R62I0001

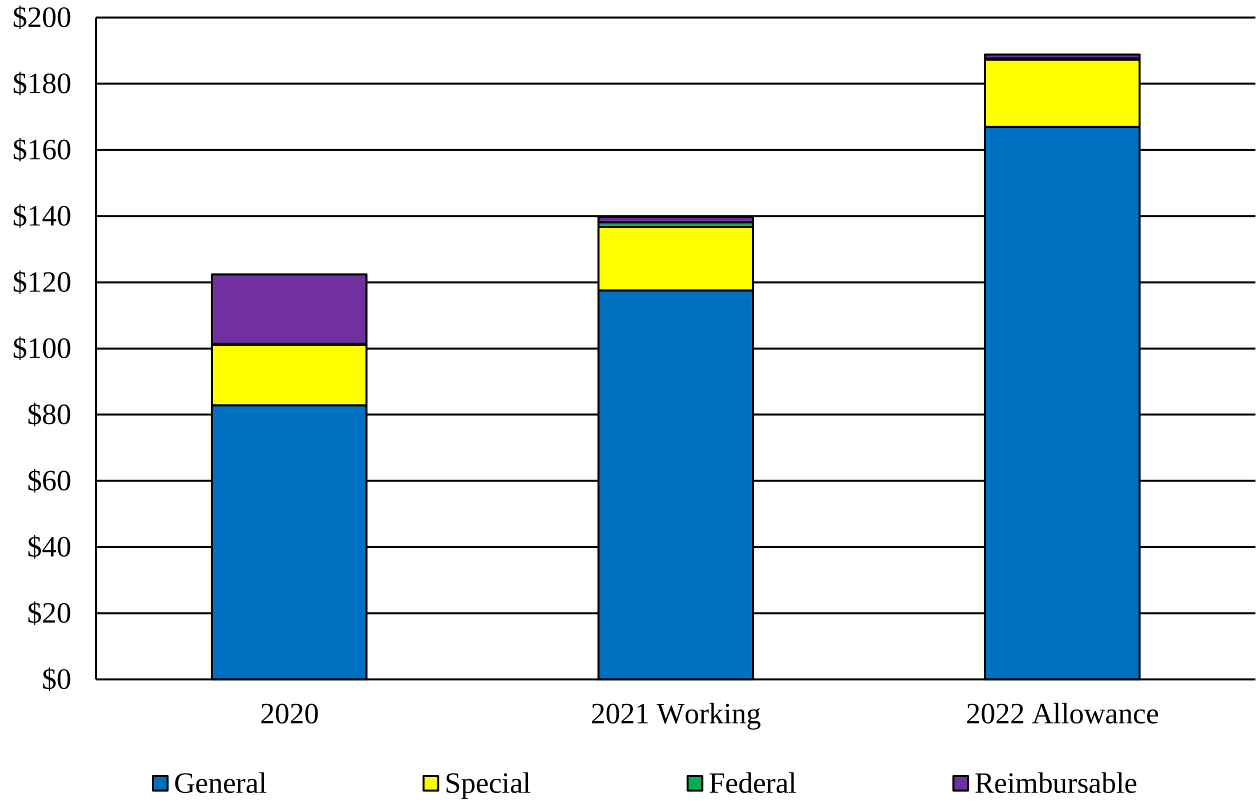
Maryland Higher Education Commission

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 2023 Budget Increases $49.2 Million, or 35.2%, to $188.9 Million
($ in Millions)



Note: The fiscal 2022 working appropriation includes deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments. Numbers may not sum due to rounding.

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- The fiscal 2023 budget includes four proposed deficiency appropriations for MHEC that would provide a total of $4.0 million in general funds, of which $1.9 million is for the Workforce Readiness Grant program that would provide matching grants to community colleges to improve campus technology.

- As mandated in Chapter 41 of 2021, the fiscal 2023 allowance provides $22.0 million for attorney fees.

- Funding for the Sellinger formula in the fiscal 2023 allowance increases by 33.5%, or $29.8 million, due to increases related to the State funding per full-time equivalent student (FTES) for select public four-year institutions.

Key Observations

- ***First-year Outcomes for Students Assessed to Need Remediation:*** When comparing credit accumulation of students who were assessed to need remediation, those who completed remedial courses were more likely to have completed at least 24 credits compared to those who did not complete a remedial course. However, the differences diminished when comparing the completion of at least 30 credits.

- ***COVID-19 Increases Enrollment in Distance Learning Programs:*** In fall 2020, the number of in-state students enrolled exclusively in distance learning programs in Maryland institutions increased by 138.1% due to the impact of Maryland institutions de-densifying campuses and moving a majority of courses online.

Operating Budget Recommended Actions

1. Restrict funds pending report on status of corrective actions from 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.

4. Add language restricting general funds pending a report on supporting the State's higher education goals.

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Maryland Higher Education Commission

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, 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. Remediation – First-year Outcomes

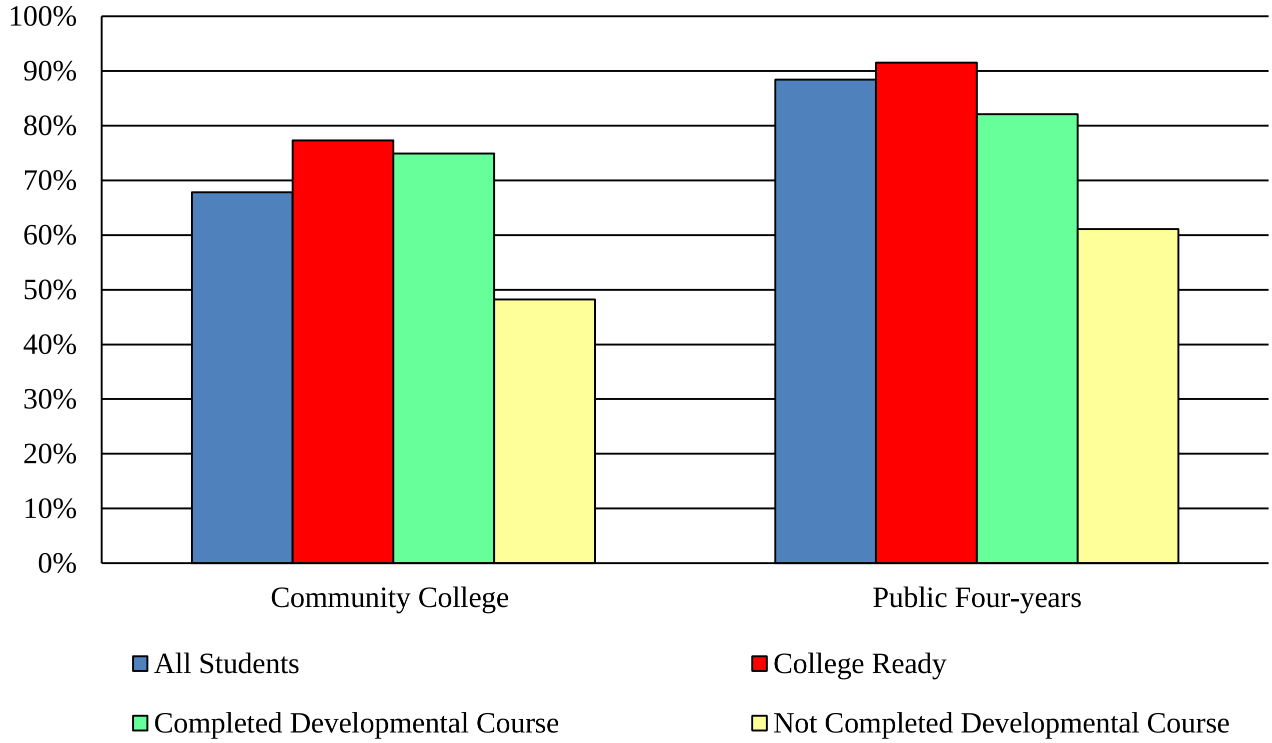
In 2020, MHEC released a four-part briefing series regarding remediation and the impact that it has on student success at Maryland's public institutions. MHEC followed the first-time/full-time (FT/FT) cohort who entered in fall 2017 and looked at who is assessed to need developmental coursework in math and English and who completed developmental and credit-bearing courses within the first year. Overall, 60.7% of the 2017 FT/FT cohort of community college students were assessed to need remedial coursework compared to 16.3% at public four-year institutions.

MHEC found that students who are assessed to need remedial coursework in English before moving on to a credit-bearing course are less likely to complete the required course within the first year than those assessed to need remedial math. In addition, MHEC found that more than one-quarter of students at four-year institutions and almost one-fifth of students at community colleges who were assessed to need a remedial course and did not complete a developmental course were successful in the corresponding credit-bearing course.

The fifth in the briefing series examined the 2017 cohort's first year academic outcomes is the accumulation of 24 or 30 credits and end-of-year grade point average (GPA) of at least 2.0. In order to maintain eligibility for financial aid programs, students need to maintain, at a minimum, a GPA of 2.0. In addition, to maintain eligibility for federal financial aid, a student must complete at least 24 credits a year, and for Maryland's Educational Assistance and Guaranteed Access Grant program, a student must annually complete at least 30 credits to maintain eligibility for the full award.

After the first year, which is considered a predictor of long-term success, students who completed remedial courses were almost as likely as college-ready students to earn a GPA of at least 2.0. As shown in **Exhibit 1**, at community colleges, 77.3% of college-ready students and 74.9% of students who completed developmental courses earned a GPA of at least 2.0, while at the public four-year institutions, the rates were 91.5% and 82.1%, respectively. Those assessed as requiring but not completing a remedial course were the least likely to have a GPA of at least 2.0, 48.2% at community colleges and 61.1% of at the public four-years.

Exhibit 1
First-year GPA 2.0 or Higher
Students Entering in Fall 2027

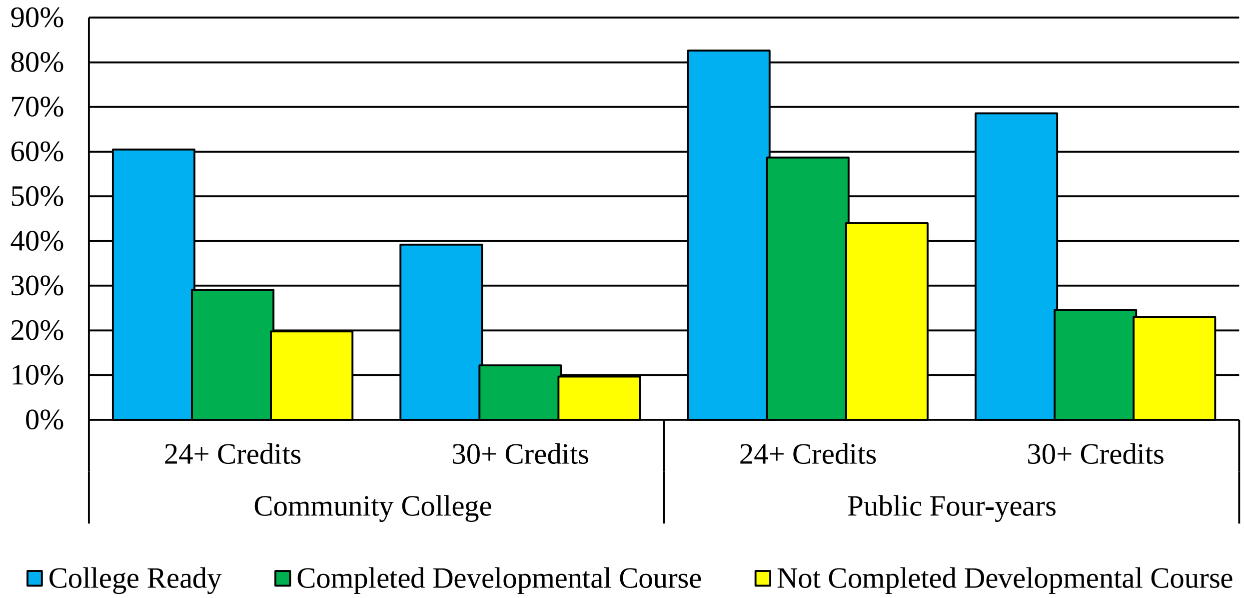


GPA: grade point average

Source: Maryland Higher Education Commission

As shown in **Exhibit 2**, overall, students who entered as college ready were more likely to complete 24 or 30 credit hours. For example, 60.5% of college-ready students at community colleges and 82.6% at the public four-years earned over 24 credits. However, the percent of college-ready students completing 30 credits or more decreases to 39.2% at the community colleges and 68.6% at the public four-year institutions.

Exhibit 2
First-year Credit Completion
Students Entering in Fall 2017



Source: Maryland Higher Education Commission

When comparing credit accumulation of students who were assessed to need remedial coursework, those who completed remedial courses were more likely to have completed at least 24 credits than those who did not complete a remedial course. However, the differences diminished at the 30-credit level. For instance, at the community colleges, of those who completed developmental courses, 29.1% completed at least 24 credits and 58.7% at the public four-year institutions. When looking at those assessed as needing remediation but did not take a remedial course, 19.8% of those in community colleges and 44.0% at the public institutions completed at least 24 credits. However, only 12.2% and 24.6% of those who completed the developmental course at the community colleges and the public institutions, respectively, earned at least 30 credits. The percent's decline to 9.7% and 23.0%, respectively, when looking at those who earned at least 30 credits and did not complete the remedial course.

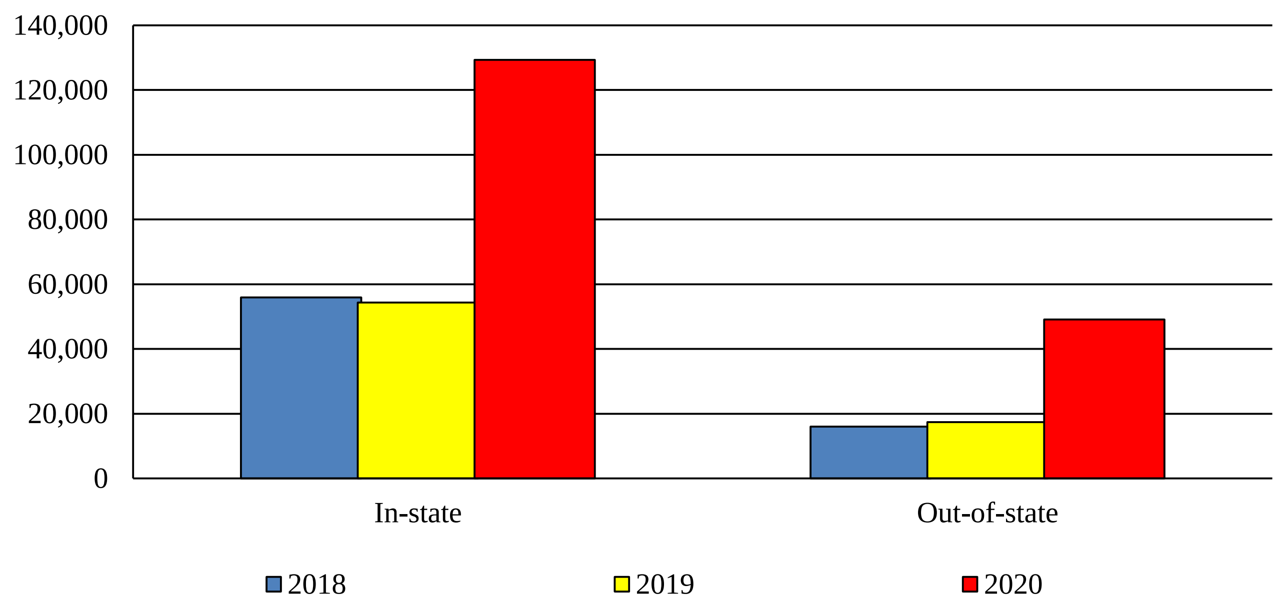
It needs to be seen if the drop off of those students assessed as needing remediation completing at least 30 credit hours persists into their second year. If so, the State may want to reconsider the 30-credit completion requirement to maintain eligibility for full scholarship award in which students must successfully complete 30 credit at the end of their second year. While this was established to provide an incentive to motivate students to stay on track to graduate in a timely manner, it does not appear to impact decisions of those assessed as needing remediation who are more likely to meet the federal financial aid eligibility of 24 credits. The current State policy that prorates a student's award if they do not earn 30 credits may have the unintended consequences of increasing financial stress on students who do not earn 30 credits.

2. 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 to impose no 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.

As shown in **Exhibit 3**, in fall 2020, the number of students enrolled exclusively in distance learning programs at Maryland institutions significantly increased due to the impact of Maryland institutions de-densifying campuses and moving a majority of courses online. Prior to fall 2020, the number of in-state students exclusively enrolled in distance education at Maryland institutions was fairly stable around 55,000 students, which increased to 129,373 students (an increase of 138.1%) in fall 2020. The growth rate was similar (182%) for out-of-state students, which increased from 17,410 in fall 2019 to 49,093 in fall 2020.

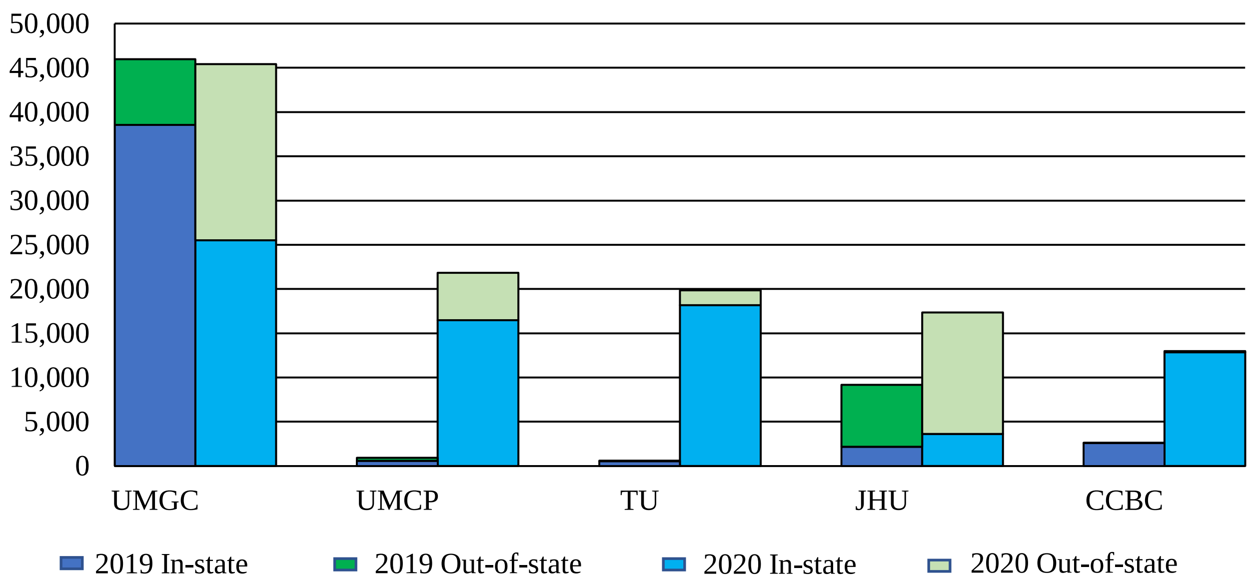
Exhibit 3
Exclusively Distance Education Enrollment at Maryland Institutions
Fall 2018-2020



Source State Authorization Reciprocity Agreement

The impact of teaching most courses remotely in fall 2020 is illustrated in **Exhibit 4**, which compares the five Maryland institutions with the highest exclusively distance learning enrollment in fall 2019 to 2020. Enrollment at institutions, which prior to the pandemic did not have a strong online presence, experienced dramatic increases in distance learning enrollments as classes moved online. However, it will require a longer-term comparison to determine if there has been a permanent shift in how students prefer to learn or if this is due to institutions limiting in-person options during the pandemic. In addition, it remains to be determined if institutions will incorporate lessons learned from fall 2020 to permanently increase access to its programs by offering more programs remotely or return to "normal" operations. Of note, for the University of Maryland Global Campus (UMGC), which always had more distance learning enrollments, the total exclusive distance learning enrollments was stable in fall 2020; however, the composition of students changed. In particular, UMGC experienced an increase of 168.1% for out-of-state students (12,483 students) and a decrease of 33.8% for in-state students (13,041 students) compared to fall 2019. This may reflect the increase in options available to students who could take courses from their home institution.

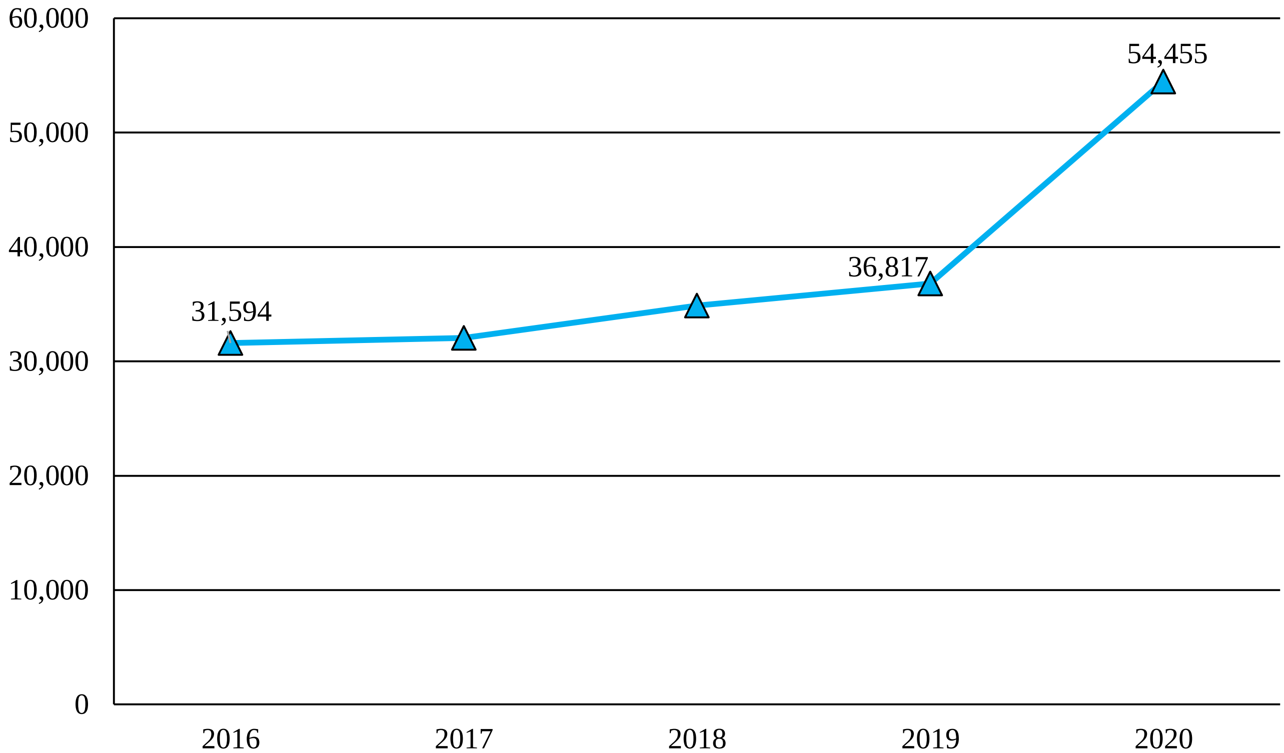
Exhibit 4
Total Exclusive Distance Learning Enrollments
Fall 2019 and 2020



Source: State Authorization Reciprocity Agreement NC-SARA

Exhibit 5 provides information on the number of students from Maryland enrolled exclusively in distance education in other states. Consistent with changes at institutions in Maryland, after remaining fairly stable from fall 2016 to 2019, enrollment grew by 47.9%, or 17,638 students, in fall 2020. Almost half the students from Maryland who enrolled exclusively in distance education programs are enrolled in programs in the District of Columbia, Arizona, Virginia, Pennsylvania, or West Virginia.

Exhibit 5
Maryland Students Enrolled in Out-of-state Institutions
Fall 2016-2020



Source: State Authorization Reciprocity Agreement

3. Student 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 beginning in the 2017 tax year. Chapter 382 of 2018 expanded the types of qualifying debt to include debt incurred for graduate school. MHEC was initially authorized to approve $5.0 million of tax credits annually. Chapter 419 of 2018 increased the total amount of credits that can be awarded to $9.0 million annually.

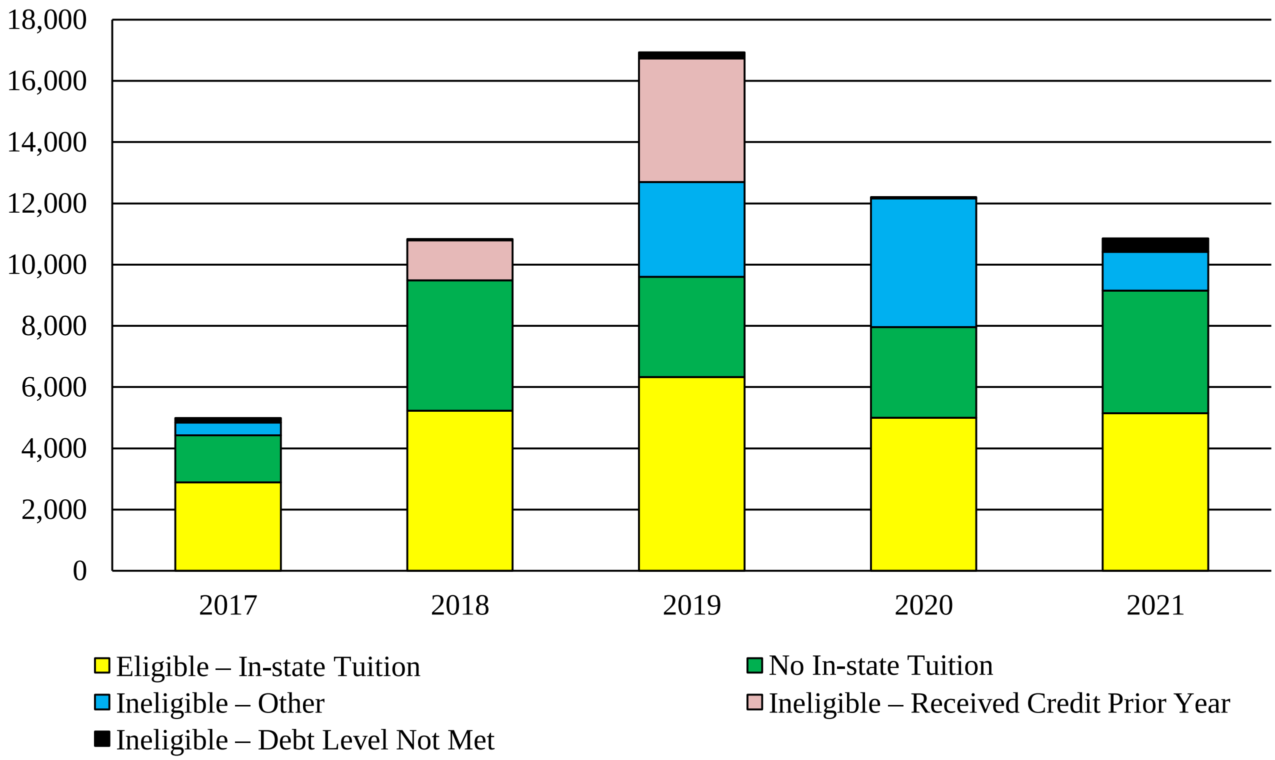
Qualifying taxpayers must have had at least $20,000 in total undergraduate and/or graduate student debt and a remaining balance of at least $5,000. Recipients must use the credit within two years to pay down the student loan. Applications must be submitted by September 15, and MHEC must certify the amount of the tax credit by December 15.

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

- did not receive a tax credit in the prior year and were eligible for in-state tuition (eligibility is based on the applicant's place of residency while enrolled in college);
- did not receive a tax credit in the prior year and graduated from a Maryland institution of higher education (*i.e.*, individuals were not eligible for in-state tuition);
- did receive a tax credit in the prior year and were eligible for in-state tuition;
- did receive a tax credit in the prior year and graduated from a Maryland institution of higher education (*i.e.*, individuals were not eligible for in-state tuition); and
- have higher debt-burden-to-income ratios.

As shown in **Exhibit 6**, between the 2017 tax year (the first year available) and the 2019 tax year, the number of applications increased by 239.4% to 16,929 applications. MHEC attributes the increase in applications to expanding qualifying loan debt to include graduate debt for the 2018 tax year and the first year of online application submission in 2019. Between the 2019 tax year and the 2021 tax year, the number of applications has fallen by 35.9%, or 6,079 applications. According to MHEC, the decrease is due to the federal suspension of student loan payments since the onset of the pandemic in 2020. These payments are expected to begin May 1, 2022, which would be expected to lead to an increase in applications for the 2022 tax year. **MHEC should comment on efforts that it is taking to increase awareness of the program to assist eligible individuals, especially with the anticipated resumption of student loan repayments in 2022.**

Exhibit 6
Student Loan Debt Tax Credit Applications
Tax Year 2017-2021



Source: Maryland Higher Education Commission

Overall, 84.4% of applicants were eligible for a tax credit in 2021 compared to 65.2% for the 2020 tax year. For the 2021 tax year, the number of applications that were determined not eligible for in-state tuition increased by 35.2%, or 1,043 applications, compared to the 2020 tax year. The number of applicants that were determined to be ineligible because of not meeting the debt level increased from 41 in the 2020 tax year to 437 in the 2021 tax year. The number of applications that were determined ineligible for other reasons (*i.e.*, incomplete or duplicate applications or applications containing errors, fell by 70.1%, or 2,944 applications). MHEC notes that it will follow up with the applicant to complete and fix errors before the September 15 deadline for incomplete applications and those containing errors.

As shown in **Exhibit 7**, despite an increase in the total amount of credits that could be awarded for the 2018 tax year from $5 million to $9 million, the value of the tax credit awards decreased due to the more than doubling of eligible applicants. For 2021, the credit for those eligible for in-state tuition increased by 32.8%, to $1,607, reflecting a decline in the number of eligible applications, while the credit for those not eligible for in-state tuition decreased 10.9%, to $875.

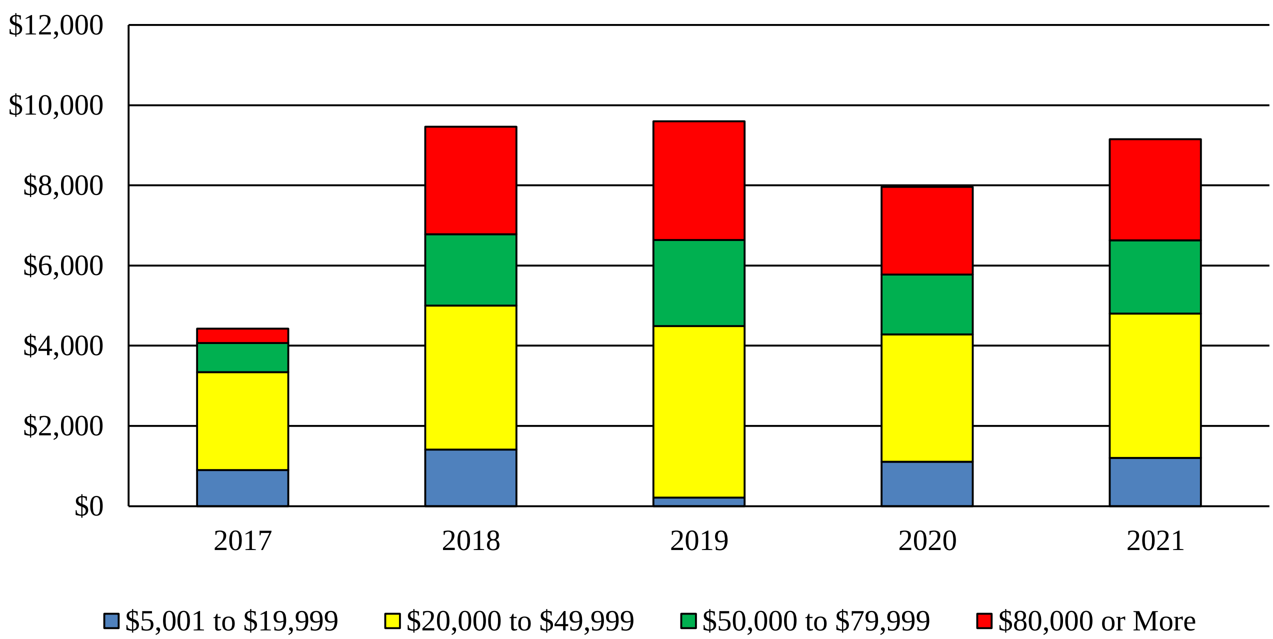
Exhibit 7
Amount of Tax Credit
Tax Year 2017-2021

	2017	2018	2019	2020	2021
Eligible for In-state Tuition	$1,201	$1,000	$1,000	$1,210	$1,607
Not Eligible for In-state Tuition	1,000	883	813	982	875

Source: Maryland Higher Education Commission

Exhibit 8 compares the outstanding loan balances of tax credit recipients from 2017 to 2021. Due to the inclusion of graduate debt beginning in the 2018 tax year, the portion of those with debt over $100,000 increased from 3.9% of recipients in 2017 to 20.3% in 2020, before decreasing slightly in 2021 to 19.8%. The other large category of recipients is those with loan balances between $20,000 to $29,000, which in the 2021 tax year comprise 17.2% of tax credit recipients.

Exhibit 8
Outstanding Loan Balances of Student Loan Tax Credit Recipients
Tax Year 2017-2021



Source: Maryland Higher Education Commission

Fiscal 2022

Proposed Deficiency

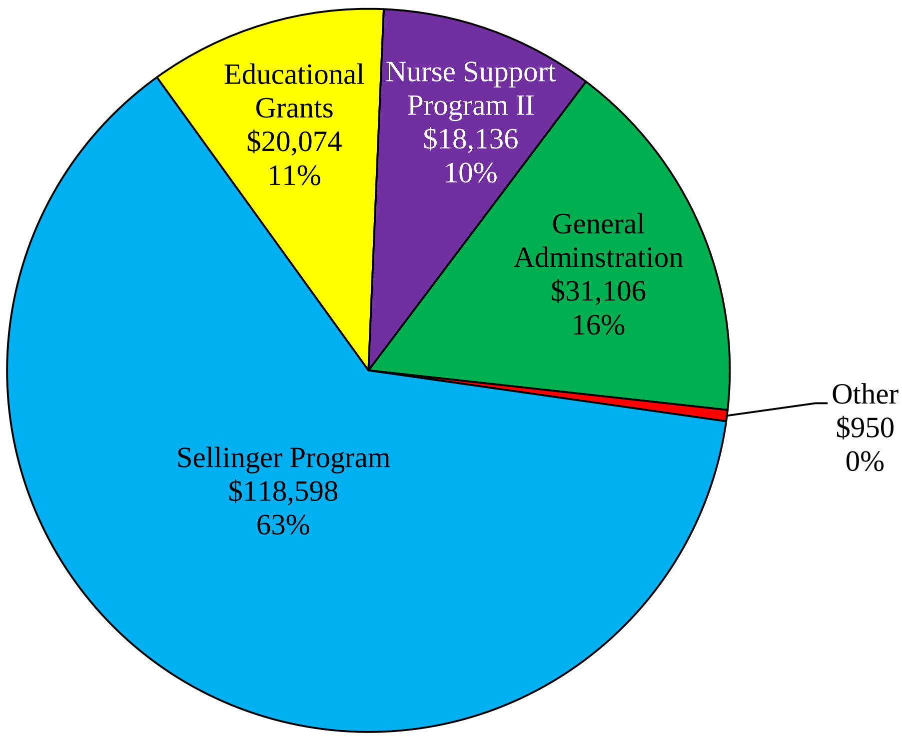
The fiscal 2023 budget includes four proposed deficiency appropriations impacting MHEC that would provide a total of $4.0 million in general funds:

- $1.9 million for the Workforce Readiness Grant program that would provide matching grants to community colleges to improve campus technology;
- $1.0 million to fund an endowment for the Miller Director of Civic Engagement at Washington College;
- $0.9 million to meet the State match requirement for the Save4College Program; and
- $0.1 million to fund initial staff and startup costs for a program evaluation unit that is mandated under Chapter 41.

Fiscal 2023 Overview of Agency Spending

The fiscal 2023 allowance for MHEC totals $188.9 million (excluding financial aid that is analyzed in a separate analysis). As shown in **Exhibit 9**, funding for the Joseph A. Sellinger (Sellinger) Program for Aid to Non-Public Institutions of Higher Education accounts for 63% ($118.6 million) of the fiscal 2023 allowance. The Nurse Support Program II, funded by the Health Services Cost Review Commission and administered by MHEC to increase the number of nurses in the State, and educational grants comprise 20% ($38.2 million) of expenditures.

Exhibit 9
Overview of Agency Spending
Fiscal 2023 Allowance
($ in Thousands)



Note: The fiscal 2023 allowance does not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments. Other includes College Prep and Maryland Higher Education Outreach and College Access Program.

Source: Governor's Fiscal 2023 Budget Books; Department of Legislative Services

Proposed Budget Change

As shown in **Exhibit 10**, the fiscal 2023 allowance increases by $49.2 million, or 35.2%, compared to the fiscal 2022 working appropriation after accounting for proposed deficiency appropriations. When excluding the $29.8 million increase in the Sellinger formula, funding increases by $19.4 million, or 13.9%, in fiscal 2023. This increase includes $23.5 million in mandated funding.

Exhibit 10
Proposed Budget
Maryland Higher Education Commission
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2021 Actual	$82,886	$18,200	$357	$20,960	$122,404
Fiscal 2022 Working Appropriation	117,578	19,126	1,410	1,558	139,672
Fiscal 2023 Allowance	166,923	20,316	405	1,220	188,864
Fiscal 2022-2023 Amount Change	$49,345	$1,189	-$1,005	-$338	$49,192
Fiscal 2022-2023 Percent Change	42.0%	6.2%	-71.2%	-21.7%	35.2%

Where It Goes:	Change
Personnel Expenses	
Funding for new positions as mandated in Chapter 41 of 2021 – Program Evaluation Unit	$476
Retirement	73
Social Security Contributions/Unemployment	44
Workers' compensation premium assessment	-41
Employee and retiree health insurance	-124
Turnover adjustments	-105
Changes Due to Mandates	
Mandated increase in funding for Sellinger formula	29,788
Attorney fees as mandated in Chapter 41	22,032
Establish Teacher Quality and Diversity Grant Program Fund Supported by The Blueprint for Maryland's Future Fund as mandated in Chapter 36 of 2020	1,000
Establish Inmate Training and Job Pilot Program at BSU, MSU, and UMES as mandated in Chapter 677 of 2021	300
Funding for the Maryland Higher Education Outreach and College Access Program as mandated in Chapter 403 in 2021	200
Establish the Hunger-Free Campus Grant Program as mandated in Chapter 580 in 2021	150
Other Changes	
Increase funding for UMB's Wellmobile for new vehicle and operating costs	1,000
Deficiency to fund start-up cost for a new program evaluation unit	-95
Decrease in Nurse Support II special funds aligning expenses with revenues	-194

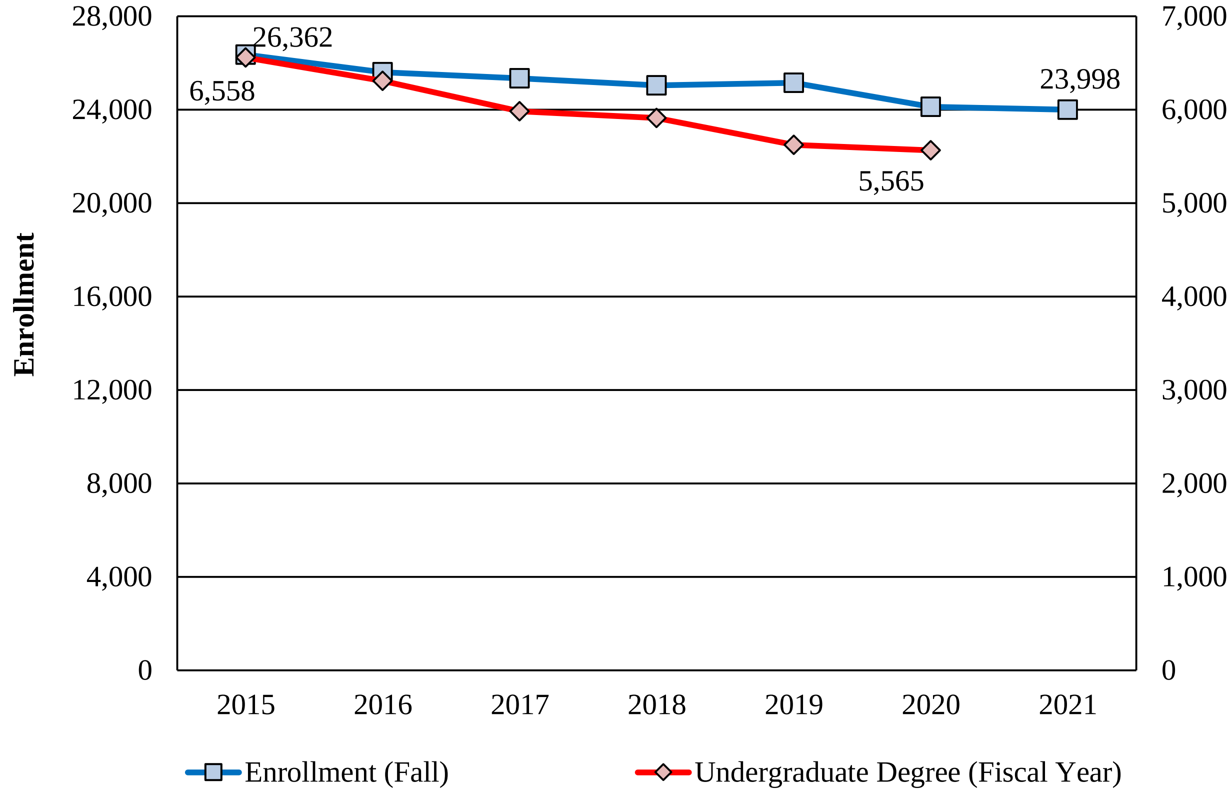
Where It Goes:	**Change**
One-time funding for VaxU Scholarship funded with American Rescue Plan Act funds in which those between 12 and 17 years old who had been vaccinated had a chance to win one of 20 $50,000 scholarships to cover tuition and fees at a public four-year institution	-1,000
Deficiency to fund endowment for Miller Director of Civic Engagement at Washington College	-1,000
Other Changes	
One time grant to Montgomery College to equip the Catherine and Isiah Leggett Math and Science Building	-$1,500
Deficiency for Workforce Readiness Grant Program to provide matching grants to community colleges to improve campus technology	-1,903
Other	90
Total	**$49,192**

Note: Numbers may not sum to total due to rounding. The fiscal 2022 working appropriation includes deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Sellinger Formula

The Sellinger formula is based on a percentage of the State's per FTES funding for selected public four-year institutions. This figure is then used to determine the per FTES funding amount for the eligible independent institutions, which is then multiplied by the FTES enrollment at each institution. While overall enrollment has grown at the independent institutions, this is mainly attributed to growth in graduate students. As shown in **Exhibit 11**, between fall 2015 and 2021, undergraduate enrollment at the independent institutions has fallen by 9.0%, or 2,364 students. The largest decline of 1,028 students occurred between fall 2019 and 2020. In addition, due to the steady enrollment decline, degree production has fallen 15.7%, or 993 degrees. It should be noted in terms of helping the State meet its educational completion goal that at least 55% of adults 25 to 64 years old will hold at least one degree credential by 2025, the independent institutions have only met or exceeded their target degree production twice since fiscal 2011. In fiscal 2020 and 2021, institutions fell below the target by 1,104 and 1,125 degrees, respectively.

Exhibit 11
Headcount Undergraduate Enrollment and Undergraduate Degrees
2015-2021



Source: Maryland Higher Education Commission

In the fiscal 2023 allowance, funding for Sellinger increases 33.5%, or $29.8 million, to $118.6 million, as shown in **Exhibit 12**. Overall, since fiscal 2021, funding for Sellinger has doubled:

- in fiscal 2022, the formula was funded at the statutory percent of 15.5% of per FTES funding compared to 10.3% in the prior year; and

- in fiscal 2023, although at the same statutory percentage, the per FTES funding for the selected four-year institutions increases by 26.2%, primarily related to the annualization of the fiscal 2022 general salary increases, the fiscal 2023 general salary increases, and the restoration of reductions for USM taken by the Board of Public Works in fiscal 2021.

Exhibit 12
Funding Distribution by Institution
Fiscal 2021-2023
($ in Thousands)

Institution	Actual 2021	Working 2022	Allowance 2023	$ Change 2022-2023	% Change 2022-2023	$ Change 2021-2023	% Change 2021-2023
The Johns Hopkins University	$29,020	$45,780	$64,621	$18,840	41.2%	$35,601	122.7%
Loyola College	6,535	9,490	11,657	2,167	22.8%	5,122	78.4%
Stevenson University	4,359	6,341	7,774	1,434	22.6%	3,416	78.4%
McDaniel College	2,771	4,995	6,339	1,343	26.9%	3,568	128.8%
Maryland Institute College of Art	2,823	3,431	5,010	1,579	46.0%	2,187	77.5%
Mount St. Mary's College	2,676	4,386	5,469	1,083	24.7%	2,793	104.3%
Goucher College	2,466	2,946	3,574	628	21.3%	1,108	44.9%
Washington College	2,012	2,425	2,848	423	17.4%	836	41.5%
Hood College	1,834	2,948	3,734	786	26.7%	1,899	103.5%
Notre Dame of Maryland University	1,843	2,640	3,328	689	26.1%	1,486	80.6%
Washington Adventist University	1,172	1,418	1,421	3	0.2%	249	21.3%
St. John's College	843	1,050	1,628	578	55.1%	785	93.1%
Capitol Technology University	671	959	1,195	236	24.6%	524	78.1%
Total	**$59,025**	**$88,810**	**$118,598**	**$29,788**	**33.5%**	**$59,574**	**100.9%**

Source: Governor's Fiscal 2023 Budget Books; Department of Legislative Services

Analysis of the FY 2023 Maryland Executive Budget, 2022
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Given the more than doubling of funding of the Sellinger formula, the steady decline in undergraduate enrollment, and the frequent failure to meet the degree production goal, the Department of Legislative Services (DLS) recommends restricting $29.8 million of additional funding in fiscal 2023 pending a report from the Maryland Independent College and University Association detailing how institutions will use the substantial increase in State aid to support the State's higher education goals.

Education Grants

The education grants program provides financial assistance to State, local, and private entities to enrich the quality of higher education. As shown in **Exhibit 13**, educational grant funds decrease 12.8%, or $3.0 million, from fiscal 2022 and 2023, primarily due to the removal of one-time funding in fiscal 2022 for the VaxU Scholarship ($1 million), a grant to Montgomery College ($1.5 million), and three proposed deficiency appropriations totaling $2.8 million for the Workforce Readiness grant, the Miller Director of Civic Engagement, and the College Savings plans. These decreases are partly offset by funding for:

- Teacher Quality and Diversity Grant Program ($1.0 million) in which grants may be awarded to institutions that receive grant funding from a non-State source to increase the quality and diversity of applicants to the institutions' teacher training program and to assist students from groups historically underrepresented in the teaching profession in achieving teacher preparation and certification requirements;

- Wellmobile ($1.0 million);

- Inmate Training and Job Pilot Program at Bowie State University, MSU, and the University of Maryland Eastern Shore ($0.35 million); and

- Hunger-Free Campus grants to any public institutions or regional higher education centers that pledge a matching contribution to be used to implement the goals for the program and is designated as a hunger-free campus ($0.15 million).

Exhibit 13
Education Grants
Fiscal 2022-2023

Programs	**Adjusted Working 2022**	**Allowance 2023**	**$ Difference**	**% Difference**
Federal Funds				
John R. Justice Grant	$38,826	$38,826	$0	
VaxU Scholarship – American Rescue Plan Act	$1,000,000	0	-1,000,000	
Subtotal	***$1,038,826***	***$38,826***	***-$1,000,000***	***-96.3%***
Special Funds				
Teacher Quality and Diversity Grant Program	$0	$1,000,000	1,000,000	
Subtotal	**0**	***$1,000,000***	***$1,000,000***	
Reimbursable				
GEAR UP Scholarships	$1,091,340	$1,091,340	$0	
Subtotal	***$1,091,340***	***$1,091,340***	**$0**	
General Funds				
Complete College Maryland	$250,000	$250,000	$0	
Washington Center for Internships and Academic Seminars	350,000	350,000	0	
UMB – Wellmobile[1]	285,000	1,285,000	1,000,000	
Regional Higher Education Centers[2]	1,409,861	1,409,861	0	
Colleges Savings Plan Match[3]	10,979,500	10,979,500	0	
Achieving a Better Life Experience Program	344,157	344,157	0	
Cyber Warrior Diversity Program	2,500,000	2,500,000	0	
Near Completers Grant	375,000	375,000	0	
Montgomery College Grant	1,500,000	0	-1,500,000	
Workforce Readiness Grant	1,902,805	0	-1,902,805	
Miller Director of Civic Engagement	1,000,000	0	-1,000,000	
Inmate Training and Job Pilot Program		300,000	300,000	
Hunger-Free Campus Grant Program		150,000	150,000	
Subtotal Including Grants to Be Transferred	***$20,896,323***	***$17,943,518***	***-$2,952,805***	***-14.1%***
Total Funds Including Grants	**$23,026,489**	**$20,073,684**	**-$2,952,805**	**-12.8%**

[1]Funding will be transferred to UMB by budget amendment.
[2]Fiscal 2022 and 2023 includes $0.4 million for the Waldorf Center that will be transferred by budget amendment to University of Maryland Global Campus.
[3]Fiscal 2022 includes $0.9 million deficiency to satisfy match requirement for the Save4College Contribution Program.

Source: Governor's Fiscal 2023 Budget Books

Personnel Data

	FY 21 Actual	FY 22 Working	FY 23 Allowance	FY 22-23 Change
Regular Positions	60.00	64.00	69.00	5.00
Contractual FTEs	9.35	10.35	9.85	-0.50
Total Personnel	**69.35**	**74.35**	**78.85**	**9.50**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	3.45	5.00%
Positions and Percentage Vacant as of 12/31/21	8.00	13.56%
Vacancies Above Turnover	4.55	

- Chapter 41 mandates the establishment of a separate program evaluation unit that is to include at least 10 new positions. A proposed deficiency appropriation provides 5.0 regular positions in fiscal 2022, and the fiscal 2023 allowance provides for the remaining 5.0 regular positions in fiscal 2023. Previously, this function was part of the academic affairs unit.

Issues

1. Late Report Submissions

The 2021 *Joint Chairman's Report* (JCR) requested MHEC to submit 10 reports, including those that are part of the Aid to Community College and Student Financial Assistance analyses. As shown in **Exhibit 14**, one report due on September 1 has not been submitted. The remaining 9 reports were submitted late, ranging from 22 days to 178 days. Additionally, State statute requires MHEC to submit the State Plan for Higher Education by July 1 every four years to the Governor and General Assembly. The 2021-2025 State Plan was required to be submitted July 1, 2021, but MHEC has yet to submit the plan.

Exhibit 14
Late *Joint Chairmen's Report* Responses
Fiscal 2022

Report	Due Date	Date Received
Maryland Loan Assistance Repayment Program for Foster Care Recipients	July 1, 2021	July 23, 2021
The Collegium	September 1, 2021	October 18, 2021
Awarding Credit for Prior Learning and Competency-based Education	September 1, 2021	February 25, 2022
Students with Chronic Health Conditions	September 30, 2021	November 15, 2021
Next Generation Scholars Postsecondary Outcomes	December 1, 2021	January 13, 2021
Workforce Shortage Student Assistance Grants	December 1, 2021	January 14, 2022
Best Practices and Annual Progress Toward 55% Completion Goal	December 15, 2021	January 13, 2022
Assessment Tools	December 15, 2021	January 4, 2022
Impact of Credit Completion Requirement on Financial Aid Awards	December 15, 2021	February 8, 2022
Transition to Student Aid Index	Quarterly starting September 1, 2021	January 13, 2022

Source: Department of Legislative Services

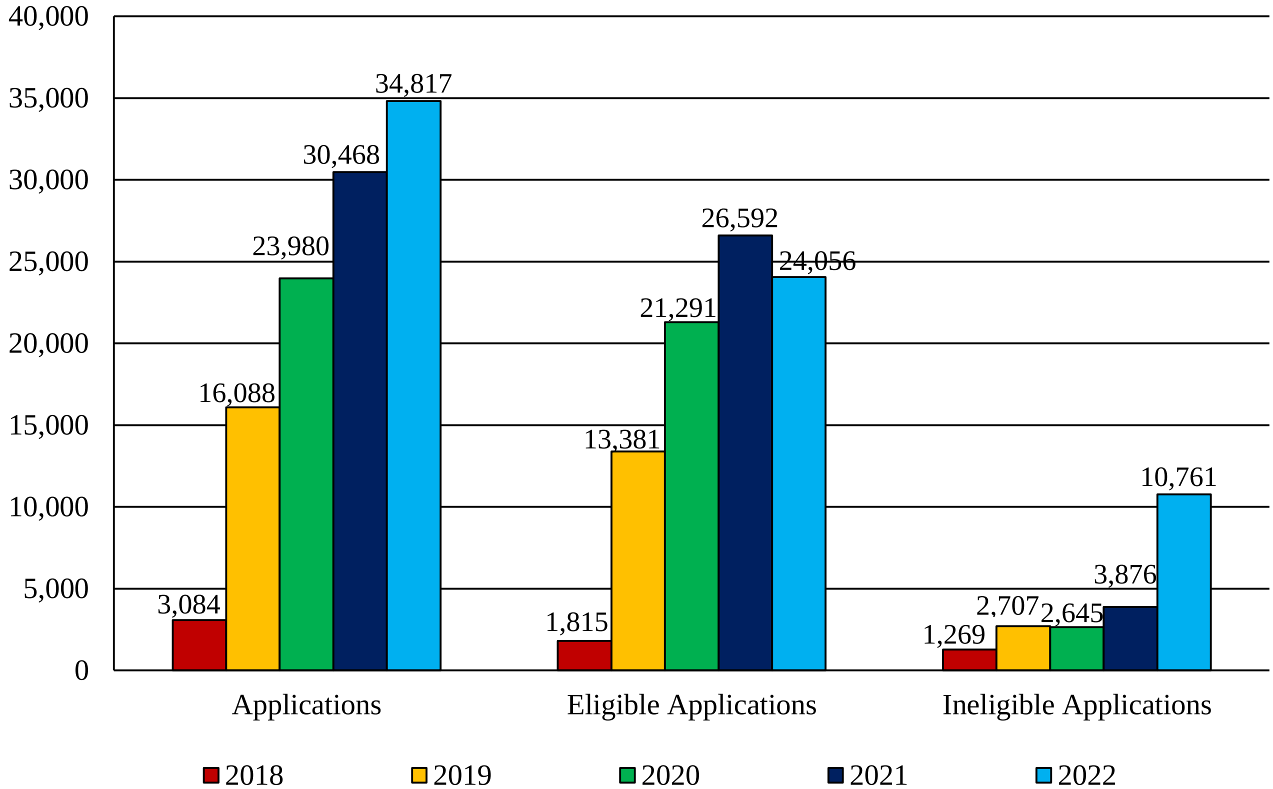
The Secretary should comment on why MHEC has not been able to submit reports on time, and why MHEC has yet to submit the State Plan, which currently is over seven months late.

2. 529 Matching Program

The College Affordability Act of 2016 (Chapters 689 and 690) was developed to ensure that all families throughout Maryland, especially low-income families, had the opportunity to start saving for college for their children. To help students and families before and during college, Maryland 529 (formerly the College Savings Plan of Maryland) manages the Save4College State Contribution Program (Save4College Program) and provides flexible and affordable 529 plans to help Maryland families save for future education expenses and reduce dependence on student loans. Maryland 529 is an independent State agency that provides applicants within certain income limitations a matching contribution of up to $500 to a college savings investment account.

In fiscal 2018, the first year of the program, the Save4College Program received eligible applications that resulted in $475,250, or 9.5%, of the total available funding ($5 million) being allocated. As a consequence of the lackluster results, marketing strategies were developed by Maryland529 to reach lower- and middle-income families to increase enrollment for fiscal 2019. Additionally in fiscal 2019, the State match was raised from $250 to $500 for all but the highest income range contribution groups to further entice participation. The marketing strategies and increased State matching award proved to be effective, with applications increasing by 13,004, or 422%, between fiscal 2018 and 2019. These strategies have continued to prove effective, as shown in **Exhibit 15**, with the Save4College Program receiving 34,817 applications in fiscal 2022 (the fifth year of the program), of which 24,056 applicants, or 69.1%, were deemed eligible to receive the matching funds from the State. A total of 19,831 applicants are due to receive the $500 match (82.4% of eligible applicants), while 4,225 are due to receive the $250 match (17.6% of eligible applicants), for a total of $11 million in State matching funds.

Exhibit 15
Total Applications and Number Eligible for Match
Fiscal 2018-2022



Note: 53 applications were rescinded in fiscal 2022.

Source: Maryland 529

While there has been tremendous growth in the program, several alterations have been needed in recent years to ensure that program abuse, whereby individuals were receiving multiple State matching contributions, is mitigated. Chapter 538 of 2020 limited a qualified beneficiary to two State matching contributions per year beginning with application periods after December 31, 2020. Chapter 436 of 2021 further altered the program to clarify that:

- an account holder under the State contribution program must be a resident of Maryland and file income taxes on, or before, July 15 of each year;

- program eligibility would be dependent on Maryland adjusted gross income rather than taxable income;

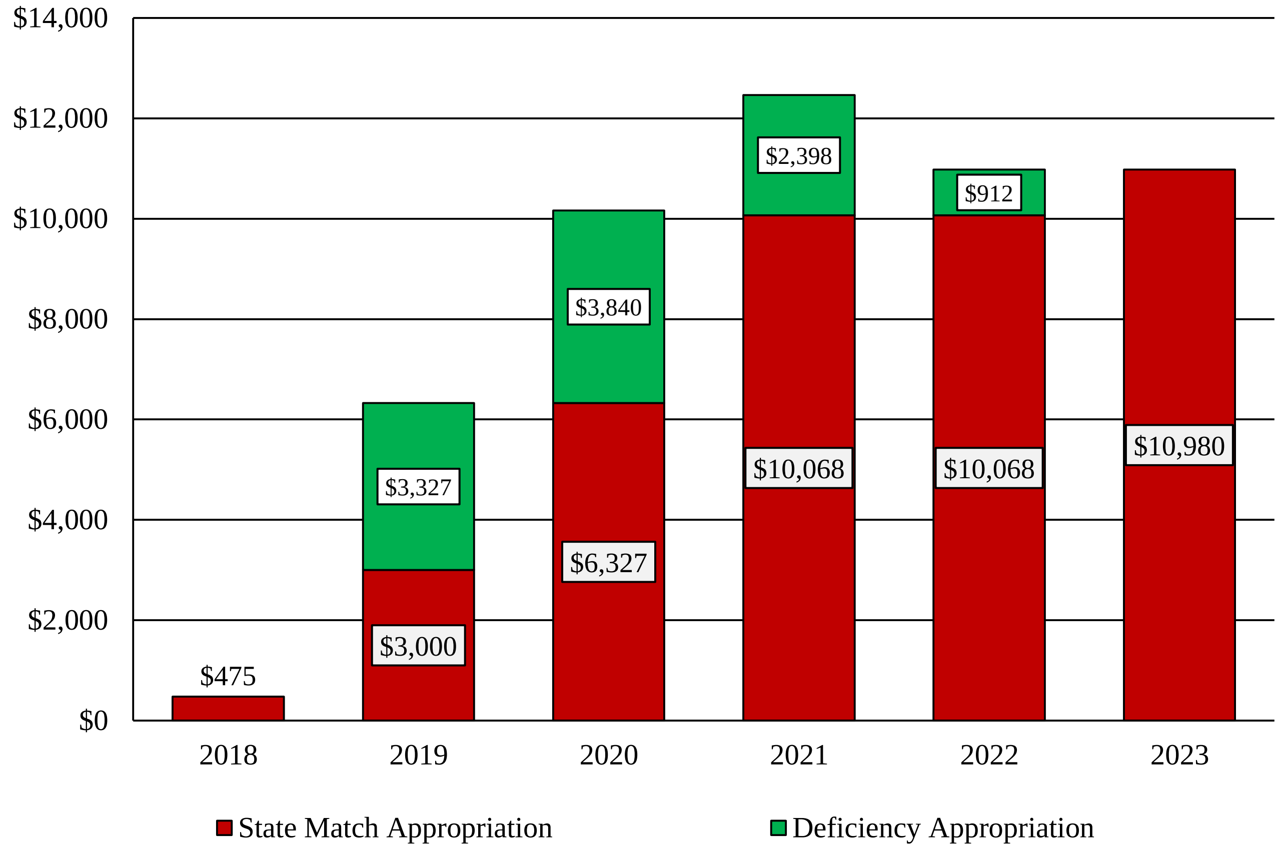
- a qualified beneficiary must be younger than age 26 in the calendar year before the account holder submits an application to receive a State contribution; and,

- The chapter also establishes a maximum lifetime $9,000 State contribution amount over the lifetime of the account holder.

The impact that Chapter 436 had on the State matching program is reflected by the increase in the number of ineligible applications, which increased by 6,885, or 177.6%, in fiscal 2022. While the problem of multiple State matching contributions has been resolved, new custodial accounts where the account holder is younger than age 18, which increased by 800% in fiscal 2021 relative to fiscal 2020, have become a new method by which individuals are attempting to abuse the system to receive a State matching contribution. **The executive director should comment on any new strategies that have been undertaken by individuals attempting to maximize State matching contributions, such as the opening of custodial accounts, and how these actions impact the State matching program.**

As interest in the program has grown, the funds necessary to ensure that all eligible participants receive a State match has also increased. As shown in **Exhibit 16,** funding has grown from $0.5 million in fiscal 2018, to $11.0 million in the fiscal 2023 allowance. A proposed fiscal 2022 deficiency appropriation of $0.9 million for the Save4College program provides additional funding necessary to ensure that all eligible applicants receive their State match contribution while the fiscal 2023 allowance level funds the program at the adjusted fiscal 2022 amount. Deficiency appropriations have been needed, beginning in fiscal 2019 through 2022, to ensure that all eligible applicants receive a State matching contribution.

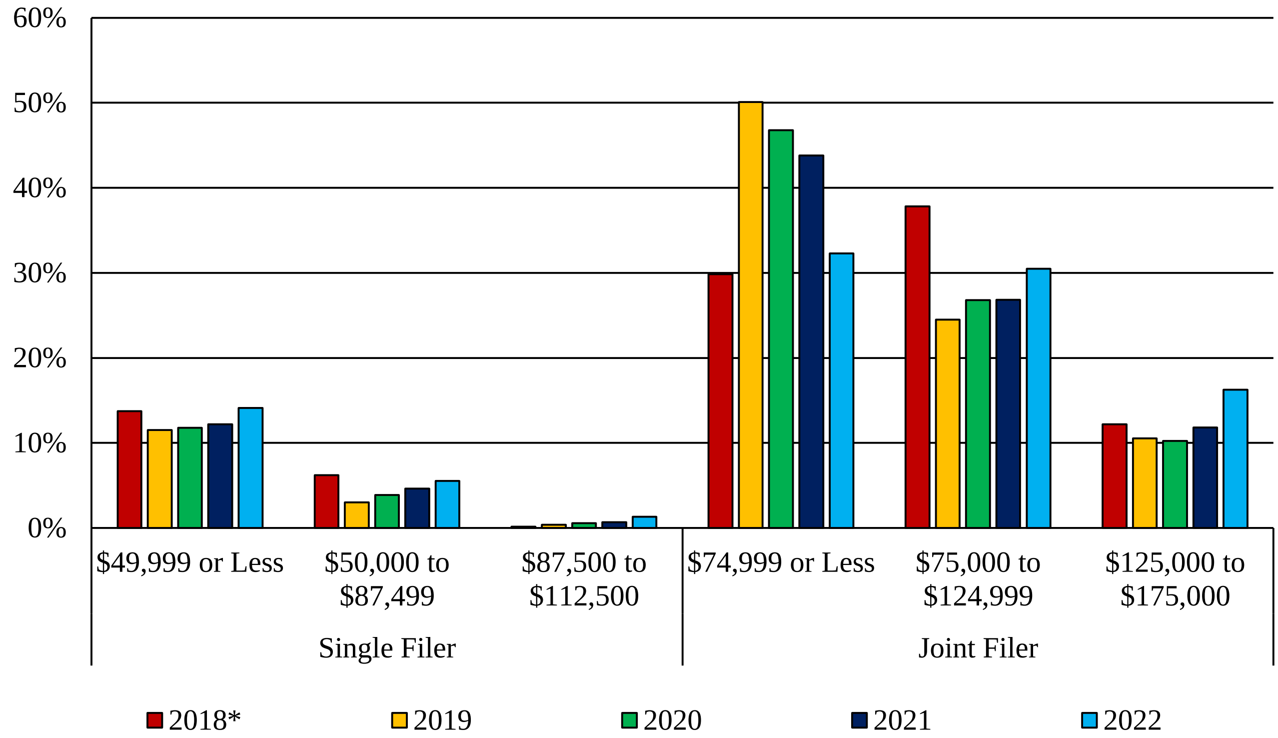
Exhibit 16
State Match Funding Allocation
Fiscal 2018-2021
($ in Thousands)



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

As noted earlier, beginning in fiscal 2019, marketing strategies were developed to attract interest from the lowest tax filing groups. **Exhibit 17** illustrates that these strategies have proven effective, as joint filers who had a taxable income of $74,999 or less increased from 30% to 50% of total applications in fiscal 2019. In fiscal 2020 and 2021, this group represented 47%, and 44%, respectively, of the total applications pool. In fiscal 2022, applications from this bracket decreased by 12 percentage points, representing only 32% of the total application pool. Maryland529 attributed this decline to the impact of Chapter 538 and Chapter 436.

Exhibit 17
Eligible Applications by Income Bracket
Fiscal 2018-2022

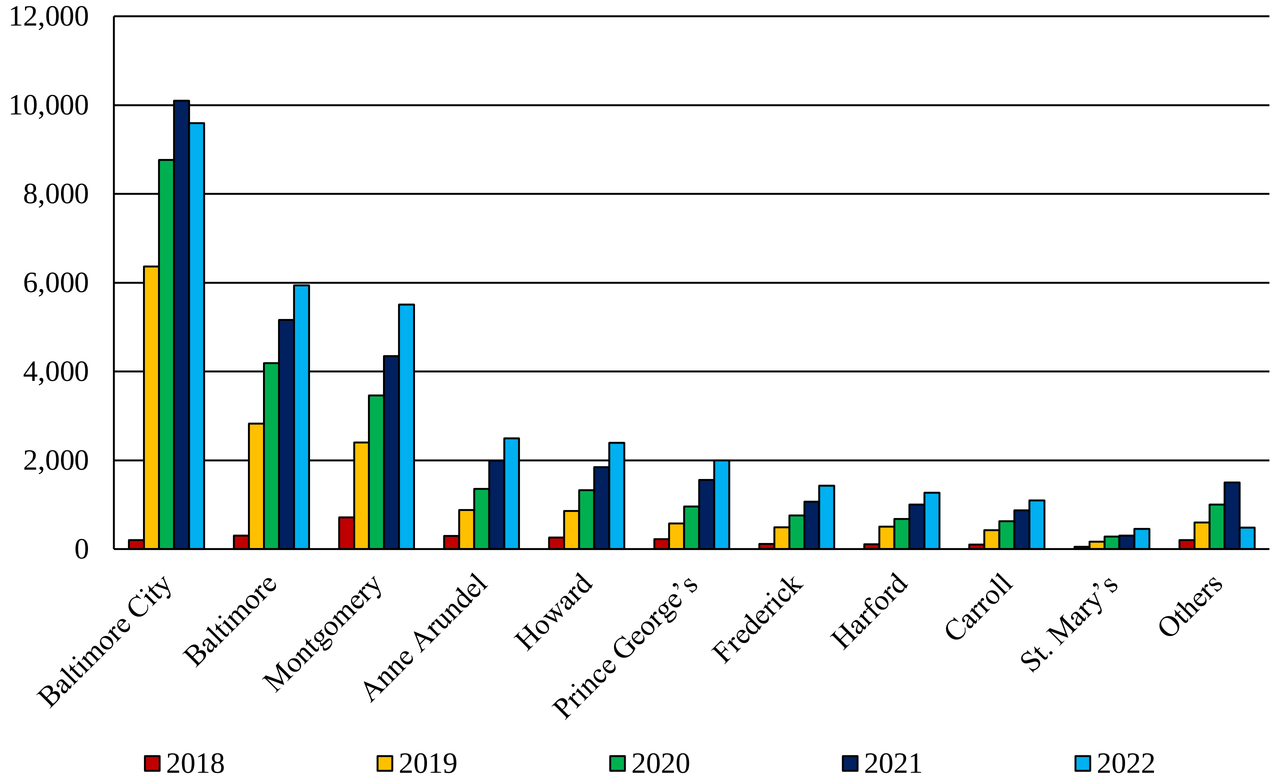


*In fiscal 2018, one application received a contribution, but its tax income grouping could not be verified.

Source: Maryland 529

In addition to developing marketing strategies from certain income groups, Maryland529 also focused marketing on specific regions. With a focus on Baltimore City, as well as other harder to reach areas of the State, including Western Maryland and the Eastern Shore, these marketing strategies had a single goal of increasing participation in the program. Due to COVID-19-related restrictions, the face-to-face outreach efforts in Baltimore City that had been conducted each year, in collaboration with the CASH Campaign, were not held in 2021. Maryland529 also indicated that the decline in applications from Baltimore City, as shown in **Exhibit 18**, was tied to the changes from Chapter 538 that limited the number of awards provided per account holder, as a somewhat proportionately higher number of individuals from Baltimore City were impacted.

Exhibit 18
Application Breakdown by Jurisdiction
Fiscal 2018-2022



Note: Total applications in fiscal 2022 were 34,814. Others represent all other Maryland counties not listed.

Source: Maryland 529

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 findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $100,000 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, 2022; 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 date of the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2023.

   Explanation: The Joint Audit and Evaluation Committee 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. The audit was released in June 2021, in which of the eight findings, five were repeat audit findings that pertain to Financial Assistance Program (R64I00.10) and Aid to Community Colleges (R62I00.06). However, these programs do not have administrative funds from which funding may be restricted. As a result, this language restricts a portion of its administrative budget within MHEC pending the adoption of corrective actions by MHEC and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	Author	Due Date
Status of corrective actions related to 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 2021 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	June 30, 2022

3. Adopt the following narrative:

Report on Best Practices and Annual Progress Toward the 55% Completion Goal: The budget committees understand that in order to meet the State's goal to have at least 55% of Maryland's residents age 25 to 64 holding at least one degree credential by 2025, accurate and timely information on degree progression and best practices is needed to ensure that the State is on track to meet the goal. The budget 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, 2022

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

<u>, provided that $29,788,392 of this appropriation made for the purpose of Joseph A. Sellinger Formula for Aid to Non-Public Institutions for Higher Education may not be expended until the Maryland Independent College and University Association (MICUA) submits a report to the budget committees detailing for each institution how the additional funds provided under the program in fiscal 2023 will be used to support the State's higher education goals including how institutions are (1) ensuring equitable access to affordable higher education; (2) targeting financial aid to those with the greatest need and/or increasing diversity; (3) closing the achievement gap; and (4) helping the State to meet its workforce needs by increasing the</u>

number degrees awarded in workforce shortage areas including the areas of Science, Technology, Engineering and Math, nursing and teaching. The report should specify how much of the additional funding each institution plans to allocate to expand (1) the number and the amount of the need-based awards; (2) activities supporting closure of the achievement gap; (3) activities designed to increase the number of degrees awarded in workforce shortage areas including the areas of science, technology, engineering and mathematics; nursing; and teaching. To the extent feasible, the identification of funding for each should denote any portion of the funding that is specifically targeted to increasing diversity. The report shall be submitted by August 1, 2022, and the budget committees shall have 45 days from the date of the receipt of the report to review and comment. Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

Explanation: This language restricts funds pending a report from MICUA on how each institution will use the additional Sellinger funds to support the State's higher education goals including providing equitable access to affordable higher education and meeting the workforce needs of the State.

Information Request	**Author**	**Due Date**
Report on supporting State's higher education goals	MICUA	August 1, 2022

Appendix 1
2021 *Joint Chairmen's Report* Responses from Agency

The 2021 JCR requested that MHEC prepare five reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on Assessment Tools:*** MHEC surveyed all Maryland institutions on their remedial assessment practices and collected reports and validity studies. An analysis of the submission found that (1) over half of the colleges and universities (31 of 52) are assessing students for course placement; (2) a majority of those institutions (26 of 31) use more than one assessment method to place students; (3) many institutions (21 of 31) have performed formal or informal studies on their remedial course placement in the past 10 years; and (4) institutions demonstrated a commitment to regularly studying the effectiveness of their remedial course placement.

- ***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 independents, and is used throughout various higher education analysis.

- ***Report on The Collegium***: Summarizes MHEC's efforts in working with The Collegium in obtaining approval to operate in the State as a degree-granting institution. A conditional certificate was provided in August 2021, and MHEC expects to conduct a one-year site visit by July 15, 2022.

- ***Report on Students with Chronic Health Conditions:*** Due to limited available data on students with chronic health conditions in higher education, the report focused on two statewide surveys coordinated by either Maryland Department of Health or MHEC. The report summarized (1) challenges with data collection and statewide comparison and made four recommendations to enhance and continue data collection; (2) the various federal laws that mandate how campuses interact and provide services to students with chronic health conditions; (3) available campus resources; and (4) challenges and recommendations to eliminate those challenges faced by students with chronic health conditions.

- ***Report on Best Practices and Annual Progress Toward the 55% Completion Goal:*** Community colleges and the public four-year institutions continue to exceed their targets in the number of undergraduate degrees awarded, while the independent institutions continue to fall short of meeting their degree target goals. Overall, the total number of undergraduate degrees awarded exceeded the target of the model. However, the short- and long-term effects of COVID-19 on enrollment and ultimately degree production are not known at this time. In regard to best practices, MHEC plans to conduct a survey on evidence-based practices identified in scholarly works on college completions, focusing on equity gaps and special populations, and survey institutions on the implementation of completion best practices.

Appendix 2
Audit Findings

Audit Period for Last Audit:	November 5, 2015 – March 31, 2020
Issue Date:	June 2021
Number of Findings:	8
Number of Repeat Findings:	5
% of Repeat Findings:	62.5%
Rating: (if applicable)	

Career-based Financial Aid (Financial Assistance Program – R62I00.10)

Finding 1: **MHEC did not monitor service obligation compliance in a timely and comprehensive manner, and consequently, did not ensure that repayments were pursued when required.**

Finding 2: Adjustments made to recipient accounts were not subject to independent review and approval, and MHEC did not ensure that repayments from recipients who did not meet their service obligation were recorded in its accounts receivable system.

Maryland College Aid Processing System (Financial Assistance Program – R62I00.10)

Finding 3: **Sufficient controls were not established over the issuance and monitoring of user access to the Maryland College Aid Processing System (MDCAPS).**

Finding 4: **MHEC did not adequately restrict user access to the Service Obligation Loan Repayment module resulting in employees with unnecessary access to process critical functions and others with the ability to process adjustments without independent review and approval.**

Aid to Community Colleges (R62I00.05)

Finding 5: **MHEC had not implemented effective procedures for ensuring that all payments made to community colleges for retirement and pension contributions were proper.**

Finding 6: MHEC did not ensure that community colleges returned unspent English for Speakers of Other Languages grant funds as required.

Information Systems Security and Control (Financial Assistance Program – R62I00.10)

Finding 7: **MHEC maintained sensitive personally identifiable information (PII) in a manner that did not provide adequate safeguards and lacked assurance that adequate security protections existed over PII on the vendor-hosted development servers.**

Finding 8: MHEC did not use a web application firewall to provide security over MDCAPS, which is a critical public web-enabled system.

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

Appendix 3
Object/Fund Difference Report
Maryland Higher Education Commission

Object/Fund	FY 21 Actual	FY 22 Working Appropriation	FY 23 Allowance	FY 22 - FY 23 Amount Change	Percent Change
Positions					
01 Regular	60.00	59.00	69.00	10.00	16.9%
02 Contractual	9.35	10.35	9.85	-0.50	-4.8%
Total Positions	**69.35**	**69.35**	**78.85**	**9.50**	**13.7%**
Objects					
01 Salaries and Wages	$ 5,627,894	$ 6,044,691	$ 6,421,133	$ 376,442	6.2%
02 Technical and Special Fees	417,918	540,428	615,082	74,654	13.8%
03 Communication	12,354	41,150	41,150	0	0%
04 Travel	5,639	41,712	53,776	12,064	28.9%
07 Motor Vehicles	97,347	72,112	74,730	2,618	3.6%
08 Contractual Services	994,366	1,521,930	23,638,312	22,116,382	1453.2%
09 Supplies and Materials	4,226	34,800	42,700	7,900	22.7%
10 Equipment – Replacement	7,209	16,237	16,343	106	0.7%
11 Equipment – Additional	0	7,500	98,750	91,250	1216.7%
12 Grants, Subsidies, and Contributions	114,991,403	126,943,682	157,429,623	30,485,941	24.0%
13 Fixed Charges	245,686	444,852	432,359	-12,493	-2.8%
Total Objects	**$ 122,404,042**	**$ 135,709,094**	**$ 188,863,958**	**$ 53,154,864**	**39.2%**
Funds					
01 General Fund	$ 82,886,087	$ 113,614,215	$ 166,922,864	$ 53,308,649	46.9%
03 Special Fund	18,200,452	19,126,182	20,315,617	1,189,435	6.2%
05 Federal Fund	357,304	1,410,276	405,480	-1,004,796	-71.2%
09 Reimbursable Fund	20,960,199	1,558,421	1,219,997	-338,424	-21.7%
Total Funds	**$ 122,404,042**	**$ 135,709,094**	**$ 188,863,958**	**$ 53,154,864**	**39.2%**

Note: The fiscal 2022 appropriation does not include deficiencies. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

Appendix 4
Fiscal Summary
Maryland Higher Education Commission

Program/Unit	FY 21 Actual	FY 22 Wrk Approp	FY 23 Allowance	Change	FY 22 - FY 23 % Change
01 General Administration	$ 7,498,825	$ 8,608,129	$ 31,106,246	$ 22,498,117	261.4%
02 College Prep/Intervention Program	749,996	750,000	750,000	0	0%
03 Joseph A. Sellinger Program	59,024,905	88,810,065	118,598,457	29,788,392	33.5%
07 Educational Grants	37,571,609	19,211,684	20,073,684	862,000	4.5%
38 Nurse Support Program II	17,558,707	18,329,216	18,135,571	-193,645	-1.1%
43 College Access Pilot Program	0	0	200,000	200,000	0%
Total Expenditures	**$ 122,404,042**	**$ 135,709,094**	**$ 188,863,958**	**$ 53,154,864**	**39.2%**
General Fund	$ 82,886,087	$ 113,614,215	$ 166,922,864	$ 53,308,649	46.9%
Special Fund	18,200,452	19,126,182	20,315,617	1,189,435	6.2%
Federal Fund	357,304	1,410,276	405,480	-1,004,796	-71.2%
Total Appropriations	**$ 101,443,843**	**$ 134,150,673**	**$ 187,643,961**	**$ 53,493,288**	**39.9%**
Reimbursable Fund	$ 20,960,199	$ 1,558,421	$ 1,219,997	-$ 338,424	-21.7%
Total Funds	**$ 122,404,042**	**$ 135,709,094**	**$ 188,863,958**	**$ 53,154,864**	**39.2%**

Note: The fiscal 2022 appropriation does not include deficiencies. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.