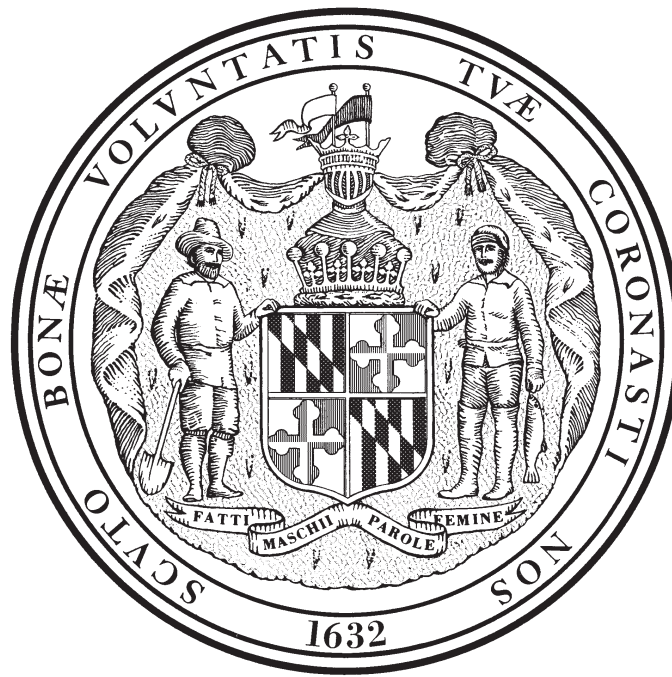


COMMISSION TO DEVELOP THE MARYLAND MODEL FOR FUNDING HIGHER EDUCATION

Interim Report



ANNAPOLIS, MARYLAND
DECEMBER 2007

Commission to Develop the Maryland Model for Funding Higher Education

**Department of Legislative Services
Annapolis, Maryland**

December 2007

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Commission to Develop the Maryland Model for Funding Higher Education

Delegate John L. Bohanan, Jr.
Chairman

Dr. Wayne T. Hockmeyer
Vice Chairman

December 31, 2007

The Honorable Martin O'Malley
Governor
State House
Annapolis, Maryland 21401-1991

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
State House
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch
Speaker of the House of Delegates
State House
Annapolis, Maryland 21401-1991

Gentlemen:

On behalf of the Commission to Develop the Maryland Model for Funding Higher Education (commission), I respectfully submit the commission's interim report to inform you of the commission's work during 2007 and its plans for completing its three charges in 2008.

As you are aware, the Tuition Affordability Act of 2006 established the commission. The legislation was sponsored by former Senator Patrick J. Hogan, who also served as the commission's chairman until resigning from the Senate this past June. I want to acknowledge Senator Hogan's invaluable leadership and guidance in shepherding the commission to fruition and in shaping the commission's work. The commission is charged with three main objectives: 1) to develop an effective statewide framework for higher education funding; 2) to review options and make recommendations relating to the establishment of a consistent and stable funding mechanism to ensure accessibility and affordability while at the same time promoting policies to achieve national eminence at all of Maryland's public institutions of higher education; and 3) to review options and make recommendations relating to the appropriate level of funding for the State's Historically Black Institutions (HBIs) to ensure that they are comparable and competitive with other public institutions. The deadline established for the commission's final report was December 31, 2007.

The Honorable Martin O'Malley
The Honorable Thomas V. Mike Miller, Jr.
The Honorable Michael E. Busch
December 31, 2007
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The commission, which includes members from the higher education and business communities, legislators, the Lieutenant Governor, two cabinet secretaries, and the public, worked diligently throughout the 2007 interim. However, the commission was unable to complete its charge by the original deadline, and permission was granted to extend the commission's final report deadline to December 1, 2008, with the understanding that the commission would submit an interim report by December 31, 2007.

Enclosed is the commission's interim report which includes background on the commission, summaries of commission meetings and workgroup activities, information on the commission's charge regarding funding for the State's Historically Black Institutions, and information about the commission's plans to complete its charges by December 1, 2008.

Although the commission met regularly and worked hard throughout the 2007 interim, there is much more work to be done. I would like to express my appreciation to you for appointing highly qualified and enthusiastic members to serve on the commission, and I would like to acknowledge the leadership and strong support of the commission's Vice Chairman, Dr. Wayne T. Hockmeyer. I would also like to thank the commission members for their dedication and excellent work, and I would like to express my gratitude to the staff assigned to the commission for their hard work.

I look forward to working with the commission during the coming year, and I look forward to submitting a final report to you in December 2008. You have demonstrated your commitment to higher education by your leadership during the 2007 special session to establish the Higher Education Investment Fund. On behalf of the commission, I would like to express my appreciation to you for making higher education a top priority.

Sincerely,

John L. Bohanan, Jr.
Commission Chairman

JLB/DKT/mcp

cc: Members, Commission to Develop the Maryland Model for Funding Higher Education
Mr. Karl S. Aro
Mr. Warren G. Deschenaux

Commission to Develop the Maryland Model for Funding Higher Education

2007 Membership Roster

Delegate John L. Bohanan, Jr., Chairman
Dr. Wayne T. Hockmeyer, Vice Chairman

President Susan C. Aldridge
Mr. Norman R. Augustine
Ms. Tina M. Bjarekull
President William R. Brody
Lt. Governor Anthony G. Brown
President Robert L. Caret
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Mr. Larry Letow
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President David J. Ramsay
President Earl S. Richardson
Mr. Lawrence A. Shulman
Mr. H. Clay Whitlow
Mr. Garland O. Williamson

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Commission Charges and Background

The Commission to Develop the Maryland Model for Funding Higher Education was established by the Tuition Affordability Act of 2006 (Chapter 57). The commission membership includes the Lieutenant Governor, senators, delegates, cabinet secretaries, college presidents, higher education association presidents and executive directors, members of the business community, and members of the public. The commission is charged with three main objectives:

1. to develop an effective statewide framework for higher education funding;
2. to review options and make recommendations relating to the establishment of a consistent and stable funding mechanism for higher education to ensure accessibility and affordability while at the same time promoting policies to achieve national eminence at all of Maryland's public institutions of higher education; and
3. to review options and make recommendations relating to the appropriate level of funding for the State's Historically Black Institutions (HBIs) to ensure that the institutions are comparable and competitive with other public institutions.

The deadline established for the commission's final report was December 31, 2007. Although the commission worked diligently throughout the 2007 interim, the commission was unable to complete its charge by the original deadline; therefore, permission was sought and received from the Presiding Officers to extend the commission deadline to December 1, 2008. The commission agreed to submit an interim report by December 31, 2007, and will introduce legislation during the 2008 session to extend the commission's final report deadline to December 1, 2008.

Summary of Commission Meetings

The commission held its first meeting in January 2007, but due to several legislative members serving on the commission, the commission did not meet again until the end of the 2007 session. From May through December 2007, the commission held 10 meetings in which the commission was presented with information on a variety of topics relating to higher education funding. **Appendix 1** includes a list of the documents presented at the commission meetings.

January 22, 2007

The Department of Legislative Services presented to the commission an overview of higher education funding in Maryland which included funding goals, funding sources, and financial aid. Additionally, WB&A Market Research presented their findings from a study designed to understand public perceptions about higher education in Maryland. The findings were compiled in a presentation entitled *Maryland Statewide Study to Assess Perceptions of Higher Education*, and several of the key findings were Maryland voters cite education, specifically primary and secondary education, as one of the most important issues facing the State, and higher education was cited as being in the second tier of the most important issues facing the State; Maryland voters rate the State's institutions fairly high for academic quality and reputations but are more neutral in their ratings of affordability; Maryland voters see the most important roles of higher education to be teaching students how to think and preparing students for employment; and Maryland voters perceive that students are bearing a disproportionate responsibility for paying the costs of higher education, while the federal government should be doing more.

May 21, 2007

The Department of Legislative Services presented to the commission a review of higher education funding as approved during the 2007 session. This report included the general funds in the fiscal 2008 budget for higher education, relevant budget actions of the legislature, and an explanation of the legislation passed for the second consecutive year that required a tuition freeze. The presentation also addressed total unrestricted funds for four-year public institutions, community college funding, State financial aid appropriations, and capital funding. Dr. Charlene Nunley, the former President of Montgomery College and member of the Commission on the Future of Higher Education (Spellings Commission), presented a summary of the Spellings Commission's work. During the work of the Spellings Commission, access to higher education became the top priority. Dr. Nunley also outlined the recommendations of the Spellings Commission. Representatives from Maryland's public four-year institutions, private institutions,

and community colleges provided comments regarding the potential impact of the Spellings Commission on their institutions and what steps they have already taken to adopt some of the recommendations of the commission.

June 4, 2007

Representatives from the Maryland Higher Education Commission (MHEC) and Dr. Gordon (Spud) Van de Water, President, Van de Water Consulting, presented *Meeting Maryland's Postsecondary Challenges: A Framework to Guide Maryland's Public Investment in Postsecondary Education in the Coming Decade*. This report summarizes the results of a study that Van de Water Consulting completed for MHEC. Van de Water Consulting began the study by interviewing 37 Maryland leaders with a connection to the higher education community. The report identified four criteria for developing a model for higher education as well as made recommendations for moving forward. MHEC staff also presented Maryland's operating funding guidelines and other funding formulas that are currently in use in Maryland for higher education institutions.

June 18, 2007

The Department of Legislative Services and the Department of Budget and Management presented to the commission a summary of Maryland's overall fiscal outlook. In particular, Maryland's structural budget deficit was discussed. MHEC presented the 2004 State Plan for Higher Education as well as key funding issues. MHEC also presented to the commission details about the federal Office of Civil Rights Partnership Agreement with Maryland which includes nine commitments.

July 9, 2007

The commission held an all day symposium, supported by grant funds from Lumina Foundation for Education and USA Funds, which featured a panel of four experts on higher education. The panel included Dr. Gordon (Spud) Van de Water, President of Van de Water Consulting, as the moderator; Mr. Patrick Callan, National Center for Public Policy and Higher Education; Dr. Paul Lingenfelter, State Higher Education Executive Officers; and the Honorable Denise Merrill, Connecticut General Assembly, Co-Chair of the National Conference of State Legislatures' Blue Ribbon Commission on Higher Education. The symposium's keynote speaker was Carl Dalstrom, the president and chief executive officer of USA Funds. In the morning the panel was presented with six core questions to answer and discuss with the commission. The moderator led a focused discussion between the commission members and the panel members in the afternoon.

At the conclusion of the symposium, five fundamental questions posed by the panelists emerged:

- How much higher education do we need? What do we need from higher education?
- Who are we trying to serve?
- What can we do better with the money we now have?
- Where can strategic investments help us get the results we need?
- How can we get public support for more funding for higher education?

Additionally, key issues emerged from the symposium that could be grouped under four main categories: how the appropriate share of higher education costs borne by students, government, and others should be determined; the need to balance quality with access and affordability; the accountability of higher education to the State, its citizens, and its students; and other general issues such as the need to focus on State demographics and the need for better communication between the business community and higher education regarding workforce needs. Listed below are some of the ideas that were generated within each of the four categories.

1) Appropriate Share of Higher Education Costs

- Consensus is that the fair share model does not work and instead should benchmark to percent of State budget or percent of income
- Consensus is that the high tuition/high aid model never generates enough aid
- Need flexibility with funding models
 - No magic formula exists
 - If formula is used, it must be able to weather difficult financial times
 - Do not be too focused on formulas
 - Must have equity/perceived fairness in model or will continue to revisit
- The institutional peer group funding model and the peer state funding model recommended by Dr. Van de Water are compatible but are not necessarily the answer
 - Do not abdicate decision making to other states
 - What states or countries perform at a certain level Maryland wants to emulate? Set benchmarks to those states or countries

- Two basic funding models for institutions
 - Formula based on costs analysis
 - Base plus budgeting
- Look to federal government for help with higher education funding, but the answer to funding problems is not with the federal government alone

2) Balancing Quality and Access/Affordability

- Efforts should be focused on assisting the individuals who can least afford to participate in higher education
 - Only 25 percent of low-income families participate in higher education but as tax payers they help to subsidize higher education
- Affordability discussion
 - Need to increase financial aid for the neediest students and control tuition to make progress on affordability
 - “Sticker price” shock of tuition discourages participation
 - Need to be able to tell the parents of a six-year-old approximately how much they will need to pay for college
- Having access without quality is pointless
- Quality should exist at all levels of higher education, not just at research or elite institutions

3) Accountability

- Set a few, high priority, widely shared State goals
 - Focus on the three legged stool
 1. preparation;
 2. capacity, both quantitative (*i.e.*, accommodate enrollment) and qualitative (*i.e.*, quality programs); and
 3. affordability
 - Roller coaster budgets are destructive to achieving State goals
 - How can State priorities be translated into a funding model?
- Set concrete State goals and tie funding to performance
- Lack of preparation in prekindergarten (P)-12 is costly for higher education
- The responsibility for educating should be allocated across the P-20 continuum

4) Other Issues

- Consensus is that Maryland has a knowledge-based economy
- Need better communication between the business community and higher education regarding workforce needs
- Demographics are very important
 - National Conference of State Legislators Blue Ribbon on Higher Education concluded that in strategic planning for higher education, demographics must drive the debate
 - The best educated population in the United States, the baby boomers, are approaching retirement age. Educating of the next generation is necessary in order for the next generation to achieve a certain socioeconomic status and to maintain and improve the quality and capacity of the workforce. The next generation is likely to need postsecondary education in order to attain a middle class income.
 - College going rate has declined slightly in Maryland since the early 1990s
 - Maryland's demographics are similar to Connecticut – high wealth/low income
- What would success look like for Maryland?
 - Developing a model of affordability and other factors that will increase the State's knowledge economy, while moving away from the higher education funding model that resembles a "roller coaster"
 - "Smoothing the road" is not the only goal because other key goals are ensuring the quality and capacity of institutions
- Interest in exploring a constitutional amendment for higher education
 - Most constitutional provisions establish a system of higher education and some provide autonomy and protection to higher education, but most provisions do not address level of funding
 - Connecticut has a constitutional provision, but it is not very useful
 - North Carolina has a provision that says higher education should "as far as practicable, be extended to the people of the State free of expense;" and this provision has impacted the priority of higher education in North Carolina
 - Even if a constitutional provision does not lead to tangible results, it is a good statement of the value placed on higher education
 - However, if a constitutional provision does not lead to tangible results, is it worth the amount of political capital that will be expended?

July 23, 2007

Dr. David Attis, Senior Director of Policy Studies with the Council on Competitiveness, presented information to the commission about higher education and its role in the future of United States competitiveness. The Department of Legislative Services made a presentation on higher education formulas and funding in other states. Specifically, staff outlined the goals and purposes of funding formulas, how formulas are used, guiding principles and desired characteristics for developing a formula, and funding comparisons between Maryland and other states. The percent of total State general funds appropriated to higher education for operating costs in Maryland in fiscal 2006 was 10.3 percent compared to the national average of 12.5 percent. In fiscal 2006, Maryland ranked 40th in the nation for higher education appropriations per \$1000 in personal income and ranked 29th in higher education appropriations per capita.

August 27, 2007

The commission held a work session in which a discussion was generated on the Request for Proposals (RFP) for the Historically Black Institutions (HBI) consultant. The release of the RFP had been delayed because of complications, but it was scheduled to be issued on August 30, 2007. The commission discussed two potential timelines for the consultant's final report and agreed on the timeline that allowed the final report to be due in May 2008. While that time schedule was not within the commission's original deadline of December 31, 2007, the consensus was that the consultant should be given sufficient time to conduct a thorough study. Since the commission would be unable to complete its work on the charge relating to HBIs by the end of the year, the commission agreed that an extension of the deadline should be sought. Additionally, the commission discussed a proposed fall schedule, which included the forming of workgroups, and discussed several key issues from the symposium.

September 24, 2007

The Department of Legislative Services and MHEC presented the commission with information on the fiscal impact of fully funding current State law and goals for higher education in Maryland. The current statutory funding goals are 1) barring unforeseen economic conditions, beginning in fiscal 2000, the Governor's proposed general fund support for higher education should be equal to or greater than the prior year appropriation; and 2) State general fund and capital support for higher education should be equal to at least 15.5 percent of general fund revenues. The first goal was met in fiscal 2006 through 2008, and the second goal was met in fiscal 2000 through 2002 but has not been met since 2002. In order to reach the 15.5 percent goal for higher education funding in fiscal 2008, an additional \$262.3 million in operating and/or capital funds would be needed. In order to fully fund all of the statutory formulas, funding guidelines, and financial aid programs for fiscal 2008, an additional \$356.9 million in funding

would be needed. Additionally, MHEC presented the commission with an overview of the Office of Student Financial Assistance. For fiscal 2008, MHEC projects that 57,061 students will receive financial aid with an average award of \$1,923. However, 30,649 students are currently on the waitlist for State financial aid, which would require an additional \$30.3 million in funding for the financial aid programs. Finally, there was discussion regarding the commission workgroup charges for the final report, and each workgroup met after the full commission meeting concluded.

October 29, 2007

The Department of Budget and Management briefed the commission on the State capital budget. Additionally, each higher education segment briefed the commission on the mission of the segment, who the segment serves, future opportunities and challenges for the segment, and the pros and cons of the current funding model for the segment.

December 17, 2007

The commission held a work session in which the effect of the 2007 special session on higher education funding was discussed. The Tax Reform Act of 2007 created the Higher Education Investment Fund (HEIF) to invest in public higher education and workforce development and to keep tuition affordable for Maryland students and families. The HEIF will receive \$16.0 million in fiscal 2008 and an estimated \$55.5 million in fiscal 2009, which represents 6 percent of total corporate income tax revenues in fiscal 2009. Additionally, each workgroup chair or designee of the chair gave a brief summary of the preliminary activities of the workgroup and what the workgroup will be focusing on in the coming year. The commission was also updated on the status of the HBI consultant. No bids were received from the RFP; however, the Southern Regional Education Board has agreed to serve as the consultant. Finally, the commission reviewed and adopted the draft interim report with several changes.

Commission Workgroups

As several key themes emerged from the symposium and from the other commission meetings, four workgroups were established to focus on particular areas relevant to higher education funding. Each workgroup consists of approximately six commission members, and the workgroups are focused on the following areas: appropriate share, accountability, economic competitiveness/workforce, and capital investment. The workgroups began meeting in September 2007 and shared the results of their preliminary work with the commission at the December 2007 meeting. However, the majority of the workgroup information gathering and analysis will not be completed until 2008 and will be shared with the commission at that time in order to inform the recommendations of the commission in the final report in 2008. Listed below are summaries of the activities of the four workgroups during the 2007 interim.

Appropriate Share Workgroup

The Appropriate Share Workgroup is chaired by Dr. Wayne Hockmeyer and has six other members: Ms. Tina Bjarekull, Delegate Norman Conway, Secretary Eloise Foster, Dr. Ray Hoy, Dr. William Kirwan, and Dr. Earl Richardson. The workgroup was charged with six objectives:

- examine historic and current shares of funding (percent State support – percent tuition and fee – percent other (including contracts and grants) and level of student financial aid support);
- examine best practices in other states for moderating tuition and fees;
- examine best practices in other states for creating a sustainable level of State funding;
- examine ways to minimize impact on low-income students;
- examine the issues surrounding Maryland's "F" in affordability; and
- examine the consistency and applicability of the current funding guidelines.

The workgroup held an organizational meeting on September 24 and a work session on October 15. At the work session, the group reviewed the following:

- historical data on enrollments, tuition and fees, general fund appropriations, and full-time equivalent (FTE) funding growth for both the community colleges and the four-year public institutions;
- Maryland's ranking with respect to other states in terms of overall higher education appropriations per capita and per \$1,000 of personal income; and

- Maryland's ranking with respect to overall State financial aid dollars and State need-based dollars per capita, per 1,000 of personal income, per FTE, and as a percentage of overall higher education operating expenses.

Through the group's discussions, support was expressed for the current higher education funding goals and for keeping tuition down. It was also acknowledged that the full-funding scenarios presented by staff at the previous commission meeting would both increase higher education funding significantly, by approximately \$260 million to \$360 million in fiscal 2008 depending on the scenario. To help frame discussions for future workgroup meetings, members asked staff to prepare the following:

- an analysis of the potential impact of additional State funding for higher education on tuition and fees;
- an analysis of Maryland's "F" grade in affordability; and
- an analysis of need-based financial aid programs of other states.

This information will be used to further guide the workgroup's discussions and recommendations.

Accountability Workgroup

The Accountability Workgroup is chaired by Mr. Larry Shulman and its five other members include Dr. Susan Aldrige (University of Maryland University College), Ms. Tina Bjarekull (Maryland Independent College and University Association), Dr. William Kirwan (University System of Maryland), Dr. Earl Richardson (Morgan State University), and Mr. Clay Whitlow (Maryland Association of Community Colleges).

The Accountability Workgroup met October 26 and December 4, 2007. As a result of those meetings, a Workgroup Charge, Goals, Focus and Action Plan were developed. The Charge of the Accountability Workgroup is the formulation of recommendations for accountability measures and/or an accountability system to ensure that any State investment leads to the achievement of State goals for higher education. The measures will focus on the Maryland State Plan for Postsecondary Education goals. Furthermore, any accountability measures formulated should lend themselves to long-term trend analysis and be capable of interpretation within the context of an institution's resources and capacity.

The workgroup is in the process of developing three to five specific statewide measures for each of the Maryland State Plan for Postsecondary Education goals – *1) quality and effectiveness, 2) access and affordability, 3) diversity, 4) student centered learning system, and 5) economic growth and vitality* – as a means to evaluate the State's return on its investments in higher education. Existing State accountability reporting requirements, as well as best practices in other States, will be reviewed.

Furthermore, the workgroup is exploring, with the Maryland State Department of Education, the feasibility of a Maryland Educational Longitudinal Data System that will allow tracking of educational progress from pre-kindergarten to employment. The workgroup is considering ways to reduce time spent on duplicative reporting for the current agencies of State government that require the data by developing a framework that streamlines the processes while, at the same time, allows State agencies to meet their oversight responsibilities as well as provide data and information to State leaders.

Economic Competitiveness/Workforce Workgroup

Mr. Garland Williamson chairs the Economic Competitiveness/Workforce Workgroup, and it consists of five other members: Dr. David Ramsay, Dr. Robert Caret, Mr. Tom Lewis (Dr. William Brody's designee), Mr. Norman Augustine, and Mr. John Paul Davey. The workgroup was given the following charges:

- examine other states/nations compared to Maryland to identify practices to promote competitiveness;
- examine factors that make states an attractive location for businesses;
- examine the knowledge and skills needed to create a trained workforce;
- develop policies and/or principles to better link higher education to workforce/business needs; and
- examine research and development and technology transfer practices at universities.

The workgroup held three meetings: an organizational meeting on September 24 and two work sessions on October 15 and October 29. At the second meeting, after hearing presentations from Mr. Norman Augustine, Dr. David Ramsay, and Dr. Carolane Williams, the workgroup decided to divide into smaller groups to focus on three specific areas:

1) Workforce, focusing on P-20, including education and training and the needs of businesses;

2) Innovation, focusing on the role that innovation plays in maintaining the State of Maryland's competitive edge and analyzing strengths and barriers that Maryland's higher education institutions face in fostering innovation; and

3) Business/education linkages, focusing on education and business coordination.

At the third meeting, each focused group reported to the workgroup on the information that it had gathered. In the coming year, the workgroup will develop recommendations in each of the specific areas of focus within the workgroup. Examples of some preliminary recommendations are:

- expand existing programs in Maryland and emulate programs used in other states that foster innovation and technology development to help bring university research and development to the marketplace;
- examine the approach used by Ireland, a country approximating the State of Maryland in both population and income per capita, to produce a remarkable advance in competitiveness;
- enhancement funds should be provided on a line-item basis to help mitigate costs associated with high-cost programs in critical needs areas; and
- review and update legislative Managing for Results goals to focus on productivity and link financial enhancements to success.

Capital Investment Workgroup

The Capital Investment Workgroup is chaired by Mr. Larry Letow and has five other members: Dr. Dan Mote, Mr. Clay Whitlow, Dr. William Brody, Senator Edward Kasemeyer, and Senator Donald Munson. The workgroup was charged with six objectives:

- examine enrollment trends compared to capital expenditures;
- examine current capacity issues statewide;
- examine future capacity in light of anticipated enrollment growth;
- examine capital needs by type of project/space;
- examine current and future capacity relative to workforce development or shortage areas; and
- suggest ranking and prioritization principles of guidelines for capital investment in higher education across segments and by project type.

The workgroup met for the first time on September 24 for preliminary planning purposes. The workgroup began gathering pertinent data that would be useful in accomplishing its six charges. The information included:

- general background materials about the capital budgeting process and currently used prioritization policies by each segment;
- prior year Department of Legislative Services capital budget analyses as background material;
- academic space needs and deficiencies by campus for public four-year institutions and community colleges;
- historical capital expenditures by campus – in total and on a per student basis;
- information regarding the Private Donation Incentive Program; and
- information regarding facility renewal needs and policies.

The workgroup then held a conference call on October 18 to discuss the data and to determine if any other data would be needed before the workgroup began its analysis. On October 29 the workgroup met to distribute the data and for staff to introduce the general concepts and ideas that the data presented. Currently, the workgroup has started the process of analyzing and compiling the data into a cohesive and effective tool that can be used by the workgroup as it moves forward in achieving its objectives. Examples of these include:

- tables to compare enrollment growth and capital expenditures;
- tables to show the age of the buildings on campus;
- tables to compare space needs with enrollment growth;
- information relating workforce needs to capital needs, if available; and
- information about higher education capital budgets in other states.

Moving forward the workgroup will use these tools to guide its discussion and conclusions. The workgroup plans to hold another meeting in January to discuss the analysis of this data.

Commission Charge Relating to Funding for the State's Historically Black Institutions

The third charge of the commission is to review options and make recommendations relating to the appropriate level of funding for the State's Historically Black Institutions (HBIs) to ensure that the institutions are comparable and competitive with other public institutions. Due to the complex and sensitive nature of this issue, the commission felt that a consultant with HBI and higher education finance expertise should be hired in order to properly address this charge.

The commission was actively involved in crafting the scope of work and the requirements for the consultant in the Request for Proposals (RFP), and the commission met in closed session twice to discuss the details of the RFP in depth. The following excerpt is the agreed upon language that was included in the RFP as the summary statement and the scope of work for the consultant:

Summary Statement

Maryland is seeking a consultant to perform a study to define the terms "comparability" and "competitiveness" for Maryland public higher education institutions. To provide access so that all students have the opportunity to succeed in college, Maryland seeks to develop performance indicators or benchmarks for determining the comparability and competitiveness of the historically black institutions with the traditionally white institutions within the context of the State's Partnership Agreement with the United States Office for Civil Rights.

This study is intended to provide information and policy guidance to the Commission to Develop the Maryland Model for Funding Higher Education as it develops recommendations for the appropriate level of funding for Maryland's historically black institutions. It is not intended to assess Maryland's compliance with the legal requirements of U.S. v. Fordice or Title VI of the Civil Rights Act.

The successful Offeror will be required to provide all services outlined in this RFP, in accordance with standards and procedures established by the State.

Scope of Work -Tasks

Maryland is seeking a consultant to: 1) perform a study to define the terms comparability and competitiveness for Maryland public historically black institutions with the public traditionally white institutions; 2) recommend performance indicators or benchmarks for determining the comparability and

competitiveness of the historically black institutions with the traditionally white institutions; 3) examine funding levels of Maryland's historically black institutions to determine comparability and competitiveness; and 4) assist the legislative Commission to Develop the Maryland Model for Funding Higher Education in meeting its statutory charge to review options and make recommendations on the appropriate level of funding for Maryland's public historically black institutions to ensure that they are comparable and competitive with other public institutions of higher education based on Carnegie classification and institutional mission.

1. The Contractor's analysis shall include for Maryland:
 - a. Consideration of the impact of key State policies;
 - b. An examination of the programs, resources, and facilities at the TWIs and HBIs, including site visits as appropriate;
 - c. An examination of the racial and socioeconomic enrollment patterns at the TWIs and HBIs;
 - d. An examination of the student success trends at the TWIs and HBIs, considering the academic preparation of students; and
 - e. An examination of student access at public institutions.
2. In the context of the legislative Commission's charge to develop a model for funding higher education in Maryland, the Contractor shall study and analyze the methods and measures used by other states that could serve as examples for Maryland in determining parity between traditionally white institutions and historically black institutions related to funding, academic program offerings, enrollment diversity, campus facilities, student success rate, and any other factors determined to be relevant.

Within ten (10) business days of the Contract's initial Notice to Proceed, the Contractor shall meet with the legislative Commission to discuss the project. The Contractor shall prepare a final report summarizing the findings of the study and presenting options/recommendations for the legislative Commission's consideration. The Contractor's recommendations shall address:

1. Definitions of the terms "comparable" and "competitive" as they relate to Maryland public higher education institutions; and
2. Specific measurable performance indicators or benchmarks for determining the comparability and competitiveness of the historically black institutions with the traditionally white institutions.

Additionally, the commission worked diligently to determine the necessary qualifications for the consultant to ensure that sufficient expertise would be brought to the project. Listed below are the qualifications that the commission required the consultant to demonstrate:

1. A minimum of three (3) years of experience conducting research and analyzing higher education on the state and national levels;
2. Experience in analyzing at the state and/or national level the methods and measures used by states to determine parity between traditionally white institutions and historically black institutions;
3. Some experience with a state (or states) identified as an Adams State that has been required to develop a plan to dismantle its formerly dual system of higher education and enhance Historically Black Institutions; and
4. Has a minimum of two (2) references for projects of similar scope and size to this RFP, that is specific to the responsibilities to be held under the Contract.

Drafting the RFP to hire the consultant was more complicated than anticipated, and the RFP was released in August 2007, later than expected. In order to give the consultant enough time to complete the report, the commission decided that the deadline in the RFP for the consultant's final report should be May 2008. Although that time schedule was not within the commission's original deadline, the commission felt strongly that the consultant should be given sufficient time to conduct a thorough study.

To complicate matters further, when the RFP was released, no bids were received. The commission is currently pursuing other options to partner with organizations that have HBI and higher education expertise. Although an agreement has not been finalized at the present time, discussions are proceeding positively, and the study should be underway in January 2008. The commission will continue to work actively to address this important charge.

2007 Special Session Actions Related to Higher Education

The establishment of the commission by the General Assembly is indicative of the legislature's commitment to higher education in Maryland. The actions taken by the Governor and the General Assembly regarding higher education funding during the 2007 special session are confirmation that the commission's work has raised awareness of the funding needs of the higher education community and that higher education continues to be highly valued in Maryland.

During the special session, the Tax Reform Act of 2007 (Chapter 3) created the Higher Education Investment Fund (HEIF) to 1) invest in public higher education and workforce development; and 2) keep tuition affordable for Maryland students and families. The HEIF is administered by the Maryland Higher Education Commission (MHEC) and can only be used to:

- supplement general fund appropriations to public senior higher education institutions (*i.e.*, University System of Maryland institutions, Morgan State University, and St. Mary's College of Maryland);
- for capital projects at public senior higher education institutions; and
- for workforce development initiatives administered by MHEC.

The Tax Reform Act of 2007 increases the corporate income tax rate from 7.00 to 8.25 percent beginning January 1, 2008, and distributes a portion of the increased revenue to the HEIF. The HEIF will receive \$16.0 million in fiscal 2008 and an estimated \$55.5 million in fiscal 2009, which represents 6 percent of total corporate income tax revenues in fiscal 2009. Distribution of the corporate income tax revenues to the HEIF are intended to continue in future years if the General Assembly determines the distribution would be affordable and fiscally prudent and legislation is enacted in 2009 to continue the HEIF distribution.

Expenditures from the HEIF will be as approved by the General Assembly in the State budget. The Budget Reconciliation Act of 2007 (Chapter 2) requires noncapital HEIF appropriations to be included in the calculation of State funding for the Cade, Baltimore City Community College, and Sellinger formulas. Any noncapital HEIF appropriations to the institutions in fiscal 2009 would flow through to the community college and nonpublic higher education formulas beginning in fiscal 2010.

Commission Will Work Toward a Final Report in 2008

Due to the schedules of several legislative members of the commission, the commission plans to meet only once during the 2008 session. The commission plans to reconvene in May to begin six months of work sessions that will result in completion of a final report by December 1, 2008.

As the commission works toward a final report, its focus will be on addressing many of the issues that emerged as a result of the commission meetings and workgroup activities. Some of the issues that the commission will be focusing its attention on are:

- funding to meet the State's existing goals for higher education;
- how the appropriate share of higher education costs borne by students, government, and others should be determined;
- determining an acceptable level of annual tuition increases;
- determining the level of State funding that should be targeted to institutions compared to financial aid, assuming finite resources;
- increasing and targeting need based financial aid;
- finding the appropriate share of resources to be allocated among quality, access, and affordability;
- the accountability measures or accountability system that should be used to ensure that any State investment leads to the achievement of State goals for higher education;
- generating increased communication between the business community and higher education regarding workforce needs; and
- addressing the capital needs of higher education institutions by considering space deficiencies, enrollment growth, and other measures to determine capital allocations.

Additionally, the commission will consider the actions taken by the Governor and the General Assembly regarding higher education funding during the 2007 special session. The commission plans to hold a public hearing during the late spring or early summer of 2008 to seek input on how the dedicated funds in the HEIF should be targeted and to seek input on other issues relating to higher education funding.

Tentatively, the commission plans to have the workgroups complete their work and report back to the commission during the summer of 2008. Also, the organization hired by the commission to address the HBI funding issue will be asked to report the results of their work to the commission during the summer of 2008. The commission will review the findings of the study and will develop final recommendations relating to the HBI funding charge.

The commission should begin preliminary deliberations on the recommendations of the commission in September, and final decisions should occur in November. In its final report the commission will make recommendations that address its charges: a statewide framework for higher education funding; a consistent and stable funding mechanism for higher education that ensures both accessibility and affordability and promotes national eminence at all of Maryland's public institutions of higher education; and an appropriate funding level for the State's HBIs to ensure that the institutions are comparable and competitive with other public institutions. Additionally, the final report is likely to include proposed legislation to implement the commission's recommendations.

Appendix 1

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