R62I0001
Maryland Higher Education Commission

Operating Budget Data

($ in Thousands)

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change	% Change Prior Year
General Fund	$57,111	$55,678	$73,356	$17,678	31.7%
Adjustments	0	1,000	-6,586	-7,586	
Adjusted General Fund	**$57,111**	**$56,678**	**$66,770**	**$10,092**	**17.8%**
Special Fund	19,470	20,434	21,815	1,381	6.8%
Adjustments	0	0	-2	-2	
Adjusted Special Fund	**$19,470**	**$20,434**	**$21,814**	**$1,380**	**6.8%**
Federal Fund	1,765	2,467	1,515	-951	-38.6%
Adjustments	0	0	-1	-1	
Adjusted Federal Fund	**$1,765**	**$2,467**	**$1,514**	**-$952**	**-38.6%**
Reimbursable Fund	446	481	462	-18	-3.8%
Adjusted Reimbursable Fund	**$446**	**$481**	**$462**	**-$18**	**-3.8%**
Adjusted Grand Total	**$78,794**	**$80,059**	**$90,560**	**$10,501**	**13.1%**

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- After adjusting for back of the bill reductions, contingent reductions and deficiencies, general funds increase approximately $10.1 million, or 17.8%, in the fiscal 2018 allowance. The allowance includes a $6.6 million contingent reduction to the Sellinger formula aid. Special funds increase by $1.4 million, or 6.8%.

- The adjusted fiscal 2018 allowance increases by $10.5 million, or 13.1%, over the adjusted fiscal 2017 working appropriation. After adjusting for planned general fund transfers of educational grants in fiscal 2018, which are discussed later in this analysis, the year-over-year change is only $4.9 million, or 6.1%.

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

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Personnel Data

	FY 16 Actual	FY 17 Working	FY 18 Allowance	FY 17-18 Change
Regular Positions	58.60	54.60	54.60	0.00
Contractual FTEs	7.99	9.33	11.33	2.00
Total Personnel	**66.59**	**63.93**	**65.93**	**2.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		2.78	5.10%
Positions and Percentage Vacant as of 12/31/16		11.00	20.15%

- Positions shown here reflect all Maryland Higher Education Commission (MHEC) positions including those that support Student Financial Assistance programs and the programs providing State support to community colleges and independent institutions.

- The 2018 allowance makes no changes to regular positions, but adds 2.0 contractual positions. These 2.0 positions cover academic program review (supported by special funds) and programs related to veterans (supported by federal funds).

- As of December 31, 2016, the commission had 11.0 vacant positions, a rate of 20.2%. However, MHEC reports that it filled 4.0 of the vacant positions in January 2017, bringing the vacancy rate to 12.7%.

Analysis in Brief

Major Trends

Achievement Gap in Retention Rates Remains: The achievement gap in retention between all students and Hispanic and African American students can be measured using annual data reported by MHEC. Overall, African American students are retained at a significantly lower rate than all students but have shown improvement in recent cohorts.

Achievement Gap in Graduation Rates Worsens: Similar to retention rates, the achievement gap in graduation rates for all students and other student groups can be measured with MHEC data. While Hispanic students continue to graduate at higher rates than all students in the 2009 cohort, the achievement gap of African American students increased slightly.

Meeting the State's Workforce Shortages: In January 2015, a successful program to increase the capacity of nursing programs in Maryland was extended for another five years. Overall, it has successfully spurred an increase in nursing credentials.

Issues

Operations and Management of MHEC: Growing responsibilities and limited personnel have limited MHEC's ability to accomplish its mission. With personnel staffing level in fiscal 2018, MHEC will be challenged to meet all of its deadlines.

Implementation of the College Affordability Act of 2016: Key provisions of the College Affordability Act of 2016 will be implemented beginning in fiscal 2018 to help students and families save for college and pay off student loans. This issue will look at progress to date on these measures.

Implementation of the College and Career Readiness and College Completion Act of 2013: The P-20 Leadership Council recently issued a biennial report on progress toward achieving comprehensive goals to improve student preparedness and success in Maryland. This issue will look at milestones reached and what work remains.

New Plans for College Access and Outreach and Postsecondary Education: Recent legislation has pushed MHEC to develop an outreach plan focused on low-income high school students to make them more aware of opportunities for college enrollment and financial aid. This issue will look at what MHEC will do in 2017 to meet this challenge and what lies ahead in the next State Plan.

Time to Reevaluate Access and Success Funding: In the most recent review of Access and Success (A&S) funding from MHEC, questions were raised as to what the most effective student interventions are as well as the best way to report on student progress metrics given the changing ways in which institutions are using A&S funding.

Recommended Actions

1. Adopt narrative requesting a report on best practices and progress toward the 55% completion goal.

2. Add language expressing legislative intent on Enhancement Funds.

3. Adopt narrative for a report on historically black colleges and universities funding and outcomes.

Updates

Closure of ITT Technical Institute and the Maryland Higher Education Commission's Response: In September 2016, ITT Technical Institute closed, affecting approximately 1,000 Maryland students. This update will provide information on MHEC's response to this closure and other recent school closures in Maryland.

Operating Budget Analysis

Program Description

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

The key goals of MHEC are as follows:

- Maryland will enhance its array of postsecondary education institutions and programs, which are recognized nationally and internationally for academic excellence, and more effectively fulfill the evolving educational needs of its students, the State, and the nation;

- Maryland will achieve a system of postsecondary education that advances the educational goals of all by promoting and supporting access, affordability, and completion;

- Maryland will ensure equitable opportunity for academic success and cultural competency for Maryland's population;

- Maryland will seek to be a national leader in the exploration, development, and implementation of creative and diverse education and training opportunities that will align with State goals, increase student engagement, and improve learning outcomes and completion rates;

- Maryland will stimulate economic growth, innovation, and vitality by supporting a knowledge-based economy, especially through increasing education and training and promoting the advancement and commercialization of research; and

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

Performance Analysis: Managing for Results

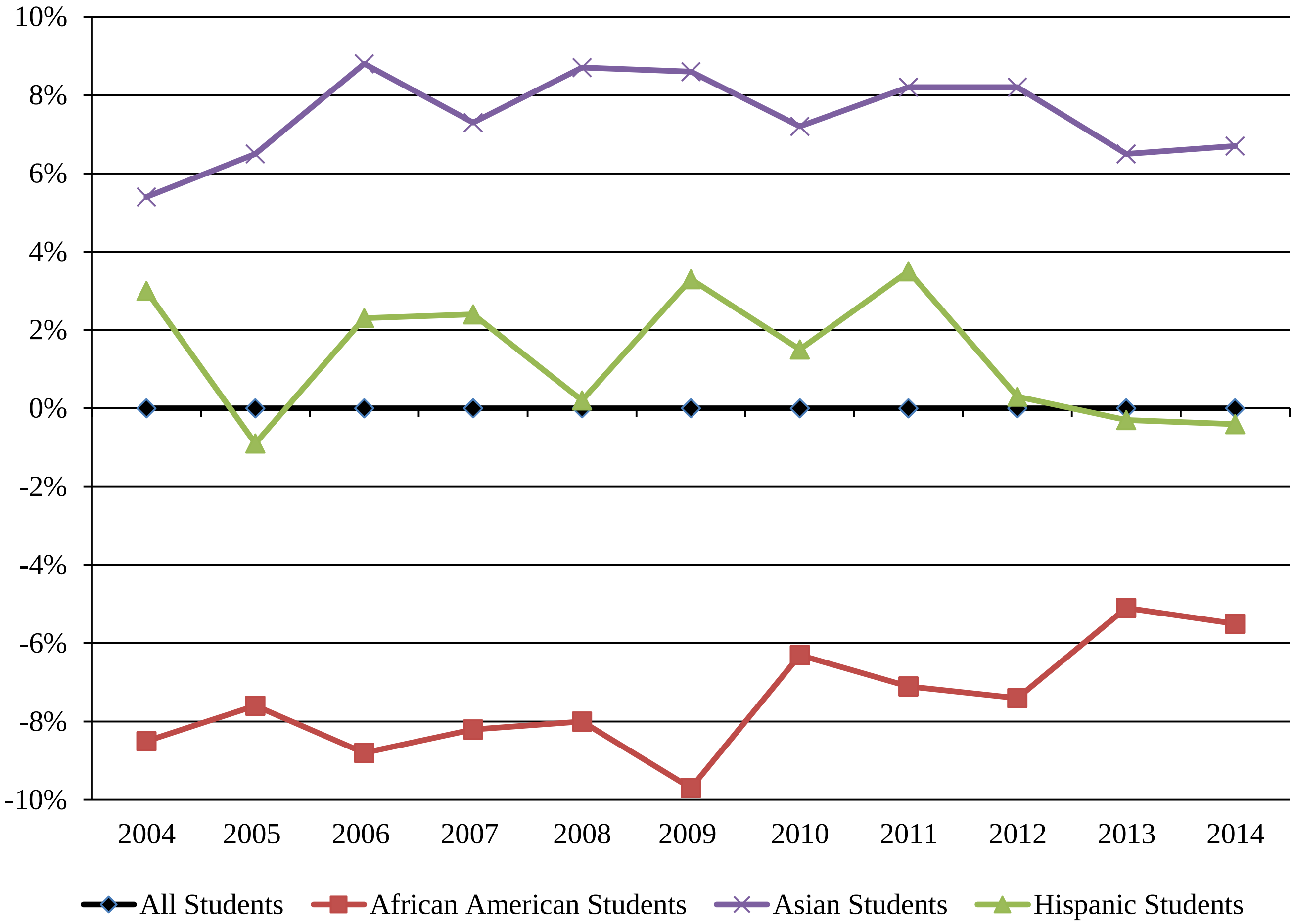
MHEC has outlined several large policy goals in *Maryland Ready*, the 2013 to 2017 *State Plan for Postsecondary Education*. MHEC aims to maintain and strengthen higher education institutions and to ensure accessibility for Maryland's diverse citizenry. Progress in these areas will help achieve the State's college completion agenda to increase degree attainment among Maryland adults to 55% by 2025. To improve outcomes for historically underserved or underrepresented groups, who represent a growing portion of total student enrollment, MHEC works to reduce the achievement gap between minority students and all students; award more degrees to minority students; and target degree growth in high-demand areas, like allied health fields.

1. Achievement Gap in Retention Rates Remains

Retention rates indicate how well Maryland's students are progressing toward degree attainment. **Exhibit 1** shows the percentage point difference between the second-year retention rate for all students and African American, Asian, and Hispanic students entering public four-year institutions between 2004 and 2014. The years represent cohorts of first-time, full-time (FT/FT) students entering in the fall semester, *i.e.*, the 2010 cohort reflects students enrolling in fall 2010, which is academic year 2010-2011, or fiscal 2011. After seven years of outperforming the retention rate of all students, the retention rate of Hispanic students has fallen just below the retention rate of all students for the second year in a row. The performance of Hispanic students is important because these students are the fastest growing demographic, both as residents and as students, in Maryland. MHEC attributed part of the strong performance of Hispanic students from fiscal 2006 to 2012 to the overall low enrollment of Hispanic students in higher education. Out of roughly 360,000 students across all Maryland institutions in fall 2014, only about 26,800, or about 7.4%, were Hispanic. Fall 2013 was the first year that Hispanic enrollment surpassed Asian enrollment, becoming the second largest minority student population in Maryland.

Even with the decline in 2014, African American students in the 2013 cohort have the second highest retention rate in the past 20 years. The retention rate for African American students was consistently about 8.0 percentage points below all students from 2004 to 2008, before worsening by 2.0 percentage points in 2009. Since then, the achievement gap has been roughly halved from nearly 10 points to about 5 points. The percentage point gap between all students and African American students in 2013, 5.1, was the smallest achievement gap since the 2000 cohort (not shown in Exhibit 1), which was 6.6. African American students are the largest minority population in higher education, so it is important for the State to reduce the achievement gap. MHEC will need to assess the causes for relative improvement of African American students since the 2009 cohort, which may involve both institutional initiatives for student success and changes in overall enrollment.

Exhibit 1
Achievement Gap in Second-year Retention Rates
2004-2014 Cohorts



Note: Data is only for public four-year institutions.

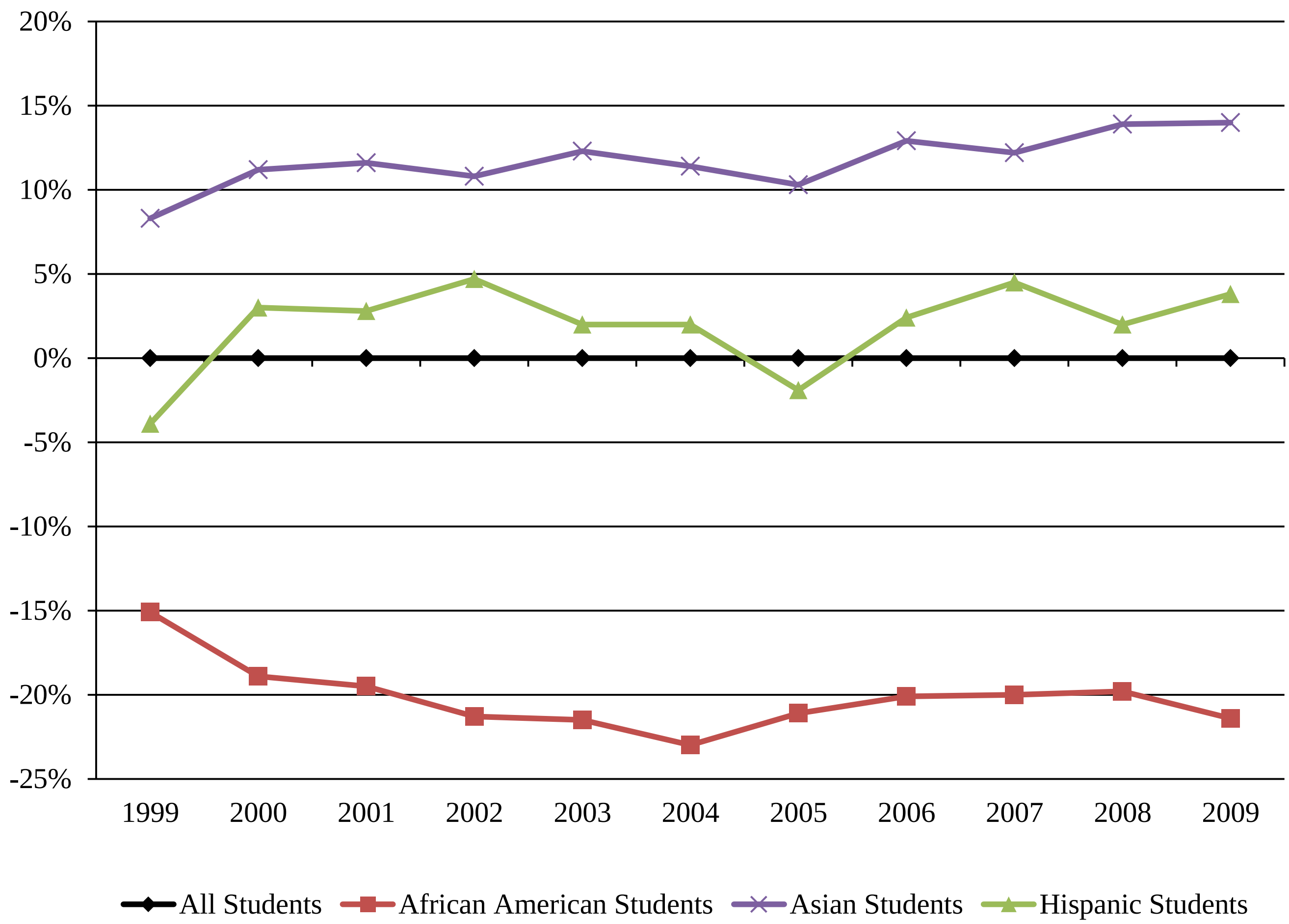
Source: *Enrollment and Degree Information Systems*, Maryland Higher Education Commission

The State's college completion agenda, discussed in more detail in Issue 2 of this analysis, focuses on enrolling and retaining more students of all backgrounds and increasingly more nontraditional students who are not captured in this exhibit because they do not enroll as FT/FT students. (Transfer students, who are also not captured in FT/FT data, represent another rapidly growing demographic on campuses.) Specific strategies include redesigning courses in remedial and introductory classes, increasing summer bridge programs, and reaching out to growing or underrepresented demographics, such as Hispanic students, adult students, and military veterans.

2. Achievement Gap in Graduation Rates Worsens

Retention rates foreshadow graduation rates, which represent the ultimate goal for most students and reflect how effectively public four-year institutions in Maryland manage students and State resources. **Exhibit 2** shows the percentage difference between six-year graduation rates for the same student groups shown in Exhibit 1. As data for six-year graduation rates by cohort necessarily lags two-year retention rates by cohort, Exhibit 2 only shows cohort years 1999 to 2009.

Exhibit 2
Achievement Gap in Six-year Graduation Rates
1999-2009 Cohorts



Note: Data is only for public four-year institutions.

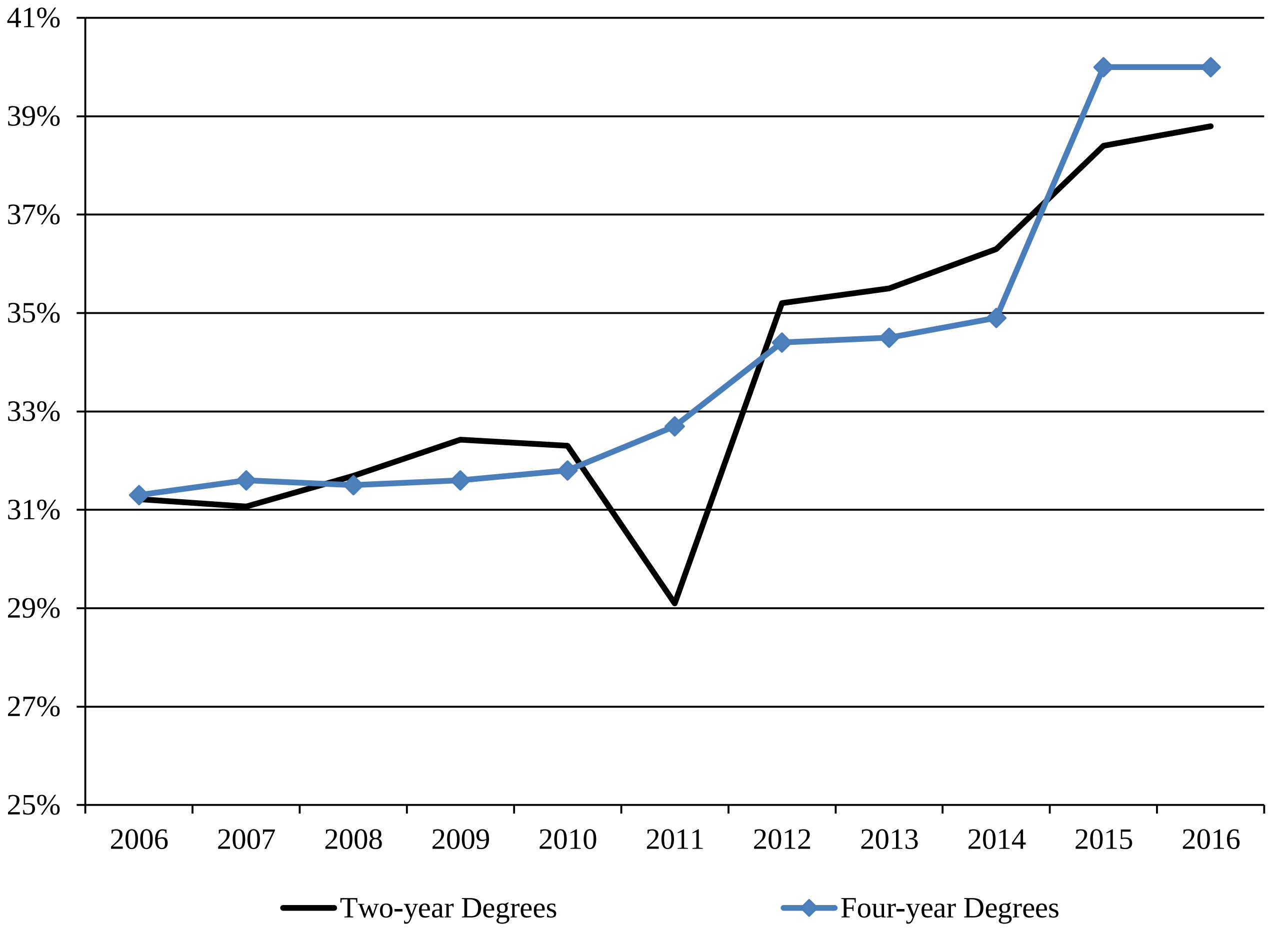
Source: *Enrollment and Degree Information Systems*, Maryland Higher Education Commission

From 1999 to 2009, Hispanic students have graduated at similar or higher rates than all students in 9 out of 11 years. Given that Hispanic students displayed relatively higher retention rates in the 2009 cohort in Exhibit 1, it is not surprising that the graduation rate achievement gap in Exhibit 2 grows slightly. It will be interesting to see whether the lower retention rates for Hispanic students that begin in the 2012 cohort translate into relatively lower graduation rates. Since 2000, Asian students have consistently graduated at least 10 percentage points higher than all students.

The achievement gap for African American students generally grew from the 1999 cohort to the 2004 cohort, before shrinking in 2005 and 2006, while 2007 and 2008 were unchanged. The gap grew again in the 2009 cohort to 21.4 percentage points. This means the achievement gap has been at least 20.0 percentage points in seven of the last eight years. In fiscal 1996, the gap was only 14.1 percentage points. To ensure educational opportunity for Maryland's diverse citizenry, MHEC had set a goal to reduce the African American achievement gap to below 16.0 percentage points by cohort year 2012 (fiscal 2018). This, however, is not necessarily progress compared to where the State was with the outcomes of the cohorts from the 1990s. However, given the big increase in African American retention rates in the 2010 cohort shown in Exhibit 1, some improvement in the graduation rate seems likely when that information becomes available.

The achievement gap affects the percent of bachelor's and associate's degrees awarded to racial and ethnic minorities in Maryland, as shown in **Exhibit 3.** The fastest growing segments of Maryland's population are minorities, and the percent of associate's degrees awarded to minorities increased 7.6 percentage points between fiscal 2006 and 2016 to 38.8%. This rate had dropped to 29.1% in fiscal 2011 because of an unusually large number of students not classified under any racial or ethnic category in that year. Meanwhile, the percentage of bachelor's degrees awarded to minority students was essentially flat from fiscal 2006 to 2010, before climbing rapidly in fiscal 2011, 2012, and 2015. The jump of 5.0 percentage points in fiscal 2015 is a very large shift to occur in just one year and pushes four-year degree attainment for minorities above the same rate in the two-year sector. Other than the anomalous 2011 data, more associate's degrees were going to minority students from 2008 through 2014. Overall, the data in the exhibit shows the rates generally move together. MHEC believes minority degree attainment will continue its upward climb as demoraphic trends continue. This rate may grow even faster if the achievement gaps shown in Exhibits 1 and 2 are reduced.

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



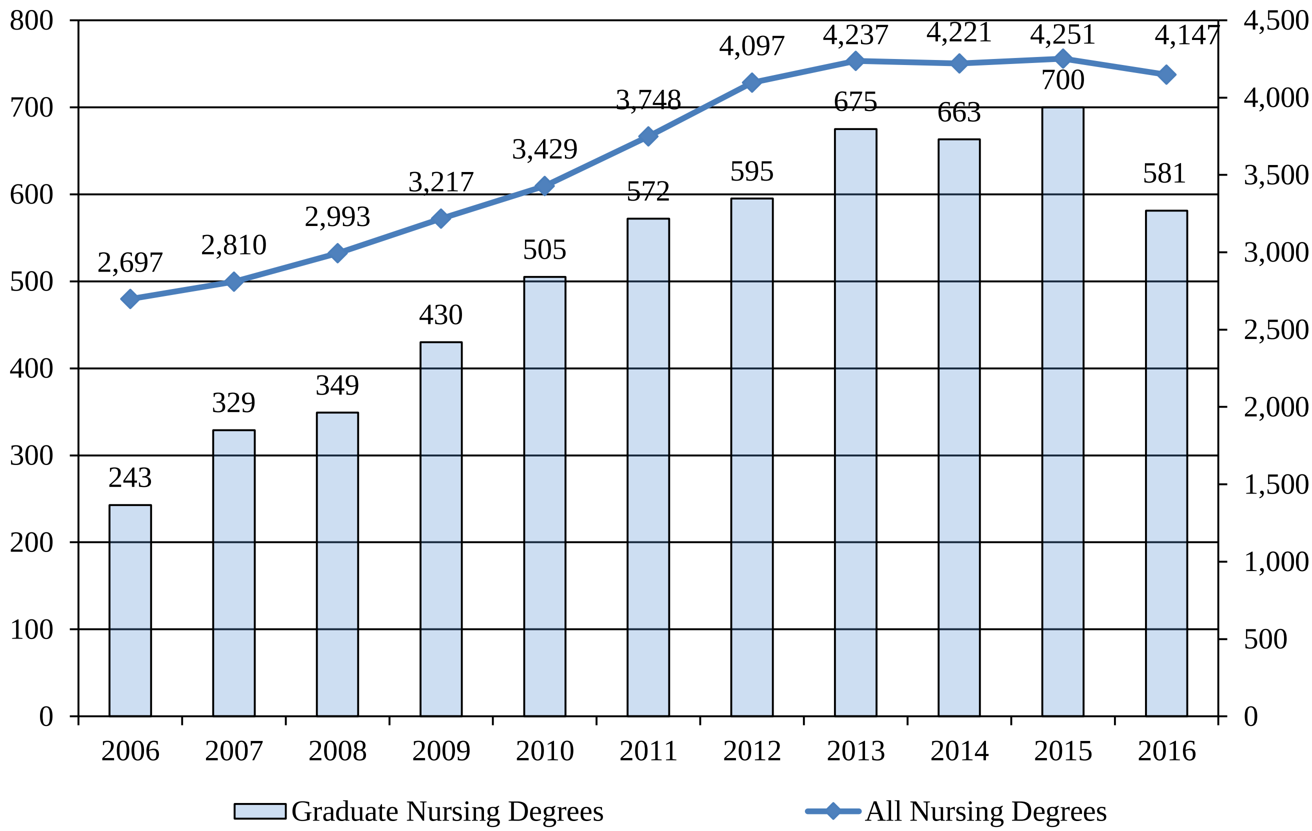
Source: Maryland Higher Education Commission

3. Meeting the State's Workforce Shortages

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

Exhibit 4 shows the number of master's and doctoral degrees awarded in nursing in Maryland from fiscal 2006 to 2016, as well as the total number of nursing graduates produced each year. Since the first round of NSP II grants in fiscal 2006, the number of master's and doctoral degrees awarded per year in nursing has increased about 173%, from 243 to 581. This far exceeds the original MHEC goal of 350 graduates by 2013. However, this is a big decline from 700 in fiscal 2015. This is likely due to a temporary lapse of NSP II funding as the program began phasing out. However, in January 2015, the NSP II funding source was renewed for an additional five years.

Exhibit 4
Nursing Degrees Produced
Fiscal 2006-2016



Source: Maryland Higher Education Commission

Degrees increased in every year from fiscal 2006 to 2013, growing just over 57.0% in total. Assuming some lag between when NSP II funding could train more nursing faculty and when those nursing faculty could then grow Maryland's nursing programs, it does seem likely that NSP II had an effect in increasing total nursing graduates in Maryland, especially after fiscal 2009. Over this same time period, according to the Maryland Board of Nursing, the National Council Licensure Examination first-time pass rate for nursing associate's degrees declined from 91.6% to 81.7% and the same rate for bachelor's degrees fell from 84.2% to 77.1%, likely due to a greater number of nursing students. The total number of nursing degrees declined slightly in 2014 due to fewer associate's degrees, which is likely part of an industry shift toward requiring bachelor's degrees and higher in nursing. For example, in fiscal 2012, the program began to prioritize doctoral degrees as these are increasingly preferred for nursing faculty, even at the community college level. A final issue with the program, which will be explored by the Maryland Board of Nursing, is where nursing students end up working after graduation. During the NSP II funding renewal discussion in January 2015, there were concerns raised that Maryland is training many nurses who seek employment out-of-state. A finding in the most recent MHEC legislative audit shows MHEC did not adequately monitor student service obligation fulfillment as a condition for certain financial aid awards, such as the graduate nursing faculty scholarships in NSP II. MHEC is implementing corrective actions to ensure that students receiving awards are notified in a timely and accurate manner regarding their service obligation commitment to the State. Other MHEC audit findings are listed in **Appendix 2**.

Fiscal 2017 Actions

Proposed Deficiencies

There is one proposed deficiency for MHEC in the 2018 allowance that increases the fiscal 2017 working appropriation. There is $1.0 million for legal services required for the ongoing lawsuit with Historically Black Colleges and Universities (HBCU). Another action affecting student financial aid will be discussed in the Student Financial Assistance operating budget analysis.

Cost Containment

In November 2016, the Board of Public Works reduced MHEC's 2017 fiscal appropriation for the Joseph A. Sellinger program funding, which goes to private, nonprofit institutions, by $4.0 million.

Section 20 Position Abolitions

MHEC's general fund appropriation was reduced by $35,000 due to the abolition of 1 program manager III position within MHEC's grants management unit. However, the actual salary and fringe benefits for this position totaled $75,755.

Proposed Budget

As shown in **Exhibit 5**, after a contingent back of the budget bill reduction to retirement system costs and level funding of Sellinger aid, the fiscal 2018 allowance increases the overall budget of MHEC by 13.2%, or $10.5 million. General funds grow mostly through $5.6 million in educational grants to public four-year institutions that will be subsequently transferred in fiscal 2018, and $5.3 million for three new grants related to programs at Maryland 529 (formerly the College Savings Plans of Maryland). Special funds increase $1.4 million due to revenue projections for the NSP II fund source. Federal funds decline due to the conclusion of two grants, noted later in this analysis. No personnel increments or cost-of-living adjustment are budgeted either in the agency or in the Department of Budget and Management (DBM).

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

How Much It Grows:	**General Fund**	**Special Fund**	**Federal Fund**	**Reimb. Fund**	**Total**
Fiscal 2016 Actual	$57,111	$19,470	$1,765	$446	$78,794
Fiscal 2017 Working Appropriation	56,678	20,434	2,467	481	80,059
Fiscal 2018 Allowance	66,770	21,814	1,514	462	90,560
Fiscal 2017-2018 Amount Change	$10,092	$1,380	-$952	-$18	$10,501
Fiscal 2017-2018 Percent Change	17.8%	6.8%	-38.6%	-3.8%	13.1%

Where It Goes:	
Personnel Expenses	
Turnover adjustments	$238
Employee and retiree health insurance	20
Other fringe benefit adjustments	-8
Retirement contributions	-59
Regular earnings	-133
Other Changes	
Educational grants transferred in the previous year that return to the Maryland Higher Education Commission's base budget	5,552
Three new educational grants related to the 529 savings plans	5,295

Where It Goes:	
Increase in Nursing Support Program II special fund revenue	1,490
Reduction in spending on supplies and materials	-44
Other adjustments	-98
Reductions to spending on contractual legal fees	-782
Conclusion of two federal grants (see Exhibit 8)	-970
Total	**$10,501**

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

Across-the-board Reductions

The fiscal 2018 budget bill includes a $54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. This agency's share of these reductions is $11,684 in general funds, $1,511 in special funds, and $740 in federal funds. This action is tied to a provision in the Budget Reconciliation and Financing Act (BRFA) of 2017.

The Joseph A. Sellinger Formula

Exhibit 6 shows total Sellinger aid that would be provided using the statutory formula versus the actual aid being provided in the budget.

Under the formula, the Sellinger appropriation would have grown to $53.4 million in the 2018 allowance, an increase of $6.6 million, or 14.0%, over the cost contained fiscal 2017 working appropriation. However, the BRFA of 2017 level funds the fiscal 2018 Sellinger appropriation to the cost contained fiscal 2017 working appropriation and also allocates funding to eligible institutions in the same amount as fiscal 2017 adjusted for November 2016 cost containment.

Exhibit 6
Joseph A. Sellinger Aid Formula
Fiscal 2017-2018

	Working Appropriation 2017	Allowance 2018
Per FTES General Funds Per Selected Public Institutions[1]	$11,650	$11,728
Statutory Sellinger Percentage	10.1%	10.5%
General Funds Multiplied by the Percentage	$1,177	$1,231
Independent Enrollment	43,185	43,357
Sellinger Appropriation	**$50,812,427**	**$53,391,542**
Reductions	*-$3,995,094*	*-$6,574,208*
Adjusted Sellinger Appropriation	**$46,817,333**	**$46,817,334**

FTES: full-time equivalent student

[1] This is based on the allowance without any subsequent changes such as back of the bill or contingent reductions.

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

Exhibit 7 shows how the reduced Sellinger funding in fiscal 2018 is to be allocated, as well as how it would be allocated if it was apportioned using the most recent audited enrollment information, which is how the funds are allocated under statute. While enrollment information is not shown in this exhibit, only six institutions had enrollment growth in fiscal 2016. The Johns Hopkins University, by far the largest eligible institution, has the largest increase and would have seen its share of total Sellinger aid grow from about 46% in fiscal 2017 to 47% in fiscal 2018.

The Department of Legislative Services (DLS) recommends that Sellinger aid be distributed by enrollment, rather than the prior year per institution appropriation as specified in the BRFA of 2017. This would require an amendment to the BRFA.

All 13 institutions receiving Sellinger funding are members of the Maryland Independent College and University Association (MICUA). MICUA reports that, since 1973, the State has distributed over $1 billion through the Sellinger program. MICUA has a stated goal for member institutions to use at least 70% of Sellinger funding for need-based financial aid for Maryland residents. In fiscal 2016, 88% of funding was used this way, the same as recent prior years. Sellinger funding not used for aid allows some flexibility for private institutions to meet other State priorities, such as education for teachers and nurses.

Exhibit 7
Joseph A. Sellinger Aid Distribution
Fiscal 2017-2018

Institution	Working 2017	Funding Distribution by Enrollment 2018	Adjusted Allowance 2018	Loss or Gain in Funding Based on the BRFA of 2017 $	%
The Johns Hopkins University	$21,530,502	$22,191,926	$21,530,502	-$661,425	-3.1%
Loyola College	5,555,109	5,555,832	5,555,109	-723	0.0%
Stevenson University	4,053,449	3,891,297	4,053,449	162,152	4.0%
McDaniel College	2,454,313	2,265,916	2,454,313	188,396	7.7%
Maryland Institute College of Art	2,375,213	2,231,945	2,375,213	143,268	6.0%
Mount St. Mary's College	2,082,082	1,978,329	2,082,082	103,753	5.0%
Goucher College	1,890,858	1,890,972	1,890,858	-115	0.0%
Washington College	1,621,604	1,736,699	1,621,604	-115,095	-7.1%
Hood College	1,726,825	1,587,544	1,726,825	139,281	8.1%
College of Notre Dame	1,574,986	1,453,723	1,574,986	121,263	7.7%
Washington Adventist University	825,639	887,036	825,639	-61,397	-7.4%
St. John's College	593,792	614,706	593,792	-20,915	-3.5%
Capitol Technology University	532,965	531,409	532,965	1,556	0.3%
Total	**$46,817,334**	**$46,817,334**	**$46,817,334**	**$0**	**0.0%**

Note: The working 2017 column reflects cost containment in that year and the fiscal 2018 columns include the contingent reduction in the Budget Reconciliation and Financing Act of 2017.

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

The contingent reduction to Sellinger aid proposed by the BRFA of 2017 is one-time and thus will lead to a large increase in State funding next year. For example, DLS currently projects Sellinger aid in fiscal 2019 to grow $10.3 million, or 22.0%, over the level funding in fiscal 2018. However, this would be limited by a provision in the BRFA of 2017 which, if enacted, limits the increase over the previous fiscal year of certain mandated appropriations to the lesser of the amount of the existing formula calculation or an amount equal to one percentage point less than the reported amount of general fund revenue growth. For example, if general fund growth is 3.0% in fiscal 2019, then Sellinger growth in that year would be limited to $0.9 million, or 2.0%.

Educational Grants

The Educational Grants program provides financial assistance to State, local, and private entities to enrich the quality of higher education within the goals defined by *Maryland Ready*.

Exhibit 8 shows educational grant appropriations for fiscal 2017 and 2018. While there is a large increase over fiscal 2017, general funds for MHEC education grants in fiscal 2018 are down about 18.8% from an all-time high in fiscal 2006 of $16.4 million.

Exhibit 8
Maryland Higher Education Commission Educational Grants
Fiscal 2017-2018

Programs	Working 2017	Allowance 2018	$ Difference	% Difference
Federal Funds				
Improving Teacher Quality	$896,861	$500,000	-$396,861	-44.3%
College Access Challenge Grant Program	1,076,233	500,000	-576,233	-53.5%
John R. Justice Grant	26,906	30,000	3,094	11.5%
Subtotal	***$2,000,000***	***$1,030,000***	***-$970,000***	***-48.5%***
General Funds				
Complete College Maryland	$250,000	$250,000	$0	0.0%
OCR Enhancement Funds*	4,900,000	4,900,000	0	0.0%
Washington Center for Internships and Academic Seminars	175,000	175,000	0	0.0%
UMB – WellMobile*	285,000	285,000	0	0.0%
Regional Higher Education Centers**	2,394,000	2,412,047	18,047	0.8%
St. Mary's College of Maryland IT Grant*	1,133,000		-1,133,000	-100.0%
Colleges Savings Plan Match		5,000,000	5,000,000	
Colleges Savings Plan Match Administrative Grant		100,000	100,000	
Achieving a Better Life Experience Grant		194,500	194,500	
Subtotal with Transferring Grants	***$9,137,000***	***$13,316,547***	***$4,179,547***	***45.7%***
Subtotal without Transferring Grants	***$2,451,696***	***$7,757,476***	***$5,305,780***	***216.4%***
Total with Transferring Grants	**$11,137,000**	**$14,346,547**	***$3,209,547***	***28.8%***

IT: information technology
OCR: United States Office for Civil Rights
UMB: University of Maryland, Baltimore

*All of the fiscal 2017 funding for this grant was transferred by budget amendment to the appropriate public four-year institution.
** A portion of this fiscal 2017 funding, $367,304, was transferred by budget amendment to the University of Maryland University College to administer the Waldorf Center.

Source: Maryland Higher Education Commission

The large increase in general funds in fiscal 2018 is misleading as $5.6 million are actually grants that will be subsequently transferred by budget amendment to public four-year institutions. Of the total general fund increase of $10.9 million, only the three grants for Maryland 529 totaling $5.3 million are actually new funds. Federal funds for educational grants fall $1.0 million in fiscal 2018 from 2017, reflecting the phasing out of two federal fund grants. Unlike prior years, there were no special funds grants in fiscal 2017, and there are none in fiscal 2018.

The grants for Maryland 529 are primarily for the implementation of a new college savings contribution matching program. This initiative will increase the number of lower income families who utilize the two 529 college savings plans available in Maryland. There is also funding to assist in the implementation of this program. This program is discussed more in Issue 1. The third grant for Maryland 529 is for the implementation of the Achieving a Better Life Experience (ABLE) program, which allows individuals with certain qualifying disabilities to save money in a tax-deferred account to supplement private insurance and public benefits. As Maryland 529 is a nonbudgeted agency, the general fund grant support for ABLE was placed in MHEC for expediency even though it is not higher education funding.

Regional Higher Education Centers

As shown in **Exhibit 9**, the fiscal 2017 and 2018 budgets fund non-USM Regional Higher Education Centers (RHEC) at $2.4 million. Non-USM RHEC funding is still below the fiscal 2014 appropriation of $2.6 million. Fiscal 2017 and 2018 also include funding for the new Frederick Center for Research and Education in Science and Technology (CREST). The increase of $18,035 in fiscal 2018 for non-USM RHECs is funding for the launching of Frederick CREST in fall 2017. The new RHEC is projected to enroll 24.5 full-time equivalent students (FTES) and will focus on graduate degrees and certificates in the fields of science, technology, engineering, and mathematics.

Exhibit 9 also compares the allocation of funding for USM and non-USM RHECs in fiscal 2018. The MHEC non-USM RHEC funding strategy is for each RHEC to receive $0.2 million in base funding and then to allocate the remainder by FTES enrolled in 2+2 and upper division coursework at each RHEC. Other than the not-yet-operational Frederick CREST, non-USM RHECs funding is flat in fiscal 2018, so these RHECs will redivide the same amount of funding based upon changes in enrollment (just like how Sellinger aid should work in years when it is flat funded). Overall, the audited fiscal 2016 enrollments used in the 2018 formula increased by 46.3 FTES, or 6.1%, after fiscal 2015 had increased by about 96.1 FTES, or 14.6%. All non-USM RHECs increased slightly in enrollment, ranging in growth of 1.5% at the Laurel Center to 15.7% at the Arundel Mills Center. The allowance funds non-USM RHECs at $2,924 per FTES versus $4,409 per FTES for USM RHECs, thus USM RHECs get about 50.0% more funding per student in fiscal 2018. This difference in per FTES funding grew considerably in fiscal 2017 because of new enhancement funding for USM that was distributed to its two RHECs.

Exhibit 9
State Support for RHECs
Fiscal 2017-2018

Non-USM RHECs	**2017**	**2018**	**$ Change 2017-2018**	**% Change 2017-2018**
AACC RHEC at Arundel Mills	$294,012	$310,599	$16,587	5.6%
Eastern Shore Higher Education	349,667	346,739	-2,928	-0.8%
Frederick CREST	244,012	262,047	18,035	7.4%
Laurel Center	281,601	320,086	38,485	13.7%
Southern Maryland	556,957	512,739	-44,218	-7.9%
University Center	300,717	285,766	-14,951	-5.0%
Waldorf	367,046	374,071	7,025	1.9%
Total All Non-USM RHECs	**$2,394,012**	**$2,412,047**	**$18,035**	**0.8%**

USM RHECs	**2017**	**2018**	**$ Change 2017-2018**	**% Change 2017-2018**
Universities of Shady Grove	$10,397,193	$10,397,193	$0	0.0%
USM at Hagerstown	2,072,983	2,072,983	0	0.0%
Total USM RHECs	**$12,470,176**	**$12,470,176**	**$0**	**0.0%**

AACC: Anne Arundel Community College
CREST: Center for Research in Science and Technology
RHEC: Regional Higher Education Center
USM: University System of Maryland

Note: Fiscal 2017 funding to the Waldorf Center includes funds that were transferred from the Maryland Higher Education Commission to the University of Maryland University College to administer the Waldorf Center. The fiscal 2018 increase of $18,035 for non-USM RHECs is start-up funding for Frederick CREST.

Source: Maryland Higher Education Commission; University System of Maryland

The Secretary should comment on how to evaluate the success and effectiveness of non-USM RHECs and whether more (or fewer) are needed in Maryland.

Health Professional Shortage Incentive Grants

After NSP II, Health Professional Shortage Incentive Grants (HPSIG) is the other significant health-related grant program administered by MHEC. When the Governor does not appropriate general funds for HPSIG, MHEC collects fees from the Maryland Board of Physicians (MBP). Since the first round of awards in fiscal 1992, no general funds have ever been appropriated for this program. Half of the fees collected fund the Loan Assistance Repayment Program for Physicians and Physician Assistants (MLARP) budgeted within the MHEC Office of Student Financial Assistance (OSFA), and the other half goes to HPSIG. These funds are then distributed to postsecondary institutions to enhance or expand approved academic programs in health occupations experiencing personnel shortages in Maryland. However, Chapter 178 of 2016, effective July 1, 2016, repealed the requirement that MBP contribute a portion of its fees to HPSIG and also capped MBP's required contribution to MLARP. Without a general fund source, HPSIG will conclude when its current fund balance is drawn down.

Exhibit 10 shows the complicated funding history of HPSIG. Despite receiving over $0.5 million in fiscal 2012 and 2013, MHEC expended no funding. In fact, unspent funds from prior years were returned from institutions to MHEC resulting in a higher HPSIG nonreverting fund balance. Due to this inactivity, during cost containment in fiscal 2015 the BRFA of 2015 transferred $1.7 million from the HPSIG fund balance to the General Fund, leaving just $0.4 million. The final revenue from MBP for HPSIG, totaling $0.6 million, was received in June 2016. The program has an opening fiscal 2017 fund balance of $643,213 but a legislative appropriation of $750,000. If MHEC expends the remaining fund balance in fiscal 2017, there would be no need for spending authority in fiscal 2018. However, as shown in Exhibit 10, MHEC has never spent more than $573,000 in a single fiscal year for HPSIG awards.

Exhibit 10
HPSIG Funding
Fiscal 2010-2018

Fiscal Years	Revenue	Expenditures	Annual Balance	Reversion	Cumulative Closing Balance
2010	$513,947	$507,423	$6,524		$369,490
2011	615,869	400,000	215,869		585,359
2012	523,601	-19,117	542,718		1,128,077
2013	631,372	-4,361	635,733		1,763,810
2014	546,645	573,257	-26,612		1,737,198
2015	678,529	351,000	-1,372,471	-1,700,000	364,727
2016	582,986	304,500	278,486		643,213
2017*	3,671	746,329	-742,658		-99,445
2018*	0	750,000	-750,000		-849,445

HPSIG: Health Personnel Shortage Incentive Grant

*Fiscal 2017 and 2018 show budgeted expenditures of $750,000. Fiscal 2017 also reflects receipt of $3,671 from award cancellations.

Source: Maryland Higher Education Commission

The Secretary should comment on expected HPSIG expenditures in fiscal 2017 and whether MHEC needs any legislative appropriation at all in fiscal 2018 for HPSIG. The Secretary should also comment on whether MHEC has pursued any other funding sources for HPSIG or if it is the right time to conclude this grant program.

Issues

1. Operations and Management of MHEC

Personnel reductions and turnover have limited MHEC's ability to coordinate the overall growth and development of postsecondary education in Maryland. Without such coordination, each higher education segment would be left to act in its own interest, at significant potential cost to the State. Since fiscal 2004, MHEC regular positions have decreased by 19 positions, or about 25%. Contractual FTEs have declined by 4 positions, or 66.7%, so overall the agency has experienced a decline of 23 positions, or over one-third of its staff. Most of these reductions have been evenly spread across MHEC. Contractual positions frequently change due to the receipt and conclusion of grants from the federal government and private sources.

As of December 31, 2016, the commission had 11 vacancies, a rate of 20.2%. In calendar 2015, the agency had 10 vacancies. Since fiscal 2004, the MHEC mid-fiscal year vacancy rate has averaged about 10.8%, with a high of 21.8% in fiscal 2012. MHEC reports, however, that it filled 4 of its 11 vacancies in January 2017. MHEC was one of several smaller agencies transferring human resources services to DBM in fiscal 2016 as part of a shared services agreement to speed up its hiring process and ensure it complies with all human resource regulations and best practices. However, a year later, even with the more recent number of 7 vacancies, MHEC vacancy issues are still an issue despite the shared human resources initiative.

Personnel turnover has several causes including that MHEC was relocated from Annapolis to Baltimore in fiscal 2012, that it competes for employees who can also find work at higher education institutions, and because MHEC has had high turnover in leadership positions. In the past five years, MHEC has had 4 different secretaries or acting secretaries and has replaced its directors of academic affairs, financial aid, grants management, and research. As a consequence, MHEC has almost never been fully staffed over the past decade.

The Secretary should comment on what MHEC is doing to resolve chronic understaffing at the agency.

Workload Trends

Budget-wise, MHEC is primarily a grants pass-through agency, so changes in its overall budget are not an accurate measurement of MHEC's increasing administrative and research workload. MHEC's responsibilities are divided across four departments: Finance and Administration; Academic Affairs; Research and Policy Analysis; and Outreach.

One sign of MHEC's growing workload can be seen in higher education legislation that assigns more responsibilities to MHEC, such as creating marketing plans for State services, managing partnerships between institutions, and writing annual reports. The College Affordability Act, discussed in more detail in the next issue, requires MHEC to approve refundable tax credits. However, MHEC has no in-house expertise on tax credit issues and the marketing plan required to promote the availability of the tax credit that MHEC provided was limited in scope and detail. Additionally, MHEC does not have the information technology staff available to design an application. Other significant higher education legislation, such as the College and Career Readiness and College Completion Act (CCRCCA), which is discussed in detail in Issue 3, have increased MHEC's coordinating responsibilities by adding degree attainment goals and mandated plans for statewide transfer, statewide reverse transfer, and near completers.

Over the same time period, MHEC has struggled to keep up with required and requested reports. For example, the 2013 State Plan for Postsecondary Education, one of the most critical publications from MHEC, was about nine months late. Items from the *Joint Chairmen's Report* (JCR) are sometimes late, requiring extensions of due dates from the budget committees. For recent examples, the Access and Success funding report discussed in Issue 4 of this analysis was a month late, the Education Data Availability and Access report was extended by two months, and the net price calculator report will likely be two weeks late. This is in part due to the reduced staff at MHEC and because MHEC does not have much power to compel postsecondary institutions to respond in a timely manner. In addition, while the 2001 *JCR* listed MHEC as an author of one report, by the 2016 *JCR*, MHEC's responsibility grew to authoring 10 reports of varying length and complexity. A fully staffed Department of Research and Policy Analysis, consisting of 4 positions, would certainly help MHEC in meeting its deadlines, but it may still not be able to keep up with information requests, let alone be proactive in researching issues.

Another way to evaluate MHEC's ability to meet its requirements comes from the agency's January 2017 audit from the Office of Legislative Audits. Two of three repeat findings noted issues that may be related to limited personnel. These include that MHEC did not adequately monitor student service obligation fulfillment as a condition for certain financial aid awards and that delinquent accounts were not properly pursued for collection and referred to the Central Collection Unit. MHEC also, for a time, did not provide accurate information on legislative scholarship account balances. From fiscal 2004 to 2018, MHEC's Office of Student Financial Assistance has declined from about 18 positions to 13 positions, which limits the agency's ability to conduct best practices, like checking on the propriety of financial aid awards and providing prompt customer service.

Based on this workload discussion, there is a sense that MHEC is a reactive, not proactive, agency, as it is constantly working to meet approaching JCR deadlines and it has little ability to conduct independent research or audit its own work. MHEC's mandates consistently grow over time, but its staffing has shrunk and its leadership in the P-20 continuum has diminished.

The Secretary should comment on MHEC's ability to implement specific legislative requirements, such as the tax credits; develop, and make Marylanders aware of, the State's higher education plans and financial aid; perform internal audits; research issues proactively to better inform policymakers; and provide vision for higher education in Maryland.

2. Implementation of the College Affordability Act of 2016

Key provisions of the College Affordability Act of 2016 (Chapters 689 and 690) will be implemented beginning in fiscal 2018 to help students and families save for college and pay off student loans. The law also incentivizes students receiving need-based financial aid to enroll in and complete 30 credits each academic year so that they graduate on time in two or four years, which makes college more affordable by avoiding additional tuition costs and also freeing up financial aid awards for additional students. The law also requires a financial aid study to be completed by October 1, 2017. A study is also underway to examine the feasibility of establishing a Maryland student loan refinancing authority.

The College Affordability Act established several new programs to improve the affordability of higher education in Maryland. To help students and families save for college, Maryland 529 will manage a new contribution program that will match up to $250 for eligible new 529 plan account holders beginning January 1, 2017. A family's income determines how much the family needs to deposit in the new account to receive up to $250 in matching State funds. The program begins with $5 million in fiscal 2018, shown in Exhibit 8, and phases up to full funding of $10 million annually in fiscal 2020. Maryland 529 has developed a marketing plan to make Marylanders aware of the new State matching program using new partnerships with the Maryland Head Start Association and Maryland public libraries. A second marketing plan is focused on increasing participation in 529 plans by State employees and families of students in local school systems with low 529 plan participation rates. Currently, jurisdictions with higher median incomes, like Montgomery and Howard counties, make up a disproportionately large share of 529 accounts. Maryland 529 must report by December 1, 2017, on whether the new matching program and marketing efforts have been effective in reaching low-income families.

To encourage current students to stay on track for college graduation, the State's largest need-based aid program, the Delegate Howard P. Rawlings Educational Excellence Awards (EEA), will prorate awards beginning in a student's third academic year, based on how many academic credits a student completed in the previous academic year. For example, a student enrolling and completing at least 30 credits per year is considered on-time and would receive a full award in the next year. This will first take effect in the 2018-2019 academic year. The delayed effective date provides additional time for MHEC to determine how to implement the change. The law requires MHEC, in consultation with DLS, to retain a consultant to conduct a study of its OSFA, which manages the State's financial aid programs. The General Assembly restricted $250,000 in general funds for this purpose in fiscal 2017, but the funding was not released by the Governor. To date, no progress has been made on this report. It is due October 1, 2017.

The Secretary should comment on whether the agency has pursued any other funding sources to enable the OSFA study and what it has done to plan for implementation of the new EEA provision, which will affect fiscal 2019 awards.

To assist Marylanders with student loan debt, beginning in tax year 2017, the State will award a total of $5 million annually in refundable tax credits of up to $5,000 per person. Qualifying students must have incurred at least $20,000 in undergraduate debt and have at least $5,000 of debt remaining.

MHEC was required to develop a marketing plan to make graduates aware of this opportunity, which will target the State Board of Tax Preparers and the Maryland Board of Public Accountancy. MHEC has been in contact with the Maryland Department of Commerce to determine how to implement this program and have an application ready by September 2017. MHEC and the Maryland State Department of Education (MSDE) must also develop an electronic "app" to better inform students about the availability of State financial aid and other helpful information for students preparing to attend college. No funding was provided for this purpose, but MHEC and MSDE report they will explore partnerships to develop the "app" and are considering using a messaging service to reach prospective and current students using notifications. Students, however, would have to sign up to receive these alerts.

The Secretary should comment on MHEC's ability to fully implement the tax credit program using existing staff and resources. The Secretary should also comment on how MHEC will make graduates who prepared their own tax returns aware of the new tax credit.

3. Implementation of the College and Career Readiness and College Completion Act of 2013

In 2013, the General Assembly passed Senate Bill 740 (Chapter 533) – CCRCCA, an omnibus bill intended to implement the policies, best practices, and strategies determined to best align the P-20 continuum of education in the State (prekindergarten, primary, secondary, and postsecondary education; college completion; and career attainment). The CCRCCA encourages greater collaboration between elementary and secondary education and higher education systems. The Governor's P-20 Leadership Council is charged with implementing the CCRCCA and is required to submit biennial reports on progress, the most recent of which was received in December 2016. Eleven goals were reviewed in the P-20 report and 8 goals are reviewed in this analysis. Three topics – dual enrollment, statewide transfer, and statewide reverse transfer – are covered in the Fiscal 2018 Higher Education Overview budget analysis.

Readiness of High School Students

The CCRCCA required, beginning with the grade nine high school class of 2014 (those who will be in grade 11 in the 2016-2017 school year), every student to take a mathematics course in each year of high school. This will ensure that all students should be prepared for entry-level college mathematics classes, should they decide to enroll. MSDE had adopted regulations in 2014 to put this into effect, so the new P-20 report has no further update on this subject.

The Maryland College and Career Ready Standards were fully implemented in Maryland schools during the 2013-2014 school year. Beginning with the 2015-2016 school year, the CCRCCA required all students to be assessed using acceptable college placement cut scores no later than grade 11 to determine whether the student is ready for college-level credit-bearing coursework in English language arts, literacy, and mathematics. If a student is determined not to be college and career ready by the end of grade 11, then beginning in the 2016-2017 academic year, MSDE, in collaboration with local school systems and public community colleges, is required to implement transition courses for those students during grade 12. Possibilities include enrollment in the next credit-bearing high school course, enrollment in online or in-person "recovery modules," or traditionally taught community college developmental courses.

MSDE released the Partnership for Assessment of Readiness for College and Careers (PARCC) college and career ready cut scores in October 2015. Of the five possible performance levels, a numerical score within Level 4 or Level 5 indicates college and career readiness. Level 3 indicates a student is approaching expectations for college and career readiness. The results of the second administration of the PARCC assessments in academic year 2015-2016 saw the Algebra II pass rate (*i.e.*, score of 4 or 5) increase to 26.8% from 20.1% the year before. English Language Arts 11 was administered for the first time in academic year 2015-2016 with 37.2% achieving college and career readiness. MSDE is collecting information on the number of students who graduate as college and career ready. However, this information will not be available until fall 2017.

Beyond PARCC scores, joint committees of K-12 and community college educators in Maryland have identified six additional metrics that may be used to determine college and career readiness. This includes successful dual enrollment in the appropriate credit-bearing college course or a passing score in one of the following examinations: the SAT, the ACT, Advanced Placement, International Baccalaureate, or Accuplacer. In August 2016, the Maryland Association of Community Colleges and the Public Schools Superintendents' Association of Maryland entered into a Memorandum of Understanding (MOU) on these college and career readiness standards for high school students. There is no equivalent MOU for public four-year institutions. Ultimately the intent is that colleges accept PARCC scores of 4 or higher in the appropriate English and mathematics tests, or other agreed upon metrics, as an indicator of college and career readiness, meaning that students are ready to take a credit-bearing course in the subject without needing developmental education.

MSDE, local school systems, and higher education institutions, particularly community colleges, were expected to collaborate and experiment to develop the most effective transition course practices for students who are not college and career ready at the end of grade 11. Transition courses were not piloted in the 2015-2016 school year as anticipated in part due to the delay in the release of the PARCC cut scores. The 2016-2017 school year is the first year of transition courses. MSDE will be collecting information on transition courses and modules offered by subject area in each local education agency, how students do in transition courses, and how well students do when they are reassessed using PARCC or one of the other six metrics discussed above.

The Secretary should comment on any preliminary or qualitative information indicating the relative success of transition course implementation in the 2016-2017 school year given that no courses were piloted last year. The Secretary should also comment on whether MHEC is working with the public four-year sector to establish college ready standards, and, if so, whether they should align with the two-year sector's MOU.

Degree Incentives, Plans, and Pathways

Incentivizing students to complete an associate's degree prior to transferring to a four-year institution provides students with two benefits. One, the student earns more credits while paying a lower tuition rate at a community college and two, the student has a credential earned at 60 credits that the student can benefit from if the student drops out or stops out prior to the completion of a four-year degree. The CCRCCA required higher education institutions to establish incentives for transfer students. The P-20 Council's report highlights financial incentives like the 2+2 Transfer Scholarship administered by MHEC and several local jurisdictions' free community college programs. Additionally, several USM institutions have guaranteed admissions policies if a student earns a two-year degree "whereas otherwise the student would not be guaranteed transfer admission to a particular USM institution." The University of Maryland Baltimore County guarantees the availability of on-campus housing and provides early advising and registration opportunities.

Setting aside institutional financial aid for transfer students was another explicit goal of the CCRCCA. **Exhibit 11** shows information reported to the P-20 Council on institutional aid distributed to transfer students at public four-year institutions in academic year 2015-2016. The number of transfer students received by institution varied greatly from nearly 1,000 at Towson University (TU) to fewer than 20 at the University of Maryland, Eastern Shore (UMES). The average award per transfer student varied from about $1,000 at Salisbury University to nearly $6,000 at MSU. The institutional makeup greatly affects the average award size. For example, TU and the University of Maryland University College (UMUC) had a similar number of transfer students, but UMUC's average award was nearly 50% less that TU's average award due to its lower cost distance education model.

The P-20 Council's report notes that all postsecondary public institutions now have advising systems that incorporate degree completion plans for all students, as required by the CCRCCA, and nearly all institutions have implemented an electronic student planning system. Many institutions have added the degree planning process to first-year advising sessions or offer first-year seminars for students that assist them in degree planning and train them in using the degree planning software. On-time, four-year degree plans are posted online and students use these plans as templates to develop their individual plans. These plans are used as resources for meetings with college and departmental advisors prior to student registration each semester. Institutions have also increased staffing for academic advising, and have published manuals and offered training on improving student advising. Some institutions have also developed summer bridge programs to transition students from high school to college. All institutions have information on degree pathways available in course catalogs, curriculum handouts, and in online degree pathway systems that track and monitor individual student progress. This is strengthened with orientation days and mandatory advising.

Exhibit 11
Institutional Financial Aid for Transfer Students
Academic Year 2015-2016

Institutions	**Transfer Students**	**Institutional Aid**	**Average Aid Per Student**
Bowie State University	26	$ 49,000	$1,885
Coppin State University	167	297,235	1,780
Frostburg State University	96	208,705	2,174
Morgan State University	83	494,693	5,960
St. Mary's College of Maryland	32	138,480	4,328
Salisbury University	94	98,000	1,043
Towson University	999	2,979,442	2,982
University of Baltimore	501	553,692	1,105
University of Maryland Baltimore County	485	882,353	1,819
University of Maryland, College Park	316	825,769	2,613
University of Maryland Eastern Shore	15	72,315	4,821
University of Maryland University College	952	1,631,314	1,714
Total	**3,766**	**$ 8,230,998**	**$ 2,186**

Note: Shows only transfer students who received institutional aid.

Source: Governor's P-20 Leadership Council

While institutions generally have great flexibility in designing general education requirements, new regulations require, no later than August 2017, public institutions to fall within certain credit hour ranges for general education for a two- and four-year degree, and also set requirements on the number of courses needed in broad subject areas, such as mathematics, English, art, and social science. For students who are not ready for general education-level English or mathematics, the CCRCCA requires developmental coursework be taken within the first 24 credit hours of study and that the follow-up credit-bearing mathematics or English courses must be taken concurrently or in the semester immediately following completion of the developmental coursework. Many institutions are offering concurrent or co-requisite remediation courses, in which students take the credit-bearing course with targeted developmental support within a single semester or term. All institutions were in compliance with this measure by fall 2016. Alternatively, some institutions are exploring entirely new mathematics pathways and foundational courses through the First in the World Grant, which is discussed in the Higher Education Overview budget analysis.

Another population of students institutions are working to enroll is near completers who are undergraduate students who leave a Maryland institution in good academic standing after accumulating a significant number of credits, but have not earned a degree. While many of the efforts to date in Maryland to help near completers are through individual institutions, MHEC is launching a College

Access Marketing Campaign. In fiscal 2017, following a competitive bid process, MHEC awarded a contract to implement the College Access Marketing Campaign. This federally funded campaign targeting low-income students, near completers, veterans, and adult learners will increase communications and community engagement around postsecondary access, completion, and enrollment. The campaign will fully launch by the end of fiscal 2017.

Finally, all Maryland institutions are in compliance with the 60-credit limit for associate's degrees and the 120-credit limit for bachelor's degrees. There are a few exceptions for degree programs requiring professional accreditation. The only other exception is SMCM, which offers only 4-credit courses, so its students take 128 credits to graduate.

The Secretary should comment on the role MHEC can play in incentivizing associate's degree completion and in publicizing degree pathways to prospective students.

4. New Plans for College Access and Outreach and Postsecondary Education

Beyond the College Affordability Act and the CCRCCA, MHEC has several responsibilities that will require it to expand its outreach and coordination. Chapters 315 and 429 of 2002 codified the recommendations of the Task Force to Study College Readiness for Disadvantaged and Capable Students, including establishing the College Readiness Outreach Program. The program allowed a grade 9 or grade 10 student to prequalify on the basis of financial need for a Guaranteed Access (GA) grant, to be awarded at the time of enrollment in an institution of higher education, and established a mentoring and guidance program for those students. However, the program never received State funding. Thus, no high school students ever prequalified for a GA grant or received counseling or mentoring services through the program. Chapter 33 of 2016 reestablished the College Readiness Outreach Program as the Next Generation Scholars of Maryland Program and mandated $5 million funding for fiscal 2018 through 2023. This program allows certain grade 7 and grade 8 students to prequalify for MHEC's need-based financial aid and mandated $5 million in annual funding for the program. The College Readiness Outreach Program is administered jointly by MHEC and MSDE, in collaboration with the local boards of education, local superintendents, and institutions of higher education. The BRFA of 2017 removes the mandated funding in fiscal 2018 and moving forward.

Chapter 201 of 2015 established the MHEC Outreach and College Access Pilot Program, which requires MHEC to target college information to low-income Maryland high school students to promote high school completion and college enrollment. This is broad based and could include promotion of existing State financial aid programs, like the GA grant, online resources, like MDGo4It, or entirely new initiatives. MHEC was also required to establish a grant to obtain matching funds from nonprofit organizations and determine, after two years, whether its efforts have a significant impact. To date, five grants have been disbursed. MHEC also organized three meetings of the new Maryland College Access Network in calendar 2016. The group looked at models in other states, such as the Michigan College Access Network, and the National College Access Network.

New *State Plan for Postsecondary Education* Coming Soon

By law, the State Plan for higher education must be updated every four years. The current State Plan for higher education is the 2013-2017 Maryland *State Plan for Postsecondary Education, Maryland Ready*. MHEC began work on the 2017-2021 *State Plan for Postsecondary Education* in November 2016 with a completion goal of July 1, 2017. However, the work is about six months behind. The overarching theme of the new plan will be that "student success means Maryland success." There are three writing groups that align with the new plan's three goals (access, innovation, and student success) whereas the current plan has six goals. The writing groups are open to the public and each have 1 MHEC and 1 non-MHEC co-chair. MHEC has also committed to making itself less bureaucratic and more catalytic in its behavior with the following goals:

- ***Access:*** Equitable access to affordable and quality postsecondary education for all Maryland residents. Topics to discuss may include college readiness, dual enrollment, Pathways in Technology Early College High School Program models, and tuition buy down programs.

- ***Innovation:*** Develop innovation in all aspects of Maryland higher education that will improve student success and reduce student debt. Topics to discuss may include alternate routes to mathematics and English proficiency, apprentices and work study opportunities, and collaboration between institutions.

- ***Student Success:*** Promotion and implementation of policies that will ensure student success. Topics to discuss may include support services for nontraditional students, use of data analytics, and financial incentives for certain degree programs, like teachers.

The writing groups are to have stakeholder representation from the P-20 continuum, and should consider other agencies that may be interested such as the Maryland Department of Veteran Affairs and various councils that exist within MHEC, such as the Private Career School Advisory Council. In the past, the *State Plan for Postsecondary Education* has been a little known and little used document. **The Secretary should comment on how MHEC will ensure that the new State Plan is widely known and that stakeholders actually value it. The Secretary should also comment on whether the new State Plan will explain the purpose and goal of RHECs in the P-20 continuum.**

5. Time to Reevaluate Access and Success Funding

The 2016 JCR included narrative to provide an annual update on the Access and Success (A&S) program outcomes at HBCUs. For many years, DLS has raised concerns that the funds are not used consistently and that program outcomes have been relatively poor. This report shows how some institutions are trying new approaches to reaching, assisting, and measuring success for students.

A&S funding has been provided since fiscal 2001 to improve student retention and graduation rates at HBCUs. In total, the State has provided $95.5 million from fiscal 1999 through 2016 for this purpose. Annual committee narrative since fiscal 2010 requires MHEC to collect and analyze progression, retention, and graduation data by cohort to evaluate the impact of A&S programs across HBCUs. The 2016 *Report on Outcomes of Students Participating in Access and Success Programs by Cohort* provides two volumes. The first is a review from MHEC on program outcomes, and the second is supplemental material provided by the institutions.

In general, MHEC found that students in A&S programs performed on par with their peers in the rest of the student body, but that the A&S students' performance varies greatly by program and by metric. HBCUs have elected to use their respective A&S funding in different ways and revisions to programs over the years can make evaluating success over time difficult. Additionally, frequent changes in cohort size diminish the explanatory power of the data. For example, Bowie State University's (BSU) summer bridge program enrolled 25 students in fall 2012, 120 students in fall 2013, and 82 students in fall 2014. A similar program at MSU enrolled only between 20 and 40 students over 8 cohorts, yielding a very small sample size.

The most recent A&S cohorts show improvements in grade point average (GPA), credits earned, and retention rates, all suggesting such students will be on track for graduation. However, **Exhibit 12** shows the graduation results are not nearly as straightforward as that. While BSU's A&S students earned more credits in the first year and had comparable GPAs to their peers, the 2008, 2010, and 2012 cohorts all graduated at lower rates. The A&S students at Coppin State University had higher GPAs, credits in the first year, and retention rates, but only graduated at a higher rate in one of two recent cohorts. MSU's A&S students from the 2012 cohort outperformed the general student body and went on to graduate at a much higher rate, 33%, than their peers, 13%. Earlier cohorts did not. Data for UMES is unavailable for this exhibit because UMES does not offer any summer bridge programs and instead focuses on broad programs intended to promote retention and progression across much of the student body (about one-third to one-half in total, depending on the year), so its outcomes are notably different from the other three institutions which focus more on summer bridges.

MHEC concluded its report by recommending that HBCUs focus on serving a broader population of students. This is a juxtaposition against a recent emphasis to focus on personal services for every student, which is expensive and time consuming. MHEC reports that the utility of reporting A&S data and evaluating it using the model in place since fiscal 2010 may be diminishing as the majority of A&S funding now supports services to benefit the entire student population. MHEC suggests there may be better ways to analyze the A&S program funding using alternative methodologies that may provide a more nuanced understanding of program impacts.

DLS concurs with MHEC that it is time to change the A&S reporting to better evaluate how HBCUs are using this funding. In addition, DLS believes that the annual restriction on the U.S. Office for Civil Rights (OCR) enhancement funds is no longer useful. Instead, DLS recommends that MHEC develop a more useful report that would evaluate progress that HBCUs are making in improving student outcomes.

Further, DLS recommends that the OCR enhancement funds be moved to the base budgets of the HBCUs. The State has provided OCR enhancement funding annually to the HBCUs since fiscal 2003. A portion of the funds were moved to Bowie State University's base budget in fiscal 2007.

The Secretary should comment on more useful approaches to evaluate HBCU students' progress. The Secretary should also comment on whether summer bridge programs were as effective as anticipated or if there are other best practices that the HBCUs should focus on to improve student outcomes.

Exhibit 12
Four-year Graduation Rates at Historically Black Colleges and Universities
By Cohort

	BSU		CSU		MSU		State
Cohort	**A&S**	**All Others**	**A&S**	**All Others**	**A&S**	**All Others**	**Average[2]**
2012	4.0%	15.5%	14.9%	10.6%	33.3%	13.0%	[1]
2010	6.3%	12.0%	6.5%	6.5%	9.1%	9.2%	17.9%
2008	3.8%	7.8%	[1]	[1]	7.9%	11.8%	18.1%

A&S: Access and Success program
BSU: Bowie State University
CSU: Coppin State University
MSU: Morgan State University

[1] Data not yet available.
[2] For first-time, full-time African American students at all public four-year universities.

Source: Maryland Higher Education Commission, Access and Success, 2015 Report

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Recommended Actions

1. Adopt the following narrative:

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

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

Information Request	**Author**	**Due Date**
Report on best practices and progress toward the 55% completion goal	MHEC	December 15, 2017, and annually thereafter

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

<u>, provided it is the intent of the General Assembly that Office for Civil Rights Enhancement Funds be moved from the Maryland Higher Education Commission to the base budgets of the Historically Black Colleges and Universities beginning in fiscal 2019.</u>

Explanation: This language expresses intent that Enhancement Funds for Historically Black Colleges and Universities be moved from the grants budget of the Maryland Higher Education Commission to the base budget of the institutions themselves beginning in fiscal 2019.

3. Adopt the following narrative:

Revised Report on Student Success at Historically Black Colleges and Universities: The Maryland Higher Education Commission (MHEC) has reported that it is interested in revising the annual Access and Success funding report that reviews cohort outcomes at historically black colleges and universities (HBCU). The budget committees concur and also request that MHEC include in its new report how the annual Office for Civil Rights HBCU Enhancement Funding is used to improve student success. The report should discuss changes in the methodology for evaluating the use of funds and how the HBCUs are progressing in improving student outcomes. MHEC should explore ways to make the new annual report more useful to HBCUs and other organizations and institutions in the P-20 continuum. The report is due by December 1, 2017.

Information Request	**Author**	**Due Date**
Revised report on best practices for student success and accountability at HBCUs	MHEC	December 1, 2017

Updates

1. Closure of ITT Technical Institute and the Maryland Higher Education Commission's Response

In September 2016, ITT Technical Institute abruptly closed locations in 38 states, including locations in Hanover and Owings Mills, Maryland. These two locations enrolled about 800 students and an additional 200 Maryland students were enrolled in ITT distance education courses. MHEC was able to obtain an email list of Maryland students from ITT shortly after the bankruptcy announcement and has worked with Maryland institutions to develop transfer agreements. To date, MHEC has signed transfer agreements for ITT students to transfer to 11 Maryland institutions, with 2 more institutions pending.

Additionally, MHEC has emailed students to inform them of their options: to either transfer their ITT credit to a Maryland institution or seek student loan forgiveness from their student loan lender. After the start of the 2017 spring semester, MHEC will send an email to both institutions and students to identify the number of students who transferred or sought loan forgiveness. Just before ITT declared bankruptcy, ITT transferred academic records to a third-party vendor. Students are currently able to purchase a copy of their ITT transcript for $10. However, it is Maryland law that MHEC obtain and hold student records after a school closure. Due to the bankruptcy filing, MHEC has been unable to secure those records. MHEC is monitoring the bankruptcy proceedings to see how the trustee handles the issue of student records. There are several other states in a similar position to Maryland. MHEC plans to survey ITT students in the spring 2017 semester to determine how well they have been able to transfer their credits and continue their studies.

Other School Closures in Fiscal 2017

Three other institutions have closed in Maryland in fiscal 2017. These institutions were all Private Career Schools (PCS) that have dedicated funding set aside in case they close. MHEC operates two Guaranty Student Tuition Funds (GSTF) to reimburse student tuition or arrange organized teach-outs should a PCS or a for-profit degree-granting school precipitously cease operations in the State. One GSTF is for PCS and capped at $2 million, while Chapter 277 of 2011 added a second GSTF relating to for-profit schools. Each PCS and for-profit school pays into its unique GSTF based upon adjusted gross annual tuition income. GSTF special funds generated are to be used primarily to reimburse students or arrange organized teach-outs but may also be used for any other function related to school closures that is deemed appropriate by the Secretary.

Medtech Institute: In August 2016, Medtech College's three Mid-Atlantic locations closed, including one in Silver Spring. Medtech Institute was approved to offer programs in medical billing and coding and medical assisting. Because no other PCS within a reasonable commuting distance (approximately 40 miles) offer these programs, MHEC allowed Medtech Institute to broker its own teach-out agreements with Strayer University and Career Technical Institute, located in Virginia and Washington, DC, respectively. There were 124 students enrolled in MHEC-approved programs at the time of closure. To date, 57 students have requested refunds from MHEC. However, only 13 of those students were attending MHEC-approved programs at the time of the closure. MHEC has issued approximately $22,000 in refunds to these eligible students.

Regency Beauty Institute: In September 2016, Regency Beauty, a multi-state cosmetology training school, announced it would close all campuses, including one in Baltimore. MHEC staff visited that location and delivered information to all 45 students about how to obtain a refund through MHEC, discharge of loans from the U.S. Department of Education, and teach-out partners within a reasonable commuting distance of their current school. To date, no students have asked MHEC for a refund. A majority of students participated in a teach-out agreement with a cosmetology school located within five miles of the closed school.

Aspen Beauty: In December 2016, MHEC was informed of the closure of Aspen Beauty Academy in Silver Spring that had 28 students enrolled. MHEC brokered teach-out agreements with two schools within 15 miles. Twenty-three students have expressed interest in participating in that teach-out agreement, and a majority of those students have already resumed their training at one of the teach-out schools. Four students were able to complete their program and graduate prior to closure, and one student decided to transfer to a different program and school in Washington, DC. To date, there have been no requests to MHEC for refunding of tuition. However, Aspen Beauty Academy's tuition was significantly lower than that of every other cosmetology program offered by PCS in Maryland. As such, MHEC utilized the GSTF to assist the teach-out participant schools in making up a portion of the difference between the Aspen tuition and the receiving school's tuition. The receiving institution will be allowed to request a maximum of $5,000 of tuition support for each student and a maximum $1,600 to account for book and equipment costs for students that may not have the same equipment as what is required by the receiving school. The school can only request these funds after the student has either completed the program or otherwise stopped attending the school.

Appendix 1
Current and Prior Year Budgets
MHEC – Administration
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2016					
Legislative Appropriation	$56,358	$8,205	$2,759	$346	$67,668
Deficiency Appropriation	1,211	0	0	0	1,211
Budget Amendments	-122	11,939	2	370	12,189
Reversions and Cancellations	-336	-673	-995	-270	-2,275
Actual Expenditures	**$57,111**	**$19,470**	**$1,765**	**$446**	**$78,794**
Fiscal 2017					
Legislative Appropriation	$66,283	$20,432	$2,462	$481	$89,658
Cost Containment	-3,995	0	0	0	-3,995
Budget Amendments	-6,610	1	5	0	-6,604
Working Appropriation	**$55,678**	**$20,434**	**$2,467**	**$481**	**$79,059**

MHEC: Maryland Higher Education Commission

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

The general fund appropriation for the Maryland Higher Education Commission administration increased by $1.1 million due to two deficiency appropriations of $0.3 million and $0.9 million, both for legal services related to an ongoing lawsuit, and a budget amendment adding $74,000 to restore a 2% pay reduction and about $4,000 for increased telecommunications costs. This was partially offset by $0.1 million in cost containment. At the end of the fiscal year, $0.3 million in general funds were reverted. This included $50,000 for uncorrected repeat audit findings, while the remainder was due to the need for legal services moving to the next fiscal year.

Special funds increased $6,000 to restore a 2% pay reduction and $11.9 million due to the reauthorization of the Nursing Support II Program, which renewed the special fund source for this large annual grant program. About $0.7 million in special funds were canceled, a $0.2 million decline in administrative review fees and a $0.5 million reduction in grants, as fewer proposals for funding were received.

Federal funds increased $2,000 to restore a 2% pay reduction while about $1.0 million in federal funds were canceled due to MHEC not filling a position and not spending the entirety of budgeted federal grants in fiscal 2016 on teacher quality and college outreach.

Reimbursable funds increased almost $0.4 million to recognize a Memorandum of Understanding with the Maryland State Department of Education to administer the federally funded GEAR-UP program. About $0.3 million in reimbursable funds were canceled mostly due to an empty position shared with the Maryland Longitudinal Data System Center and two other positions related to workforce development that reverted to the Department of Labor, Licensing, and Regulation.

Fiscal 2017

To date, the general fund appropriation has decreased $10.5 million. Reductions from cost containment totaling almost $4.0 million in the Joseph A. Sellinger program and the disbursement of about $6.5 million of annual awards to various public Maryland institutions within MHEC's Educational Grants program have been partially offset by an increase of less than $0.1 million due to salary increments.

Special funds have increased by about $1,000 and federal funds by about $5,000 also due to salary increments.

Appendix 2
Audit Findings

Audit Period for Last Audit:	August 6, 2012 – November 4, 2015
Issue Date:	January 2017
Number of Findings:	8
Number of Repeat Findings:	3
% of Repeat Findings:	37.5%
Rating: (if applicable)	n/a

Finding 1: **Maryland Higher Education Commission (MHEC) did not adequately monitor student service obligation fulfillment as a condition for certain financial aid awards and did not always place nonresponsive students into repayment status.**

Finding 2: **Delinquent accounts were not properly pursued for collection and referred to the Department of Budget and Management's Central Collection Unit.**

Finding 3: Sufficient controls were not established over critical aid data recorded on the Maryland College Aid Processing System (MDCAPS), as well as over the issuance and monitoring of access to MDCAPS.

Finding 4: Critical adjustments to recipient accounts were processed on the Service Obligation Loan Repayment module without independent verification.

Finding 5: MHEC did not ensure the State's retirement and pension contributions for community college employees, which totaled approximately $54.6 million for fiscal year 2015, were proper.

Finding 6: MHEC did not have adequate procedures to ensure the propriety of State funding to reimburse community colleges for certain nonresident fees and for grants for the English for Speakers of Other Languages program. Such payments totaled $11.5 million in fiscal 2015.

Finding 7: **The MHEC network was not sufficiently secured in that effective intrusion detection prevention system coverage did not exist.**

Finding 8: Sensitive personally identifiable information in the MDCAPS database was not properly protected.

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

Appendix 3
Object/Fund Difference Report
Maryland Higher Education Commission

Object/Fund	FY 16 Actual	FY 17 Working Appropriation	FY 18 Allowance	FY 17 - FY 18 Amount Change	Percent Change
Positions					
01 Regular	58.60	54.60	54.60	0.00	0%
02 Contractual	7.99	9.33	11.33	2.00	21.4%
Total Positions	**66.59**	**63.93**	**65.93**	**2.00**	**3.1%**
Objects					
01 Salaries and Wages	$ 4,837,250	$ 5,063,099	$ 5,134,802	$ 71,703	1.4%
02 Technical and Spec. Fees	485,130	613,486	657,961	44,475	7.2%
03 Communication	63,951	63,759	71,478	7,719	12.1%
04 Travel	79,119	75,284	80,216	4,932	6.6%
07 Motor Vehicles	71,898	60,680	69,114	8,434	13.9%
08 Contractual Services	1,428,304	764,040	1,021,597	257,557	33.7%
09 Supplies and Materials	17,222	65,000	21,848	-43,152	-66.4%
10 Equipment – Replacement	21,750	25,750	46,437	20,687	80.3%
11 Equipment – Additional	0	15,000	20,000	5,000	33.3%
12 Grants, Subsidies, and Contributions	71,384,219	71,854,299	89,568,089	17,713,790	24.7%
13 Fixed Charges	404,812	458,623	456,868	-1,755	-0.4%
Total Objects	**$ 78,793,655**	**$ 79,059,020**	**$ 97,148,410**	**$ 18,089,390**	**22.9%**
Funds					
01 General Fund	$ 57,111,498	$ 55,678,101	$ 73,355,744	$ 17,677,643	31.7%
03 Special Fund	19,470,314	20,433,599	21,815,019	1,381,420	6.8%
05 Federal Fund	1,765,445	2,466,573	1,515,179	-951,394	-38.6%
09 Reimbursable Fund	446,398	480,747	462,468	-18,279	-3.8%
Total Funds	**$ 78,793,655**	**$ 79,059,020**	**$ 97,148,410**	**$ 18,089,390**	**22.9%**

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 4
Fiscal Summary
Maryland Higher Education Commission

Program/Unit	FY 16 Actual	FY 17 Wrk Approp	FY 18 Allowance	Change	FY 17 - FY 18 % Change
01 General Administration	$ 7,366,595	$ 7,362,099	$ 7,493,038	$ 130,939	1.8%
02 College Prep/Intervention Program	750,000	750,000	750,000	0	0%
03 Joseph A. Sellinger Program	42,822,239	46,817,333	53,391,542	6,574,209	14.0%
07 Educational Grants	9,107,819	4,451,966	14,346,547	9,894,581	222.3%
38 Nurse Support Program II	18,442,502	18,677,622	20,167,283	1,489,661	8.0%
39 Health Personnel Shortage Incentive Grant Program	304,500	750,000	750,000	0	0%
43 College Access Pilot Program	0	250,000	250,000	0	0%
Total Expenditures	**$ 78,793,655**	**$ 79,059,020**	**$ 97,148,410**	**$ 18,089,390**	**22.9%**
General Fund	$ 57,111,498	$ 55,678,101	$ 73,355,744	$ 17,677,643	31.7%
Special Fund	19,470,314	20,433,599	21,815,019	1,381,420	6.8%
Federal Fund	1,765,445	2,466,573	1,515,179	-951,394	-38.6%
Total Appropriations	**$ 78,347,257**	**$ 78,578,273**	**$ 96,685,942**	**$ 18,107,669**	**23.0%**
Reimbursable Fund	$ 446,398	$ 480,747	$ 462,468	-$ 18,279	-3.8%
Total Funds	**$ 78,793,655**	**$ 79,059,020**	**$ 97,148,410**	**$ 18,089,390**	**22.9%**

Note: Does not include targeted reversions, deficiencies, and contingent reductions.