

R62I0001
Maryland Higher Education Commission

Operating Budget Data

(\$ in Thousands)

	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 06-07</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$57,532	\$71,613	\$76,398	\$4,785	6.7%
Special Fund	201	312	320	8	2.6%
Federal Fund	613	1,489	1,493	4	0.2%
Reimbursable Fund	<u>354</u>	<u>181</u>	<u>241</u>	<u>60</u>	<u>33.5%</u>
Total Funds	\$58,700	\$73,595	\$78,453	\$4,857	6.6%

- General funds increase 6.7%, or \$4.9 million over fiscal 2006.
- Funds for the Access and Success program, \$6 million, were transferred to historically black institutions (HBIs), but the allowance maintains \$6 million for the Office for Civil Rights (OCR) enhancement funds for HBIs.
- Sellinger funding formula is fully funded in the fiscal 2007 allowance.
- A proposed fiscal 2006 deficiency appropriation provides \$250,000 for the Small Business Development Center.

Personnel Data

	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 06-07</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	73.60	71.60	71.60	0.00
Contractual FTEs	<u>2.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	75.60	72.60	72.60	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	4.04	5.64%
Positions Vacant as of 12/31/05	3.00	4.20%

- There are no changes in personnel in the fiscal 2007 allowance over fiscal 2006.

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

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Analysis in Brief

Major Trends

Graduation Rate Continues to Increase for Public Four-year Colleges: Graduation rates for all students including African American and all racial ethnic students are expected to continue increasing in fiscal 2006 and 2007.

Number of Nursing Graduates Significantly Increases: The number of nursing graduates increased by 6.5% in fiscal 2005 from 2004 and is expected to increase significantly in fiscal 2006 and 2007.

Issues

Regional Higher Education Center Funding: The Maryland Higher Education Commission (MHEC) was required to submit a report during the 2005 interim that proposes a funding formula for the State's regional higher education centers.

Status of OCR Agreement: The State's HBIs continue to receive enhancement funds. However, the OCR agreement expired in December 2005 and is under review. The next step of the OCR agreement is being considered by reviewing how enhancement funds were used and if the commitments were met by the State.

Enrollment Estimates for Funding Formulas: The Budget Reconciliation and Financing Act of 2005 required MHEC to examine the accuracy of the enrollment figures that are used to calculate aid to private colleges and community colleges.

Nurse Support Program II to Address Nurse Shortage by Increasing Nurse Educators: The existing shortage of all nurse types in Maryland ranges from estimates of 1,000 to 3,000 nurses but could reach as much as 11,000 to 20,000 nurses in 2012 when the baby boomer generation begins to require chronic care. Nurse Support Program II is a new initiative created by the Health Services Cost Review Commission in 2005 to increase the number of nurses.

Recommended Actions

Funds

1. Add budget bill language restricting Office for Civil Rights Enhancement Funds.
2. Add budget language concerning enrollment methodology.
3. Reduce funds for Private Donation Incentive Program. \$ 433,073

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4.	Reduce funding for the University of Maryland Baltimore County School of Aging Studies.	1,750,000
5.	Reduce funding for Professional Development Schools.	1,500,000
6.	Delete funding for Maryland Industrial Partnerships Program.	1,000,000
7.	Delete grant for the Academy of Leadership.	500,000
8.	Reduce funds for the University of Maryland, Baltimore WellMobile.	525,000
9.	Delete funds for heritage grants.	200,000
	Total Reductions	\$ 5,908,073

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Maryland Higher Education Commission

Operating Budget Analysis

Program Description

The Maryland Higher Education Commission (MHEC) is the State's coordinating body for the 13 campuses of the University System of Maryland (USM), Morgan State University (MSU), St. Mary's College of Maryland, 16 community colleges, the State's private colleges and universities, and private professional schools. The mission of MHEC is to ensure that the people of Maryland have access to a high quality, adequately funded, effectively managed, and capably led system of postsecondary education. The Secretary of Higher Education is the head of the agency and serves at the pleasure of the 12-member commission.

The key goals for MHEC:

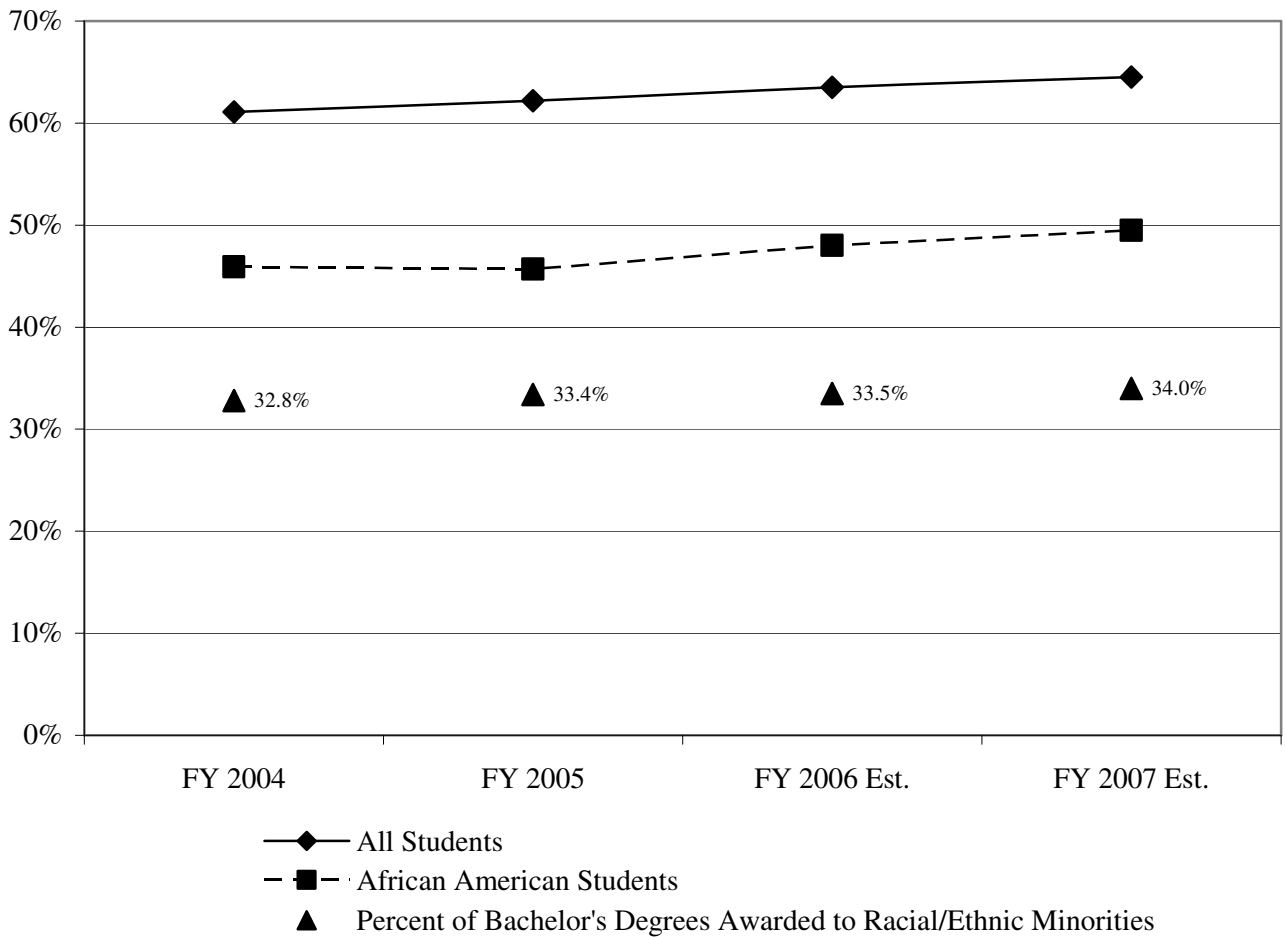
- to achieve and sustain a preeminent statewide array of postsecondary educational institutions that are recognized for their distinctiveness and their excellence nationally and internationally;
- to provide affordable and equitable access for every qualified Maryland citizen;
- to strengthen teacher preparation and improve the readiness of students for postsecondary education; and
- to contribute to the further development of Maryland's economic health and vitality.

Performance Analysis: Managing for Results

It is the role of MHEC to focus and coordinate the various segments of higher education in Maryland and ensure that progress is made toward the State goals for higher education. MHEC's performance measures provide an overview of institutional data in the many areas for which it has oversight, including college preparation; minority student achievement; graduates of workforce shortage degree programs; and the connection between community colleges and four-year institutions.

One of MHEC's key goals is to maintain and strengthen postsecondary institutions by increasing the percentage of bachelor degrees awarded at Maryland campuses. For fiscal 2004 and 2005, graduation rates have slowly increased for first-time, full-time students at public four-year colleges, as shown in **Exhibit 1**. This trend is also evident in the bachelor's degrees awarded to all racial/ethnic students enrolled at public four-year colleges. Graduation rates for all students are

Exhibit 1
Six-year Graduation Rates of All Students and African American Students
and Degrees Awarded to Racial/Ethnic Minority Students
Fiscal 2004 – 2007 Estimate

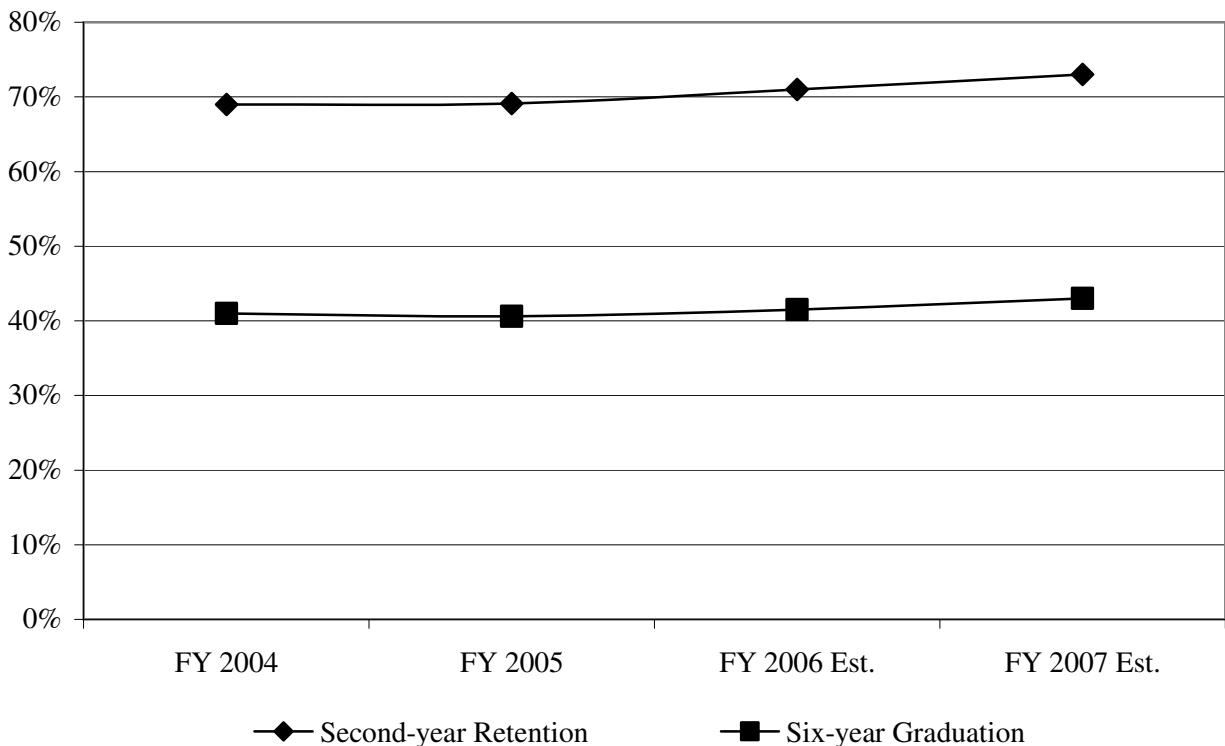


Source: Maryland Higher Education Commission

estimated to continue increasing in fiscal 2006 and 2007, while graduation rates for African American students are projected to increase slightly more than all students in 2006 and 2007 after remaining flat in fiscal 2005. MHEC expects the graduation rate of first-time, full-time students to increase to 65% by fiscal 2008.

In order to ensure equal educational opportunity for Maryland’s diverse citizenry, MHEC’s goal is to improve retention and graduation rates at HBIs. Therefore, the State established the Access and Success Multi-Year Grant Program. The primary goal of the Access and Success Multi-Year Grant Program is to improve retention and graduation rates by enhancing the relationship between administration, enrollment management, and teaching and learning practices. As shown in **Exhibit 2**, in fiscal 2005 second-year retention of students at HBIs only increased by 0.1% from fiscal 2004 and is expected to slightly increase in fiscal 2006 and 2007. Graduation rates decreased by 0.4% from fiscal 2004 but are expected to increase in fiscal 2006 and 2007. By fiscal 2008, MHEC expects retention rates to improve at HBIs and reach 75% while six-year graduation rates are expected to reach 45%. In fiscal 2007, Access and Success funding for HBIs will not be maintained in MHEC’s allowance. Instead, the \$6 million will be allocated directly to the HBIs. **The Secretary should comment on how MHEC plans to improve retention and graduation rates at HBIs since funding is going directly to the institutions.**

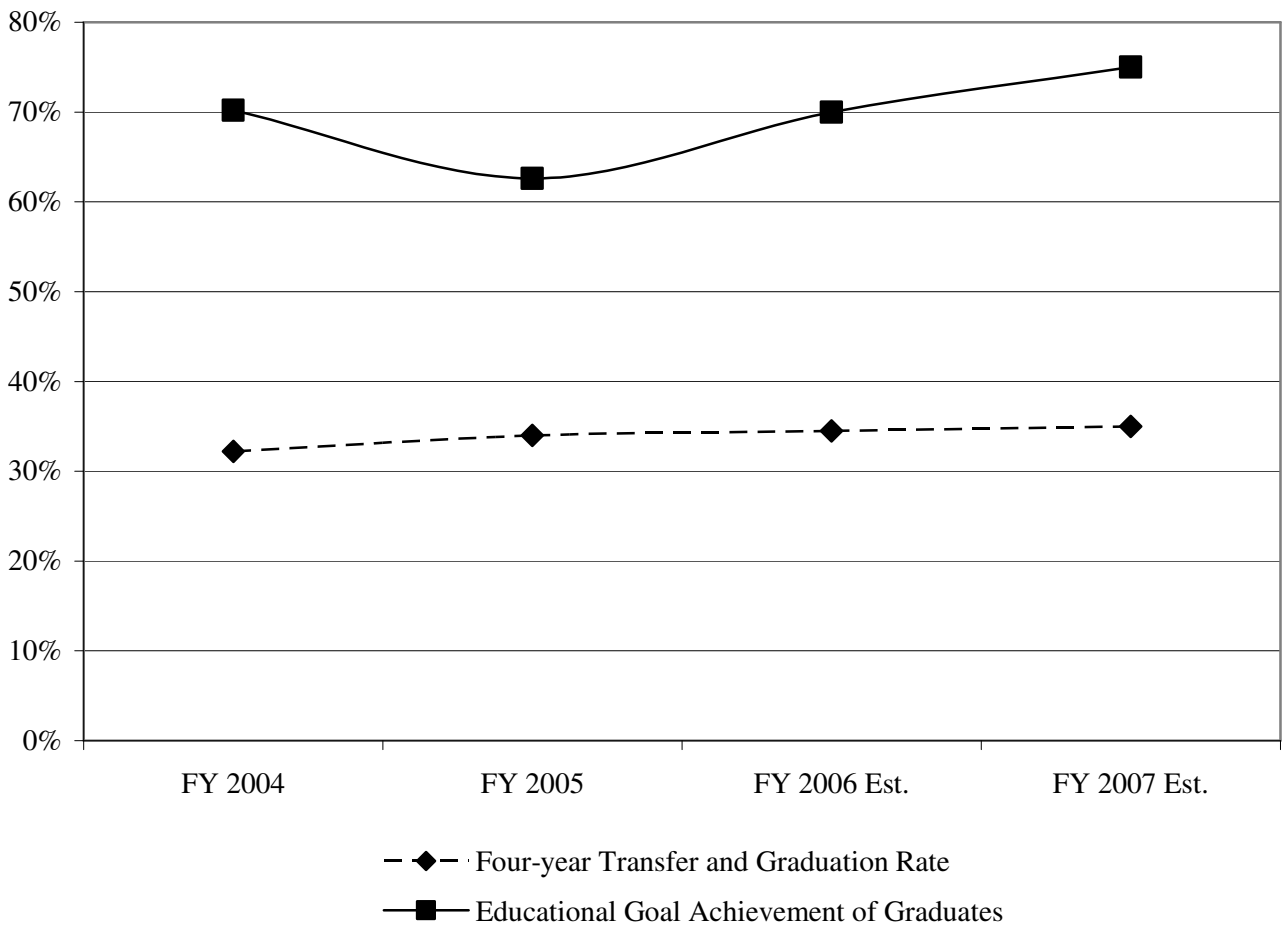
Exhibit 2
Second-year Retention and Six-year Graduation Rates at HBIs
Fiscal 2004 – 2007 Estimate



Source: Maryland Higher Education Commission

MHEC is also the coordinating body for the State’s community colleges and collects data regarding community college transfer rates. MHEC wants to ensure community college students are progressing successfully toward their goals. **Exhibit 3** shows the four-year transfer and graduation rate and the educational goal achievement of graduates. Since fiscal 2004, the four-year transfer and graduation rate slowly increased and is expected to continue increasing in fiscal 2006 and 2007. However, the percentage of graduates achieving their educational goal declined in fiscal 2004 and 2005. MHEC estimates the percent will increase in fiscal 2006 and 2007. By fiscal 2008, MHEC expects 75% of community college graduates to achieve their educational goals.

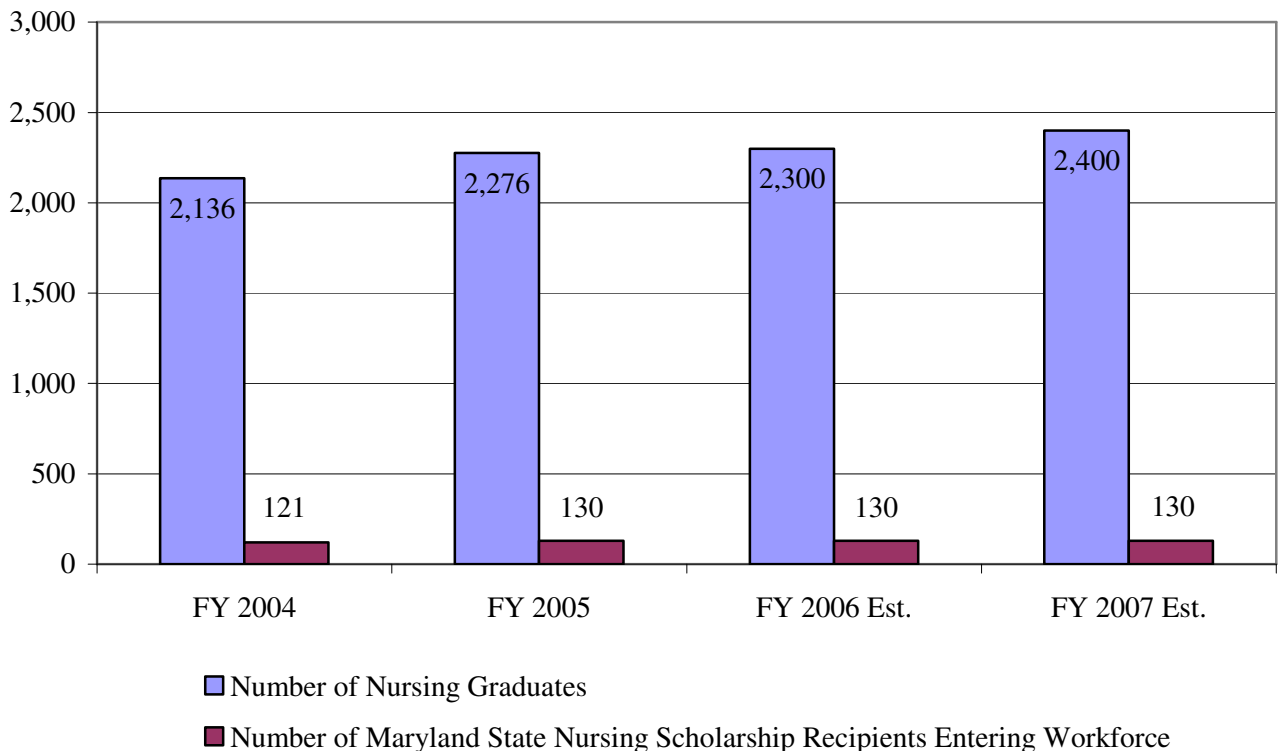
Exhibit 3
Community College Transfer Rate and Educational Achievement Satisfaction
Fiscal 2004 – 2007 Estimate



Source: Maryland Higher Education Commission

It is the role of MHEC to focus and coordinate programs that support Maryland’s economic health. It is imperative that higher education recruits and educates qualified applicants to meet the demand of critical workforce shortages. Two of the most critical areas are nursing and teaching. MHEC tracks the number of graduates in these two areas and encourages institutions to increase the number of students enrolled and graduating from these programs. Scholarship programs such as the Maryland State Nursing Program and the Sharon Crista McAuliffe Program offer assistance to students enrolled in teaching and nursing programs at State institutions. **Exhibit 4** shows the number of graduates in nursing and the number of recipients who receive the Maryland Nursing Scholarship and enter the workforce as a nurse. The number of nursing graduates increased significantly in fiscal 2005 and is expected to increase at a more modest rate in fiscal 2006 and 2007, with MHEC estimating it will meet the goal of 2,500 graduates by fiscal 2008. In fiscal 2005, students who received the Maryland State Nursing scholarship and entered the workforce increased slightly over fiscal 2004. The number is expected to remain the same for fiscal 2006 and 2007. Increasing the number of nurses in Maryland is discussed further in Issue 4.

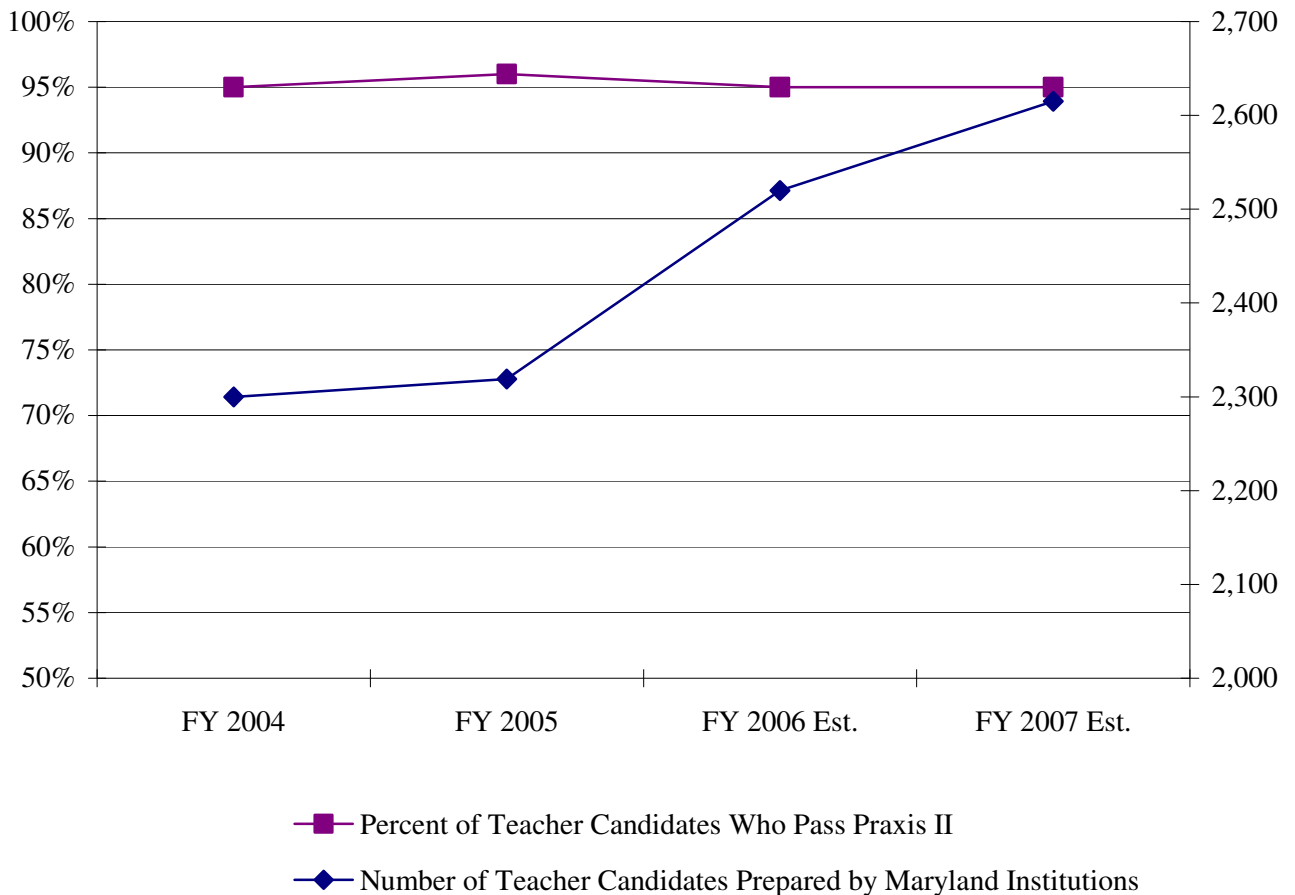
Exhibit 4
Nursing Graduates and Nursing Scholarship Recipients Entering Workforce
Fiscal 2004 – 2007 Estimate



Source: Maryland Higher Education Commission

Another workforce area in which qualified applicants are needed is teaching. **Exhibit 5** shows the percentage of Maryland teacher candidates who pass Praxis II and the number of teacher candidates educated by Maryland institutions. As the exhibit shows, the Praxis II pass rates are consistently in the 90s; the percent increased by 1% in fiscal 2005 but is expected to decrease by 1% in fiscal 2006. However, the number of teacher candidates prepared by Maryland institutions increased in fiscal 2005 and is expected to increase significantly in fiscal 2006 and 2007 by 8.7 and 3.8%, respectively.

Exhibit 5
Teacher Candidates Who Pass Praxis II and Are Hired in Maryland
Fiscal 2004 – 2007 Estimate



Source: Maryland Higher Education Commission

Fiscal 2006

A deficiency has been proposed for fiscal 2006 for the Small Business Development Center in the amount of \$250,000. This amount is proposed for the MHEC budget. However, these funds would be passed through to the University of Maryland, College Park (UMCP), which operates the program. Legislation passed during the 2005 legislative session encouraged the Governor to appropriate an additional \$250,000 for fiscal 2006 to the Small Business Development Center. The fiscal 2007 allowance for UMCP includes \$750,026 for the Small Business Development Center.

Governor's Proposed Budget

As shown in **Exhibit 6**, the fiscal 2007 allowance increases MHEC's general fund budget by \$4.9 million, or 6.7%. The Joseph A. Sellinger formula for nonpublic institutions is fully funded, increasing \$4.1 million in general funds and makes up most of the total general fund increase.

Exhibit 6
Governor's Proposed Budget
Maryland Higher Education Commission
 (\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
2006 Working Appropriation	\$71,613	\$312	\$1,489	\$181	\$73,595
2007 Governor's Allowance	<u>76,398</u>	<u>320</u>	<u>1,493</u>	<u>241</u>	<u>78,453</u>
Amount Change	\$4,785	\$8	\$4	\$60	\$4,857
Percent Change	6.7%	2.6%	0.2%	33.5%	6.6%

Where It Goes:

Personnel Expenses

Fiscal 2007 employee and retiree health insurance cost increase.....	\$118
Salary increments	104
Turnover adjustments	29
Employee retirement.....	23
Other	19
Deferred compensation increase.....	6

Other Changes

Sellinger Aid Funding	4,134
Professional Development Schools	2,000

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Where It Goes:

Aging Studies at UMBC.....	2,000
Maryland Industrial Partnership	1,000
UMB WellMobile.....	525
Community College Initiative for Students with Learning Disabilities	500
Private Donation Incentive Grants.....	234
Heritage Action Committee/IMPART.....	200
Washington Center for Internships and Academic Seminars	124
Maryland Go For It Outreach Activities.....	100
First Year Experience Program	100
Regional Higher Education Centers	100
Access and Success Grants – transferred to the HBIs budget	-6,000
Unallocated funds restricted for Regional Higher Education Centers.....	-250
BCCC Surge Space.....	-175
Other	-34
Total	\$4,857

IMPART = Integrated Mentor Program in Additions Research Training

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

Private Donation Incentive Program

Private Donation Incentive matching grants are budgeted at \$2.9 million in the fiscal 2007 allowance. The fiscal 2007 allowance includes \$204,687 for HBIs and \$2.7 million for other institutions. **Exhibit 7** shows the amount of matching funds owed to all institutions in the next three years. The Budget Reconciliation and Financing Act (BRFA) of 2004 extended the State’s required match payments to equal installments in fiscal 2006 through 2009 for all institutions except HBIs. HBIs receive the State match in the fiscal year following the year the funds were raised. Under the 2004 law, only \$2.4 million in total is owed in fiscal 2007. **Therefore, DLS recommends reducing the allowance by \$433,073.**

Exhibit 7
Obligations Under Private Donation Incentive Program
Fiscal 2007 – 2009

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
	\$2,476,927	\$3,212,783	\$2,272,241	\$7,961,951
Allowance	\$2,910,000			
Difference	\$433,073			

Note: Assumes Bowie State University raises full State match amount in fiscal 2007.

Source: Maryland Higher Education Commission, Department of Legislative Services

The State deferred \$8.3 million in owed payments to institutions in fiscal 2004 and 2005. A total of \$7.02 million is currently owed to institutions. In addition, Bowie State University (BSU) is eligible to raise an additional \$940,000, bringing the total to approximately \$8 million. The 2004 BRFA extended to January 2010 the deadline for HBIs to raise up to the State maximum match of \$1.5 million. All HBIs except BSU have raised the maximum as of fiscal 2006.

Educational Grants

The educational grants program provides miscellaneous educational grants and special financial assistance to various State, local, and private entities. The grants are intended to foster and enrich the quality of higher education within the goals set by the 2004 State Plan for Postsecondary Education. The fiscal 2007 allowance includes new educational grants and higher funding for several existing grants. **Exhibit 8** shows the list of educational grants and the general funds from fiscal 2005 to 2007. Overall, educational grants increase by \$224,000 over fiscal 2006 in the fiscal 2007 allowance.

Exhibit 8
Maryland Higher Education Commission
Educational Grants
Fiscal 2005 – 2007

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>\$ Change</u> <u>FY 06-07</u>
Improving Teacher Quality State Grants	\$219,775	\$1,034,823	\$1,034,823	\$0
Henry H. Welcome Grants	199,481	200,000	200,000	0
Diversity Grants	179,983	180,000	180,000	0
Access and Success Grants	6,000,000	6,000,000		-6,000,000
Historically Black Colleges and Universities Enhancement Fund	6,000,000	6,000,000	6,000,000	0
Doctoral Grant	60,000	60,000	60,000	0
Washington Center for Internships and Academic Seminars	76,000	76,000	200,000	124,000
Interstate Educational Compacts in Optometry	157,225	165,500	165,500	0
Southern Maryland Higher Education Center	92,000			0
Baltimore City Community College (BCCC) Surge Space	175,000	175,000		-175,000
University of Maryland Biotechnology Institute, Maryland-Israeli Partnership	250,000	250,000	250,000	0
Institute for Museum, Preservation, and Archaeology Research and Training (IMPART)	100,000		200,000	200,000
University of Maryland, Baltimore WellMobile Program	295,500	295,500	820,500	525,000
Coppin State College Revitalization Recommendations	500,000			0
Aging Studies at the University of Maryland Baltimore County		1,500,000	3,500,000	2,000,000
Regional Higher Education Centers		750,000	850,000	100,000
Academy of Leadership		500,000	500,000	0
"Maryland Go For It!" Outreach Activities			100,000	100,000
First Year Experience Program			100,000	100,000
Community College Disability Demonstration Project			500,000	500,000
Maryland Industrial Partnerships			1,000,000	1,000,000
Professional Development Schools			2,000,000	2,000,000
Unallocated*		250,000		-250,000
Total	\$14,304,964	\$17,436,823	\$17,660,823	\$224,000

*The fiscal 2006 budget bill restricted \$1 million in MHEC for regional higher education centers. \$250,000 of those funds have not been released by the Governor for the Eastern Shore Higher Education Center.

Source: Maryland Higher Education Commission

UMBC School of Aging Studies

The UMBC School of Aging Studies received State funding for the first time in fiscal 2006 when the school began. Originally, the school had anticipated \$2.5 million in State funds for two years, or a total of \$5 million in State funds. The school received \$1.5 million for fiscal 2006. The fiscal 2007 allowance provides an additional \$3.5 million for the school. Total State-support for the school is expected to be \$5 million. Thus, if the full \$3.5 million is approved, then no more State funds would be needed to support the school.

Currently, the school has an executive program with 130 students enrolled. The post-baccalaureate certificate in Seniors Housing Administration has recently been approved and will start in late February 2006. It is anticipated that 10 to 20 students will apply for the certificate in the first year. A second degree program for a Bachelors of Arts in the Management of Aging Services is expected to be approved soon and begin accepting students for the fall of 2006. The additional \$3.5 million is anticipated to be used for developing additional degree programs, recruiting faculty and students, and increasing research. **DLS recommends reducing the funds allocated to the UMBC School of Aging Studies by \$1.75 million for fiscal 2007. Taking this reduction into consideration, the school would still receive \$1.75 million in fiscal 2007. This would leave an anticipated \$1.75 million in funding for fiscal 2008, which would fulfill the total State funds anticipated for the school. This will be discussed further in the UMBC budget analysis.**

Academy of Leadership

The Academy of Leadership at UMCP fosters leadership through scholarship, education, and training, with special attention to advancing the leadership of groups historically underrepresented in public life. The academy received a \$500,000 grant in the fiscal 2006 supplemental budget, and the fiscal 2007 allowance includes \$500,000 for the Academy of Leadership in MHEC's budget. In the fiscal 2007 allowance, UMCP is receiving an increase of \$36.4 million, or 11% in general funds over fiscal 2006. **DLS recommends deletion of the \$500,000 in MHEC's budget for the Academy of Leadership. The program can be funded directly out of UMCP's operating budget.**

UMB WellMobile

The allowance includes a \$525,000 increase in the State grant for the UMB WellMobile. The WellMobile provides primary health care services to uninsured and underserved residents. UMB receives an additional \$12.5 million in the fiscal 2007 allowance. **DLS recommends reducing the grant to the fiscal 2006 level. Additional funds can be provided through UMB's budget.**

New Education Grants

Professional Development Schools

The fiscal 2007 allowance includes \$2 million for Professional Development Schools (PDS). PDS are a collaborative partnership among local school systems and higher education institutions to provide a teaching hospital model of teacher preparation and professional support for in-service teachers. PDS standards exist statewide and nationally through MSDE and the National Council for the Accreditation of Teacher Education (NCATE), the accrediting agency recognized by MSDE and the U.S. Department of Education. The goal of PDS is to improve both student achievement and teacher retention. The K-16 Council requested funds to expand the number of PDS sites in Maryland. The number of PDS sites in Maryland as of 2004 was 379 (includes multiple sites) with 1,690 teacher education students also known as interns. At the time, MSDE estimated that the number of teacher education students not placed at a PDS was 143. The statewide average cost of PDS per intern is \$1,728.

The Secretary should comment on the need for PDS expansion and how it will be implemented. DLS recommends reducing the allowance for PDS by \$1.5 million. The remaining increase of \$500,000 would allow an additional 289 teacher education students to participate in a PDS in fiscal 2007.

Maryland Industrial Partnerships Program

The Maryland Industrial Partnerships (MIPS) program promotes the development of products and processes through industry/university research partnerships. MHEC's fiscal 2007 allowance includes \$1 million for MIPS. The University of Maryland, College Park receives \$1.7 million annually to operate the MIPS program for USM (\$1.35 million in project funds). Projects are initiated by the companies to meet their own research and development goals. MIPS provide matching funds to help Maryland companies pay for the university research. The grants are awarded on a competitive basis and must be submitted jointly with any of the 13 USM institutions. The maximum award for any single project is \$100,000 per year for large and small companies and \$70,000 for start-up firms.

In total, USM institutions receive \$101.3 million additional general funds or 12.5% in the fiscal 2007 allowance. **DLS recommends deletion of the \$1 million in MHEC's budget. The program can be funded directly out of USM budgets.**

Community College Disability Demonstration Project

In addition to the funds budgeted in Aid to Community Colleges, \$500,000 is budgeted in MHEC for a Community College Initiative for Students with Disabilities. Chapter 423, Acts of 2005 established a Community College Students with Disabilities Task Force, which examined the needs of community college students with disabilities and issued its report in November 2005. The funding supports grants that MHEC will allocate to individual colleges. The funds will be distributed to

students with disabilities to cover supplemental services that go beyond those mandated by federal and State law.

First Year Experience

The First Year Experience is a program targeted to Maryland's HBIs. The program will provide a consultant that will work with each institution to develop campus-based strategies to increase retention for first-year students. The fiscal 2007 allowance provides \$100,000 for this program.

Maryland Go For It!

Maryland Go For It! is an alliance of Maryland educational agencies, business leaders, parents, nonprofits, and national organizations that will encourage students to aim higher to succeed in high school and transition into college. Outreach activities will target high school minority dropouts and focus on getting more students from low-income families to enroll in college and more students to be better prepared for college. The initiative is part of a broader initiative of the Southern Regional Education Board.

The fiscal 2007 allowance allocates \$100,000 for the Maryland Go For It! initiative. The campaign will include using a portion of the funds (approximately 50%) for small (\$500) grants to nonprofit and faith-based organizations to convey the message to students and parents.

The Secretary should comment on how the new grants administered by MHEC will be implemented.

IMPART

The Institute for Museum, Preservation, and Archaeology Research and Training (IMPART) receives \$200,000 in the fiscal 2007 allowance. IMPART is a consortium of public and private higher education institutions, State agencies, and State museums that share a common interest in training professionals to work in the growing Maryland heritage tourism industry. The State provided \$100,000 in each of fiscal 2004 and 2005 to fund student assistantships for IMPART members in response to a 2003 report by the Higher Education Heritage Action Committee. No funds were provided in fiscal 2006. *A Vision & Action Plan for Higher Education and Maryland's Heritage* identified State needs for heritage work and called for strategic, cost-effective ways for partners to develop academic and professional training programs. The State grant funds were used for qualified Maryland college and university students to work under the mentorship of a trained professional to do professionally relevant work in fields such as museum studies, cultural conservation, archaeology, anthropology, historic preservation, and cultural resource management. **DLS recommends eliminating the \$200,000 grant for IMPART. Public and private higher education institutions, comprising most of the IMPART consortium, receive over \$1 billion in State general funds in the fiscal 2007 allowance and can fund the program through their operating budgets.**

Issues

1. Regional Higher Education Center Funding

Eight regional higher education centers (RHECs) are located throughout Maryland. USM operates two centers (The Universities at Shady Grove and Hagerstown Center), and there are six independent centers that exist in areas not served by comprehensive four-year institutions. A regional higher education center includes participation by two or more institutions of higher education, consists of a variety of program offerings, and offers multiple degree levels. These centers may provide a full range of postsecondary programs and services including lower- and upper-level undergraduate degree programs as well as graduate and professional degree programs. The purpose of regional higher education centers is to provide access to higher education programs in unserved or underserved areas of the State and to respond to the needs of businesses and industries in the areas they serve.

Since 2000, MHEC has been responsible for the coordination of RHECs. This responsibility includes approving the centers' mission statements and ensuring that the programs and courses offered are within the scope of the approved mission statements. In addition, MHEC is responsible for making recommendations for State funding for the centers to the Governor and the General Assembly, as well as administering funds to the non-USM centers, including the Eastern Shore Regional Higher Education Center, the Higher Education and Applied Technology Center (HEAT Center), Laurel College Center, Southern Maryland Higher Education Center (SMHEC), Waldorf Center for Higher Education, and the newly created Anne Arundel Community College Regional Higher Education Center at Arundel Mills. USM administers operating funding for the universities at Shady Grove and the Hagerstown Center.

During the 2005 session, the General Assembly restricted \$1 million for the five non-USM centers in the fiscal 2006 budget bill. (Arundel Mills Center was established in 2005 after the legislative session.) The Governor released \$100,000 for each of the centers in July 2005 and then later released an additional \$250,000 to SMHEC. To date, \$250,000 remains withheld by the Governor for the Eastern Shore Center. **Exhibit 9** shows operating general funds for RHECs from fiscal 2000 to the fiscal 2007 allowance. With the exception of SMHEC and the centers funded by the USM Office and institutions, none of the other centers received State operating funding from fiscal 2000 to 2005. Overall, of the non-USM centers, SMHEC has received the most State operating funding at \$1.4 million.

Exhibit 9
Regional Higher Education Centers' Operating General Fund Appropriation
Fiscal 2000 – 2007

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Working</u> ¹ <u>FY 2006</u>	<u>Allowance</u> <u>FY 2007</u>	<u>Total</u>
Arundel Mills	-	-	-	-	-	-	-	\$100,000	\$100,000
Eastern Shore	-	-	-	-	-	-	100,000	100,000	200,000
HEAT Center	-	-	-	-	-	-	100,000	100,000	200,000
Laurel	-	-	-	-	-	-	100,000	100,000	200,000
Southern Maryland	-	\$85,000	\$368,000	\$100,000	\$92,000	\$92,000	350,000	350,000	1,437,000
Waldorf Center	-	-	-	-	-	-	100,000	100,000	200,000
USM Downtown Baltimore Center ²	\$314,309	314,309							628,618
USM The Universities of Shady Grove	1,227,000	2,327,000	2,327,000	2,331,000	2,331,000	2,331,000	2,831,000	2,991,958	18,696,958
USM Hagerstown Center	-	-	-	-	-	1,000,000	2,000,000	2,000,000	5,000,000
Total Operating General Fund	\$1,541,309	\$2,726,309	\$2,695,000	\$2,431,000	\$2,423,000	\$3,423,000	\$5,581,000	\$5,841,958	\$26,662,576

¹ \$250,000 restricted for Eastern Shore Center has not been released.

² USM Downtown Baltimore Center closed in fiscal 2001.

Source: Maryland Higher Education Commission, Department of Legislative Services

Workgroup Develops Funding Strategy and Revises Guidelines

The 2005 *Joint Chairmen's Report* (JCR) required MHEC to develop an equitable, consistent, and ongoing funding strategy. MHEC assembled a workgroup with representatives from the centers, USM, the Maryland Association of Community Colleges, and the Maryland Independent College and University Association in order to respond to the 2005 JCR request for a funding strategy and to revise MHEC's guidelines concerning the centers. In November 2005, MHEC submitted the report entitled *Funding Strategy Proposal for Regional Higher Education Centers*.

Operating Funding Strategy

Since all eight centers are structured and administered in different ways and have diverse missions, governance structures, institutional partners, and academic programs, it was a challenge for the workgroup to develop an equitable funding strategy that takes into account the uniqueness of each of the centers. The workgroup faced an additional challenge in formulating a funding strategy that accounts for centers which are operated by community colleges that already receive State funding through the Cade formula. The report notes that distinctions between RHEC and off-campus extension centers must remain clear for funding purposes. To address this situation, the funding strategy is designed to support center activities for full-time equivalent students (FTES) enrolled in upper division and graduate programs and lower division FTES enrollments in the 2 + 2 (two years of community college plus two years of upper division) programs that are offered at the center. MHEC will work with RHECs to develop a methodology to determine FTES enrolled in 2 + 2 programs.

The proposed funding strategy includes the following components:

- **Base allocation** of \$200,000 for each center in order to support the basic operation of the center. The idea is to ensure predictability and consistency in funding for each of the centers.
- **Incentive funding** to encourage the development of baccalaureate and graduate programs. Incentive funding is based on funding per upper division and graduate division FTES enrollment and lower division FTES enrollment in 2 + 2 programs offered at the center. Shady Grove's general fund appropriation per FTES (minus the base allocation amount) is used to set the FTES benchmark.
- **Special funding** designated for initiatives such as the start-up of a new center; support for high need, critical, and special programs to meet regional needs; one-time enhancement funding; and funding for non-capital equipment. Requests for special funding will be examined on a case-by-case basis by MHEC.
- **Leasing costs** based on funding per upper division and graduate FTES at centers that lease facilities.

The funding strategy is only for the operating costs of the centers. MHEC requested a total of \$2 million for the non-USM RHECs in fiscal 2007. The allowance includes \$850,000. Beginning with the fiscal 2008 budget requests, MHEC will review all centers' requests and recommend funding to the Governor and the General Assembly according to the funding strategy. In correspondence to MHEC Secretary Calvin Burnett, dated November 1, 2005, the Department of Budget and Management indicated that it does not endorse increased State funding for RHECs recommended in the report. **Exhibit 10** shows the impact of the proposed regional education center funding strategy using 2005 data. **The Secretary should comment on how MHEC will recommend funding for RHECs in the future. MHEC should also comment on the status of the \$250,000 restricted funds for the Eastern Shore Center.**

Exhibit 10
Impact of Proposed Regional Higher Education Center
Funding Strategy Using 2005 Data

	<u>Base</u> <u>Allocation</u>	2005 2+2 Lower Division, Upper Division & Grad FTES ¹	Funding Per 2+2 Lower Division, Upper Division & Graduate FTES (2005) ^{2 & 5}	Leasing Costs Based on \$ Per Upper Division and Graduate FTES	State Grant: Base, Incentive & Lease Funding ³
<i>Maryland Higher Education Center</i>					
Arundel Mills	\$200,000	72.2	\$154,941	\$7,003	\$361,944
Eastern Shore Higher Education Center	200,000	37.9	81,333	3,676	285,010
HEAT	200,000	85.6	183,698	0	383,698
Laurel Center	200,000	19.1	40,989	38,124	279,112
Southern Maryland	200,000	364.0	781,144	0	981,144
Waldorf	200,000	91.7	196,788	110,290	507,078
Subtotal	\$1,200,000		\$1,438,893	\$152,089	\$2,797,986
<i>University System of Maryland</i>					
Shady Grove	200,000	1086.0	2,330,556	0	2,530,556
Hagerstown ⁴	200,000	294.0	630,924	0	830,924
Subtotal	\$400,000		\$2,961,480	\$0	\$3,361,480
Total – All Centers	\$1,600,000		\$4,400,373	\$152,089	\$6,159,466

¹Lower Division FTES enrolled in 2 + 2 programs are not available at this time. Calculations do not currently include those enrollments.

² The Shady Grove Center was used as a model to determine funding per upper division and graduate FTES. 2005 data from RHECs' 2007 budget submissions used.

³ Does not include special funding centers could receive based on their budget requests, which may include funding for initiatives such as start-up of new centers; support for high need, critical, and special programs to meet regional needs; and one-time enhancements.

⁴Hagerstown opened spring 2005; data includes spring 2005 actual and fall 2005 estimated FTES.

⁵Input for calculations based on actuals and estimates provided by centers.

Source: Maryland Higher Education Commission

2. Status of Office for Civil Rights Agreement

In October 1999, the U. S. Department of Education's Office for Civil Rights (OCR) initiated a review of Maryland's compliance with the State's obligations under federal law, particularly, Title VI of the Civil Rights Act of 1964 and the 1992 *Fordice* decision of the U. S. Supreme Court, due to Maryland's status as a State with a formerly racially segregated system of public higher education. Maryland is one of 10 states that formerly operated a dual higher education system in violation of Title VI and applicable federal law.

In December 2000, the State of Maryland entered into a Partnership Agreement with OCR to eliminate any remaining vestiges of segregation in Maryland's public colleges and universities. The State's commitments under the OCR Agreement total more than 20 and fall into 9 broad areas or commitments. Among the commitments the State made in the agreement were specific commitments to enhance the State's four public historically black institutions (HBIs): Bowie State University (BSU); Coppin State University (CSU); the University of Maryland Eastern Shore (UMES); and MSU. The agreement specifically called for the revitalization of CSU based on a study of the college's operating and capital program needs. **Appendix 5** provides a summary of the major fiscal commitments, most of which are contained in Commitment 9 – HBCU Enhancement.

The State's Partnership agreement with OCR expired on December 31, 2005. Under the agreement, the State and OCR will determine if the commitments contained in the Partnership Agreement have been fully implemented. The agreement calls for OCR to assess the State's progress beginning in March 2006 with a final determination by May 2006. If OCR determines that the State has fully implemented the commitments, then OCR will formally acknowledge in writing that Maryland has eliminated all vestiges of segregation in the public system of higher education. If the parties are not able to resolve matters by this process, then both the State and OCR reserve the legal right to utilize other established judicial processes. A summary of the funding specific to HBIs, including enhancement funds provided under the agreement with OCR, is shown in **Exhibit 11**. MHEC has received continued funding for the HBIs in the fiscal 2007 allowance, which includes \$6 million in enhancement grants.

Exhibit 12 shows general fund support for all four-year public colleges and universities from fiscal 2001 to 2007. From fiscal 2001 to 2006, HBIs received a 7.1% increase in general funds. This compares to a 1.8% increase over the same period for all four-year institutions. The fiscal 2007 allowance for HBIs increases 24.2% over the fiscal 2006 budget. The fiscal 2007 allowance includes \$1.5 million in Access and Success funds for each institution previously budgeted in MHEC. The allowance also includes \$500,000 each for University of Maryland Eastern Shore and BSU to support need-based financial aid. Coppin State University receives \$4.3 million in specific enhancement funds in the fiscal 2007 allowance, including \$3.8 million to cover debt service and \$500,000 for need-based aid.

Exhibit 11
Maryland's Historically Black Public Universities
Total Enhancement Funds
Fiscal 2002 – 2006

<u>Institution</u>	<u>HBI Enhancement Grant</u>	<u>Information Technology Investment</u>	<u>Access and Success</u>	<u>PDIP Funds</u>	<u>Other¹</u>	<u>Total Enhancement Funds</u>
Bowie State University	\$3,676,751	\$400,000	\$7,125,000	\$439,059	\$350,000	\$11,990,810
Coppin State University	8,281,586	400,000	7,125,000	1,293,828	698,475	17,798,889
UM Eastern Shore	3,573,615	400,000	7,125,000	1,290,402	0	12,389,017
Morgan State University	4,968,047	400,000	7,125,000	1,385,825	0	13,878,872
Total	\$20,500,000	\$1,600,000	\$28,500,000	\$4,409,114	\$1,048,475	\$56,057,589

Notes:

- ¹ Other includes:
 \$350,000 provided to Bowie State University for Master Plan Development in fiscal 2002;
 \$198,475 to Coppin State University for Information Technology in fiscal 2002; and
 \$500,000 to Coppin State University for Revitalization Recommendations in fiscal 2005.

Sources: Department of Budget and Management, Maryland Higher Education Commission

Exhibit 12
Maryland Public Colleges and Universities
General Fund History
Fiscal 2001 –2007

<u>Institution</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Appropriation¹</u>	<u>Allowance²</u>
						<u>FY 2006</u>	<u>FY 2007</u>
<i>HBIs</i>							
Bowie State University	\$21,310,546	\$22,724,961	\$21,885,449	\$20,712,299	\$21,006,128	\$22,194,316	\$26,417,375
Coppin State University	18,623,000	20,513,150	19,755,345	18,693,564	19,068,318	20,731,914	30,135,808
UM Eastern Shore	22,474,219	23,564,429	22,693,902	21,432,854	21,829,549	23,242,923	28,180,307
Morgan State University	47,911,951	52,034,605	51,088,274	48,187,846	48,859,634	51,868,549	61,818,549
Total HBIs	\$110,319,716	\$118,837,145	\$115,422,970	\$109,026,563	\$110,763,629	\$118,037,702	\$146,552,039
<i>TWIs</i>							
Frostburg State University	\$26,568,603	\$28,659,702	\$26,302,434	\$24,408,849	\$24,838,529	\$26,345,153	\$28,729,342
Salisbury University	28,100,148	29,499,698	27,324,561	25,442,364	25,995,091	27,477,380	31,669,450
Towson University	64,180,595	68,062,130	62,464,002	57,824,041	58,945,915	62,908,312	72,658,012
Total Comprehensive TWIs	\$118,849,346	\$126,221,530	\$116,090,997	\$107,675,254	\$109,779,535	\$116,730,845	\$133,056,804
St. Mary's College of Maryland	\$13,474,825	\$14,721,919	\$13,853,271	\$13,682,871	\$13,977,883	\$14,592,910	\$15,906,000
University of Baltimore	23,475,571	24,473,622	22,507,996	20,904,051	21,297,219	22,632,855	25,761,991
UM, Baltimore	139,483,705	153,139,494	141,678,389	132,174,751	133,497,622	145,209,868	157,648,141
UM Baltimore County	66,473,513	75,817,613	70,168,162	65,417,441	66,376,510	70,252,597	76,698,367
UM Biotechnology Institute	16,244,159	16,468,109	15,518,305	14,896,855	15,028,511	17,342,171	20,703,168
UM Center for Env. Science	12,777,374	13,478,721	13,165,523	13,018,726	13,151,931	14,006,291	15,462,018
UM, College Park	333,110,408	359,338,977	330,499,300	306,130,518	310,281,793	327,532,890	363,974,694
UM University College	13,512,375	16,928,490	15,552,233	14,469,494	14,633,278	15,139,806	17,473,808
USM Office	11,958,142	12,096,139	11,361,600	10,681,242	11,747,293	13,663,682	14,461,467
Total Public	\$859,679,134	\$931,521,759	\$865,818,746	\$808,077,766	\$820,535,204	\$875,141,617	\$987,698,497

¹ Includes COLA.

² Includes Access/Success Funds previously budgeted in MHEC. Does not include COLA.

Sources: Maryland State Operating Budget Books, Department of Budget and Management, Department of Legislative Services, Maryland Higher Education Commission.

For the past four years, the General Assembly has required MHEC to submit a report on how the HBI enhancement funds will be spent. DLS recommends that this language again be added to the budget.

Additional capital funding for the HBIs, especially Coppin State, was also part of the OCR agreement. Capital authorizations for the HBIs in fiscal 2002 through 2006 are shown in **Exhibit 13**, as well as planned funding in fiscal 2007 through 2011 in the *Capital Improvement Program*.

On August 8, 2005, MHEC announced plans to convene two committees to review the progress made toward the commitments in the Partnership Agreement since December 2000. In December 2005, Committee I reviewed commitments 1 through 8, and Committee II reviewed Commitment 9. MHEC requested that the State's four HBIs submit requests for any additional funds needed to ensure that their institutions are comparable and competitive with similar Maryland Traditionally White Institutions (TWIs) in all facets of their operations and programs as stated in the Partnership Agreement. They were asked to itemize the requests and include a breakout of one-time and ongoing operational funds, and capital needs along with the timeframe for the funding and detailed justification.

In addition, the institutions were requested to include with the justifications comparative information from comparable Maryland TWIs showing the deficiency to be corrected, as well as data from the national accountability peers under funding guidelines. They were also asked to identify specific measurable outcome that would be achieved with the funds with an associated time frame for each item requested. The presidents of each HBI were then invited to present and discuss their respective requests to Committee II, which they did in December 2005.

Committees I and II met in January to finalize their recommendations. Both committees have concluded that Maryland has made a good faith effort to meet the commitments in the Partnership Agreement.

Committee II found that the State has met all of the specific commitments to the HBIs in Commitment 9, including providing \$56 million in additional funding, completing capital projects outlined in the agreement, providing \$330 million in capital funding from fiscal 2002 through 2006 and additional capital projects planned for fiscal 2007 through 2011, primarily for Coppin. However, the broader commitment of making certain that the HBIs are comparable and competitive with the State's TWIs in all facets of their operations and programs is more difficult to determine. Committee II identified areas of special concern, including student retention and graduation rates, in which the HBIs have not reached parity with the TWIs and recommended that continuing support be provided to improve areas in which the HBIs show significant and long-term deficiencies, as appropriate, for a period of time necessary, but no longer than five years. The committee further recommended that quantifiable measures be developed to guide future efforts to address remaining areas of special concern that are not caused primarily by factors external to the institutions and the policy-making bodies of the State.

Exhibit 13
Maryland's Historically Black Public Colleges and Universities
State Authorizations for Capital Projects
Fiscal 2002 –2006 and Fiscal 2007 – 2011 Capital Improvement Program

<u>Institution/Project</u>	<u>FY 2002 Authorization</u>	<u>FY 2003 Authorization</u>	<u>FY 2004 Authorization</u>	<u>FY 2005 Authorization</u>	<u>FY 2006 Authorization</u>	<u>FY 2002-2006 Total</u>
Bowie State University	\$4,317,429	\$2,337,000	\$1,363,000	\$18,037,000	\$3,878,000	\$29,932,429
Coppin State University	9,987,714	5,459,000	13,590,000	20,207,000	51,849,000	101,092,714
University of Maryland Eastern Shore	40,528,429	9,328,000	11,766,000	3,627,000	438,000	65,687,429
Morgan State University	8,456,000	28,334,000	59,846,000	8,252,000	28,424,000	133,312,000
Total HBIs	\$63,289,572	\$45,458,000	\$86,565,000	\$50,123,000	\$84,589,000	\$330,024,572

<u>Institution/Project</u>	<u>FY 2007 Authorization</u>	<u>FY 2008 Authorization</u>	<u>FY 2009 Authorization</u>	<u>FY 2010 Authorization</u>	<u>FY 2011 Authorization</u>	<u>FY 2007-2011 Total</u>
Bowie State University	\$2,725,000	\$0	\$48,700,000	\$7,400,000	\$2,000,000	\$60,825,000
Coppin State University	14,458,000	107,600,000	9,200,000	4,300,000	75,350,000	210,908,000
University of Maryland Eastern Shore	0	0	0	3,000,000	3,000,000	6,000,000
Morgan State University	14,194,000	15,800,000	46,850,000	13,000,000	6,300,000	96,144,000
Total HBIs	\$31,377,000	\$123,400,000	\$104,750,000	\$27,700,000	\$86,650,000	\$373,877,000

Includes all funding sources (GO, ARB, GF, and SF).

Source: Maryland Higher Education Commission, State Budget Books, Department of Legislative Services

The commission will review the recommendations of Committees I and II at its February 15, 2006, meeting. **The Secretary should comment on the status of the final report on the OCR Partnership Agreement and the next steps.**

3. Enrollment Estimates for Funding Formulas

Historically, the State has calculated the aid for private colleges and universities (Joseph A. Sellinger), community colleges (John A. Cade Funding Formula), and Baltimore City Community College using the prior year's general fund aid per FTES at selected public four-year institutions as the starting point. Currently, enrollment data from the Governor's Budget Books are used to calculate the general funds per FTES. During the 2005 session, the Maryland General Assembly expressed concern over the accuracy of the current enrollment methodology used to calculate State funds per student at four-year colleges and universities. MHEC was required to do a study on the accuracy of these full-time enrollment figures. Based on the results of MHEC's analysis, the commission concluded that using MHEC's FTES enrollment projections, prepared in June of each year, provided the most accurate estimate of FTES enrollment and recommended the State use MHEC's projected FTES enrollment method to calculate the State general funds per student.

As shown in **Exhibit 14**, between fiscal 2001 to 2005, budgeted FTES were 97.9 percent accurate when compared to the actual FTES enrollment. The accuracy of headcount FTES enrollment when compared to actual was only 94.8 percent accurate and overstated enrollment by 21,385 full-time equivalent students. MHEC's enrollment projections were 99.1 percent accurate when compared to the actual FTES enrollment and is the most accurate method with an overall shortfall of 3,448 students.

Exhibit 14
Overall Full-time Enrollment Data Options
Fiscal 2001 – 2005

	<u>Budgeted</u>	<u>MHEC Enrollment Projections</u>	<u>Headcount FTE</u>	<u>Actual</u>
Total	382,646	387,331	412,164	390,779
Difference from Actual Full-time Equivalent	-8,133	-3,448	21,385	-
Accuracy Rate Compared to Actual	97.90%	99.10%	94.80%	-

Source: Maryland Higher Education Commission

Exhibit 15 compares the full-time enrollment data for budgeted FTES and MHEC's projected enrollment from fiscal 2006. The budgeted FTES is 367 more than MHEC's projection. Using MHEC's enrollment data would increase the general funds per full-time equivalent and allocate an additional \$1,127,006 to community colleges and independent institutions for fiscal 2007. **The fiscal 2007 allowance is based on budgeted FTES. In order to effect this change in fiscal 2007, an additional \$1.3 million would need to be provided by the Governor for the community college and Sellinger formulas. MHEC is awaiting direction from the General Assembly before implementing the new methodology. The statute does not specify enrollment methodology so the change could be made by MHEC without legislation. DLS recommends that budget language be adopted directing MHEC to use the MHEC enrollment projections when calculating general funds per FTES beginning in fiscal 2008.**

4. Nurse Support Program II to Address Nurse Shortage by Increasing Nurse Educators

Maryland has a bedside nurse shortage. The existing shortage of all nurse types ranges from estimates of 1,000 to 3,000 nurses but could reach as much as 11,000 to 20,000 nurses in 2012 when the baby boomer generation begins to require chronic care, according to a 2003 report by the University of Maryland, Center for Health Workforce Development. A number of factors are implicated in the bedside nurse shortage including retention of nurses in hospitals and the number of nurses educated. Nurse Support Program II (NSP2) is a new initiative created by the Health Services Cost Review Commission (HSCRC) in 2005 to increase the number of nurses educated. As of February 1, 2006, 42 requests for competitive grants had been received.

Trends in Nursing Degrees Earned

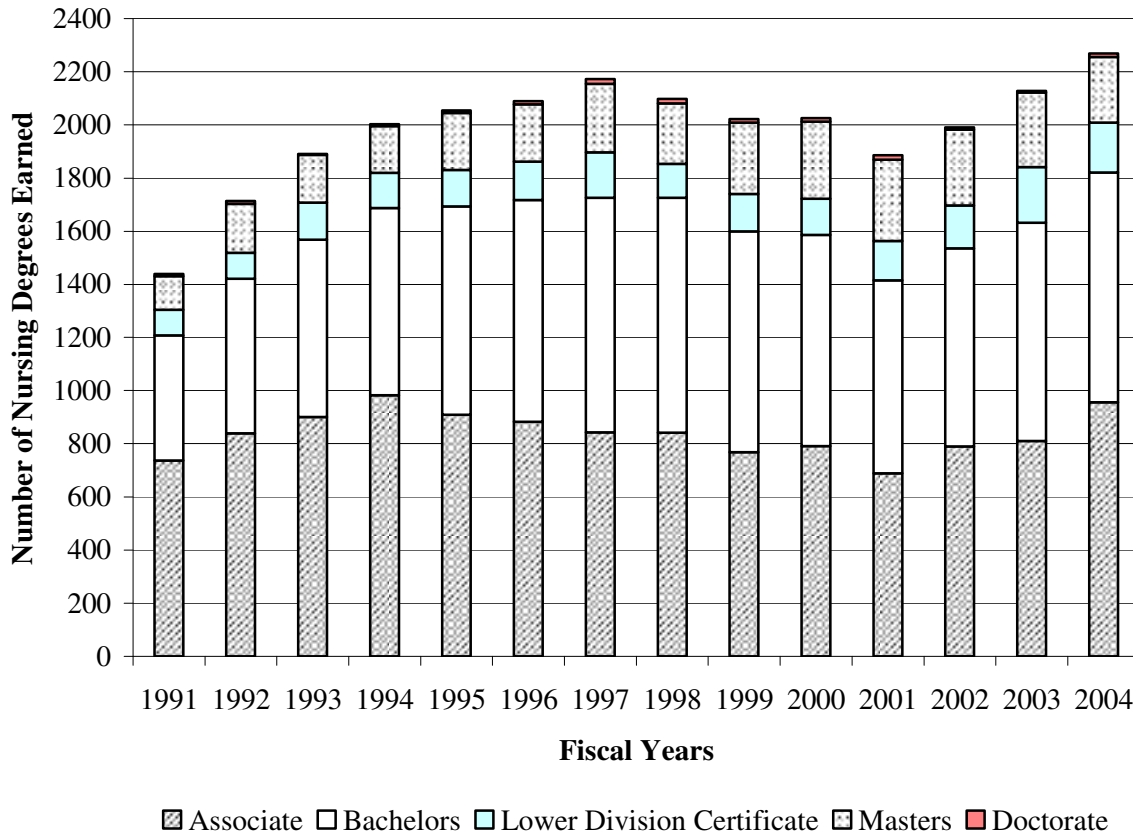
Exhibit 16 shows the number and type of nursing degrees earned in Maryland between fiscal 1991 and 2004. The total number of degrees has fluctuated from a low of 1,439 in fiscal 1991 to a high of 2,269 in fiscal 2004. Fiscal 2004 marked the third consecutive year that the number of nursing graduates increased. Overall, the majority of degrees earned from fiscal 1991 through 2004 were associate and bachelor's, either of which would prepare students to be registered nurses. Approximately 1,000 more associate's degrees (11,736) were earned than bachelor's degrees (10,601) during this time period and the overall percent growth in nursing degrees earned was 4% annually. Bachelor's, lower division certificates, and master's degrees earned all increased 5% annually while associates degrees earned increased by only 2%.

Exhibit 15
Comparison of Full-time Enrollment Data and Impact on Funding Formulas
in Fiscal 2007

<u>Four-year Public Institutions</u>	<u>Budgeted FTES</u>	<u>MHEC Projected Enrollment</u>
Bowie State University	4,098	4,427
Coppin State University	2,992	2,992
Frostburg State University	4,433	4,433
Morgan State University	6,400	6,534
St. Mary's College of Maryland	1,946	1,935
Salisbury University	6,029	6,108
Towson University	14,136	14,150
Univ. of MD Baltimore County	9,350	9,305
Univ. of MD, College Park	28,492	27,991
Univ. of MD Eastern Shore	3,767	3,401
Total	81,643	81,276
GF Per FTE at Selected Public Institutions	\$7,927	\$7,962
Sellinger		
Fiscal 2007 Sellinger Aid	\$49,964,598	\$50,191,141
Difference from Budgeted	0	236,379
Cade		
Fiscal 2007 Cade Aid	\$164,829,605	\$165,607,398
Difference from Budgeted	0	748,602
Baltimore City Community College (BCCC)		
Fiscal 2007 BCCC Aid	\$32,313,544	\$32,449,625
Difference from Budgeted	0	142,025
Total Difference from Budgeted	0	\$1,127,006

Source: Maryland Higher Education Commission

Exhibit 16
Number of Degrees Earned by Nursing Graduates
Fiscal 1991 – 2004

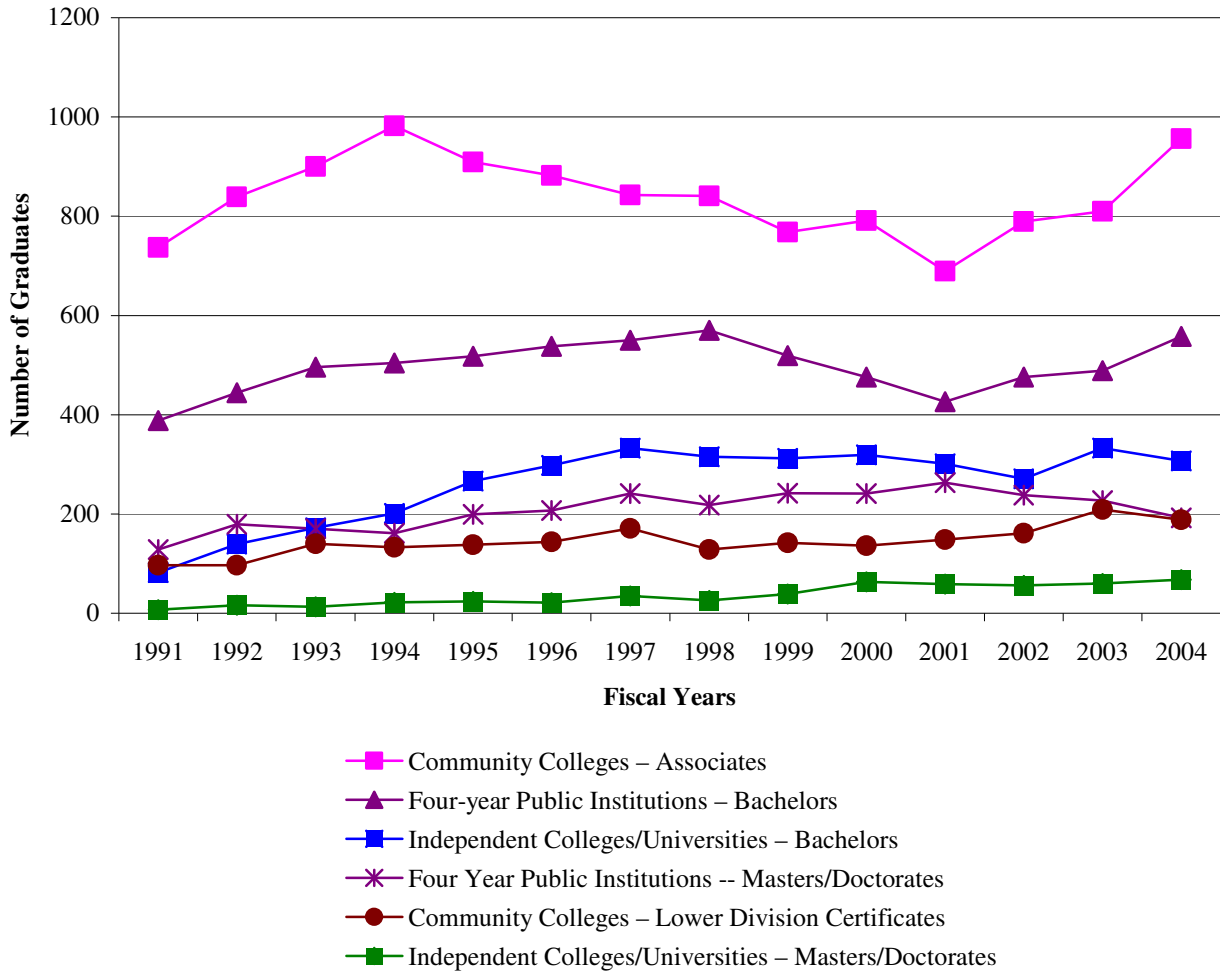


Source: Maryland Higher Education Commission

Master's and doctorates in nursing are required for teaching. The number of master's degrees earned peaked in fiscal 2001 at 305 students and have since declined at an annual rate of 7%. Doctorates earned peaked in fiscal 1997 (19 degrees) and have since declined annually by 5%.

As shown in **Exhibit 17**, the majority of nursing degrees are earned at the associate's level at community colleges. The highest number of associate's degrees earned at community colleges was 982 in fiscal 1994. Between fiscal 1994 and 2001 the number of associate's nursing degrees earned at community colleges fell 3% annually. Between fiscal 1994 and 1998 bachelor's degrees earned increased at four-year public institutions (3%), and independent colleges and universities (12%),

Exhibit 17
Nursing Graduates by Type of School and Degree Earned
Fiscal 1991 – 2004



Source: Maryland Higher Education Commission

which helped to stem the drop in the nursing supply from community colleges. However, both of these school types had decreased bachelor's degrees earned from fiscal 1998 to 2001. The growth in nursing degree graduates since fiscal 2001 reflects increases in bachelor's degrees earned from public four-year institutions and associate's degrees earned at community colleges.

One of the constraints on nurses in Maryland is the supply of nurse educators. Recipients of master's and doctorates in nursing are the nurse educator supply and thus are a critical component of any nurse shortage solution. Four-year public institutions have supplied the majority of master's degrees in nursing with a total of 2,763 between fiscal 1991 and 2004. Independent colleges and universities have supplied 491 over the same period. Both types of institutions have had fairly steady outputs of master's degrees in nursing graduates since fiscal 1997. Four-year public institutions have awarded 143 of the 161 doctoral degrees granted since fiscal 1990. Independents only began awarding doctorates in 1997.

Nurse Support Program 2 Description

The original nurse shortage program was the Nurse Education Support Program (NESP) which was established in the late 1970s and then ended before the present nurse shortage. NESP was re-established as the Nurse Support Program (NSP1) in 2001. NSP1 is funded by a 0.1% assessment of gross patient revenue at hospitals. The 0.1% hospital assessment funds individual hospital nurse retention initiatives. The proposed NSP2 complements NSP1 and is similarly funded. NSP2 is intended to increase the number of nurses educated with a primary focus of increasing the number of nurse educators as recommended by a survey of nursing school deans. In Maryland, there are 24 schools with nursing programs that educate students for the National Council Licensure Examination (NCLEX) to become Registered Nurses (RNs).

NSP2 has two components: competitively awarded grants without a maximum to fund innovative nurse education collaborations between nursing schools and hospitals; and statewide stipends and scholarships to support nurse educators and to a lesser degree service obligated bedside nurses. The 0.1% increase in the hospital rates (the assessment) overseen by the Health Services Cost Review Commission (HSCRC) became effective July 1, 2005, and is expected to generate \$8.8 million a year for each of the next 10 years. The actual disbursement of the grants, stipends and scholarships will be administered by the Maryland Higher Education Commission (MHEC). The Nurse Support Program Assistance Fund has been introduced as Senate Bill 230/House Bill 322. The Administration bill would create a special fund consisting of revenue from the hospital rate increase; allow these funds to be expended by MHEC; and require that MHEC use the funds for competitive grants and statewide grants to increase the number of qualified bedside nurses in Maryland.

Statewide initiatives differ from the competitive grant process in that statewide initiative funding is available via application and not submission of a competitive grant proposal. Statewide initiatives include the following: Graduate Nursing Scholarship and Living Expenses Grant; Nursing Faculty Fellowship; and State Nursing Scholarship and Living Expenses (undergraduates). Competitive grants will be offered for the following: shared resource expansion of Maryland's nursing capacity; nursing faculty expansion; nursing student retention; pipeline for nursing faculty; and mixes of the above. The complementary nature of statewide initiatives and competitive grants is noted in the competitive grant eligibility section; applicants are requested to provide information about funding received under statewide initiatives. This information will be used to determine the amount of money necessary to fund the statewide initiative since the competitive grant requests will be awarded before the statewide initiatives applications come in.

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Statewide initiatives are designed to support nurses in undergraduate and graduate nursing programs; and to provide financial incentives for qualified nurses to become new nursing faculty at Maryland institutions. Eligibility for the graduate nursing program and new nursing faculty support program is based on sponsorship by the home institution for a particular nursing specialty in demand in Maryland. A service obligation is required for the Undergraduate Nursing Program and repayment with interest is required if the service obligation is not met.

Overall, competitive grants appear to be a market model in terms of decentralized bottom-up ideas that are intended to encourage collaborations among Maryland higher education institutions and between the higher education institutions and hospitals. To increase the number of bedside nurses and potential nursing faculty, community colleges are targeted. The pipeline metaphor is used to describe how nurses would be streamlined through the community colleges to four-year degrees and potentially masters' degrees in nursing. Graduate-level nursing programs are the primary focus for nursing faculty.

The success of NSP2 will stem from good evaluation and from complementing NSP1 to reduce nurse supply constraints. Good evaluation means successful education collaborations are replicated and proper funding levels are found to encourage nurses and nurse educators to work in Maryland. However, NSP2 will not address any deficiencies in NSP1's nurse retention in hospitals, nor will it necessarily address long-term physical space necessary for nursing education which is already being shared with other programs at many institutions. **HSCRC should comment on the effectiveness of NSP1 and how NSP2 could complement it to address the total nurse shortage problem. MHEC should comment on the effectiveness of money tied to service obligations for keeping nurses working bedside in Maryland and on the long-term physical space needs of nursing education. Both HSCRC and MHEC should comment on the possibility of nursing school supply limitations in Maryland; and to what extent the three- to five-year competitive grants will be able to sustain long-term nurse faculty support and bedside nurse education and retention.**

Recommended Actions

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

. provided that \$6,000,000 in general funds designated to enhance the State’s four historically black institutions may not be expended until the Maryland Higher Education Commission submits a report to the budget committees outlining how the funds will be spent. The budget committees shall have 45 days to review and comment on the report.

Explanation: This language restricts the expenditure of funds until the commission reports to the budget committees on the plans for spending funds designated to enhance the State’s four historically black institutions.

Information Request	Author	Due Date
Enhancement expenditure report	MHEC	July 1, 2006

2. Add the following language:

Provided that it is the intent of the General Assembly that the Maryland Higher Education Commission use the commission’s enrollment projections when calculating the State general funds per full-time equivalent student for determining State aid under the Senator John A. Cade, the Joseph A. Sellinger, and the Baltimore City Community College funding formulas beginning in fiscal 2008.

Explanation: In 2005, the General Assembly requested that the Maryland Higher Education Commission use the most accurate enrollment figures available in calculating State aid under the funding formulas for community colleges and private institutions. The commission has concluded that its enrollment projections are the most accurate. This language expresses the General Assembly’s intent that the commission’s enrollment projections be used in calculating State aid beginning in fiscal 2008.

- | | <u>Amount
Reduction</u> | |
|---|------------------------------------|----|
| 3. Reduce funds for Private Donation Incentive Program. The program is overbudgeted in the fiscal 2007 allowance. | \$ 433,073 | GF |

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- | | | | |
|----|--|-----------|----|
| 4. | Reduce funding for the University of Maryland Baltimore County School of Aging Studies. With this reduction, the school would still receive \$1.75 million in fiscal 2007, an increase of \$250,000 over fiscal 2006. This would leave an anticipated \$1.75 million in funding for fiscal 2008. | 1,750,000 | GF |
| 5. | Reduce funding for Professional Development Schools (PDS). This would still provide \$500,000 for enhancement to the PDS program. | 1,500,000 | GF |
| 6. | Delete funding for Maryland Industrial Partnerships Program. University of Maryland, College Park can fund this program through its operating budget. | 1,000,000 | GF |
| 7. | Delete grant for the Academy of Leadership. The program can be funded through the University of Maryland, College Park operating budget. | 500,000 | GF |
| 8. | Reduce funds for the University of Maryland, Baltimore WellMobile. Reducing the increase would provide level funding in fiscal 2007. | 525,000 | GF |
| 9. | Delete funds for heritage grants. The grants would be allocated among the State's public and private institutions to enhance educational opportunities for students in fields such as museum studies, cultural conservation, archaeology, anthropology, historic preservation, and cultural resource management. The State's colleges and universities already receive substantial increases in direct State support in the fiscal 2007 allowance which can be used support heritage programs. | 200,000 | GF |

Total General Fund Reductions

\$ 5,908,073

Current and Prior Year Budgets

Current and Prior Year Budgets Maryland Higher Education Commission (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2005					
Legislative Appropriation	\$57,615	\$347	\$2,818	\$211	\$60,991
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	53	44	61	250	408
Reversions and Cancellations	-136	-190	-2,266	-107	-2,699
Actual Expenditures	\$57,532	\$201	\$613	\$354	\$58,700
Fiscal 2006					
Legislative Appropriation	\$71,555	\$312	\$1,489	\$181	\$73,537
Budget Amendments	58	0	0	0	58
Working Appropriation	\$71,613	\$312	\$1,489	\$181	\$73,595

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

Fiscal 2005

MHEC's general funds were increased by \$53,000 for a cost-of-living adjustment (COLA). General funds reversions of \$136,000 were due to an overestimation of need in private donations. Special funds increased by \$44,000 through a budget amendment to print a Spanish version of the Student Guide to Higher Education and Financial Aid in Maryland. Special funds were reduced by \$189,812 in cancellations due to an overestimation of funds needed for the Guaranteed Student Tuition Fund.

A budget amendment for \$60,697 increased federal funds for the Improving Teacher Quality Grants. Federal funds were reduced by \$2,265,813 in cancellations primarily due to:

- The budget for the Veterans Dependency and Indemnity Compensation for Service-Connect Death Program was overestimated and the balance of \$23,207 was cancelled.
- A remaining balance of \$3,112 was cancelled related to the GearUp Program.
- \$868,956 was cancelled due to a remaining balance for the Teacher Quality State Grants.
- \$1,350,400 was cancelled because federal funds were no longer received for the College Preparation Program.

A budget amendment for \$250,000 increased reimbursable funds for the Teach for the Health of It Initiative. MHEC awarded \$207,629, and the balance of \$42,371 was cancelled. Reimbursable funds were also reduced because the budget for the Workforce Investment Act was overestimated, and the balance of \$64,715 was cancelled.

Fiscal 2006

MHEC's general funds were increased by \$58,000 for a COLA.

Audit Findings

Audit Period for Last Audit:	July 1, 2000 – January 31, 2003
Issue Date:	October 2003
Number of Findings:	5
Number of Repeat Findings:	3
% of Repeat Findings:	60%
Rating: (if applicable)	n/a

- Finding 1:*** MHEC did not routinely verify family income reported by students who received need-based scholarships.
- Finding 2:*** Independent verifications were not performed to ensure the propriety of critical changes made to the automated financial aid records.
- Finding 3:*** MHEC did not ensure that student financial aid payments made to institutions of higher education were proper.
- Finding 4:*** Cash receipts were not adequately controlled.
- Finding 5:*** MHEC did not adequately verify the propriety of payments made to community colleges applicable to employer retirement contributions.

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

**Object/Fund Difference Report
Maryland Higher Education Commission**

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	73.60	71.60	71.60	0	0%
02 Contractual	2.00	1.00	1.00	0	0%
Total Positions	75.60	72.60	72.60	0	0%
Objects					
01 Salaries and Wages	\$ 4,757,715	\$ 5,023,660	\$ 5,322,423	\$ 298,763	5.9%
02 Technical & Spec Fees	180,692	138,022	87,882	-50,140	-36.3%
03 Communication	170,676	132,207	137,056	4,849	3.7%
04 Travel	52,344	18,074	25,171	7,097	39.3%
06 Fuel & Utilities	61,020	49,043	44,683	-4,360	-8.9%
07 Motor Vehicles	-6,585	3,032	160	-2,872	-94.7%
08 Contractual Services	671,526	481,769	497,545	15,776	3.3%
09 Supplies & Materials	43,441	49,520	49,520	0	0%
10 Equip - Replacement	47,399	25,692	13,332	-12,360	-48.1%
11 Equip - Additional	65,369	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	51,968,274	66,997,453	71,589,786	4,592,333	6.9%
13 Fixed Charges	688,584	677,020	684,975	7,955	1.2%
Total Objects	\$ 58,700,455	\$ 73,595,492	\$ 78,452,533	\$ 4,857,041	6.6%
Funds					
01 General Fund	\$ 57,531,971	\$ 71,612,962	\$ 76,397,920	\$ 4,784,958	6.7%
03 Special Fund	200,893	312,381	320,404	8,023	2.6%
05 Federal Fund	613,367	1,489,462	1,493,079	3,617	0.2%
09 Reimbursable Fund	354,224	180,687	241,130	60,443	33.5%
Total Funds	\$ 58,700,455	\$ 73,595,492	\$ 78,452,533	\$ 4,857,041	6.6%

Note: The fiscal 2006 appropriation does not include deficiencies.

**Fiscal Summary
Maryland Higher Education Commission**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 General Administration	\$ 7,086,367	\$ 6,902,404	\$ 7,167,112	\$ 264,708	3.8%
02 College Prep/Intervention Program	750,000	750,000	750,000	0	0%
03 Joseph A. Sellinger Program for Aid to Nonpublic	35,514,076	45,830,265	49,964,598	4,134,333	9.0%
07 Educational Grants	14,304,944	17,436,823	17,660,823	224,000	1.3%
30 Private Donation Incentive Grants	1,045,068	2,676,000	2,910,000	234,000	8.7%
Total Expenditures	\$ 58,700,455	\$ 73,595,492	\$ 78,452,533	\$ 4,857,041	6.6%
General Fund	\$ 57,531,971	\$ 71,612,962	\$ 76,397,920	\$ 4,784,958	6.7%
Special Fund	200,893	312,381	320,404	8,023	2.6%
Federal Fund	613,367	1,489,462	1,493,079	3,617	0.2%
Total Appropriations	\$ 58,346,231	\$ 73,414,805	\$ 78,211,403	\$ 4,796,598	6.5%
Reimbursable Fund	\$ 354,224	\$ 180,687	\$ 241,130	\$ 60,443	33.5%
Total Funds	\$ 58,700,455	\$ 73,595,492	\$ 78,452,533	\$ 4,857,041	6.6%

Note: The fiscal 2006 appropriation does not include deficiencies.

State's Commitments Under OCR Agreement

Commitments

Need-based Financial Aid – expand funds available for part-time, full-time, and transfer students, including community colleges; alleviate student difficulties with application processes; explore decentralizing need-based program to campus level.

Graduate Scholarship for HBCU students – consider a program for high achievers at HBCUs to encourage enrollment in graduate and first professional degree programs.

State commits to design measures which ensure that HBCUs are comparable and competitive with TWIs in all facets of their operations, programs, and facilities. Special enhancement funding will be provided through the normal budget process as may be necessary, appropriate, and available for a limited period of time and not beyond the agreement's term.

Access and Success Program – double funding of program to assist retention and graduation rates of students enrolled in HBCUs.

State's Private Donation Incentive Program – increase the State match to \$2 for every \$1 raised by HBCUs.

Expedition completion of projects approved to begin at BSU (two projects), UMES (four projects), and MSU (three projects).

Governor will request additional State funding to ensure that HBCU facilities are comparable to those at TWIs.

State Actions

The State increased funding by \$26.5 million, or 66% between fiscal 2001 and 2006. Legislation enacted in 2002 established the Decentralized Educational Assistance Grant to allow two- and four-year campuses to award need-based grants to students who apply after the March deadline.

No funds have been designated for this purpose as of fiscal 2006.

\$20,500,000 in enhancement funding has been provided to the HBCUs by the State from fiscal 2003 through 2006. Of this amount, BSU received \$4,119,152, CSU received \$7,563,382, UMES received \$3,710,282, and MSU received \$5,107,184.

Funding was doubled to \$6,000,000 in fiscal 2003. In total, \$28,500,000 has been provided by the State from fiscal 2002 through 2006.

Legislation enacted in 2001 doubled the State match to \$2 and extended the deadline for raising matching funds to January 2006 for the HBCUs. \$4,855,000 has been provided by the State from fiscal 2002 through 2006. All of the HBCUs have raised sufficient funds to receive the maximum State match except BSU.

The State provided \$91,523,000 in funding towards the expedition completion of these projects which include a new science building at BSU, a Food Science and Technology Center at UMES, and a Science Research Facility at MSU.

\$142,984,000 (excluding funding for projects outlined in the Partnership Agreement and the Coppin State University Revitalization Plan) has been provided to the HBCUs in the State between fiscal 2002 and 2006. Of this amount, BSU received \$24,732,429, UMES received \$9,168,429, and MSU received \$109,083,000. Additional funding of \$27,250,000 has been forecasted in the fiscal 2006 *Capital Improvement Program* (CIP) for fiscal 2007 through 2010 for BSU and MSU.

Commitments

Initiate a study leading to a comprehensive strategic plan for the revitalization of Coppin.

State Actions

The Coppin State University Study Team was appointed by USM and MHEC in March 2001 to conduct an independent study of CSU. The Coppin State University Study Team was to review the following areas: mission, academic programs, student mix, administrative and faculty staffing, institutional advancement, fiscal affairs, and physical plant. CSU developed a strategic plan based on the study team's 2001 report, which is being implemented. The Coppin State University Revitalization Plan included 10 major capital projects. Eight projects have received \$101,093,000 in fiscal 2002 through 2006. The CIP includes an additional \$79,000,000 in fiscal 2007 through 2010 to complete the remaining projects, the bulk of it in fiscal 2008 for a new physical education complex. The plan also included operating program initiatives funded through the HBCU Enhancement Funds (discussed above).

Source: The Office for Civil Rights Partnership Agreement, November 17, 2000; Department of Legislative Services