Higher Education
Fiscal 2015 Budget Overview

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

January 2014

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State Funding Changes for Higher Education
($ in Thousands)

	Working Approp. 2014	Allowance 2015	Adjusted[1] 2015	Change Adjusted 2014-15	% Change 2014-15
Public Four-year Institutions					
USM[2]	$1,161,386	$1,258,208	$1,253,963	$92,576	8.0%
Morgan State University[2]	80,577	85,386	84,999	$4,422	5.5%
St. Mary's College[2]	19,843	21,353	21,353	$1,510	7.6%
St. Mary's Fiscal Stabilization Grant		1,500	1,500	$1,500	
Fiscal 2015 2% COLA		15,610	15,610	$15,610	
Subtotal – Public Four-year	***$1,261,806***	***$1,382,058***	***$1,377,425***	***$115,619***	***9.2%***
Other Higher Education					
Maryland Higher Education Commission					
Administration	$6,210	$6,142	$6,114	-$96	-1.5%
Fiscal 2015 COLA[3]		$51	$51	51	
Financial Aid	107,121	102,062	102,062	-5,059	-4.7%
Deficiencies	10,200			-10,200	
Educational Grant	6,352	6,360	6,360	8	0.1%
Non-USM RHEC	2,550	2,550	2,550		0.0%
Independent Institutions	41,292	44,846	40,943	-349	-0.8%
Aid to Community Colleges	283,945	304,722	297,506	13,561	4.8%
Baltimore City Community College	42,170	41,832	41,832	-339	-0.8%
Subtotal – Other Higher Education	***$499,840***	***$508,564***	***$497,418***	***-$2,446***	***-0.5%***
Total Higher Education	**$1,761,646**	**$1,890,622**	**$1,874,843**	**$113,197**	**6.4%**

[1] 2015 Adjusted reflects reductions related to retirement reinvestment and other reductions contingent on legislation.
[2] The University System of Maryland and Morgan State University includes tuition replacement funding to hold tuition increases to 3.0%. St. Mary's College of Maryland includes funding to freeze tuition for the second year in a row.
[3] Estimate is from the Department of Budget and Management.

COLA: cost-of-living adjustment
RHEC: regional higher education center
USM: University System of Maryland

Note: State funds include general funds, Higher Education Investment Funds and special funds supporting educational grants, financial aid programs, reimbursable funds supporting financial aid programs, and the Maryland Fire and Rescue Institute. A 2% cost-of-living adjustment is budgeted in the Department of Budget and Management for all State employees including higher education.

Source: Governor's Budget Books, Fiscal 2015; SB 170 – Budget Bill; SB 172 – Budget Reconciliation and Financing Act

2014 and 2015 Actions

State support for higher education grows $113.2 million in fiscal 2015, or 6.4%, after accounting for budget reductions contingent on legislation totaling $15.8 million across all of higher education in 2015. There is one across-the-board reduction and one across-the-board contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. These affect funding for employee/retiree health insurance and retirement reinvestment for State employees (except at St. Mary's College of Maryland (SMCM)). These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel and the State Retirement Agency (SRA).

There are also three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations in fiscal 2014. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology system, and retirement reinvestment for State employees (except SMCM) and some local education employees. These actions are fully explained in the analyses of DBM – Personnel, the Department of Information Technology, and SRA, respectively.

Like the prior year, the funding formula for Baltimore City Community College (BCCC) is not affected by actions contingent on legislation and is fully funded at the fiscal 2014 level (after deficiency) by its hold harmless clause. On the other hand, the Cade formula for locally operated community colleges and Sellinger formula for aid to independent institutions are reduced by $4.6 million and $3.9 million, respectively, by the Budget Reconciliation and Financing Act (BRFA) of 2014. The out-year formulas for both programs are unchanged.

The University System of Maryland (USM) receives the biggest increase of $92.6 million, or 8.0%. Much of that increase will support current services costs and various personnel costs, such as salaries and fringe benefits. There are no new large-scale enhancement programs like those enacted in fiscal 2014. USM does receive $10 million, as the Governor agreed to last year, to replace $10 million in fund balance that USM used to fund enhancements in fiscal 2014.

The fiscal 2015 allowance continues the practice of appropriating funds intended to offset greater tuition increases than those for which the institutions planned, which is 3% for in-state undergraduate students at most institutions. The Governor's allowance includes $9.6 million for USM for this purpose, which roughly equates to a 2% increase of in-state tuition. Tuition replacement money from fiscal 2014 has been built into the institutions' base budgets. Morgan State University (MSU) is also receiving about $0.4 million for this purpose in fiscal 2015. Due to recent legislation, SMCM receives $1.1 million in Higher Education Investment Funds (HEIF) to continue freezing resident undergraduate tuition at the fiscal 2013 rate. There is also a new $1.5 million institutional grant budgeted under the Maryland Higher Education Commission (MHEC) for SMCM. The fiscal 2015 allowance also includes funds for a 2% cost-of-living adjustment (COLA) in January 2015 for all State employees. These funds, totaling about $15.6 million, are budgeted in DBM and will be transferred by budget amendment to MHEC and the State's public higher education institutions, except BCCC and SMCM, at the beginning of fiscal 2015.

Most other parts of the higher education budget also increase. Funding for the State's locally operated community colleges grows $13.6 million. Support for the community colleges through the Senator John A. Cade Funding Formula and miscellaneous grant programs increases $11.3 million, while State funding of community college retirement benefits grows $2.2 million. Unlike the prior year, this allowance does not include any deficiency appropriation for the Health and State Manpower Grant Programs, a miscellaneous community college grant with an accrued liability of over $2.8 million. General funds for BCCC decrease $0.3 million, or 0.8%, in fiscal 2015 due to BCCC receiving COLA funding from DBM in fiscal 2014. DBM has not allocated a COLA for BCCC in 2015. Because of BCCC's enrollment drop, its formula funded amount would fall below fiscal 2014; however, the hold harmless provision maintains formula funding at $41.8 million. English for Speakers of Other Languages funding is also flat for BCCC.

The only other decreases in the higher education budget are within the programs of the MHEC budget. For the Sellinger formula, the BRFA of 2014 provides the smaller of either the fiscal 2014 or 2015 formula funding for each institution, which decreases fiscal 2015 funding below fiscal 2014. Declines are also seen in MHEC administration and financial aid programs, which decline $0.1 million and $0.6 million, respectively, due to cost containment in fiscal 2014. This decline in financial aid funding is offset by $0.8 million in funding for the Veterans of the Afghanistan and Iraq Conflicts (VAIC) award and $10.0 million to the Educational Excellence Awards program. The $10.0 million is available from the Need-based Student Financial Assistance Fund, a special fund comprised of unused scholarship awards since fiscal 2011. This action should reduce a growing financial aid fund balance that had been accruing at MHEC. This issue will be discussed further in the MHEC – Student Financial Aid budget analysis.

Funding for the State's four-year public higher education institutions from fiscal 2011 to the 2015 allowance is shown in **Exhibit 1**. Funding grows 8.0%, or $96.3 million, in fiscal 2015. The biggest increase is to the University of Maryland, College Park (UMCP), which grows $33.4 million. The smallest increase is at SMCM, which grows $1.5 million (although this does not include new MHEC grants).

Exhibit 1
State Support for Public Universities
Fiscal 2011-2015
($ in Thousands)

Institution	Actual 2011	Actual 2012	Actual 2013	Adjusted Working 2014	Adjusted Allowance 2015	% Change 2011-14	$ Change 2014-15	% Change 2014-15
Univ. of Maryland, Baltimore	$184,460	$185,040	$186,372	$198,700	$215,823	2.5%	$17,123	8.6%
Univ. of Maryland, College Park	374,804	377,297	371,390	405,751	438,834	2.6%	33,449	8.3%
Bowie State University	34,921	35,829	36,151	39,228	42,202	4.0%	2,973	7.6%
Towson University	89,945	90,924	91,765	98,889	106,819	3.2%	7,929	8.0%
UM Eastern Shore	29,503	30,126	29,986	32,479	34,792	3.3%	2,313	7.1%
Frostburg State University	32,852	33,471	33,610	36,239	38,856	3.3%	2,617	7.2%
Coppin State University	37,775	37,943	38,157	41,522	44,100	3.2%	2,579	6.2%
University of Baltimore	30,124	30,321	30,607	32,977	34,530	3.1%	1,553	4.7%
Salisbury University	39,049	39,597	40,332	42,636	46,578	3.0%	3,943	9.2%
Univ. of Maryland Univ. College	31,430	32,759	34,145	35,700	40,219	4.3%	4,519	12.7%
Univ. of Maryland Baltimore County	94,500	95,570	96,765	103,401	112,248	3.0%	8,847	8.6%
Univ. of Maryland Center for Environ. Science	18,644	19,299	19,661	20,938	22,427	3.9%	1,489	7.1%
University System of Maryland Office	19,330	15,417	19,355	21,607	22,965	3.8%	1,357	6.3%
Morgan State University	72,946	73,002	73,998	80,577	84,999	3.4%	4,422	5.5%
St. Mary's College	17,518	17,962	18,383	19,843	21,353	4.2%	1,510	7.6%
Total	**$1,107,801**	**$1,114,558**	**$1,120,678**	**$1,210,487**	**$1,306,744**	**2.9%**	**$96,257**	**8.0%**

UM: University of Maryland

Note: The exhibit reflects the across-the-board reductions assumed in the fiscal 2015 budget but does not include the fiscal 2015 cost-of-living adjustment budgeted in the Department of Budget and Management. The fiscal 2014 working appropriation includes deficiencies. Figures exclude funding for cooperative agricultural and extension programs and the Maryland Fire and Rescue Institute.

Source: SB 170 – Budget Bill; Governor's Budget Books, Fiscal 2012-2015

Higher Education Investment Fund Underattains

The HEIF receives 6% of corporate tax revenues, estimated at $60.7 million in fiscal 2014. **Exhibit** shows an accounting of the HEIF since its creation in the special session of 2007 through the fiscal 2015 allowance.

Exhibit 2
Higher Education Investment Fund
Revenues, Expenditures, and Balances
($ in Millions)

	Actual 2009	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Working 2014	Allowance 2015
Opening Balance	$16.0	$2.2	$5.6	$9.9	$4.7	$11.7	0
Revenue	47.0	45.7	46.6	52.7	57.1	55.5	60.7
Appropriation	60.8	42.3	42.1	58.4	50.0	82.3	57.7
Closing Balance	**$2.2**	**$5.6**	**$9.9**	**$4.7**	**$11.7**	**-$15.1**	**$3.0**
Tuition Stabilization Fund			0.1	0.2	0.3	0.3	0.3

Source: General Accounting Division, Comptroller's Office, Department of Legislative Services; SB 170 – Budget Bill

Starting with an initial appropriation of $16.0 million in fiscal 2009, a fund balance began to accumulate in the HEIF from the beginning. As the economy began to improve, corporate tax revenues started to exceed projections. In fiscal 2013, there was a significant write-up of revenues, and the opening balance for fiscal 2014 was projected to be $17.2 million but ended up at only $11.7 million, according to the General Accounting Division. In addition, fiscal 2014 revenues have since been written down significantly from $65.4 million to $55.5 million. Consequently, a $15.0 million shortfall is estimated for the HEIF in fiscal 2014.

As shown in **Exhibit 3**, DBM has advised USM and MSU to plan on cost containment actions totaling $11.2 million and $0.8 million, respectively, assuming corporate tax revenues continue to underperform previous estimates. However, this would still leave the HEIF with a $3 million shortfall at the end of fiscal 2014. The fiscal 2015 allowance leaves $3 million estimated revenues unappropriated, which will bring HEIF into balance. Every USM institution will experience a decrease in the HEIF of about 20%. MSU declines by about 9%, whereas SMCM's share of the HEIF grows 72%.

Exhibit 3
Changes to the Higher Education Investment Fund
Fiscal 2014-2015

	Working*	Fiscal 2014 Potential Cost Containment	Adjusted	Fiscal 2015 Allowance	% Change Adjusted to Allowance
University of Maryland, Baltimore	$13,008,769	-$1,972,121	$11,036,648	$8,789,984	-20.4%
University of Maryland, College Park	29,077,441	-4,413,736	24,663,705	19,616,836	-20.5%
Bowie State University	2,518,694	-386,169	2,132,525	1,721,193	-19.3%
Towson University	6,475,736	-979,164	5,496,572	4,368,796	-20.5%
University of Maryland, Eastern Shore	2,268,415	-352,652	1,915,763	1,549,954	-19.1%
Frostburg State University	2,378,029	-358,542	2,019,487	1,588,533	-21.3%
Coppin State University	2,672,459	-408,332	2,264,127	1,799,212	-20.5%
University of Baltimore	2,146,798	-326,577	1,820,221	1,413,153	-22.4%
Salisbury University	2,813,638	-207,466	2,606,172	1,906,489	-26.8%
University of Maryland University College	2,357,931	-355,444	2,002,487	1,635,104	-18.3%
University of Maryland Baltimore County	6,801,423	-1,022,273	5,779,150	4,578,648	-20.8%
University of Maryland Center for Environmental Sciences	1,368,199	-206,054	1,162,145	911,423	-21.6%
University System of Maryland Office	1,387,153	-211,470	1,175,683	933,304	-20.6%
University System of Maryland Total	**$75,274,685**	**-$11,200,000**	**$64,074,685**	**$50,812,629**	**-20.7%**
Morgan State University	$5,540,315	-$800,000	$4,740,315	$4,308,000	-9.1%
St. Mary's College of Maryland	1,483,840	0	1,483,840	2,549,840	71.8%
Higher Education Total	**$82,298,840**	**-$12,000,000**	**$70,298,840**	**$57,670,469**	**-18.0%**

*Includes $1.1 million transferred by budget amendment from the University System of Maryland and Morgan State University to St. Mary's College of Maryland.

Source: University System of Maryland; Department of Budget and Management

Exhibit 4 shows the forecast for the HEIF attainment from estimates made in December 012 and December 2013. Historically, the corporate income tax, the basis for HEIF, has been more volatile than the personal income tax. Overall, expected revenue from 2014 to 2019 is lower in each year than was forecast one year ago. The Board of Revenue Estimates will provide an update of HEIF levels in March 2014.

Exhibit 4
Higher Education Investment Fund Forecast
Fiscal 2014-2019
($ in Millions)

	2014	2015	2016	2017	2018	2019
December 2012	$65.4	$67.4	$69.4	$71.5	$73.7	
December 2013	55.5	60.7	63.7	67.9	69.8	72.8
Difference	-9.9	-6.7	-5.7	-3.6	-3.9	

Source: oard of Revenue Estimates; Department of Legislative Services

Created by Chapters 192 and 193 of 2010, the Tuition Stabilization Fund within the HEIF is intended to increase the predictability of tuition increases at State institutions by accumulating a reserve of funds to offset significant tuition increases, as were seen in 2003 and 2006 in Maryland. Per the statute, $100,000 has been transferred into the fund in years of increasing corporate tax revenues since fiscal 2011. No transfer is anticipated in fiscal 2014 or 2015. The bill also set a goal that tuition increases not exceed the three-year rolling average increase in median family income. Despite tuition buydown initiatives, tuition increases have exceeded the income figure every year since the enactment of the legislation. The most recent actual median family income increase is 0.9%, compared to the average tuition increase of 3.0% proposed for fall 2014.

Maryland Continues to Fare Well in National Comparisons

Maryland's support for public higher education compares well nationally, as shown in **Exhibit 5**. *Grapevine*, a higher education information resource based at Illinois State University and jointly maintained by the State Higher Education Executive Officers, recently updated its nationwide statistics on state support for higher education. Using *Grapevine's* figures, Maryland's spending between fiscal 2013 and 2014 increased 9.0% compared to an increase of 5.7% nationally. Also shown are Maryland's competitor states, three of which increased spending at a greater rate in fiscal 2014.

Exhibit 5
Higher Education Support
Maryland vs. Competitor States

	Fiscal 2013-2014	Without ARRA Fiscal 2009-2014	With ARRA Fiscal 2009-2014
Maryland	**9.0%**	**8.0%**	**8.0%**
California	10.0%	8.1%	-5.8%
Massachusetts	10.8%	-8.2%	-12.1%
Minnesota	8.5%	-8.6%	-10.4%
New Jersey	5.4%	0.3%	0.3%
New York	4.0%	4.5%	4.5%
North Carolina	-3.2%	1.3%	-2.1%
Ohio	2.3%	-15.3%	-15.3%
Pennsylvania	-1.2%	-18.2%	-20.5%
Virginia	3.5%	-6.7%	-6.7%
Washington	14.4%	-13.2%	-13.2%
Nationwide	**5.7%**	**-1.2%**	**-4.1%**

ARRA: American Recovery and Reinvestment Act of 2009

Source: *Grapevine,* www.grapevine.ilstu.edu

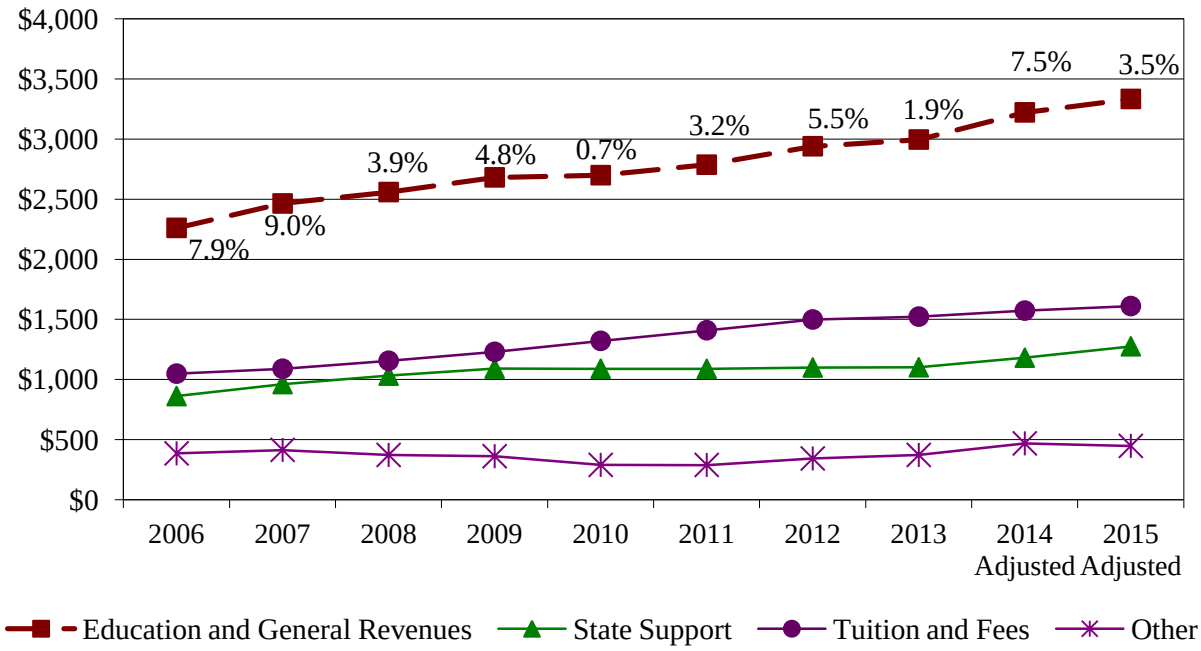
The five-year change in spending can be measured with or without federal American Recovery and Reinvestment Act of 2009 (ARRA) funding, which included funding for states to hold K-12 and higher education spending harmless. Maryland did not use ARRA funding for higher education, but other states did. Due to the large boost in spending ARRA provided, as well as the decline in spending across many states during the recent recession, most states have not surpassed 2009 spending levels. The only competitor states to show positive growth are 0.3% in New Jersey and 4.5% in New York, compared to 8.0% in Maryland. Interestingly, none of these three states used ARRA funding for higher education.

The State's tuition rates also compare favorably to other states. Nationally, Maryland's average tuition and fee rate at public four-year institutions in fall 2013 was the twenty-seventh most expensive in the country, the same rank as the previous year and a decline from seventh most expensive in fall 2004, according to the College Board.

Education and General Revenues

Exhibit 6 shows total education and general (E&G) revenues at public senior higher education institutions from fiscal 2006 through the 2015 allowance. E&G funding is comprised of tuition and fee revenues, State funds, and other education-related revenues. Auxiliary income from sources such as dining halls and athletics is excluded, as well as hospital spending, which only impacts the University of Maryland, Baltimore (UMB). Also excluded are agricultural and cooperative extension programs at the State's two land grant institutions, UMCP and the University of Maryland Eastern Shore, and funding for the Maryland Fire and Rescue Institute at UMCP.

Exhibit 6
Education and General Revenues[1]
Fiscal 2006-2015
($ in Millions)



[1] Education and general revenues represent tuition and fees, State support (general funds and Higher Education Investment Funds), grants and contracts (federal, State, and local), and sales and services of educational activities less auxiliary enterprise revenue. Figures exclude funding for cooperative and agricultural extension programs and the Maryland Fire and Rescue Institute. For the University of Maryland, Baltimore, hospital expenditures are excluded.

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

E&G revenues have consistently grown over the entire period with growth rates ranging from a low of 0.7% in 2010 to a high of 9.0% in 2007. Revenues increase 3.5% in the allowance, although the allowance often understates institution revenues. For example, the fiscal 2014 allowance

budgeted an increase of 4.5%, but the working appropriation shows it has grown 7.5%, driven mainly by higher than budgeted sales of educational services. Full-time equivalent student (FTES) enrollment is projected to grow only 0.2% in the fiscal 2015 allowance. Enrollment trends are discussed further in the first issue of this analysis.

State support (general funds and the HEIF) grew between fiscal 2006 and 2009 and was basically flat through fiscal 2013. The allowance represents the fourth year of increasing State support, although most growth occurs in fiscal 2014 and 2015. Tuition and fee revenues have grown consistently due to a combination of increased enrollment and tuition increases, although revenues have flattened out. Even during the in-state undergraduate tuition freeze from fiscal 2007 through 2010, fees and rates for out-of-state, graduate, and SMCM students continued to grow. Trends in E&G revenues by college can be seen in **Appendices 1** through **3**.

Tuition Rates at Public Four-year Colleges

The change in in-state and out-of-state tuition rates from fall 2006 and fall 2013 to the proposed fall 2014 rates are shown in **Exhibit 7.** Due to the Governor's proposed $10 million tuition replacement funding, most colleges are increasing rates 3% in fall 2014. Out-of-state tuition also grows by an average of 3%.

Chapters 192 and 193 of 2010, the legislation that created the Tuition Stabilization Trust Account, also allows for periodic adjustments to align tuition rates with market demand and peer institutions. For the fourth year in a row, Salisbury University (SU) is making an adjustment higher than the other USM institutions to more closely align with tuition rates charged by peer institutions. SU proposes to increase in-state tuition by 6% in fall 2014, the same increase as fall 2011 through fall 2013. SMCM, which previously was not covered by that legislation (but is now covered as a result of Chapter 1 of the First Special Session of 2012), is freezing tuition for a second straight year in fall of 2014.

Changes in tuition rates over the entire period since fall 2006 averaged 2.1% annually for most institutions, as fall 2006 was the year before the tuition freezes in fiscal 2007 through 2010. SU and SMCM are the only colleges to have increased at a different rate. SMCM, which was not a part of the original tuition freeze, grew at a rate of 3.7% over the period.

Exhibit 7 shows only tuition, but students and families must also pay mandatory fees to support activities or services, as well as room and board charges if they live on campus. **Exhibit 8** shows each college's full cost for full-time, on-campus students. SMCM is the highest at $27,059 and Coppin State University (CSU) is the lowest at $15,235, which are the same schools as last year in those positions. Comparable rates from fall 2008 show that costs have grown the most, by 34.7%, at SU. However, SU is the fifth most expensive of the 10 colleges shown in the exhibit. Different meal and room plans can greatly alter the total charges, which could change the rankings. This exhibit assumes, when possible, a shared double suite and the standard meal plan.

Exhibit 7
Tuition Rates at Public Four-year Institutions

In-state Full-time Undergraduate Students

	Fall 2006	Fall 2013	Proposed Fall 2014	% Change 2013-14	Avg. % Change 2006-14
UM, College Park	$6,566	$7,390	$7,612	3.0%	2.1%
Bowie State University	4,286	4,824	4,969	3.0%	2.1%
Towson University	5,180	5,830	6,004	3.0%	2.1%
UM Eastern Shore	4,112	4,628	4,767	3.0%	2.1%
Frostburg State University	5,000	5,630	5,800	3.0%	2.1%
Coppin State University	3,527	3,970	4,089	3.0%	2.1%
University of Baltimore	5,325	5,992	6,172	3.0%	2.1%
Salisbury University	4,814	5,912	6,268	6.0%	3.8%
UM Univ. College*	5,520	6,192	6,384	3.1%	2.1%
UM Baltimore County	6,484	7,298	7,517	3.0%	2.1%
Morgan State University	4,280	4,816	4,960	3.0%	2.1%
Average (simple)	5,009	5,680	5,867	3.3%	2.3%
St. Mary's College	9,498	12,245	12,245	0.0%	3.7%

Out-of-state Full-time Undergraduate Students

UM, College Park	$20,005	$26,576	$27,905	5.0%	4.9%
Bowie State University	13,805	15,391	15,545	1.0%	1.7%
Towson University	14,538	17,508	17,682	1.0%	2.8%
UM Eastern Shore	10,679	13,134	13,791	5.0%	3.7%
Frostburg State University	14,050	16,278	17,092	5.0%	2.8%
Coppin State University	10,550	8,904	9,350	5.0%	-1.7%
University of Baltimore	17,411	16,550	17,378	5.0%	0.0%
Salisbury University	12,708	14,258	14,614	2.5%	2.0%
UM Univ. College*	10,656	11,976	11,976	0.0%	1.7%
UM Baltimore County	15,216	18,872	19,816	5.0%	3.8%
Morgan State University	12,040	14,230	14,444	1.5%	2.6%
Average (simple)	13,787	15,795	16,327	3.4%	2.4%
St. Mary's College	19,340	26,045	26,045	0.0%	4.3%

UM: University of Maryland

* Based on 24 credit hours.

Note: Fall 2014 rates are pending the Boards of Regents approval.

Source: University System of Maryland Schedule of Tuition and Mandatory Fees; Morgan State University; St. Mary's College of Maryland

Exhibit 8
Tuition, Fees, and Room and Board Rates at Public Four-year Institutions
In-state Full-time Undergraduate Students
Fall 2008 and 2014

	Fall 2014				Fall 2008		
	Tuition	Mandatory Fees	Room and Board	Total Charge	Total Charge	$ Change 2008-14	% Change 2008-14
St. Mary's College	$12,245	$2,724	$12,090	$27,059	$21,844	$5,215	23.9%
UM Baltimore County	7,517	2,881	10,270	20,668	17,500	3,168	18.1%
UM College Park*	7,612	1,804	10,280	19,696	17,113	2,583	15.1%
Towson University*	6,004	2,586	10,662	19,252	15,620	3,632	23.3%
Salisbury University	6,268	2,288	10,460	19,016	14,120	4,896	34.7%
Morgan State University	4,960	2,462	9,124	16,546	14,248	2,298	16.1%
UM Eastern Shore	4,767	2,520	8,906	16,193	12,922	3,271	25.3%
Bowie State University	4,969	2,312	8,669	15,950	12,415	3,535	28.5%
Frostburg State University*	5,800	2,182	7,536	15,518	13,246	2,272	17.2%
Coppin State University	4,089	2,043	9,103	15,235	12,279	2,956	24.1%

UM: University of Maryland

*Indicates fall 2014 room and board rates are not available. Fall 2013 rates were used in their place. The figure is likely understated as a result, and the percent change between fiscal 2008 and 2013 is lower than it will likely be when the college sets the room rate.

Note: Fall 2014 rates are those proposed by the University System of Maryland, St. Mary's College of Maryland, and Morgan State University. Fall 2014 rates are pending the Boards of Regents approval.

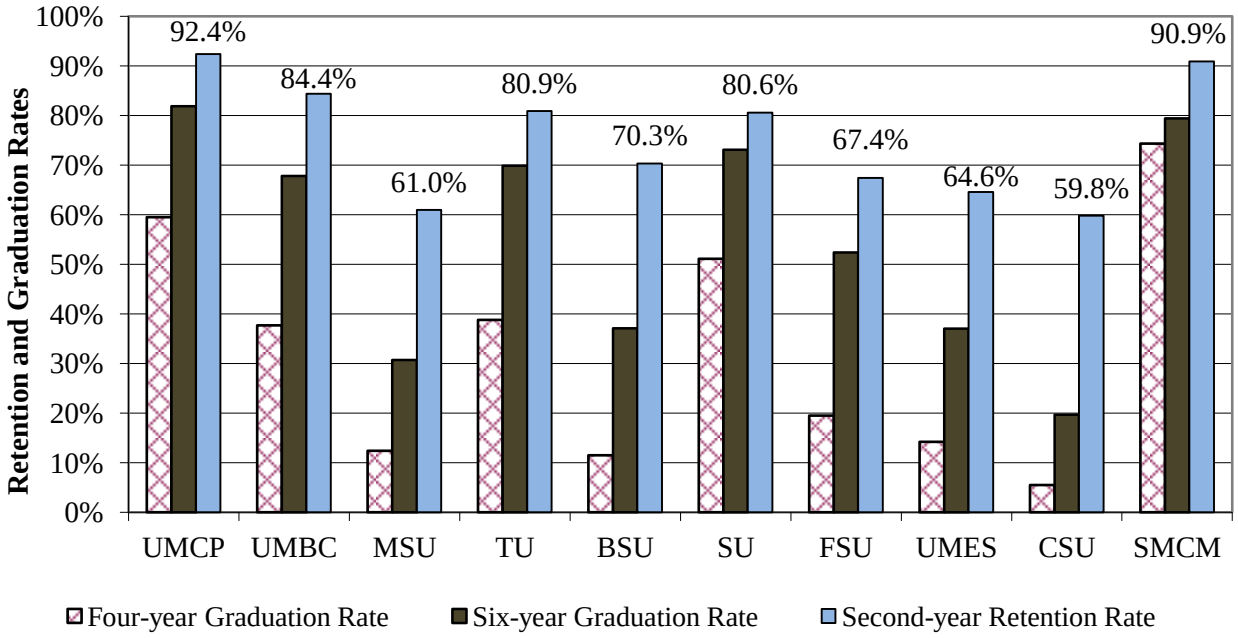
Source: St. Mary's College of Maryland; University System of Maryland Schedule of Tuition and Mandatory Fees; Governor's Budget Books

Productivity Measures

Maryland's graduation and retention rates are high compared to other states, and the State's six-year graduation rate increased from 55.4% for the 1993 cohort to 61.6% for the 2006 cohort, the most recent actual data available. However, although there were increases for 11 years in a row, the last three cohorts have experienced declines totaling 3.1 percentage points. Since the State average peaked for the 2003 cohort, only two schools have since increased their graduation rates, SU and CSU, and four schools have seen their rates decline by at least 4.0 percentage points.

There is wide variability between colleges in terms of graduation rates, as shown in **Exhibit 9**. SMCM and UMCP have the State's highest six-year graduation rates, at 79.4 and 81.9%, respectively. Despite recent progress, the lowest is CSU, where 19.7% of students graduate after six years. The exhibit also shows each college's four-year graduation rate, which is often significantly lower than the six-year graduation. While most schools' four-year rates have not changed significantly recently, Bowie State University's (BSU) rate has declined 11.4 percentage points from the 2005 to 2006 cohort.

Exhibit 9
Second-year Retention and Four- and Six-year Graduation Rates
2006 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
UMBC: University of Maryland Baltimore County
UMCP: University of Maryland, College Park
UMES: University of Maryland Eastern Shore
TU: Towson University

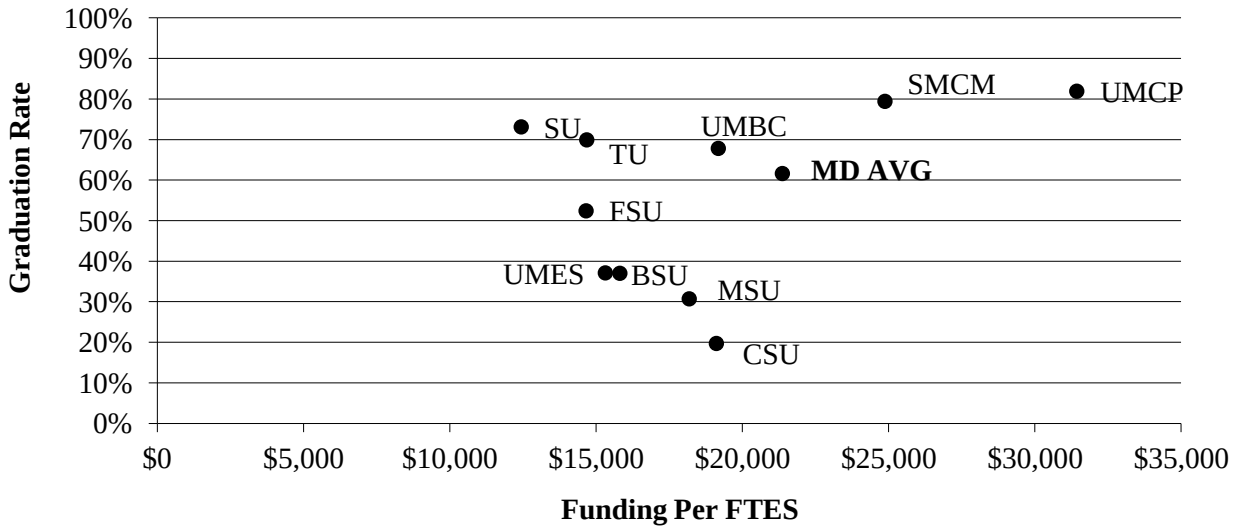
Source: Maryland Higher Education Commission *Retention and Graduation Rates at Maryland Public Four-year Institutions*, December 2013

Also shown in the exhibit are each college's retention rates. Retention rates foreshadow graduation rates, as the colleges with high retention rates are also those with high graduation rates. SMCM and UMCP again have the State's highest retention rates, with UMCP outpacing SMCM 92.4 to 90.9%. CSU again has the State's lowest retention rate at 59.8%, which is 1.8 percentage points below the State's average six-year graduation rate.

Productivity on a Per Student Basis

Another way to analyze college success is to examine what is produced for the State's investment. **Exhibit 10** compares the six-year graduation rate of the 2006 cohort (graduating in fiscal 2012) with each college's E&G revenue per FTES in fiscal 2012. The colleges in the upper left quadrant of the exhibit are those that achieve higher than average graduation rates while receiving less than average revenue per FTES and are considered more efficient. For the 2006 cohort, SU and Towson University (TU) are again the State's most efficient institutions by this measure. SU, in particular, has a graduation rate of 73.1% while receiving the least revenue per FTES statewide, $12,441. SU and TU have consistently been the State's most efficient for many years. SMCM and UMCP, which have the highest graduation and retention rates, also have the highest E&G revenue per FTES.

Exhibit 10
E&G Revenues Per FTES and Six-year Graduation Rates
Fiscal 2012



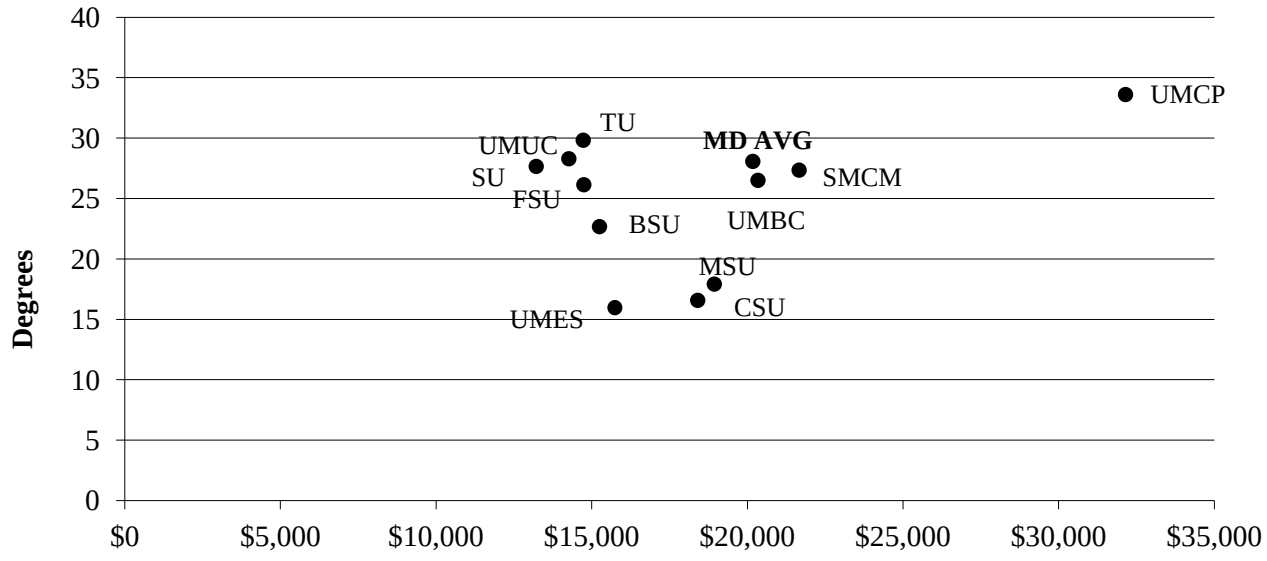
BSU: Bowie State University
CSU: Coppin State University
E&G: education and general
FSU: Frostburg State University
FTES: full-time equivalent student
MSU: Morgan State University
SMCM: St. Mary's College of Maryland
SU: Salisbury University
TU: Towson University
UMBC: University of Maryland Baltimore County
UMCP: University of Maryland, College Park
UMES: University of Maryland Eastern Shore
UMUC: University of Maryland University College

Note: University of Maryland, Baltimore; University of Maryland University College (UMUC); and University of Baltimore are not included. UMUC had an E&G per FTES funding level of $14,846 in fiscal 2011 but is not displayed because the Maryland Higher Education Commission does not report a six-year graduation rate for the institution. UMUC recently began to track success rates of students comparable to those reported for the other institutions in this exhibit, beginning with the fall 2006 cohort, but the data is not yet available.

Source: Maryland Higher Education Commission; Governor's Budget Books, Fiscal 2015

Exhibit 11 shows each college's E&G revenues per FTES this time graphed against degrees awarded per 100 FTES in fiscal 2013, the most recent actual available. By this measure, SU and TU are again the most efficient, along with the University of Maryland University College (UMUC) and Frostburg State University. CSU was the least efficient, awarding 16.6 degrees per 100 FTES with E&G revenues of $18,402 per FTES. At the other end of the spectrum is UMCP. Although it awards the most degrees per 100 FTES in the State, it does so while spending nearly two-thirds more than the State average.

Exhibit 11
E&G Revenues Per FTES and Degrees Awarded Per 100 FTES
Fiscal 2013



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UMCP: University of Maryland, College Park
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UMUC: University of Maryland University College

Note: University of Maryland, Baltimore and the University of Baltimore are not included.

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

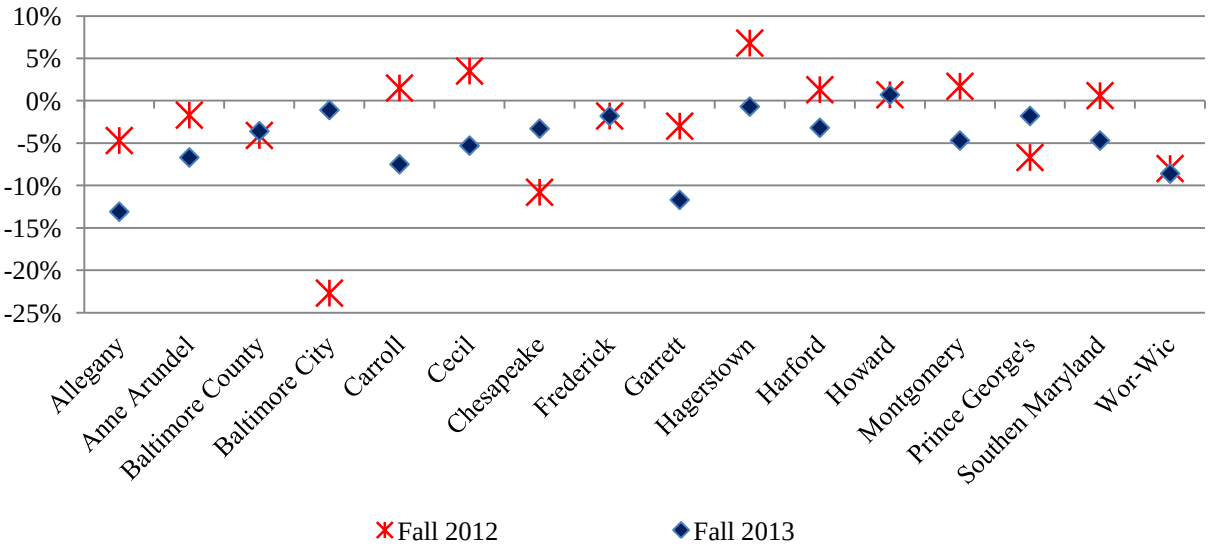
Issues

1. Higher Education Enrollments Decline Again

Compared to the prior year, fall 2013 enrollment fell by the largest amount, by both headcount (10,064) and percentage (2.7%), in at least 30 years. This is also the first time since 1992-1993 that total headcount enrollment at Maryland's higher education institutions has declined in consecutive years. Although individual institutions have fluctuated year to year, the overall headcount had grown steadily from fall 1996 to 2011. The enrollment declines varied by segment – while all public four-year institutions declined 1.6%, independent institutions declined 2.7%, and community colleges declined 4.1%. Unless otherwise stated, the data reported here are headcount enrollments, as opposed to FTES enrollments discussed elsewhere in the overview analysis.

Exhibit 12 shows the enrollment changes at the State's community colleges in fall 2012 and fall 2013, where students decreased 4.1%, or 5,887. While in the prior year only 9 colleges experienced declining enrollment, this year 15 declined. The largest enrollment reductions occurred in Western Maryland at Allegany College (-13.1%) and Garrett College (-11.7%). The sole increase was at Howard Community College, which grew 0.7%, possibly due to the opening of its New Health Sciences Center. Notably BCCC's percentage enrollment decline went from -22.7% in fall 2012 to only -1.1% in fall 2013, representing an important stabilization in headcount enrollment over the previous year.

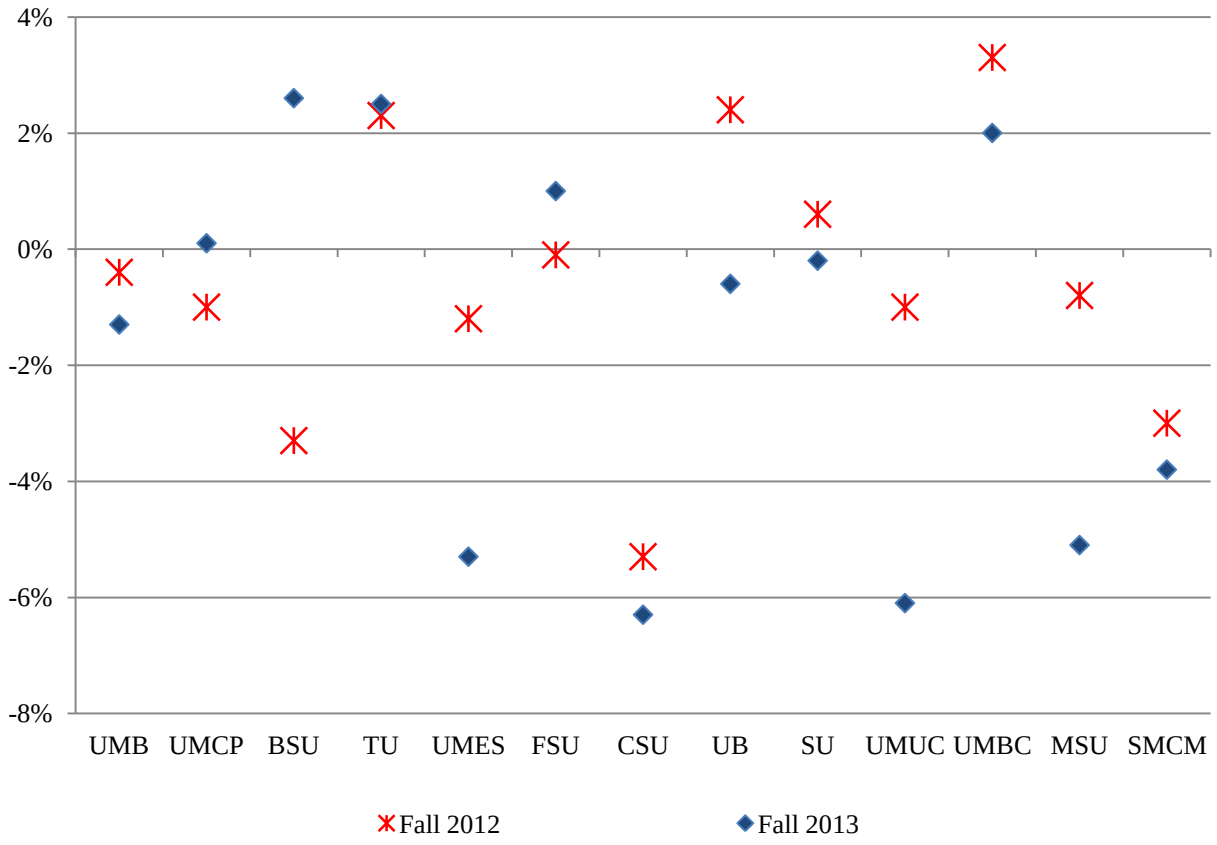
Exhibit 12
Percent Change in Headcount Enrollments, Community Colleges
Fall 2013



Source: Maryland Higher Education Commission *Opening Fall Enrollments, 2013*

Similar data for the State's public four-year institutions is shown in **Exhibit 13**. On average, the changes are of a smaller magnitude when compared to the community colleges, and the overall change was smaller as well, a decline of 1.6%, or 2,639 students. The college-by-college changes range from an increase of 2.6% at BSU to a decline of 6.3% at CSU, the second year that CSU has experienced the largest enrollment decline among the four-year institutions. UMUC saw its enrollment decline increase the most in percentage terms, from -1.0% in 2012 to -6.1% in 2013.

Exhibit 13
Percent Change in Headcount Enrollments, Public Four-year Institutions
Fall 2013



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UMUC: University of Maryland University College

Source: Maryland Higher Education Commission *Opening Fall Enrollments, 2013*

Causes of the Decline

Declining enrollment is not unique to Maryland, but enrollments appear to be declining here faster than the nation as a whole. According to the National Student Clearinghouse, enrollments declined 1.5% nationwide in fall 2013, compared to 2.7% in Maryland. College enrollments, especially of part-time students, are partially correlated to the unemployment rate, which has gradually recovered in Maryland since the most recent economic recession. This past fall, part-time headcount enrollment in Maryland fell 3.9%.

First-time, full-time (FT/FT) enrollment, the traditional demographic of straight-from-high-school students, declined 0.4% in fall 2013, the fourth consecutive year of FT/FT decline. While public two-year and four-year institutions actually increased FT/FT enrollment by 1.3 and 1.5%, respectively, independent institutions fell 3.6%, and all other private institutions in Maryland fell 19.8%. Data from the Maryland State Department of Education (MSDE) indicates that the number of high school diplomas awarded peaked at 58,953 in 2010 and has essentially leveled off with 58,776 diplomas awarded in 2013. Although public institutions are still enrolling FT/FT students, going forward, it is likely that such institutions will have to enroll more nontraditional students to meet the State's 55% degree completion goal by 2025.

Exhibit 14 shows self-reported admissions data from State institutions from 2009 and 2013, which indicates that FT/FT admissions is becoming more difficult as students are generally applying to greater numbers of institutions to compare various financial aid packages. From 2009 to 2013, total applications increased about 3.7%, meanwhile the yield, or percent of admitted students who enroll at a particular institution, declined 4.2%. This means that all but the most selective institutions have to admit greater numbers of FT/FT students each year to fill classrooms, but because FT/FT enrollment is actually declining across the State, this seems like an unlikely solution in the long run for public and private institutions.

Exhibit 14
Admissions Data from Public Four-year Institutions
First-time, Full-time Students

	Fall 2013		Fall 2009	
	% Accepted	% Enrolled	% Accepted	% Enrolled
Bowie State University	49.4%	41.9%	48.3%	41.9%
Coppin State University	37.7%	20.5%	50.4%	27.6%
Frostburg State University	59.4%	39.0%	58.6%	39.7%
Salisbury University	54.9%	25.4%	53.5%	31.7%
Towson University	60.3%	25.5%	55.4%	27.4%
University of Maryland, College Park	47.0%	32.6%	42.1%	35.1%
University of Maryland Baltimore County	63.4%	27.2%	68.9%	36.8%
University of Maryland Eastern Shore	55.1%	29.3%	55.8%	37.0%
University of Maryland University College	100.0%	27.3%	99.9%	29.4%
University System of Maryland Average	**58.6%**	**29.9%**	**59.2%**	**34.1%**
St. Mary's College of Maryland	73.4%	22.5%	57.3%	35.3%
Morgan State	58.6%	43.0%	36.8%	52.7%
Total Average (Simple)	**59.9%**	**30.4%**	**57.0%**	**35.9%**

Note: The University of Baltimore is removed from this data due to its recent acceptance of incoming first-time, full-time students which included strong financial aid incentives for the first cohort.

Source: Morgan State University; St. Mary's College of Maryland; University System of Maryland

Fiscal 2015 Enrollment and Beyond

The fiscal 2015 allowance was calculated assuming a 0.2% increase in FTES enrollment, which combines full-time and part-time students into one figure. FTES enrollments grew 3.1% in fiscal 2012 but declined 1.0% in fiscal 2013. The working budget for fiscal 2014 is showing 1.6% growth. MHEC's current public four-year enrollment projections through fall 2022 expect undergraduate and graduate enrollment to grow at an average annual combined rate of 1.6%. With the overall decrease in FT/FT students and the decline in part-time enrollments, Maryland institutions will increasingly look toward other student demographics, such as full-time adult students, to fill classrooms.

One such group is addressed in a response to a *Joint Chairmen's Report* request, for which MHEC produced a report entitled *Incentives for Military Personnel and Veterans to Enroll in Higher*

Education in Maryland, which looked at how active duty and recently discharged uniformed service members may be enrolled in the State's higher education system. MHEC serves as the State Approving Agency for military education benefits on behalf of the Department of Veterans Affairs, so it frequently deals with veterans' issues concerning the Post-9/11 GI Bill. Also, due to recent legislation, beginning in October 2013, active duty and honorably discharged members, as well as spouses and certain dependents, are eligible for in-state tuition rates regardless of actual residency status. Additionally, MHEC awards at least $750,000 annually through the VAIC award. This was increased to $1.5 million in fiscal 2014.

One growing issue for veterans and others is the current limit in the *Code of Maryland Regulations* (COMAR) on the number of credits hours that may be awarded for prior learning. Currently, the cap is no more than 30 credit hours for an associate's degree and 60 credit hours for a bachelor's degree. MHEC is convening a segmental workgroup to determine appropriate prior learning assessments standards. An increase in the cap could greatly decrease the length of time to degree for military members who have many opportunities to accumulate prior learning during their service. This issue is particularly important to UMUC, which enrolls the greatest number of veterans, nearly 4,000 in the State.

MHEC staff is proposing amendments to COMAR that would remove the cap but require institutions to submit standards for awarding competency-based credits for the Secretary's approval. MHEC recommends that it continue working on increased awareness of the large veteran community in Maryland and better aligning the VAIC award with federal GI benefits.

The Secretary should comment on what other nontraditional student demographics the State should look to enrolling and how MHEC may contribute to increasing enrollment of those groups.

2. Dual Enrollment of High School Students

Partially related to the enrollment concerns noted above, one of the main goals of the College and Career Readiness and College Completion Act (CCRCCA) is to increase the availability and accessibility of college-level courses to high school students. The CCRCCA, enacted as Chapter 533 of 2013, altered the tuition payment schedule and requirements for a student who is dually enrolled in courses in both a public high school and a public institution of higher education.

Beginning with the fall 2013 semester, a public institution of higher education may no longer charge tuition to the student. Instead, each local school system must pay the institution a percentage of the institution's tuition based on how many courses the student takes, and the local school system may charge the student a fee to partially cover these costs. However, the local school system may not charge a fee to students who are eligible to receive free and reduced-price meals (FRPM), and a student's ability to pay must be taken into account when setting any fees.

Information provided by the Maryland Association of Community Colleges on dual enrollment agreements indicates that all colleges have reached memoranda of understanding with their respective local education agencies and that five school systems are charging students less than

authorized by the CCRCCA. Many community colleges are acting as the billing agent for the local school system and collecting fees from the parents of dually enrolled students directly, with the appropriate adjustments being made for the school system to pay for FRPM students while maintaining the confidentiality of students' FRPM status.

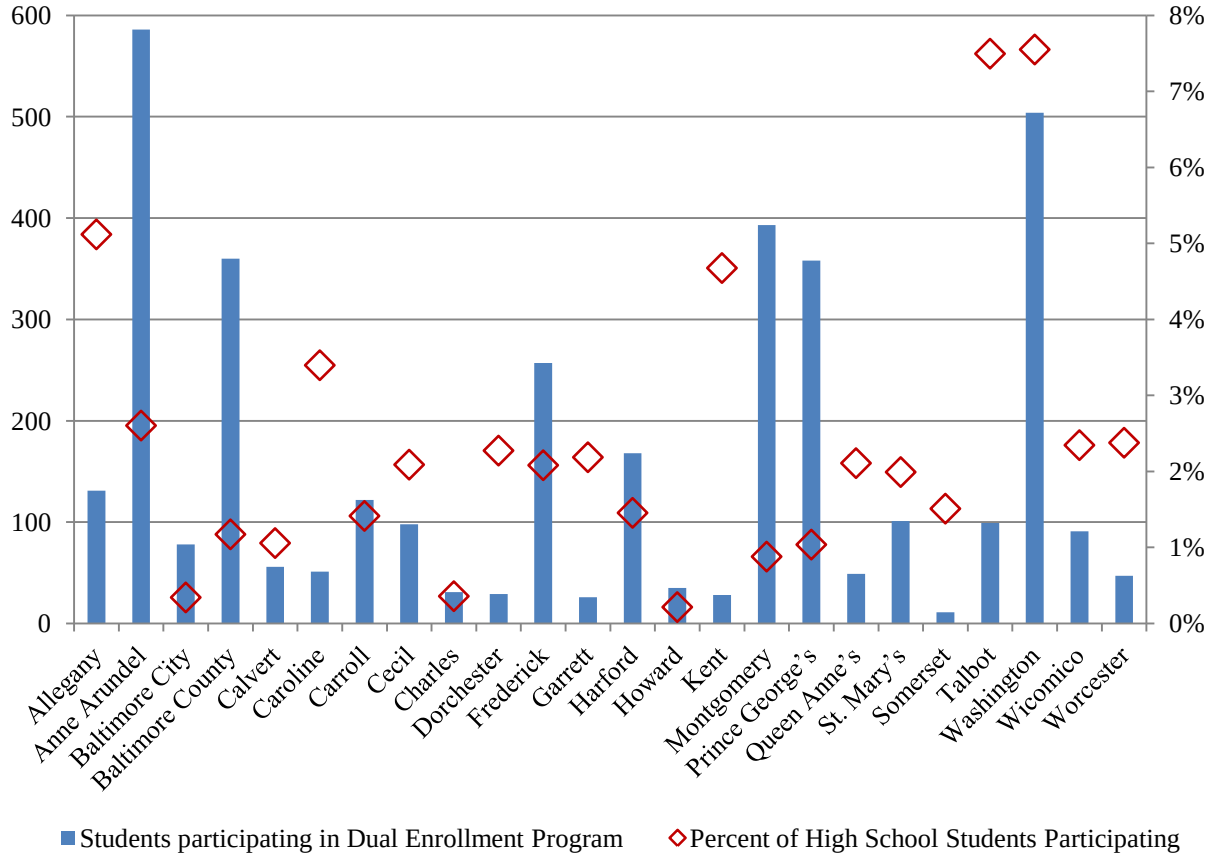
USM has communicated with all of its admissions directors and bursars regarding the need to examine, and in some cases, redesign, the billing mechanisms such that students are not charged tuition. The Attorney General's Office has been assisting with the interpretation of the CCRCCA relating to several clarifications. For example, the Attorney General's bill review letter concluded that the dual enrollment provisions of the Act do not apply to summer sessions but do apply to winter sessions, as they fall during the traditional academic year.

The Maryland Longitudinal Data System (MLDS) is to report annually in December to the Governor on dual enrollments. Fall 2013 data was not available by December 2013, and MLDS does not expect to have this data until later in spring 2014. The older data reviewed by MLDS indicates that about 5,500 students dually enrolled in fall 2012 but notes that MSDE had earlier reported that only about 3,800 public high school students dually enrolled. A third source of data, the Public School Superintendents' Association of Maryland (PSSAM), reported about 3,700 dually enrolled students in fall 2013, which is very close to MSDE's count. MLDS believes that the discrepancy may be attributed to private or home school students but at this time, it is not certain. MLDS also raised concerns over definitions of terms across various State and local agencies and segments and believes there needs to be some standardization to avoid confusion over such terms as "dual enrollment" and "concurrent enrollment" when reporting data. A workgroup of MHEC, MSDE, and other stakeholders is meeting to address implementation of CCRCCA, including standardization of terms.

Data from PSSAM indicates dually enrolled students signed up for 23,292 college credits, or an average of 6.3 credits attempted per student. Of that total, 640 students, or 17.3%, were FRPM students. It is important to note that, unlike in high school, FRPM students do not receive meals or transportation for dual enrollment classes. Of all students enrolled, 97.5% enrolled in a community college as opposed to a public four-year institution. This high rate of preference for two-year institutions is verified by the fall 2012 data from MLDS. This data also indicated that whereas white students are only 43.8% of the general high school student body, they account for 70.2% of dual enrollment. MLDS raises the question of how enrollment of African American and other minority students may be improved.

In **Exhibit 15**, PSSAM data shows that participation rates remain in the single digits for all counties, but that Talbot and Washington counties are noticeably higher than other counties in the State, each having 7.5% of high school students dually enrolled. In fact, Washington County was second to the more populous Anne Arundel County in the absolute number of students in dual enrollment. Baltimore City and Charles and Howard counties had relatively low participation rates, each less than 0.5%, and none dually enrolled more than 80 students.

Exhibit 15
High School Student Dual Enrollment and Participation by County
Fall 2013



Source: Public School Superintendents' Association of Maryland

Students may also enroll at public or private four-year institutions, but as noted above, less than 3% currently choose this option. Data from USM and MHEC indicate that the total number of dually enrolled high school students within USM decreased from 191 in fall 2010 to only 92 in fall 2013. Most of this decline is due to UMCP's Office of Extended Studies cancelling a Young Scholars program with a local high school due to declining demand.

The Secretary should comment on how four-year institutions fit into the dual enrollment model given that such institutions generally do not have open enrollment.

In furtherance of dual enrollment, although not directly related to the Act, the Governor and General Assembly created the Early College Innovation Fund to support efforts to increase access to postsecondary education while in high school. Instead of students deciding to dually enroll on a

course-by-course basis, early and middle college programs are designed to provide students with both a high school degree and a postsecondary credential, usually 60 college credits or an associate's degree, upon high school graduation. Six partnerships between local school systems and institutions of higher education will receive a total of $2 million in fiscal 2014 for programs that target students seeking science, technology, engineering, and math (STEM) courses of study or STEM-related career and technical education. One of these grant recipients, the Academy of Health Sciences at Prince George's Community College, which is operated in partnership with the Prince George's County Public School System and will award its students both a high school diploma and an Associate of Arts degree upon completion, reports that dual enrollment provisions of the CRCCA have been a boon in terms of promoting, encouraging, and guiding funding discussions relating to its dually enrolled students.

The Secretary should comment on how MHEC can work with other State and local agencies to break down barriers to dual enrollment such as geography, transportation, and finance, especially for FRPM students. The Secretary should also comment on how, in the future, MHEC can evaluate whether dual enrollment is successful in Maryland.

3. Complete College America Grant Concludes

In fiscal 2012, MHEC received a $1.0 million grant from Complete College America (CCA) to fund two programs. About $0.6 million went toward developmental mathematics course redesign at community colleges and Historically Black Colleges and Universities, while the remaining funding went to awarding associate's degrees to transfer students who have satisfied all two-year degree requirements, a process called reverse transfer.

The redesign portion supported of up to $30,000 per redesigned course sub-grants to 12 community colleges, MSU, and CSU to redesign 32 courses, as well as recruit and train six Course Redesign Fellows. This funding focused on developmental algebra and trigonometry.

The redesigned classes are computer lab-based and feature modular designs so that students can test out of certain lessons to accelerate course completion. Classes are either one semester (15.0 weeks) or a half semester in length (7.5 weeks) to facilitate concurrent enrollment with credit-bearing math classes. Most pilot redesign classes were held in the fall 2012 semester. In the spring 2013 semester, about 10,300 students enrolled in redesigned math classes, or about one third of all developmental math students that semester at participating institutions. At the conclusion of the redesign program, about $65,000 was reverted, and MHEC is working with CCA to gain approval to use these funds for developmental math faculty professional development and course redesign support to issue another round of sub-grants.

Exhibit 16 shows outcomes of the redesign efforts. MHEC looked at institutional self-reported data on student participants in the redesigned spring 2013 classes versus historical data which indicated that 18 of 21 classes, for which data is readily available and comparable, noted significant student improvement. The classes had pass rates, usually a C or better, ranging from 26 to 100%. Wor-Wic Community College, which achieved a 100% pass rate in one of its redesigned

Exhibit 16
Pass Rates for Redesigned and Traditional Developmental Math Classes
Historical Data and Spring 2013

Institution of Course Redesign	Traditional Course	Redesigned Course	Performance Change
Anne Arundel – Intermediate and College Algebra	50%	81%	31%
Baltimore City – Elementary and Intermediate Algebra	56%	72%	16%
Baltimore – Algebra for Liberal Arts Majors	53%	86%	33%
Baltimore – Algebra and Trigonometry	69%	80%	11%
Cecil – Intermediate Algebra	54%	82%	28%
Garrett – Algebra with Geometry	68%	70%	2%
Hagerstown – Elementary Algebra	53%	63%	10%
Hagerstown – Intermediate Algebra	66%	70%	4%
Harford – Fundamentals of Math	48%	50%	2%
Harford – Introduction to Algebra	46%	77%	31%
Harford – Intermediate Algebra	45%	55%	10%
Howard – Basic Algebra and Geometry	51%	59%	8%
Howard – Elementary Algebra	57%	55%	-2%
Howard – Intermediate Algebra	55%	43%	-12%
Morgan – Foundational Math/College Algebra	45%	47%	2%
Prince George's – Pre-Algebra	30%	41%	11%
Prince George's – Introduction to Algebra	29%	41%	12%
Prince George's – Intermediate Algebra	32%	26%	-6%
Wor-Wic – Pre-Algebra	93%	100%	7%
Wor-Wic – Elementary Algebra	84%	93%	9%
Wor-Wic – Intermediate Algebra	75%	83%	8%

Note: Due to difficulty in directly comparing reported outcomes, some institutions' results are excluded from this exhibit.

Source: Maryland Higher Education Commission

classes, was also one of two institutions that redesigned all of its developmental math courses. Additionally, redesign efforts at the Community College of Baltimore County, Harford Community College, Anne Arundel Community College, and Cecil Community College all showed gains of about 30 percentage points, representing marked gains in student performance.

The other component of the CCA grant funds the Associate Degree Award for Pre-degree Transfer Students (ADAPTS), also known as reverse transfer. This focuses on awarding associate's degrees to students who transferred from a community college before completing a two-year degree

and who at that time or subsequently earned enough credits to receive an associate's degree. MHEC believes that awarding the associates degree to a student enrolled in a four-year degree program improves student performance and provides a safety net if the student withdraws from the four-year school.

Before ADAPTS, reverse transfer was largely uncoordinated. Now, after the completion of pilot projects, the goal is to learn how best to identify students who are eligible or close to being eligible for an associate's degree and then identify the policy and institutional changes that must occur to make the transfer of credits seamless. In the first round of ADAPTS in fall 2013, 3,123 transcripts were individually analyzed from 11 institutions, and 452 degrees were awarded, or about 13% of analyzed transcripts. Additional awards are likely to be made out of this pool.

Reverse transfer can contribute significantly to reaching the State's 55% goal. Given that the State is projected to spend about $20,000 per FTES in fiscal 2015, with this grant, the State is producing additional associate's degrees for about $800 each. A related grant called Credit When It's Due, from USA Funds and the Lumina Foundation, will formalize and expand ADAPTS in fiscal 2014. One goal is determining how to review more transcripts more efficiently, as there is currently no automated process. A second issue is how to communicate with potential awardees that they are eligible to receive a two-year degree.

The Secretary should comment on how to sustain these efforts on current campuses and expand it to other campuses and what amount of funding would be needed to continue both the redesign and reverse-transfer efforts.

4. Performance-based Funding for Maryland

On September 25, 2013, after two years of study, MHEC approved a framework for incorporating performance-based funding (PBF) into the annual appropriation for public higher education institutions. The study began at the request of the budget committees during the 2012 session and a subsequent request during the 2013 session to further refine and revise the initial proposed model. MHEC concluded that a PBF framework should fit within the current funding structure, with metrics that embody the priorities and goals of the State (*e.g.*, completion and STEM degree production) and fairly rewards colleges and universities for performance towards those metrics. The framework defines the metrics for the two- and four-year institutions, and MHEC evaluated two funding options – outside-base and within-base – ultimately endorsing the use of within base funding.

Four-year Institutions Performance Metrics

MHEC's framework is comprised of three distinct categories degree completion, student progression, and mission metrics. The first two are mandatory. Each institution will be measured on a total of six metrics that are based on a three-year rolling average. Degree completion measures the percent increase in the number of bachelor's degrees awarded. Institutions receive one point for each degree recipient, and those receiving a Pell grant award are given extra weight in recognition of the

fact that, in general, it requires more institutional effort to retain and graduate these students. The student progression metric measures the increase in the percentage of students who earn critical credit milestones that typically delineate sophomore (30 credits), junior (60 credits), and senior status (over 90 credits). The progression from freshmen to sophomore is given more weight as this is when students are more likely to drop out of school. As with the completion metric, extra weight is given to those students who receive a Pell grant award.

The third category of metrics recognizes that four-year institutions have different missions and fulfill varying purposes for the State. Institutions select four of the eight mission metrics, subject to MHEC approval, from the following:

- reduce the graduation rate gap between certain ethnicities;
- reduce the graduation rate gap between genders;
- increase the number of students transferring from a community college to a four-year institution with at least 12 credits;
- increase the number of students who successfully complete remedial math and in the subsequent semester one credit bearing math course;
- increase the share of extramural research and development expenditures as compared to peer institutions;
- increase the number of bachelor's degrees awarded in STEM degree programs;
- increase the number of bachelor's degrees awarded to nontraditionally aged students (those 25 years and older); and
- increase the number of graduate degrees.

Community College Performance Metrics

Unlike the metrics for the four-year institutions, there are no mission-specific metrics in the community college framework. Each community college will be subject to the same six metrics, which are also measured on a three-year rolling average. Similar to the four-year framework, Pell grant recipients will be given extra weight for progression and completion. The six metrics are:

- improve student progression using 15, 30, and 45 credits as milestones;
- increase the number of certificates and degrees awarded;
- increase the number of students transferring to a four-year institution with at least 12 credits;

- increase the number of STEM degrees awarded;

- increase the percentage of students who successfully complete remedial English and in the subsequent semester complete a credit-bearing English course; and

- increase the percentage of students who successfully complete remedial math and in the subsequent semester complete a credit-bearing math course.

Funding PBF

Although MHEC discussed two funding models, the framework it endorsed uses a within-base approach for both community colleges and four-year institutions, meaning that a certain percentage of the State appropriation will be designated for PBF and allocated based on an institution's performance. For the four-year institutions, the allocation of PFB funds among the three sets of metrics would be at least 20% for degree completion, 25% for student progression, and up to 55% for mission metrics. If an institution fails to maintain or improve on the student progression or degree completion metric, the funds will remain in the respective category and be distributed to the successful institutions. However, if an institution fails to maintain or improve on a mission metric, those funds will be added to the money designated for degree completion.

It should be noted that the amount awarded to an institution for the progression and completion metrics would be adjusted to reflect differences in institutional mission, size, and budget so as to maintain equity among intuitions. This adjustment factor would be based on an institution's share of the State appropriation, which assumes that the allocation of State funds takes into account differences among institutions. **However, in Maryland, four-year institutions are generally funded through incremental changes to the base appropriation. Best practices indicate that the PBF model should be designed in a way that reflects and reinforces differences in missions. Therefore, a different method of accounting for institutional differences should be further explored.**

The performance allocation for the community colleges will be divided among the six metrics, with 30.0% allocated for the progression metric, 20.0% for the completion metric, and 12.5% to each of the remaining four metrics. Unlike the framework for the four-year institutions, if a community college does not maintain or improve on a certain metric, the funds are not reallocated to the other metrics but are distributed to the institutions that are successful in that metric.

In both the four-year and community college frameworks, performance scores will be calculated for each metric and funds awarded based on an institution's ability to improve over a rolling three-year average on that metric. Performance funds earned by institutions would be added to the base appropriations the following fiscal year.

Next Steps

One of the purposes of a PBF or outcome-based system is to incentivize a change in the usual way of doing business and reward success in achieving goals that are important to the State. In order to accomplish this, an appropriate amount of funds must be subject to the performance calculation – too little and there is no incentive; too much and institutions would be reluctant to participate. Although the report is silent as to what the appropriate performance allocation should be, leading national experts on PBF have recommended that at least 5% of higher education State funds be subject to performance-based allocation. For states that have implemented a PBF system, the level of funding ranges from 3 to 100% of the higher education budget. **In order to move forward toward implementing PFB, the appropriate amount of funds needs to be determined that will encourage institutions to improve performance in those areas that will help the State achieve its priorities and goals.**

Metrics should be reviewed and modified, if appropriate, to ensure there are suitable opportunities for UMB to benefit from PBF, a concern that was previously raised by the Department of Legislative Services (DLS). While UMB's primary mission is to provide graduate and professional education, it offers three bachelor's degrees with undergraduate students only comprising about 11% of its total student population. Therefore, there is little to no opportunity for UMB to earn extra funds based on mandatory metrics, although a couple of the mission metrics may be applied to UMB. Under PBF, it is important that all institutions have an opportunity to benefit by excelling at their different missions.

Once the performance funding allocation is determined and consideration given for UBM to benefit from PBF, the next phase, as required by the 2013 *Joint Chairmen's Report*, is to test the PBF framework. **First, MHEC needs to determine whether the data is available, reliable, and valid and make appropriate adjustments to the metric if necessary. Next, the model needs to be tested in order to establish a baseline, evaluate the metrics to ensure they are reasonable, and determine the potential impact on institutions and make appropriate adjustments to the framework if necessary. DLS recommends that MHEC, working with the public higher education institutions, report to the budget committees by September 1, 2014, on the results of testing the model, any recommended changes to the framework as a result of testing the model, and an appropriate amount of base funds to be allocated to PBF beginning with the fiscal 2016 budget.**

Updates

1. Annual Personnel Review

DLS conducts an annual two-part survey of all public four-year institutions, as well as the University System of Maryland Office (USMO) and the University of Maryland Center for Environmental Science to obtain higher education personnel information. Part One of this survey captures individual position data, regardless of vacancy, such as salary, budget program, Equal Employment Opportunity Code, and Fair Labor Standards Act classification. Part Two focuses on adjunct faculty. All of this data is self-reported by the universities and is not audited by DLS, although minor cleaning is necessary to make the data comparable. Furthermore, job classifications may differ from school to school so, while this survey data is useful in showing general trends over time, it may not be appropriate for use in direct campus to campus comparisons.

Exhibit 17 shows basic statistics related to the salaries of all State-supported personnel, as well as a count of all full-time equivalent (FTE) positions. Over the seven-year period from fiscal 2007 to 2014, the average salary paid in the public four-year higher education system increased nearly $7,100, or 12.6%. While the mean salary decreased from 2010 to 2013, likely due to the economic recession, it grew 2.0% from 2013 to 2014, identical to the 2.0% COLA for State employees. The mean is affected by highly paid positions, such as medical and legal faculty employed by UMB. Another way to measure change is with the median, or middle, salary, which actually fell slightly in 2014 but did rise 10.0% over the time period. The mode, or most frequent, salary paid barely changed, rising only $1,000. Finally, universities and colleges have personnel autonomy, which grants them the ability to adjust their own FTEs during the fiscal year, so while in general State FTE growth has declined, higher education personnel has grown about 18.0% over the past seven years.

Exhibit 17
Statistics for State-supported Positions by Fiscal Year

	2007	2010	2013	2014	Total $ Change	Total % Change
Mean (average)	$56,289	$63,418	$62,136	$ 63,387	$7,098	12.6%
Median	$49,025	$55,309	$54,689	$53,937	$4,912	10.0%
Mode	$50,000	$50,000	$50,000	$51,000	$1,000	2.0%
Highest Salary Paid	$397,377	$490,000	$585,000	$596,700	$199,323	50.2%
Total Personnel FTEs	14,608	16,509	17,205	17,219	2,611	17.9%

FTE: full-time equivalent

Source: *Department of Legislative Services, Personnel Survey Data*

2. Social Media Privacy Policy for Students

The 2013 *Joint Chairmen's Report* required four-year public higher education institutions to develop social media privacy policies. After consultation with the Office of the Attorney General, SMCM, MSU, and USM adopted a uniform policy on social media privacy to limit the monitoring of students' social media activities.

The policy prohibits college or university employees or agents of the institutions to require, request, or suggest to current students or prospective students that they:

- disclose social media access information, such as usernames or passwords;
- change privacy settings on personal social media accounts;
- "friend" or "follow," or any similar action, an employee or agent of the institution; and
- log onto a private social media account in the presence of an employee or agent of the institution.

Educational institutions may still access public information on social medial; engage in voluntary interactions with students and prospective students; require social media content for the purpose of fulfilling obligations imposed by federal or State law (*e.g.*, Title IX obligations to investigate sexual harassment) or investigate health or safety threats; and obtain social media information from student employees for any lawful reason.

Recommended Actions

1. Adopt the following narrative:

   Instructional Faculty Workload Report: The committees request that the University System of Maryland (USM), Morgan State University (MSU), and St. Mary's College of Maryland (SMCM) continue to provide annual instructional workload reports for tenured and tenure-track faculty. By focusing on these faculty, the committees gain a sense of the teaching activities for the regular core faculty. However, there are other types of instructional faculty at institutions such as full- and part-time non-tenured/non-tenure track faculty including adjunct faculty, instructors, and lecturers. Focusing on only tenured/tenure-track faculty provides an incomplete picture of how students are taught. Therefore, the report should also include the instructional workload when all types of faculty are considered. Additional information may be included at the institution's discretion. Furthermore, USM's report should include the percent of faculty meeting or exceeding teaching standards for tenured and tenure-track faculty for the University of Maryland, Baltimore.

Information Request	**Authors**	**Due Date**
Annual report on instructional faculty workload	USM MSU SMCM	December 15, 2014

2. Adopt the following narrative:

   Preparing to Implement the Performance-based Funding Model: The committees request that the Maryland Higher Education Commission (MHEC) work with higher education institutions to test and refine the Performance Based Funding (PBF) Framework endorsed by MHEC in 2013. MHEC should submit a report, no later than September 1, 2014, that includes the results of modeling the PBF Framework using actual institutional data to simulate potential results of using PBF; any recommended adjustments to the Framework; and an appropriate amount of base funds to be allocated to PBF beginning with the fiscal 2016 budget.

Information Request	**Author**	**Due Date**
Preparing to implement the performance-based funding model	MHEC	September 1, 2014

3. Adopt the following narrative:

Institutional Aid and Loan Data: In order to more fully understand all types of aid available to students, the committees request that loan data be submitted for each community college and public four-year institution. 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 report to the Maryland Higher Education Commission (MHEC) for fiscal 2014. Additionally, data should be provided on Pell grants including the number and average award size by EFC for fiscal 2014. The report is to be submitted in an electronic format (Excel file) by MHEC.

Information Request	Author	Due Date
Institutional Loan and Pell Data by EFC Category	MHEC	December 1, 2014

4. Adopt the following narrative:

Institutional Aid by Expected Family Contribution Category: The committees request that data be submitted in an electronic format (Excel file) for each community college and public four-year institution on institutional aid awards. Data should include the number of institutional aid awards and average award size by Expected Family Contribution (EFC) for institutional grants, institutional athletic scholarships, and other institutional scholarships as reported to the Maryland Higher Education Commission (MHEC) for fiscal 2014. 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 for fiscal 2014. The report is to be submitted by MHEC.

Information Request	Author	Due Date
Report of institutional aid by EFC category	MHEC	December 15, 2014

Trends in Education and General Revenues[1]

Public Four-year Institutions

($ in Thousands)

Institution	2010	2011	2012	2013	Adjusted 2014	Adjusted 2015	Annual % 2010-13	% Change 2013-14
Univ. of Maryland, Baltimore	$440,744	$453,625	$449,709	$477,265	$529,655	$547,544	5.3%	3.4%
Univ. of Maryland, College Park	925,434	920,514	989,548	1,012,101	1,087,134	1,137,341	5.7%	4.6%
Bowie State University	64,495	65,237	68,676	68,367	72,121	75,973	3.4%	5.3%
Towson University	244,792	255,622	262,891	263,694	283,507	291,732	3.5%	2.9%
Univ. of Maryland Eastern Shore	50,684	56,283	65,876	65,585	66,592	68,795	5,8%	3.3%
Frostburg State University	65,221	68,018	67,541	67,942	72,680	76,406	2.2%	5.1%
Coppin State University	52,397	55,265	55,519	53,458	57,266	60,389	1.2%	5.5%
University of Baltimore	86,683	92,045	94,792	96,408	101,554	104,265	3.3%	2.7%
Salisbury University	88,739	91,416	97,561	103,627	108,768	114,911	6.0%	5.6%
Univ. of Maryland Univ. College	280,651	337,837	376,928	362,122	395,595	402,004	5.4%	1.6%
Univ. of Maryland Baltimore County	212,254	202,509	206,523	219,027	234,370	239,410	5.0%	2.2%
Univ. of Maryland Ctr. for Env. Science	22,095	22,144	24,676	27,622	27,361	28,820	7.3%	5.3%
Morgan State University	119,500	119,251	130,011	135,394	139,053	144,094	5.3%	3.6%
St. Mary's College of Maryland	45,513	46,597	49,772	43,343	53,825	49,760	4.9%	-7.6%
Total	**$2,699,202**	**$2,786,363**	**$2,940,022**	**$2,995,954**	**$3,229,481**	**$3,341,445**	**5.0%**	**7.8%**

[1] Education and general revenues represent tuition and fees, State funds (general and Higher Education Investment Funds), grants and contracts (federal, State, and local), and sales and services of education activities less auxiliary program enterprise revenue. For the University of Maryland, Baltimore, hospital expenditures are excluded from educational and general revenue. Agricultural and cooperative extensions are also excluded.

Note: Numbers may not sum due to rounding.

Source: Governor's Budget Books, Fiscal 2011-2015

Education and General Revenues[1]
Per Full-Time Equivalent Student
Public Four-Year Institutions

Institution	2010	2011	2012	2013	Adjusted 2014	Adjusted 2015	Annual % Change 2009-14	% Change 2013-15
Univ. of Maryland, Baltimore	$69,071	$70,439	$69,143	$73,223	$83,345	$87,509	6.5%	5.0%
Univ. of Maryland, College Park	29,540	29,193	31,431	32,303	34,457	36,049	5.3%	4.6%
Bowie State University	14,231	14,388	15,316	15,870	15,886	17,590	3.7%	10.7%
Towson University	13,917	14,305	14,680	14,531	15,385	15,559	3.4%	1.1%
Univ. of Maryland Eastern Shore[2]	12,731	13,748	15,813	15,876	17,136	17,071	10.4%	-0.4%
Frostburg State University	14,038	14,371	14,657	14,857	15,790	16,599	4.0%	5.1%
Coppin State University	16,586	18,354	19,111	19,278	20,651	21,778	7.6%	5.5%
University of Baltimore	20,286	21,541	21,422	20,118	21,193	21,574	1.5%	1.8%
Salisbury University	11,955	12,041	12,441	13,181	13,821	14,601	5.0%	5.6%
Univ. of Maryland Univ. College	13,623	15,294	14,846	15,090	15,247	15,494	3.8%	1.6%
Univ. of Maryland Baltimore County	20,744	19,287	19,178	19,764	20,798	21,060	0.1%	1.3%
Morgan State University	18,021	17,107	18,183	19,740	21,393	22,168	5.9%	3.6%
St. Mary's College of Maryland	20,782	22,753	24,874	22,102	28,646	26,482	11.3%	-7.6%
Average[2]	**$19,182**	**$19,377**	**$20,025**	**$20,449**	**$24,558**	**$25,350**	**8.6%**	**20.1%**

[1] Education and General revenues represent tuition and fees, general funds, grants and contracts (federal, state, and local), and sales and services of educational activities less auxiliary program enterprise revenue. For UMB, hospital expenditures are excluded from Educational and General Revenue. Agricultural and cooperative extension programs at are also excluded.

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

Fiscal 2015 Revenues Per Full-time Equivalent Student[1]
By Revenue Source
Public Four-year Institutions

Institution	E&G Revenues	State Funds	Tuition and Fees	FTES	E&G Revenues Per FTES	State Funds Per FTES	T & F Per FTES	State as % of E&G	T&F as % of E&G
Univ. of Maryland, Baltimore	$547,544,120	$215,823,372	$121,427,159	6,257	$87,509	$34,493	$19,407	39%	22%
Univ. of Maryland, College Park	1,137,341,449	380,397,286	503,412,686	31,550	36,049	13,909	15,956	39%	44%
Bowie State University	75,973,050	42,201,621	33,613,185	4,319	17,590	9,771	7,783	56%	44%
Towson University	291,731,530	106,818,559	177,891,591	18,750	15,559	5,697	9,488	37%	61%
Univ. of Maryland Eastern Shore	68,794,842	34,791,665	33,798,026	4,030	17,071	8,633	8,387	51%	49%
Frostburg State University	76,405,655	38,855,523	35,790,673	4,603	16,599	8,441	7,776	51%	47%
Coppin State University	60,389,477	44,100,484	16,709,993	2,773	21,778	15,904	6,026	73%	28%
University of Baltimore	104,265,079	34,529,568	69,242,164	4,833	21,574	7,145	14,327	33%	66%
Salisbury University	114,911,212	46,578,480	68,618,776	7,870	14,601	5,918	8,719	41%	60%
Univ. of Maryland Univ. College	402,004,352	40,218,965	352,378,011	25,945	15,494	1,550	13,582	10%	88%
Univ. of Maryland Baltimore County	239,410,381	112,248,063	115,774,443	11,368	21,060	9,874	10,184	47%	48%
Morgan State University	144,093,561	84,998,865	53,801,452	6,500	22,168	13,077	8,277	59%	37%
St. Mary's College of Maryland	49,760,126	21,353,058	27,975,664	1,879	26,482	11,364	14,889	43%	56%
Total Higher Education	**$3,312,624,834**	**$1,261,352,250**	**$1,610,433,823**	**130,677**	**$25,350**	**$11,214**	**$11,138**	**38%**	**49%**

E&G: educational and general
FTES: full-time equivalent student
T&F: tuition and fees

Note: State funds reflect across-the-board reductions to health insurance, etc, spending included in the Governor's fiscal 2015 budget plan.

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

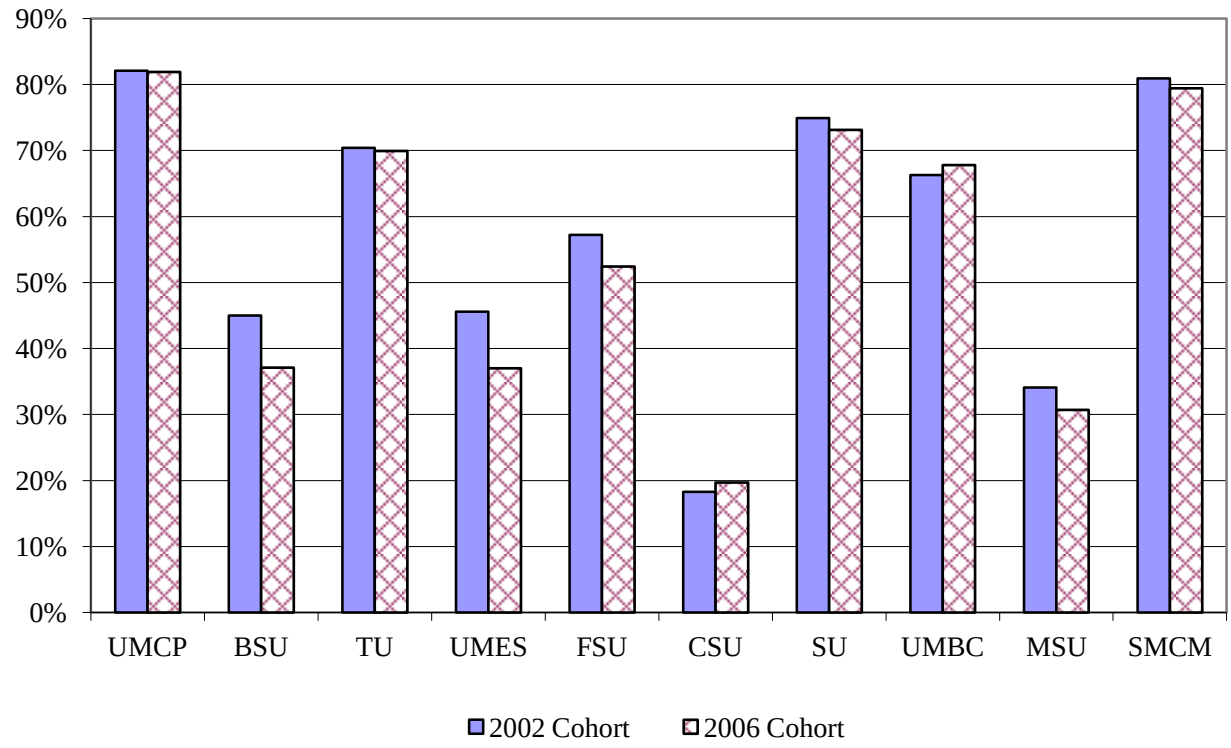
Higher Education Enrollment Trends
Full-time Equivalent Student
Public Four-year Institutions

Institution	2009	2010	2011	2012	Est. 2013	Est. 2014	Est. 2015	% Annual 2009-14	% Change 2014-15
Univ. of Maryland, Baltimore	5,974	6,381	6,440	6,504	6,518	6,355	6,257	2.2%	-1.5%
Univ. of Maryland, College Park	30,728	31,328	31,532	31,483	31,331	31,550	31,550	1.1%	0.7%
Bowie State University	4,496	4,532	4,534	4,484	4,308	4,540	4,319	1.0%	5.4%
Towson University	17,275	17,590	17,869	17,908	18,147	18,427	18,750	2.7%	1.5%
Univ. of Maryland Eastern Shore	3,821	3,981	4,094	4,166	4,131	3,886	4,030	4.8%	-5.9%
Frostburg State University	4,434	4,646	4,733	4,608	4,573	4,603	4,603	2.0%	0.7%
Coppin State University	3,175	3,159	3,011	2,905	2,773	2,773	2,773	-0.8%	0.0%
University of Baltimore	3,985	4,273	4,273	4,425	4,792	4,792	4,833	4.4%	0.0%
Salisbury University	7,219	7,423	7,592	7,842	7,862	7,870	7,870	3.5%	0.1%
Univ. of Maryland Univ. College	18,381	20,602	22,089	25,390	23,997	25,945	25,945	10.5%	8.1%
Univ. of Maryland Baltimore County	9,749	10,232	10,500	10,769	11,082	11,269	11,368	3.4%	1.7%
Morgan State University	6,287	6,631	6,971	7,150	6,859	6,500	6,500	3.9%	-5.2%
St. Mary's College of Maryland	2,095	2,190	2,048	2,001	1,961	1,879	1,879	-0.4%	-4.2%
Total	**117,619**	**122,968**	**125,686**	**129,635**	**128,334**	**130,389**	**130,677**	**3.7%**	**1.6%**

Source: Governor's Budget Books, Fiscal 2010-2015

Appendix 5

Six-year Graduation Rate for First-time, Full-time Students



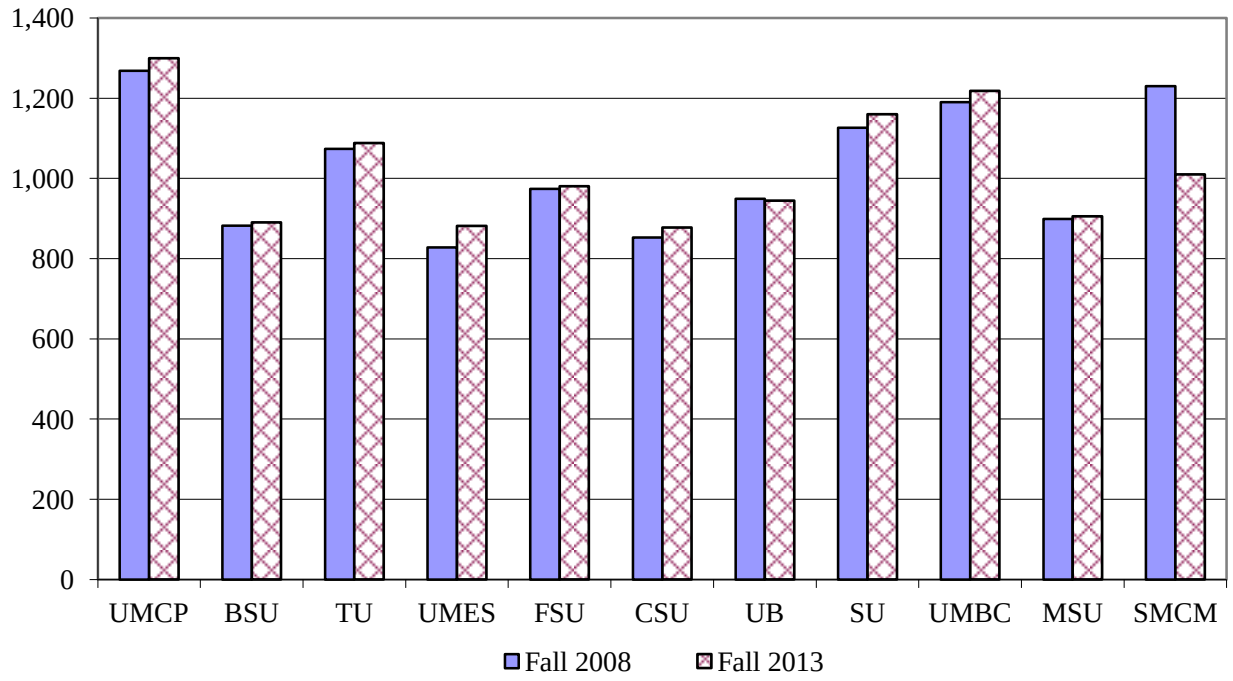
	2002	2003	2004	2005	2006
Univ. of Maryland, College Park (UMCP)	82.1	82.7	82.6	82.3	81.9
Bowie State University (BSU)	45.0	43.2	41.0	43.8	37.1
Towson University (TU)	70.4	75.1	72.6	68.3	69.9
Univ. of Maryland Eastern Shore (UMES)	45.6	38.7	37.3	36.0	37.0
Frostburg State University (FSU)	57.2	60.4	56.3	53.0	52.4
Coppin State University (CSU)	18.3	17.5	18.3	18.0	19.7
Salisbury University (SU)	74.9	72.3	76.6	71.6	73.1
Univ. of Maryland Baltimore County (UMBC)	66.3	67.9	67.1	64.7	67.8
Morgan State University (MSU)	34.1	34.8	33.8	30.7	30.7
St. Mary's College of Maryland (SMCM)	80.9	85.5	82.1	82.4	79.4
All Students Average	**64.3**	**64.7**	**64.1**	**63.3**	**61.6**

Note: Data shows the percentage of first-time students who had graduated from any campus within six years after starting in the fall of the year at the institution indicated.

Source: Maryland Higher Education Commission

Appendix 6

Scholastic Aptitude Test Scores of First-year Students



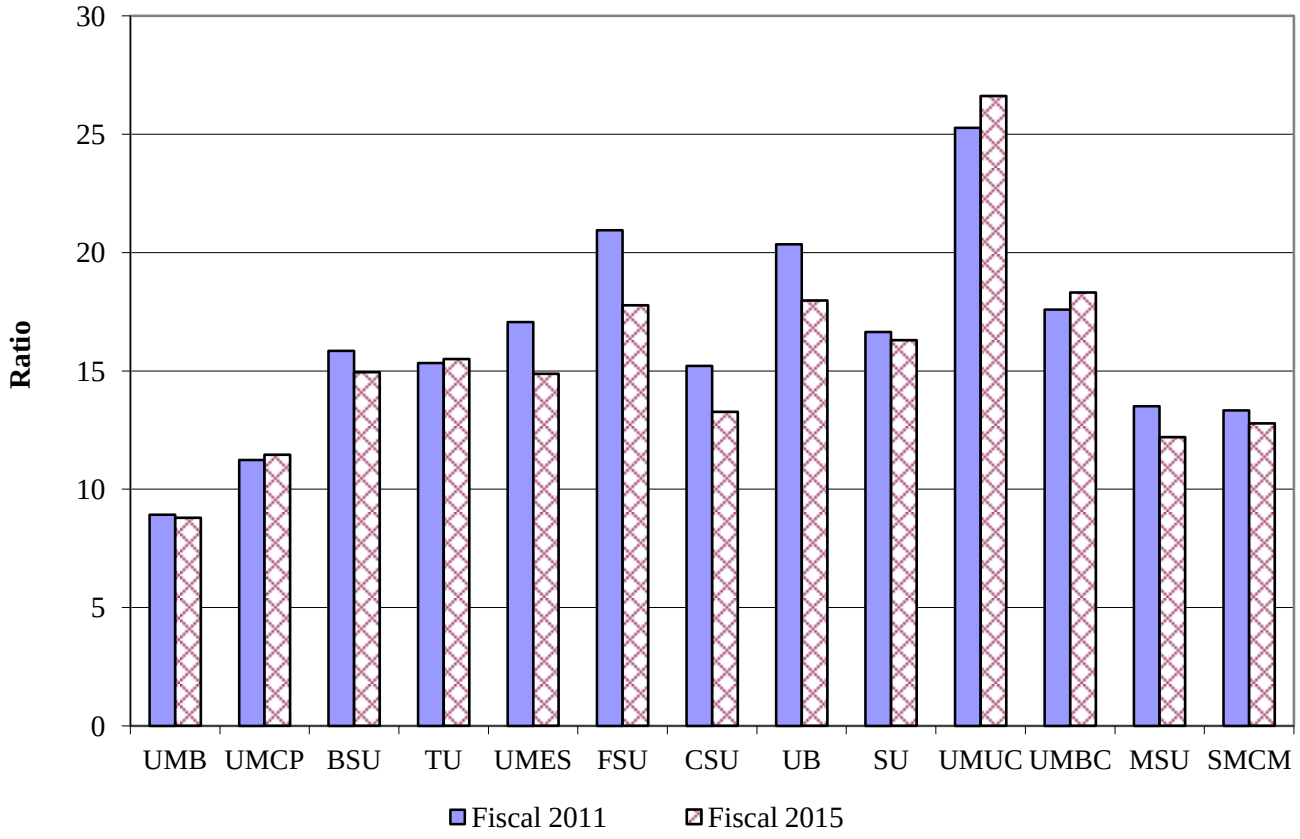
	2008	2009	2010	2011	2012	2013
Univ. of Maryland, College Park (UMCP)	1,268	1,285	1,283	1,287	1,289	1,299
Bowie State University (BSU)	882	880	892	888	899	890
Towson University (TU)	1,074	1,080	1,081	1,087	1,087	1,088
University of Maryland Eastern Shore (UMES)	828	847	857	879	880	881
Frostburg State University (FSU)	974	963	982	985	985	980
Coppin State University (CSU)	853	875	861	874	882	877
University of Baltimore (UB)	949	958	949	953	953	944
Salisbury University (SU)	1,126	1,129	1,138	1,147	1,155	1,160
University of Maryland Baltimore County(UMBC)	1,190	1,184	1,204	1,206	1,223	1,218
Morgan State University (MSU)	899	904	904	909	895	905
St. Mary's College of Maryland (SMCM)	1,230	1,229	1,213	1,208	1,209	1,010
Average (unweighted)	**1,025**	**1,030**	**1,033**	**1,038**	**1,042**	**1,023**

Note: Reflects verbal (maximum 800) and math (maximum 800) scores.

Source: Maryland Higher Education Commission

Appendix 7

Student-to-faculty Ratio



	2011	2012	2013	2014	2015
Univ. of Maryland, Baltimore (UMB)	8.9	8.6	9.0	8.9	8.8
Univ. of Maryland, College Park (UMCP)	11.2	11.4	11.5	11.5	11.5
Bowie State University (BSU)	15.8	15.6	15.4	15.7	14.9
Towson University (TU)	15.3	15.3	15.5	15.5	15.5
Univ. of Maryland Eastern Shore (UMES)	17.1	16.3	15.9	14.3	14.9
Frostburg State University (FSU)	20.9	18.0	17.7	17.8	17.8
Coppin State University (CSU)	15.2	12.7	12.7	13.3	13.3
University of Baltimore (UB)	20.3	16.8	17.9	17.8	18.0
Salisbury University (SU)	16.6	16.5	17.4	16.3	16.3
Univ. of Maryland University College (UMUC)	25.3	26.8	22.9	26.6	26.6
Univ. of Maryland Baltimore County (UMBC)	17.6	17.7	18.2	18.1	18.3
Morgan State University (MSU)	13.5	13.2	12.4	12.2	12.2
St. Mary's College of Maryland (SMCM)	13.3	13.6	13.3	12.8	12.8

Source: Department of Budget and Management