to a reallocation of the special fund appropriation for the cost-of-living adjustment. Federal funds increase \$1,044,308 for Improving Teacher Quality and Special Leveraging Educational Assistance Partnership scholarships through a budget amendment.

Audit Findings

Audit Period for Last Audit:	February 1, 2003 – June 30, 2006
Issue Date:	March 2007
Number of Findings:	6
Number of Repeat Findings:	2
% of Repeat Findings:	33%
Rating: (if applicable)	n/a

- Finding 1:** MHEC did not ensure that State funding for employer retirement contributions for eligible community college employees was proper or report related unfunded liabilities during the fiscal year-end budget closeout process.
- Finding 2:** Independent verifications were not performed to ensure the propriety of critical changes made to the automated financial aid records.
- Finding 3:** Procedures were not in effect to ensure that MHEC established accounts receivable for all students who had not fulfilled their service obligations.
- Finding 4:** MHEC did not refer delinquent accounts receivable to the Department of Budget and Management’s Central Collection Unit in a timely manner. In addition, non-cash credit adjustments made to accounts receivable were not adequately controlled.
- Finding 5:** MHEC did not adequately verify that cash receipts were deposited and properly recorded.
- Finding 6:** Security over MHEC’s computer network needs to be enhanced.

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

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	75.10	75.10	72.60	-2.50	-3.3%
02 Contractual	1.00	1.00	1.00	0	0%
Total Positions	76.10	76.10	73.60	-2.50	-3.3%
Objects					
01 Salaries and Wages	\$ 5,152,410	\$ 5,462,730	\$ 5,749,177	\$ 286,447	5.2%
02 Technical and Special Fees	206,312	87,882	144,113	56,231	64.0%
03 Communication	213,413	162,715	154,858	-7,857	-4.8%
04 Travel	35,473	28,171	26,271	-1,900	-6.7%
06 Fuel and Utilities	45,338	109,394	85,102	-24,292	-22.2%
07 Motor Vehicles	20,727	160	14,627	14,467	9041.9%
08 Contractual Services	1,041,815	629,620	603,894	-25,726	-4.1%
09 Supplies and Materials	37,004	65,220	23,300	-41,920	-64.3%
10 Equip. – Replacement	23,146	32,062	10,230	-21,832	-68.1%
11 Equip. – Additional	10,244	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	73,540,411	82,210,148	89,807,155	7,597,007	9.2%
13 Fixed Charges	563,217	864,373	888,083	23,710	2.7%
Total Objects	\$ 80,889,510	\$ 89,652,475	\$ 97,506,810	\$ 7,854,335	8.8%
Funds					
01 General Fund	\$ 74,911,650	\$ 76,072,909	\$ 81,063,002	\$ 4,990,093	6.6%
03 Special Fund	2,289,690	9,602,078	12,647,145	3,045,067	31.7%
05 Federal Fund	2,975,155	3,731,211	3,576,165	-155,046	-4.2%
09 Reimbursable Fund	713,015	246,277	220,498	-25,779	-10.5%
Total Funds	\$ 80,889,510	\$ 89,652,475	\$ 97,506,810	\$ 7,854,335	8.8%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
Maryland Higher Education Commission**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 General Administration	\$ 6,973,162	\$ 7,518,904	\$ 7,745,165	\$ 226,261	3.0%
02 College Prep/Intervention Program	2,024,068	1,950,000	1,950,000	0	0%
03 Joseph A. Sellinger Program for Aid To Non-Public	49,964,598	56,051,065	61,675,814	5,624,749	10.0%
07 Educational Grants	16,556,317	12,436,940	14,457,809	2,020,869	16.2%
19 Physician Assistant - Nurse Practitioner Training	73,538	73,538	73,538	0	0%
30 Private Donation Incentive Grants	2,910,000	2,340,961	2,272,242	-68,719	-2.9%
34 Major Information Technology Development Projects	242,880	0	0	0	0%
38 Nurse Support Program II	1,736,319	8,781,067	8,832,242	51,175	0.6%
39 Health Manpower Shortage Incentive Grant Program	408,628	500,000	500,000	0	0%
Total Expenditures	\$ 80,889,510	\$ 89,652,475	\$ 97,506,810	\$ 7,854,335	8.8%
General Fund	\$ 74,911,650	\$ 76,072,909	\$ 81,063,002	\$ 4,990,093	6.6%
Special Fund	2,289,690	9,602,078	12,647,145	3,045,067	31.7%
Federal Fund	2,975,155	3,731,211	3,576,165	-155,046	-4.2%
Total Appropriations	\$ 80,176,495	\$ 89,406,198	\$ 97,286,312	\$ 7,880,114	8.8%
Reimbursable Fund	\$ 713,015	\$ 246,277	\$ 220,498	-\$ 25,779	-10.5%
Total Funds	\$ 80,889,510	\$ 89,652,475	\$ 97,506,810	\$ 7,854,335	8.8%

Note: The fiscal 2008 appropriation does not include deficiencies.