R62I0001

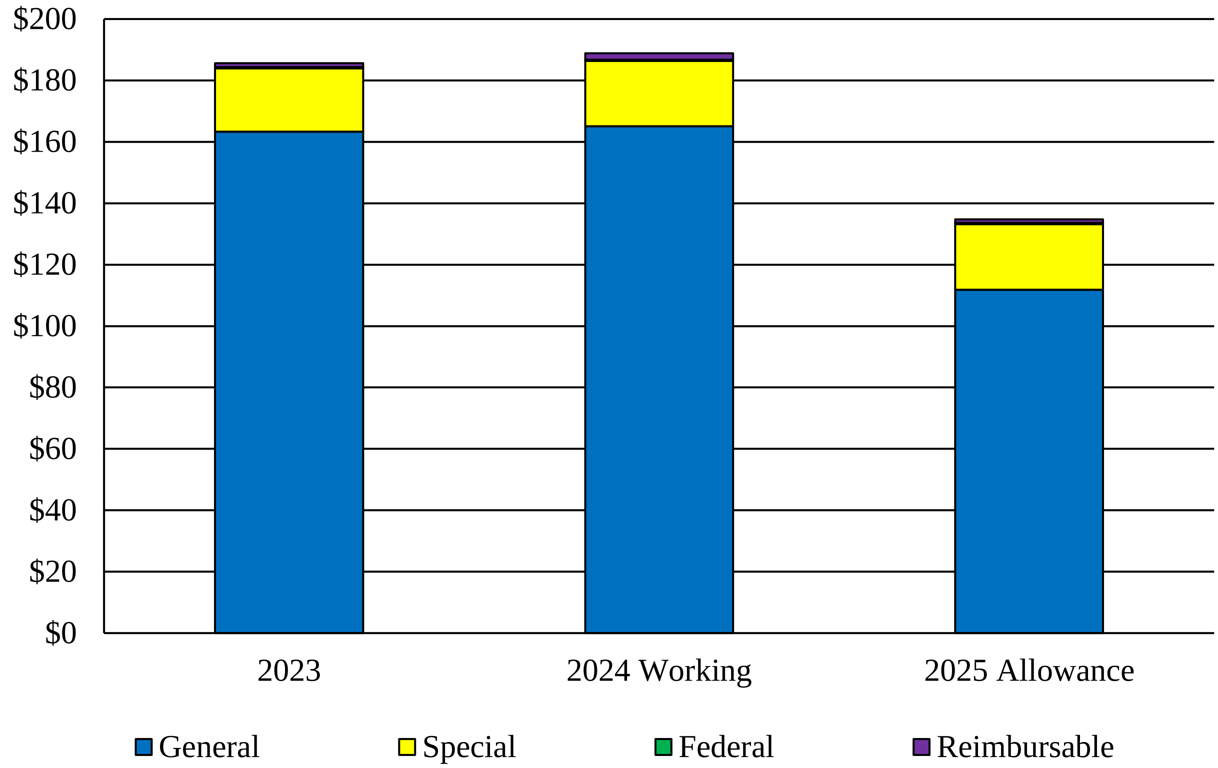
Maryland Higher Education Commission

Executive Summary

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

Operating Budget Summary

Fiscal 2025 Budget Decreases $54.1 Million, or 28.6%, to $134.8 Million
($ in Millions)



Note: The fiscal 2024 working appropriation includes deficiencies. The fiscal 2025 allowance accounts for contingent reductions. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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- The fiscal 2025 budget includes three proposed deficiency appropriations that impact MHEC. Two would increase general funds by a total of $627,635 for modifications of the Maryland College Aid Processing System (MDCAPS) and costs associated with MHEC moving offices to a new location. A third proposed deficiency appropriation would reduce general funds in the education grants program by $56,000, and a corresponding proposed deficiency would increase funding to the Senator John A. Cade Funding Formula (Cade Formula) to cover a shortfall in the English for Speakers of the Other Languages (ESOL) grant to Anne Arundel Community College

- General funds decrease by $53.3 million, or 32.3%, primarily due to a decrease of $67.0 million in funding for the Joseph A. Sellinger funding formula, the majority of which ($63.8 million) is contingent on a provision in the Budget Reconciliation and Financing Act (BRFA) of 2024 that would alter the formula. In addition, the allowance includes $25 million for a new Higher Education Security Enhancement initiative that is partly offset by $11.3 million of funding for Maryland 529 and Achieving a Better Life Experience (ABLE) being transferred to the State Treasurer's Office in fiscal 2024.

Key Observations

- ***Exclusive Online Enrollments Continue to Decline:*** In fall 2021, exclusive online enrollments decreased by 39.3%, indicating the pandemic did not cause a permanent shift in how students prefer to learn. The decline continued in fall 2022, with online enrollment decreasing by 8.0%.

- ***Student Loan Tax Credits:*** The number of applications received for the 2023 tax year declined by 39.9%. Of those eligible for a tax credit, 17% graduated from an institution where at least 40% of the attendees were Pell, and 699 who received a tax credit were State employees.

Operating Budget Recommended Actions

1. Add language to restrict funds pending a report on the status of corrective actions related to most recent fiscal compliance audit.
2. Adopt narrative requesting a report on institutional aid, Pell grants, and loan data by expected family contribution category.
3. Adopt narrative requesting a report on best practices and annual progress toward the 55% completion goal.

Budget Reconciliation and Financing Act Recommended Actions

1. Require that the selective public four-year institutions self-reported full-time equivalent student (FTES) data based on credit hours be used for calculating the funding per FTES for the Cade, Sellinger, and Baltimore City Community College formulas**.**

Operating Budget Analysis

Program Description

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. MHEC's mission is to ensure that Maryland residents have access to a high-quality, adequately funded, effectively managed, and capably led system of postsecondary education. The vision of MHEC is to have all Maryland residents equally prepared to be productive, socially engaged, and responsible members of a healthy economy. The Secretary of Higher Education is the agency's head and serves at the 12-member commission's pleasure.

The key goals of MHEC are as follows:

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

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

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

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

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

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

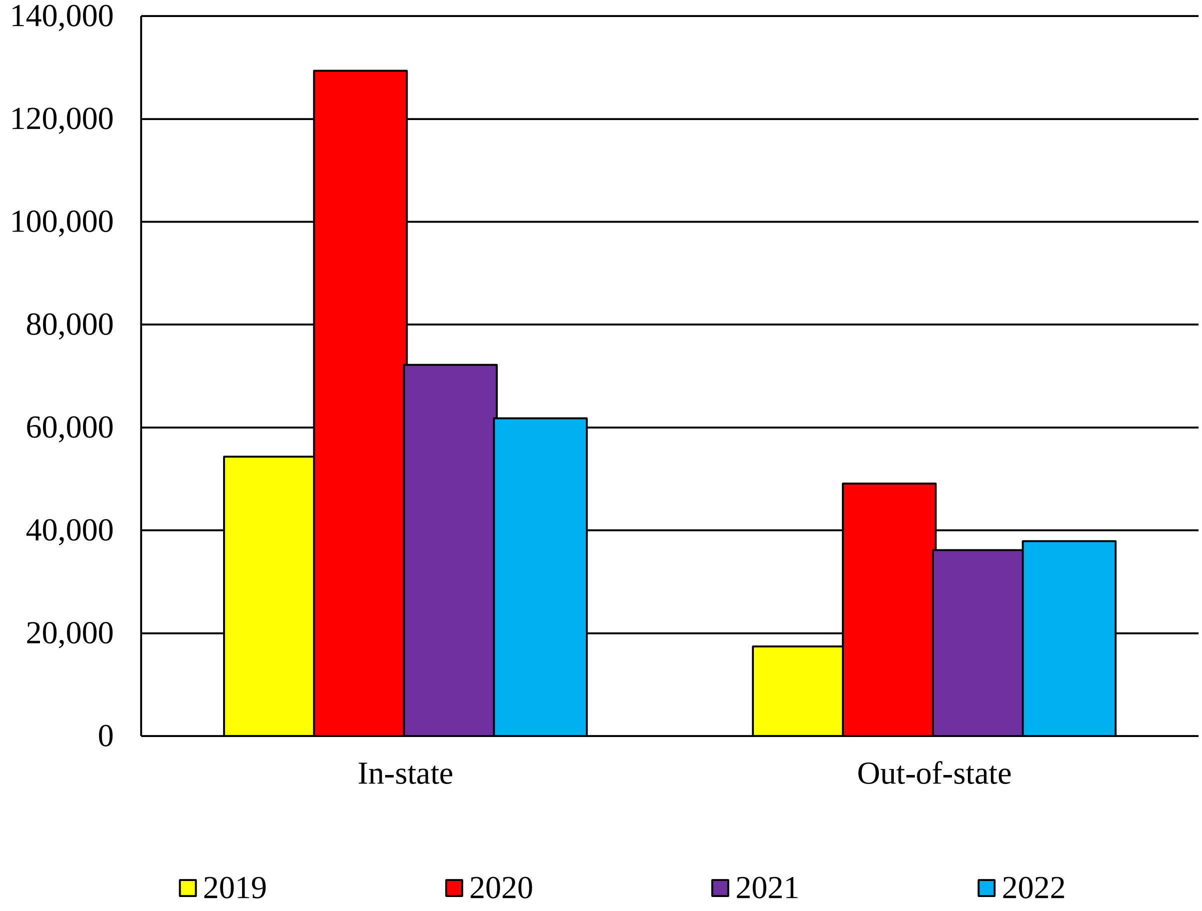
Performance Analysis

1. Online Course Enrollment

The State Authorization Reciprocity Agreement (SARA) is a voluntary agreement program among states and U.S. districts and territories that establishes national standards for interstate offerings of postsecondary distance education courses and programs. Institutions in states participating in SARA are required to annually report on the number of students enrolled in out-of-state online programs and the number of out-of-state students enrolled in its online programs. SARA requires states to approve their in-state institutions for SARA participation (based upon institutional accreditation and financial stability) and resolve student complaints. In addition, SARA states agree not to impose additional requirements on institutions from other SARA states. Maryland became a full participant in 2016. Currently, California is the only state not participating in SARA.

The impact of the pandemic on exclusive online enrollments is evident in **Exhibit 1**, with total enrollments increasing by 148.8% from 71,738 in fall 2019 to 178,466 in fall 2020, with in-state enrollment accounting for 75,045 of the increase. There were questions if this represented a permanent shift in how students preferred to learn or if the increase in enrollment was due to limiting in-person options during the pandemic. The question was answered with a decrease of 39.3% in enrollment in fall 2021. The decline continued in fall 2022, with total online enrollment decreasing by 8.0%, or 8,711 students, with in-state enrollment dropping by 14.4%, to 61,768 students. Despite the decrease, the in-state enrollment exceeds the prepandemic level of 54,328 students. Enrollment of out-of-state students increased by 4.8% to 37,872 students in fall 2022, which is more than double the prepandemic enrollment of 17,410 students. This may indicate that some institutions found they could meet the needs of their students remotely and may have kept or developed online courses that were previously only offered on campus.

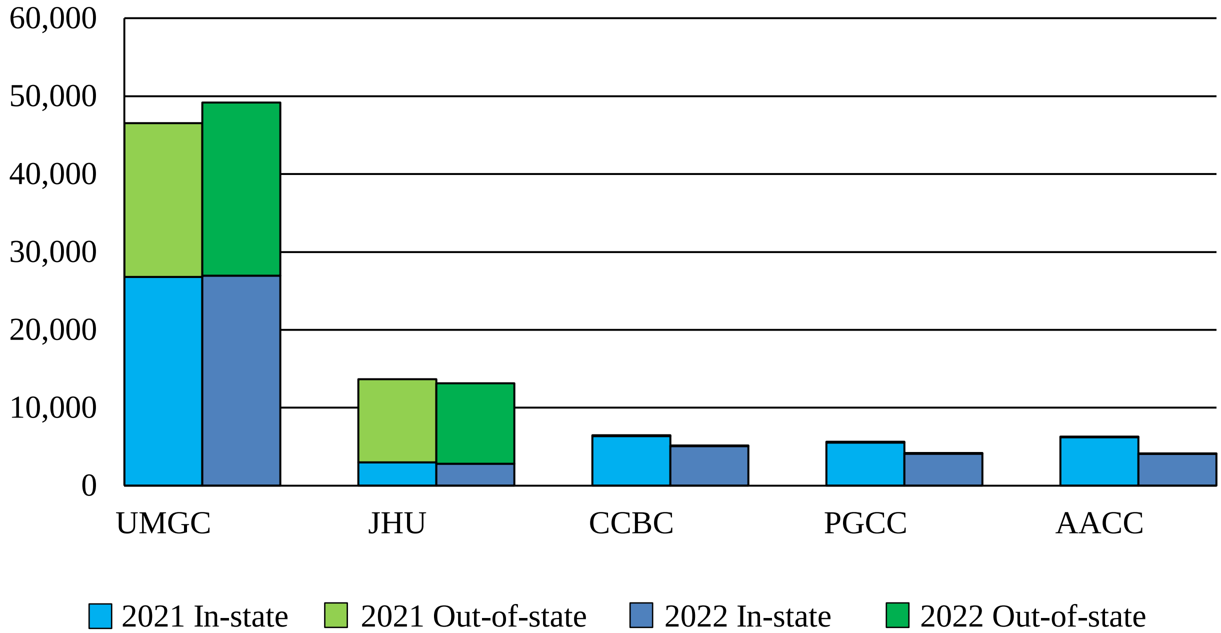
Exhibit 1
Exclusively Distance Education Enrollment
Fall 2019-2022



Source: National Council for State Authorization Reciprocity Agreement

In fall 2021 and 2022, five Maryland institutions accounted for 76.1% and 72.5%, respectively, of the total online enrollment in the State, as shown in **Exhibit 2**. Only the University of Maryland Global Campus experienced an increase in online enrollment which increased by 5.4%, or 2,644 students, with out-of-state enrollments accounting for 2,486 of the growth. Overall, out-of-state enrollments account for 78 % of John Hopkins University's (JHU) online enrollments.

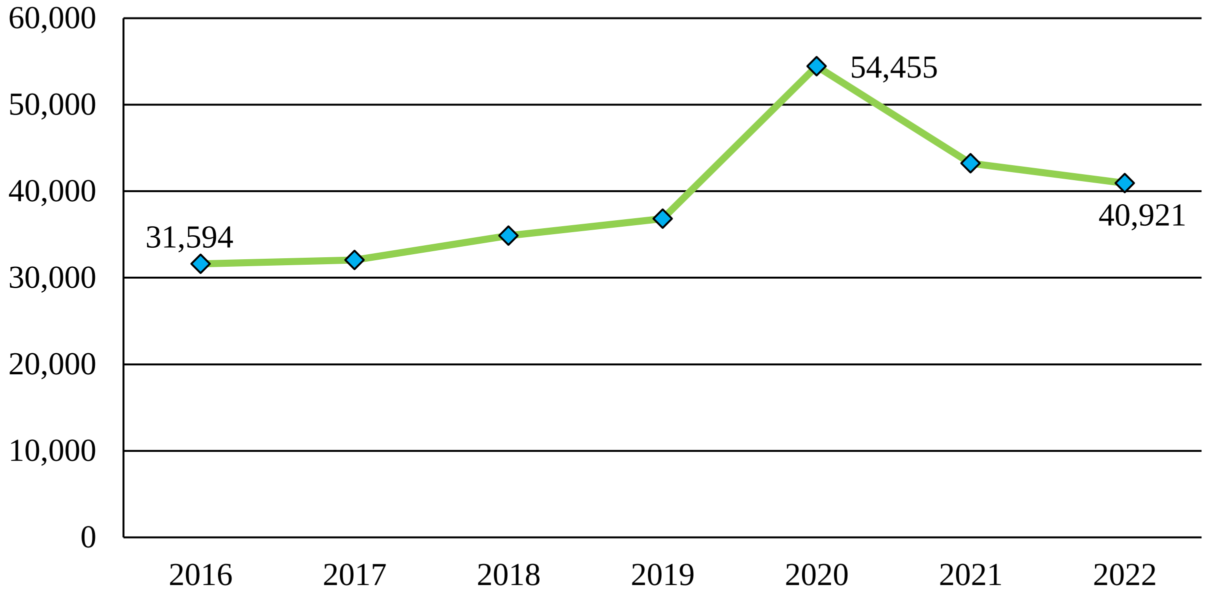
Exhibit 2
Total Exclusive Distance Learning at Five Maryland Institutions
Fall 2021-2022



Source: National Council for State Authorization Reciprocity Agreement

Exhibit 3 provides information on the number of students from Maryland enrolled exclusively in distance education in other states. Consistent with the changes at Maryland institutions, enrollment spiked in fall 2020, increasing by 47.9%, or 17,638 students, and fell by 24.9%, or 13,534 students, between fall 2020 and fall 2022. Almost half the students from Maryland who enrolled exclusively in distance education programs are enrolled in programs in Arizona, Virginia, the District of Columbia, New Hampshire, and Utah.

Exhibit 3
Maryland Students Enrolled in Out-of-state Institutions
Fall 2016-2022



Source: National Council for State Authorization Reciprocity Agreement

2. Student Loan Debt Relief Tax Credit

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

Chapter 738 of 2023 doubled the maximum amount of student debt relief tax credits that MHEC can approve from $9 to $18 million for any tax year and extended the timeframe in which a recipient must use the tax credit from two to three years. In addition, MHEC is required to:

- annually reserve $9 million of the authorized credit for State employees; and

- prioritize tax credit recipients and amounts based on whether the qualified taxpayer graduated from an institution of higher education in the State at which at least 40% of the attendees are Pell eligible.

Qualifying taxpayers must have at least $20,000 in total undergraduate and/or graduate student debt and a remaining balance of at least $5,000 at the time of applying for the tax credit. Applications must be submitted by September 15, and MHEC must certify the amount of the tax credit by December 15.

Tax credit recipients and the amount they receive are determined using the following criteria.

For the reserved $9 million of tax credits:

- State employees who graduated from a Maryland higher education institution where at least 40% of the attendees are Pell eligible; and

- State employees who graduate from institutions of higher education where less than 40% of the attendees are Pell eligible.

The remaining $9 million in tax credits and any amount of the restricted $9 million not allocated will be allocated based on:

- qualified taxpayers who graduated from a Maryland higher education institution where at least 40% of the attendees are Pell eligible; and

- qualified taxpayers who graduate from institutions of higher education where less than 40% of the attendees are Pell eligible and may be prioritized by one or more of the following:

  - did not receive a tax credit in a prior year;

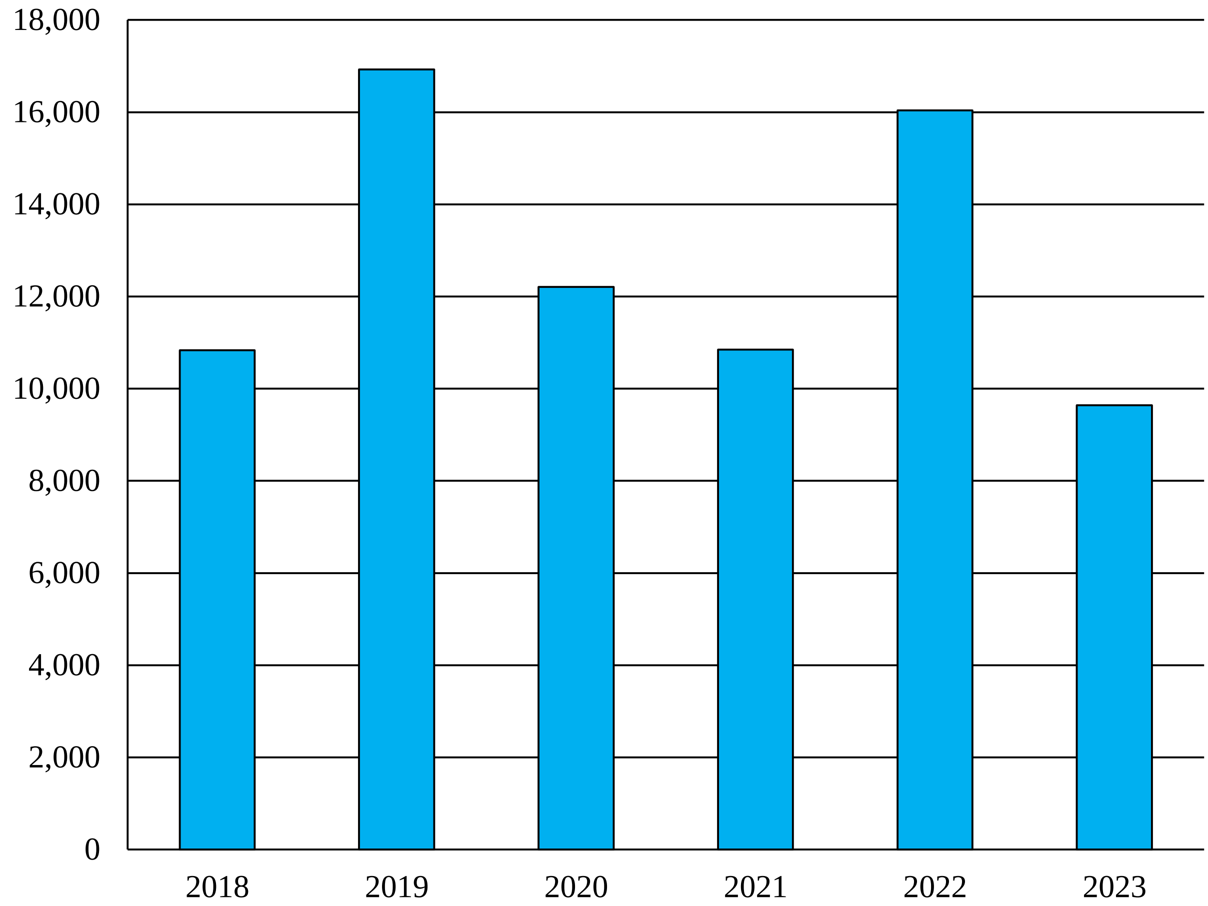
  - graduated from a higher education institution in another state;

  - were eligible for in-state tuition; or

  - have a high debt burden to income ratio.

As shown in **Exhibit 4**, the number of applications received for the 2023 tax year declined by 39.9%, or 6,398 applications. This decline may be partly attributed to the timing of the end of the three-year suspension on student loan payments and interest. The suspension ended on June 30, 2023, with the resumption of loan payments in October 2023, which was after the application period.

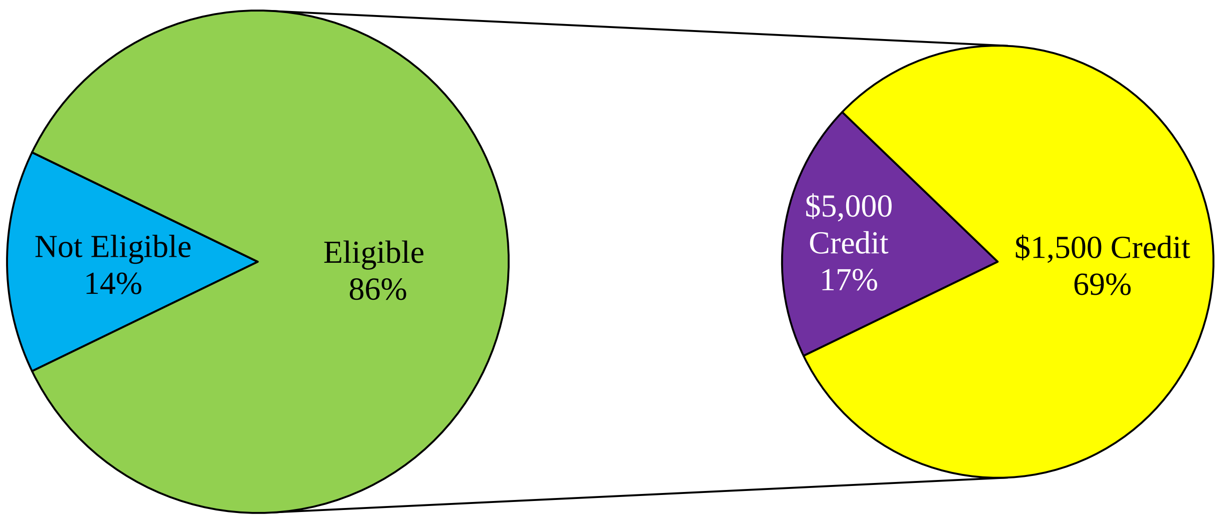
Exhibit 4
Student Loan Debt Tax Credit Applications
Tax Year 2018-2023



Source: Maryland Higher Education Commission

As shown in **Exhibit 5**, of the 9,638 applications received for the 2023 tax year, 86% were eligible for a tax credit. Of those eligible for a tax credit, 17% (1,598) graduated from an institution where at least 40% of the attendees were Pell eligible and therefore received the maximum credit of $5,000. The remaining eligible applicants received a $1,500 tax credit. Of the 8,255 who received a tax credit, 699 were State employees. A total of 1,383 applications were determined to be ineligible due to insufficient lender, income, transcript, or other information.

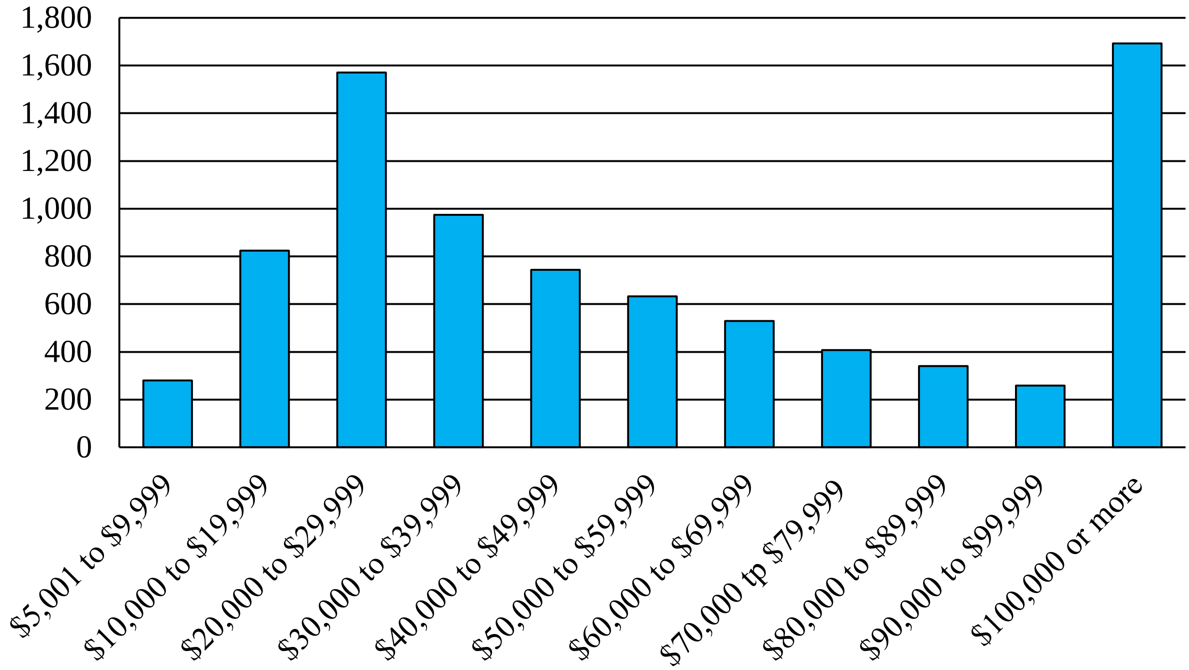
Exhibit 5
Student Loan Debt Applications
Tax Year 2023



Source: Maryland Higher Education Commission

Exhibit 6 shows the outstanding loan balances of tax credit recipients for the 2023 tax year; 20.5% of the recipients had balances exceeding $100,000, and 19.0% had balances between $20,000 and $29,999.

Exhibit 6
Outstanding Loan Balances of Recipients
Tax Year 2023



Source: Maryland Higher Education Commission

Fiscal 2024

Proposed Deficiency

The fiscal 2025 budget includes three proposed deficiency appropriations for fiscal 2024 impacting MHEC. Two increase the general fund appropriation by a combined $627,635, of which:

- $378,795 would provide additional funding to cover various costs associated with moving the office from its current location at 6 North Liberty Street to 217 East Redwood Street including professional moving services, additional funds for the lease, transfer of information technology infrastructure, and the building out of space; and

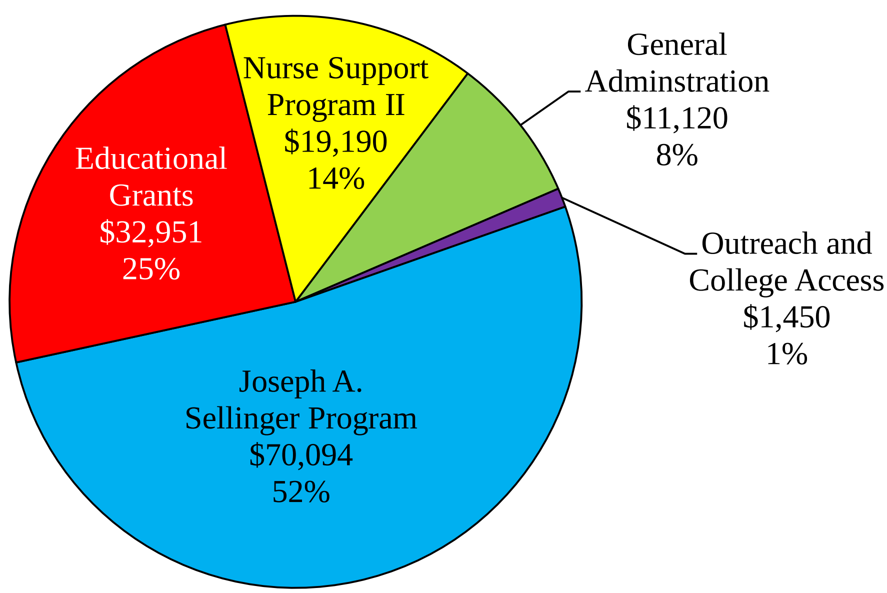
- $248,840 would be used to make modifications to MDCAPS.

A third deficiency appropriation would decrease general funds by $56,000 in the educational grants program and a corresponding proposed deficiency appropriation would increase funds to the Cade Formula to cover a shortfall in the ESOL grant to Anne Arundel Community College.

Fiscal 2025 Overview of Agency Spending

The fiscal 2025 allowance for MHEC totals $134.8 million (excluding financial aid that is analyzed in a separate analysis). As shown in **Exhibit 7**, funding for the Joseph A. Sellinger (Sellinger) Program for Aid to Non-public Institutions for Higher Education accounts for 52% ($70.1 million) of the fiscal 2025 allowance, contingent on the BRFA. Educational grants comprise 25% ($33.0 million) of the fiscal 2025 allowance. The Nurse Support Program (NSP) II, funded by the Health Services Cost Review Commission and administered by MHEC to increase the number of nurses in the State, accounts for 14% ($19.1 million) of expenditures.

Exhibit 7
Overview of Agency Spending
Fiscal 2025 Allowance
($ in Thousands)



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency's budget.

Source: Governor's Fiscal 2025 Budget Books

Proposed Budget Change

As shown in **Exhibit 8**, the fiscal 2025 allowance decreases by $54.1 million, or 28.6%, compared to the fiscal 2024 working appropriation after accounting for the proposed deficiency appropriations and a contingent reduction in fiscal 2025. When excluding the $67.0 million decrease in the Sellinger formula, the fiscal 2025 allowance increases by $13.0 million primarily in the Educational Grants program.

Exhibit 8
Proposed Budget
Maryland Higher Education Commission
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2023 Actual	$163,328	$20,615	$403	$1,232	$185,578
Fiscal 2024 Working Appropriation	165,097	21,238	415	2,121	188,871
Fiscal 2025 Allowance	111,840	21,331	466	1,169	134,806
Fiscal 2024-2025 Amount Change	-$53,257	$92	$51	-$952	-$54,066
Fiscal 2024-2025 Percent Change	-32.3%	0.4%	12.3%	-44.9%	-28.6%

Where It Goes:	Change
Personnel Expenses	
11 new positions	$924
Salary increase and associated fringe benefits including fiscal 2024 COLA and increments	457
Workers' compensation	-31
Turnover decrease from 8.38% to 6.08%	-171
Other Changes	
Mandates	
End of funding for Near Completers program as mandate in Chapter 554 of 2018 expired after fiscal 2024	-375
Sellinger formula decreases due to formula calculation ($3.2 million) and provision in the BRFA altering the formula calculation ($63.8 million)	-67,001
Other	
Higher Education Security Enhancement Funding – Governor's initiative to provide grants to universities to enhance campus security. Specifics are still being finalized.	25,000
Various statewide costs	156

Where It Goes:	**Change**
One-time deficiency to modify MDCAPS due to changes in existing scholarship programs	-249
One-time deficiency to provide additional funding for costs associated with MHEC's move from its current location to 217 East Redwood Street.	-379
GEER II – two-year grant from the Maryland Department of Education funded with from the GEER to provide funds to the community colleges.	-961
Transfer of the College Savings Match and ABLE to the Treasurer's Office in fiscal 2024	-11,280
Other	-157
Total	**-$54,066**

ABLE: Achieving a Better Life Experience
BRFA: Budget Reconciliation and Financing Act
COLA: cost-of-living adjustment
GEER: Governor's Emergency Education Relief
MDCAPS: Maryland College Aid Processing System
MHEC: Maryland Higher Education Commission

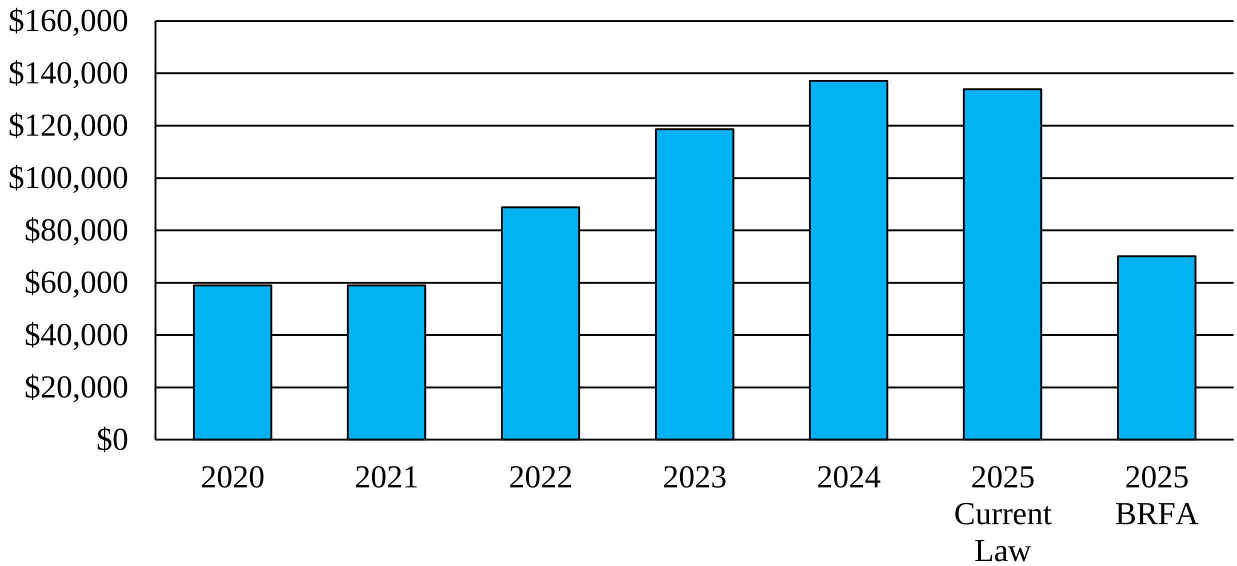
Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Sellinger Formula

The Sellinger formula is based on a percentage of the State's per full-time equivalent student (FTES) funding for selected public four-year institutions. This is then used to determine the per FTES funding amount for the eligible independent institutions based on the total FTES enrollment at each institution. The statutory percentage was reduced during the Great Recession but gradually increased to 15.5% in fiscal 2021, the level at which it remains.

Exhibit 9 provides funding for Sellinger from fiscal 2020 to 2025. In fiscal 2021, Sellinger was level funded at the fiscal 2020 level after actions taken by the General Assembly and cost containment approved by the Board of Public Works (BPW). In fiscal 2022, funding increased by 50.5% due to the formula being funded at the statutory percent of 15.5% per FTES funding, compared to 11.1% in fiscal 2020. In fiscal 2023, funding grew by 33.5% primarily related to increases in the budget for the selected public four-year institutions including the annualization of the fiscal 2022 general salary increases, the fiscal 2023 general salary increases, and the restoration of reductions for USM taken by BPW in fiscal 2021. Overall, these factors led to a doubling ($59.6 million) in the funding for Sellinger between fiscal 2021 and 2023. Funding for Sellinger increased further (15.6%, or 18.5 million) in fiscal 2024, which was also largely due to higher per FTES funding at the selected public four-year institutions attributed to general salary increases. Funding under the formula, before the contingent reduction, declines by 2.3%, or $3.2 million, in the fiscal 2025 allowance due to a change in the methodology used in calculating the Sellinger formula. Overall, since fiscal 2020, funding has increased 126.9%, or $74.9 million.

Exhibit 9
Sellinger Funding History
Fiscal 2020-2025
($ in Thousands)



BRFA: Budget Reconciliation and Financing Act

Source: Governor's Fiscal Budget Books

Change in the Calculation of Per FTES Funding

In a break from past practice, the Department of Budget and Management chose to use MHEC's enrollment projections in calculating the funding per FTES at the selected public four-year institutions in fiscal 2025 rather than the estimates prepared by the institutions that are presented in the Governor's Budget Books. However, the Department of Legislative Services (DLS) notes that over the years, there have been recurring issues with MHEC's methodology used to project enrollment at the community colleges and the public four-year institutions. For instance, MHEC has consistently missed enrollment declines, and its projections are overly optimistic compared to those self-reported by the institutions. For fiscal 2024 and 2025, MHEC's enrollment projections for selected four-year USM institutions are 7.0% higher than the institution's projections (See R30B00 – USM Overview for further discussion) or 6,051 FTES and 6,103 FTES, respectively. This resulted in the per FTES funding used in the formula calculation being 5.3%

lower than the traditional calculation. As shown in **Exhibit 10**, this change led to Sellinger receiving funding of $133.9 million under the formula, which is 5.3% lower than the $141.4 million formula calculation if the institutions' enrollment projections for fiscal 2025 were used as has occurred in the past. It should be noted that for the calculation of Sellinger, MHEC's enrollment projections for fiscal 2024 were used to calculate the funding for fiscal 2025. DLS notes that statute does not specify the data source of the FTES to be used to calculate the per FTES funding, which allowed for the changing of the enrollment used. **DLS recommends adopting a provision in the BRFA of 2024 to require the use of the selective public four-year institutions' self-reported FTES data that is based on credit hours for calculating the funding per FTES for the Cade, Sellinger, and Baltimore City Community College formulas.**

Exhibit 10
Comparison Previous Methodology and Current Law
Fiscal 2025
($ in Thousands)

Institution	Previous Methodology	Current Law	Difference
The Johns Hopkins University	$76,961	$72,881	-$4,080
Loyola College	14,894	14,104	-790
Stevenson University	10,021	9,490	-531
McDaniel College	7,549	7,149	-400
Maryland Institute College of Art	5,377	5,092	-285
Mount St. Mary's University	6,261	5,929	-332
Goucher College	3,709	3,512	-197
Washington College	3,081	2,918	-163
Hood College	4,767	4,514	-253
Notre Dame of Maryland University	3,514	3,327	-186
Washington Adventist University	1,604	1,519	-85
St. John's College	2,072	1,962	-110
Capitol Technology University	1,593	1,509	-84
Total	**$141,401**	**$133,905**	**-$7,496**

Source: Governor's Fiscal 2025 Budget Books; Department of Legislative Services

DLS also recommends that USM, MSU, and SMCM convene a workgroup to develop a uniform methodology for calculating graduate FTES to be used by the public four-year institutions when calculating their total FTES.

Current Law and the BRFA

The fiscal 2025 allowance includes $133.9 million for the Sellinger formula; however, that amount would be reduced contingent on a provision in the BRFA that changes the FTES data used to determine the allocation of Sellinger funds to the Maryland Independent College and University Associations (MICUA) institutions. Under current law, the two-year prior FTES enrollment at each of the MICUA institutions is used to determine the allocation of Sellinger funds. Under the provision included in the BRFA, only undergraduate FTES enrollment of the institutions will be counted for the formula. As shown in **Exhibit 11**, this results in a reduction of 21,131 FTES from 44,343 FTES (all students) compared to undergraduate FTES of 23,212.

Exhibit 11
Comparison of FTES Enrollment
Fiscal 2025

Institution	Current Law (All Students)	BRFA (Undergraduate)
The Johns Hopkins University	24,134.87	6,310.60
Loyola College	4,670.63	4,086.93
Stevenson University	3,142.50	2,829.13
McDaniel College	2,367.40	1,915.23
Maryland Institute College of Art	1,686.13	1,316.53
Mount St. Mary’s University	1,963.40	1,775.87
Goucher College	1,163.13	986.87
Washington College	966.20	961.87
Hood College	1,494.93	1,168.17
Notre Dame of Maryland University	1,101.90	597.70
Washington Adventist University	503.03	478.60
St. John’s College	649.67	544.73
Capitol Technology University	499.60	239.80
Total	**44,343.39**	**23,212.03**

BRFA: Budget Reconciliation and Financing Act
FTES: full-time equivalent students

Source: Governor’s Fiscal 2025 Budget Books; Department of Budget and Management

As shown in **Exhibit 12**, this lower FTES enrollment leads to a $63.8 million, or 47.7%, reduction in funding for Sellinger in fiscal 2025 compared to the current law calculation. Due to having a higher graduate population, JHU would experience the largest reduction of $53.8 million, or 73.9%, to $19.1 million. Other institutions would see declines ranging from 52.0%, or $0.8 million, at Capitol Technology University to 0.4% at Washington College.

Exhibit 12
Allocation of Sellinger Funds
Fiscal 2025
($ in Thousands)

Institution	Working 2024	Current Law 2025	BRFA 2025	BRFA to Current Law $ Change	BRFA to Current Law % Change
The Johns Hopkins University	$75,136	$72,881	$19,056	-$53,824	-73.9%
Loyola College	14,370	14,104	$12,341	-1,763	-12.5%
Stevenson University	9,344	9,490	$8,543	-946	-10.0%
McDaniel College	7,468	7,149	$5,783	-1,365	-19.1%
Maryland Institute College of Art	5,447	5,092	$3,976	-1,116	-21.9%
Mount St. Mary's University	6,098	5,929	$5,363	-566	-9.6%
Goucher College	3,852	3,512	$2,980	-532	-15.2%
Washington College	3,061	2,918	$2,905	-13	-0.4%
Hood College	4,411	4,514	$3,528	-987	-21.9%
Notre Dame of Maryland University	3,136	3,327	$1,805	-1,523	-45.8%
Washington Adventist University	1,472	1,519	$1,445	-74	-4.9%
St. John's College	1,894	1,962	$1,645	-317	-16.2%
Capitol Technology University	1,405	1,509	$724	-785	-52.0%
Total	**$137,095**	**$133,905**	**$70,094**	**-$63,811**	**-47.7%**

BRFA: Budget Reconciliation and Financing Act

Source: Governor's Fiscal 2025 Budget Books; Department of Budget and Management; Department of Legislative Services

Out-year Impact

Exhibit 13 compares the projected funding for Sellinger under the current law and the BRFA of 2024 through fiscal 2029. Overall, between fiscal 2025 and 2029, the total reduction in funding is estimated to total $341.2 million compared to current law.

Exhibit 13
Outyear Impact
Fiscal 2025-2029
($ in Thousands)

	2025	2026	2027	2028	2029
Current Law	$133,905	$139,953	$143,607	$147,470	$151,816
BRFA	70,094	73,260	75,172	77,195	79,470
Difference, BRFA to Current Law	**-$63,811**	**-$66,693**	**-$68,434**	**-$70,275**	**-$72,346**

BFRA: Budget Reconciliation and Financing Act

Source: Governor’s Fiscal 2025 Budget Books; Department of Legislative Services

Education Grants

The Education Grant program provides financial assistance to State, local, and private entities to enrich the quality of higher education. As shown in **Exhibit 14**, the Educational Grant program funding increases by 60.6%, or $12.4 million, between the fiscal 2024 working appropriation and the fiscal 2025 allowance. The increase is mainly attributed to $25 million to fund the Higher Education Security Enhancement Funding initiative, which will provide grants to universities to enhance campus security. Specifics about the initiative are still being finalized. Funding for the Inmate Training and Job Pilot Program increases by $33,000 as mandated in Chapter 677 of 2021. The increase is partly offset by a reduction of $11.2 million related to the transfer of Maryland 529 and ABLE to the Treasurer’s Office as a result of Chapter 113 of 2023. In addition, funding for the Near Completers grant ends in fiscal 2025, which was mandated in Chapter 544 of 2018.

MHEC should brief the committees on plans for allocating the security grants.

Exhibit 14
Education Grants
Fiscal 2024-25

Programs	**Working 2024**	**Allowance 2025**	**$ Difference**	**% Difference**
Special Funds				
Teacher Quality and Diversity Grant Program	$1,000,000	$1,000,000	$0	0%
Subtotal	***$1,000,000***	***$1,000,000***	***$0***	***0%***
Reimbursable				
GEAR UP Scholarship	$1,055,183	$1,055,183	$0	0%
GEER II	961,000		-961,000	100%
Subtotal	***$2,016,183***	***$1,055,183***	***-$961,000***	***47.7%***
General Funds				
Complete College Maryland	$250,000	$250,000	$0	0%
Washington Center for Internships and Academic Seminars	400,000	400,000	0	0%
UMB – WellMobile[1]	785,000	785,000	0	0%
Regional Higher Education Centers	1,409,861	1,409,861	0	0%
Colleges Savings Plan Match	10,979,500	0	-10,979,500	100%
ABLE Program	300,000	0	-300,000	100%
Cyber Warrior Diversity Program	2,500,000	2,500,000	0	0%
Near Completers Grant	375,000	0	-375,000	100%
Inmate Training and Job Pilot Program	330,000	363,000	33,000	10%
Hunger-Free Campus Grant Program	150,000	150,000	0	0%
Higher Education Security Enhancement Funding		25,000,000	25,000,000	n/a
Subtotal	***$17,479,361***	***$30,857,861***	***$13,378,500***	***76.5%***
Total Funds	**$20,495,544**	**$32,913,044**	**$12,417,500**	**60.6%**

ABLE: Achieving a Better Life Experience
GEER: Governor's Emergency Education Relief

[1] Funding will be transferred to UMB by budget amendment.

Source: Governor's Fiscal 2025 Budget Books

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Personnel Data

	FY 23 Actual	FY 24 Working	FY 25 Allowance	FY 24-25 Change
Regular Positions	69.00	72.00	83.00	11.00
Contractual FTEs	5.35	8.35	5.35	-3.00
Total Personnel	**74.35**	**80.35**	**88.35**	**8.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	6.03	8.38%
Positions and Percentage Vacant as of 12/31/23	5.00	6.94%
Vacancies Below Turnover	1.03	

- The fiscal 2025 allowance provides for an additional 11.0 regular positions of which 3 are the conversion of contractual full-time equivalents to regular positions (2 positions are in the NSP II program, and 1 is an accounting-related position in Administration).

- The remaining 8 new positions include:

  - 5 for the Office of Student Financial Assistance of which 2 will be in the new Loan Assistance Repayment Program unit (the Office for Student Financial Assistance (OSFA) is restructuring and is grouping similar programs into units), 1 will assist in the oversight and management of the need-based financial assistance programs, 1 will assist in managing the service obligation component of the various career-based programs, and 1 is for customer service;

  - 1 for a deputy secretary;

  - 1 in Academic Affairs to ensure private career schools are in compliance with statute and regulations; and

  - 1 in Administration is an accounting-related position.

Issues

1. Improving the Program Approval Process

During the 2023 session, the General Assembly added language to the fiscal 2024 Budget Bill (Chapter 101 of 2023) restricting funds from all segments of higher education until a report is submitted from a workgroup with recommendations to improve MHEC's program approval process to make it a transparent, efficient, evidence-based, and timely process providing institutions the flexibility to respond to the needs of the State and students. Language specified that the workgroup be comprised of one member from the Senate Budget and Taxation Committee; one member from the Senate Education, Energy, and the Environment Committee; two members from the House Appropriations Committee; and one representative each from USM, MSU, SMCM, MICUA, the Maryland Association of Community Colleges, and the Secretary of Higher Education. It was also specified that the workgroup consider recommendations in eight areas including operational mission statement, mechanisms to ensure State workforce needs are considered when evaluating proposed programs, criteria for when a new proposed program is considered unreasonably/unnecessarily duplicative, and revisions to the objection process.

The workgroup approved 23 recommendations in the following areas (see **Appendix 2** for detailed description of recommendations):

- operational missions (3 recommendations);
- State Plan of Higher Education and State workforce development needs (6 recommendations);
- Letter of Intent (2 recommendations);
- collaborative grant fund (1 recommendation);
- program approval objection process (7 recommendations):
- unreasonable duplications in graduate program analysis (1 recommendation);
- criteria for a full program review of a substantial modification to an existing program (1 recommendation); and
- analysis of recommendations and advisory committee (2 recommendations).

SB 1022/HB 1244 (Academic Program Approval and Institutional Mission Statements – Requirements), as introduced, would incorporate the workgroup's recommendations into statute.

Adequacy of Personnel

Chapter 41 of 2021 established a program evaluation unit and provided 10 new positions to assist in reviewing and evaluating proposals for new programs and substantial modifications of existing programs. The fiscal 2023 Budget Bill included a deficiency appropriation for fiscal 2022 for 5 positions with the remaining positions provided in fiscal 2023. These positions were created and filled before the release of the final report from the National Center for Higher Education Management Systems on MHEC's academic program review under current policies and practices and any new policies or practices established as a result of the enactment of Chapters 41 and 42 of 2021. The report not only provided recommendations to improve MHEC's program approval process but also how to best utilize the new positions. The timing of receiving and filling positions prior to the release of the report raised concerns if the new positions were best aligned with the increased responsibilities of conducting an objective and efficient process. Furthermore, with the recommendations of the workgroup and the corresponding legislation, there are further concerns if MHEC has the appropriate staff to meet increased requirements.

The Secretary should comment if the current Program Review Unit staff will be able to support the requirements and increased responsibilities proposed under SB 1020/HB 1224.

2. New Financial Aid System

MDCAPS is the financial information system used to process scholarship applications and allocate funds. The system is over 10 years old and has reached its design capacity for advanced technology features. Chapter 639 of 2022 requires MHEC to design and implement an application that will allow applicants to apply for all scholarship programs offered by MHEC (see **Appendix 3** for the status on the project). In order to fund new unified financial aid system, $8.0 million from the Dedicate Purpose Account (DPA) was allocated in the fiscal 2023 budget to support the development of a new system.

According to the Department of Information Technology (DoIT) and as shown in the Major Information Technology Appendix of the Governor's Budget Books, in fiscal 2023, $0.3 million was spent to begin the project. However, these funds have not been transferred from the DPA to cover this expense. The Governor's Budget Books show $6.8 million in special funds from the DPA as being appropriated in fiscal 2025 to develop the new system, but these funds are not included in the MHEC budget.

The Secretary should comment on why DPA funds were not used in fiscal 2023 and on the expected development cost and use of DPA funds to cover expenses. The Secretary should also discuss when the fiscal 2025 funding is expected to be appropriated.

Operating Budget Recommended Actions

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

   , provided that since the Maryland Higher Education Commission (MHEC) has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $250,000 of this agency's administrative appropriation may not be expended unless:

   (1) MHEC has taken corrective action with respect to all repeat audit findings on or before November 1, 2024; and

   (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days from the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2025.

   Explanation: The Joint Audit and Evaluation Committee (JAEC) has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit a report to the budget committees on the status of repeat findings. If OLA reports that an agency failed to completely resolve or make adequate progress toward resolving those repeat audit findings, JAEC requests that $250,000 in general funds is withheld from each agency's appropriation in the fiscal year following the OLA report until more satisfactory progress has been made toward resolution of those repeat findings.

Information Request	Author	Due Date
State of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

2. Adopt the following narrative:

   Institutional Aid, Pell Grants, and Loan Data by Expected Family Contribution (EFC) Category: In order to more fully understand all types of aid available to students, the committees request that data be submitted for each community college, public four-year institution, and independent institution on institutional aid, Pell grants, and student loans. Data should include, by EFC, the number of loans and average loan size of federal subsidized and unsubsidized loans and loans from private sources as reported to the Maryland Higher Education Commission (MHEC). Additionally, data should be provided on Pell grants, including the number and average award size by EFC. Finally, data should include the number of institutional aid awards and average award size by EFC for institutional grants, institutional athletic scholarships, and other institutional scholarships. The data in the response should differentiate between need-based aid and merit scholarships. Data should also include the number of institutional aid awards and average award size by EFC for tuition waivers/remissions of fees to employees and dependents and students. Waiver information for students should be reported by each type of waiver in State law. This report should cover fiscal 2023 data received by MHEC from State institutions and is to be submitted in an electronic format (Excel file).

Information Request	Author	Due Date
Institutional aid, Pell grants, and loan data by EFC	MHEC	July 1, 2024

3. 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 ages 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.

Information Request	Author	Due Date
Report on best practices and annual progress toward the 55% completion goal	MHEC	December 15, 2024

Budget Reconciliation and Financing Act Recommended Actions

1. Require the use of the selective public four-year institutions self-reported full-time equivalent student (FTES) data that is based on credit hours for calculating the funding per FTES for the Cade, Sellinger, and Baltimore City Community College formulas**.**

Appendix 1
2023 *Joint Chairmen's Report* Responses from Agency

The 2023 *Joint Chairmen's Report* (JCR) requested that MHEC prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Institutional Aid, Pell Grants, and Loan Data by Expected Family Contribution Category:*** The data contains institutional aid, Pell and loan data for the community colleges, public four-year institutions, and nonprofit independent institutions and are used throughout the various higher education analyses.

- ***Report on Best Practices and Annual Progress Toward the 55% Completion Goal:*** Public four-year institutions continue to exceed their target in the number of undergraduate degrees awarded, while community colleges fell short of their goal for the first time since fiscal 2011. The nonprofit independent institutions continue to fall short of meeting their degree target goals. Overall, the total number of undergraduate degrees awarded to date has exceeded the target of the model. Maryland's public and independent institutions will account for the majority of additional degree holders, while the remainder would be due to migration of individuals from other states and countries who already hold a degree. The report also summarizes best practices at several institutions.

- ***Report on Advising Systems and Wrap-around Services:*** MHEC created a survey that was sent to 52 higher education institutions of which 38 responded. Survey responses showed that most institutions currently use an intrusive/proactive advising model and a majority employ student-centered practices including holistic advising, proactive communication with students, and other practices that focus on relationship-building and addressing the diverse needs of students. In terms of wrap-around services, referring to holistic support addressing the full range of a student's needs to ensure academic success, a majority of institutions provide mental health counseling by referral, onsite cafeterias, food pantries, and access to public transportation.

Appendix 2

Program Approval Process Workgroup Recommendations

Operational Missions

Recommendation 1: The workgroup does not recommend that MHEC require institutions to adopt operational mission statements for approval by MHEC.

Recommendation 2: The workgroup recommends that MHEC utilize its current authority to develop more detailed criteria for mission statement review of public institutions of higher education and provide robust approval to ensure that mission statements are clearly defined and distinct to prevent mission creep between each institution. Examples of criteria in mission statement review could be the requirement that each institution clearly define the level of research of the public institution of higher education or the new Carnegie classifications, if applicable.

Recommendation 3: The workgroup recommends that after each mission statement review, MHEC submit a report to the House Appropriations Committee; the Senate Budget and Taxation Committee; and the Senate Education, Energy, and the Environment Committee on each approved mission statement and an analysis of each public institution of higher education's role in the State's system of higher education to ensure that each institution's mission statement is distinct and clear. The report should also include an analysis of why each mission statement was approved or rejected. The committees and MHEC should use this report to ensure that the State is supporting each institution in meeting the needs of its approved mission statement.

State Plan of Higher Education and State Workforce Development Needs

Recommendation 4: The workgroup recommends that the State Plan should identify specific workforce needs, including regional needs, and the specific academic programs that institutions could develop to support these workforce needs. This information should be updated annually on a specific date as an annual appendix to the State Plan.

Recommendation 5: The workgroup recommends that MHEC should update the State Plan for MHEC's commission members' approval by January 1, 2025. The workgroup recommends that MHEC provide opportunities for input from all segments of higher education, students, major industry partners, and members of the public in developing the 2024 State Plan.

Recommendation 6: The workgroup recommends that the next State Plan should require review and comment by the Legislative Policy Committee prior to the adoption of the State Plan by the commission members.

Recommendation 7: The workgroup recommends that MHEC, the Maryland Department of Labor (MDL), and the Department of Commerce (Commerce) should each have specific positions dedicated to defining and identifying State and regional workforce needs. Additionally, MHEC should consider working with the Maryland Longitudinal Data System Center, licensing boards, and a national organization to define and identify State and regional workforce needs. When identifying workforce needs, consideration should be given to data from resources and literature pertaining to specific occupations. This should include occupational supply projections and understanding nationwide program development and current program expansion trends.

Recommendation 8: The workgroup and MHEC should utilize its current authority to hire outside consultants with academic disciplinary expertise when the subject matter of a proposed program is outside the areas of expertise of MHEC, MDL, and Commerce.

Recommendation 9: The workgroup recommends that MHEC, MDL, and Commerce have a common agreement on data sources and measurements and all institutions of higher education should have access to this data. These data sources should include information on current and emerging workforce needs. MHEC and the commission members should use this data as a baseline during the program approval process.

Letter of Intent

Recommendation 10: After the adoption of the 2024 State Plan, the workgroup recommends that MHEC require all public senior higher education institutions to submit a Letter of Intent every six months for any graduate academic program that the institution plans to submit for approval by MHEC in the next six months to two-year time period. MHEC should adopt the requirements and format, deadlines, and review criteria for Letters of Intent. MHEC should use the Letters of Intent to provide early warning signals of potential duplication with existing programs.

Recommendation 11: The workgroup recommends that MHEC develop an exception to the Letter of Intent requirement for exigent circumstances. This process should only be used by institutions in rare circumstances, and MHEC may only approve these programs when the benefit to the State or region from the expedited adoption of a program without notice from a Letter of Intent outweighs the State's interest in notice and collaboration. MHEC's process for exigent circumstances should encourage fairness and transparency.

Collaborative Grant Fund

Recommendation 12: The workgroup recommends that the General Assembly create a Collaborative Grant Fund that would be accessible for public institutions of higher education to fund efforts to collaborate with each other for the establishment of new graduate degree programs.

Program Approval Objection Process

Recommendation 13: The workgroup recommends that MHEC reexamine its statutory and regulatory deadlines for the program approval process to determine if those deadlines need to be updated or streamlined to meet the needs of institutions and students in the State. MHEC's processes and procedures must be transparent, predictable, and timely, and the workgroup recommends that the General Assembly consider holding MHEC accountable if the department does not make progress on adhering to stated timelines and deadlines in the program approval process.

Recommendation 14: The workgroup recommends that MHEC conduct all discussions, deliberations, and votes of an appeal of a program approval decision in public session.

Recommendation 15: The workgroup recommends that a vote of the majority of the commissioners appointed to the commission be required during a review meeting.

Recommendation 16: The workgroup recommends that MHEC develop and adopt an administrative procedures guide for the department's program approval process by June 2024 and prominently post the administrative procedures guide on the department's website. The administrative procedures guide should be updated at least annually.

Recommendation 17: In an appeal process, each institution and the Secretary should have a protected 10 minutes to present their case.

Recommendation 18: The workgroup recommends that MHEC develop a separate program development and approval process for fully online programs offered to a majority of out-of-state students that allows Maryland institutions to compete with out-of-state competitors in the online market.

Recommendation 19: The workgroup recommends that, beginning in January 2025, MHEC should review programs approved in the prior four- year period over the objection of an historically Black college and university (HBCU), to determine if the establishment of the program had any harm on the HBCU and submit a report to the Maryland General Assembly on the review findings.

Unreasonable Duplication in Graduate Programs Analysis

Recommendation 20: The workgroup recommends that MHEC formally adopt the analysis for unreasonable program duplication in regulation, including the specific criteria and factors the department uses in the analysis. The workgroup recommends that the analysis should prioritize meeting the State's workforce needs, protecting existing programs if they are meeting workforce demand, and collaboration.

The workgroup recommends that the legislature alter § 11-206.1(e)(4) of the Education Article to clarify this objection and that MHEC adopt the analysis for unnecessary program duplication in regulation, in consultation with the Attorney General. The legislature should consider altering this objection as noted below to distinguish this objection and analysis from an unreasonable duplication analysis under § 11-206.1(e)(3):

"(4) UNNECESSARY DUPLICATION in violation of the State's equal opportunity obligations under State and federal law."

Criteria for a Full Program Review of a Substantial Modification to an Existing Program

Recommendation 21: The workgroup recommends that MHEC, in collaboration with all institutions, find a consensus as to whether 33% is the appropriate standard to trigger a full program review of a substantial modification to an existing program. If MHEC finds that a new standard is more appropriate, MHEC should update their regulations by January 2025 with a detailed explanation of the new standard.

Analysis of Recommendations and Advisory Committee

Recommendation 22: The workgroup recommends that the Maryland General Assembly determine an appropriate time to review the implementation of the workgroup's recommendations.

Recommendation 23: The workgroup recommends that the Maryland General Assembly add a Program Review Process Advisory Committee within MHEC to make recommendations to the commission on matters of program review and approval.

Appendix 3
New Unified Financial Aid System
Major Information Technology Development Project
Maryland Higher Education Commission
($ in Millions)

New/Ongoing: Ongoing								
Start Date: 2022				**Est. Completion Date:** June 2026				
Implementation Strategy: Agile								
($ in Millions)	**Prior Year**	**2024**	**2025**	**2026**	**2027**	**2028**	**Remainder**	**Total**
GF	$0.000	$0.000	$3.200	$9.800	$0.000	$0.000	$0.000	$13.000
SF	0.300	0.700	6.860	0.300	0.000	0.000	0.000	8.160
Total	**$0.300**	**$0.700**	**$10.060**	**$10.100**	**$0.000**	**$0.000**	**$0.000**	**$21.160**

- ***Project Summary:*** Provide MHEC OSFA with an efficient and consumer-friendly, web-based, unified scholarship application allowing for an applicant to apply for all centralized scholarship programs offered by MHEC. The new system will include advanced navigation and empower students to take ownership of their financial circumstances; mobile capability would allow online access on any device; and enhance reporting features would allow institutions, legislators, and guidance counselors to remain informed of a student’s status. It will also allow for faster processing and awarding of scholarships.

- ***Need:*** This system will replace MDCAPS, which is over 10 years old and has reached its design capacity for advanced technology features. MHEC needs a financial aid management system that is flexible, extensible, scalable, accessible, and secure to deliver a modern user experience where students and others can self-serve.

- ***Other Comments:*** DoIT has completed its technical and legal review of the request for proposals (RFP). The Department of General Services, Office of State Procurement is currently reviewing the RFP for approval. Once approved, the solicitation will be published on *eMaryland Marketplace Advantage* and available for vendors to submit proposals. There will also be a second RFP for an integrated system to address the need to track students who are to perform service obligations and those who are in repayment status. The RPF is in the early stage of development and must go through DoIT intake review process.

  It should be noted the MHEC has implemented a unified scholarship application as required by statute in the current MDCAPS system that includes a section for undocumented students who are eligible for State financial assistance funds. The unified application is currently available for applicants to complete and apply for all scholarships and grants administered by MHEC for the 2024-2025 award year.

Appendix 4
Object/Fund Difference Report
Maryland Higher Education Commission

Object/Fund	FY 23 Actual	FY 24 Working Appropriation	FY 25 Allowance	FY 24 - FY 25 Amount Change	Percent Change
Positions					
01 Regular	69.00	72.00	83.00	11.00	15.3%
02 Contractual	5.35	8.35	5.35	-3.00	-35.9%
Total Positions	**74.35**	**80.35**	**88.35**	**8.00**	**10.0%**
Objects					
01 Salaries and Wages	$ 6,684,638	$ 7,573,579	$ 8,752,199	$ 1,178,620	15.6%
02 Technical and Special Fees	307,107	615,024	363,463	-251,561	-40.9%
03 Communication	10,323	41,150	36,918	-4,232	-10.3%
04 Travel	50,700	53,776	53,711	-65	-0.1%
06 Fuel and Utilities	0	0	4,606	4,606	N/A
07 Motor Vehicles	74,943	84,730	77,980	-6,750	-8.0%
08 Contractual Services	23,145,237	1,501,053	1,515,603	14,550	1.0%
09 Supplies and Materials	17,967	42,700	42,700	0	0%
10 Equipment – Replacement	21,466	16,343	16,343	0	0%
11 Equipment – Additional	0	98,750	98,750	0	0%
12 Grants, Subsidies, and Contributions	154,841,949	177,840,061	187,067,838	9,227,777	5.2%
13 Fixed Charges	423,818	432,359	586,512	154,153	35.7%
Total Objects	**$ 185,578,148**	**$ 188,299,525**	**$ 198,616,623**	**$ 10,317,098**	**5.5%**
Funds					
01 General Fund	$ 163,327,992	$ 164,525,173	$ 175,650,863	$ 11,125,690	6.8%
03 Special Fund	20,615,141	21,238,202	21,330,655	92,453	0.4%
05 Federal Fund	402,616	414,653	465,776	51,123	12.3%
09 Reimbursable Fund	1,232,399	2,121,497	1,169,329	-952,168	-44.9%
Total Funds	**$ 185,578,148**	**$ 188,299,525**	**$ 198,616,623**	**$ 10,317,098**	**5.5%**

Note: The fiscal 2024 appropriation does not include deficiencies. The fiscal 2025 allowance does not include contingent reductions or statewide salary adjustments budgeted within the Department of Budget and Management.

Appendix 5
Fiscal Summary
Maryland Higher Education Commission

Program/Unit	FY 23 Actual	FY 24 Wrk Approp	FY 25 Allowance	Change	FY 24 - FY 25 % Change
01 General Administration	$ 30,587,618	$ 10,095,672	$ 11,119,683	$ 1,024,011	10.1%
02 College Prep/Intervention Program	732,096	750,000	750,000	0	0%
03 Joseph A. Sellinger Program	118,598,457	137,094,789	133,905,066	-3,189,723	-2.3%
07 Educational Grants	15,541,747	20,536,511	32,951,459	12,414,948	60.5%
38 Nurse Support Program II	19,418,230	19,122,553	19,190,415	67,862	0.4%
43 College Access Pilot Program	700,000	700,000	700,000	0	0%
Total Expenditures	**$ 185,578,148**	**$ 188,299,525**	**$ 198,616,623**	**$ 10,317,098**	**5.5%**
General Fund	$ 163,327,992	$ 164,525,173	$ 175,650,863	$ 11,125,690	6.8%
Special Fund	20,615,141	21,238,202	21,330,655	92,453	0.4%
Federal Fund	402,616	414,653	465,776	51,123	12.3%
Total Appropriations	**$ 184,345,749**	**$ 186,178,028**	**$ 197,447,294**	**$ 11,269,266**	**6.1%**
Reimbursable Fund	$ 1,232,399	$ 2,121,497	$ 1,169,329	-$ 952,168	-44.9%
Total Funds	**$ 185,578,148**	**$ 188,299,525**	**$ 198,616,623**	**$ 10,317,098**	**5.5%**

Note: The fiscal 2024 appropriation does not include deficiencies. The fiscal 2025 allowance does not include contingent reductions or statewide salary actions budgeted within the Department of Budget and Management.