

Commission to Develop the Maryland Model for Funding Higher Education

Minutes

July 23, 2007

The Commission to Develop the Maryland Model for Funding Higher Education held its fifth meeting of the 2007 interim on Monday, July 23, 2007 at 10:00 a.m. in the Appropriations Committee Hearing Room, House Office Building, Annapolis, Maryland.

The following members were present:

Senator Patrick J. Hogan, Chairman
President Susan C. Aldridge
Ms. Tina M. Bjarekull
Delegate John L. Bohanan, Jr.
Lt. Governor Anthony G. Brown
Dr. James Clemments (for President Robert L. Caret)
Delegate Norman H. Conway
Senator Ulysses Currie
Mr. John Paul Davey
Senator Roy P. Dyson
Mr. John C. Erickson
Secretary T. Eloise Foster
Dr. Wayne T. Hockmeyer
President Murray K. "Ray" Hoy
Chancellor William E. Kirwan
Mr. Larry Letow
Mr. Tom Lewis (for President William R. Brody)
Secretary James E. Lyons, Sr.
Delegate Robert A. McKee
President C. Dan Mote, Jr.
Senator Donald F. Munson
President David J. Ramsay
President Earl S. Richardson
Mr. Lawrence A. Shulman
Mr. H. Clay Whitlow
Mr. Garland O. Williamson

Chairman's Opening Remarks

Senator Hogan announced that he would be leaving the State Senate on August 10, 2007 to accept a position as Associate Vice Chancellor for Governmental Relations for the University System of Maryland. Senator Hogan thanked the Commission members for their willingness to serve and apologized for any disruption caused by his

departure. Senator Hogan announced that the August 13, 2007 meeting is cancelled and the next meeting will be August 27, 2007. He stated that the RFP is being finalized and will be released very soon. He asked Commission members to provide e-mail addresses of anyone they would like to receive a copy of the RFP.

Senator Hogan turned the meeting over to Delegate Bohanan as Acting Chair. Delegate Bohanan said Senator Hogan had laid the groundwork and the Commission will miss his leadership and guidance. Delegate Bohanan said the Commission would carry on and carry out the vision that Senator Hogan began.

Higher Education and the Future of U.S. Competitiveness

Delegate Bohanan introduced Dr. David Attis, Senior Director of Policy Studies for the Council on Competitiveness. Dr. Attis spoke briefly about the membership of the Council on Competitiveness and about some recent publications by the Council. Dr. Attis explained that the global competitiveness environment has changed dramatically and he said that while developed economies led in high technology exports in 1986, emerging economies now lead in 2005. He also pointed out that the U.S. share of global output has fallen across a range of science and technology metrics and the U.S. must take action to address these trends. Dr. Attis showed that higher order skills such as complex communication and expert thinking are becoming much more important than routine cognitive and manual skills so the focus needs to be on the higher order skills.

Dr. Attis stated that the focus must be on innovation and explained three platforms of recommendations made by the National Innovation Initiative. He also spoke about regions being the real locus of competitiveness and the five major challenges commonly faced by regions. He said that higher education can help regions address their major challenges, especially in the area of building and retaining talent, which he said was the fundamental role of higher education. Dr. Attis said higher education can help firms connect with scientists, engineers, etc. He also explained that employers are looking for more than just science and engineering skills; they are looking for critical thinking/problem solving skills, creativity/innovation, etc. He said that many higher education students are not getting these skills and this must be addressed. Dr. Attis commented that the only example of a professional degree in Maryland that combines both professional skills and other policy, communication, and law skills is the Master of Science in Forensic Science program at Towson University. Finally, Dr. Attis said that when it comes to innovation, quality is even more important than quantity. For further information, please see the presentation entitled “Higher Education and the Future of U.S. Competitiveness.”

There was a discussion about talent in Maryland and the idea of “growing our own” talent in Maryland compared to attracting talent from other regions. Dr. Attis said that “growing our own” is essential.

There was a discussion about Maryland doing well at developing relationships with research entities but that the transfer of technology does not happen as much. Dr.

Attis said that there are “institutional silos” because there are not many incentives to institutional collaboration. In fact, he has found huge disincentives to institutional collaboration.

One Commission member said he is a big believer in competitiveness and in research triangles competition works but in university systems competition is blocked, which was concerning to him.

A Commission member asked if Dr. Attis had compared regions to each other. Dr. Attis responded that a comparison was hard to do because each region has its own problems and there are no benchmarks to compare.

Dr. Attis was asked if he knew of any clusters that were doing well without an excellent research university within the cluster. Dr. Attis said he could not think of one and said that higher education is critical because “higher education connects the local to the global in a way that no one else can.”

Dr. Attis was asked about what can be done since the U.S. is at risk of losing its leadership in the world economy. Dr. Attis said that what has been done before is not good enough and he thinks that within the last three years the public is starting to realize this is an issue that must be addressed.

A Commission member asked Dr. Attis if there were any models or approaches to funding that make higher education more competitive. Dr. Attis said it was a complicated issue that he did not want to weigh in on.

There was a discussion about the debate between research and comprehensive institutions. One Commission member said they are both very different but both important. He said that the Commission needs to look at funding as a whole but also deal with the research and comprehensive institutions. Dr. Attis responded by saying that a clear vision and framework of where the state wants to go would be very helpful.

There was a discussion about the importance of private sector involvement and the fact that higher education would play an important leveraging role in that regard.

Higher Education Formulas and Funding in Other States

Delegate Bohanan introduced the next presentation on funding formulas and funding in other states, which was presented by Ms. Rachel Hise, Ms. Keshia Cheeks, and Ms. Erika Schissler from the Department of Legislative Services. The presentation included information on the purposes of funding formulas, the goal of funding formulas which have shifted over time, the complexities of developing a formula, and guiding principles for funding formulas which include 14 characteristics of an optimal formula. The Commission was invited to think about which characteristics they might want to use. The emerging trend is that fewer states are using formulas and formulas are changing. Data was presented from selected states on percent of high school graduates going to

college, number of postsecondary institutions, number of students enrolled, and other data. Additionally, the presentation included information on higher education appropriations in selected states as a percent of state general funds, relative to personal income, and relative to population. Maryland appropriates 10.3% of state general funds to higher education compared to the national average of 12.5%. Resident tuition and fees for community colleges, flagship universities, and comprehensive universities in Maryland were compared to selected states. Maryland ranks 16th in the nation for community college tuition, 13th for flagship universities, and 5th for comprehensive universities. Finally, tuition relative to income was presented and while Maryland is pretty much at the national average, it also ranks much higher than many other states. For further information, please see the presentation entitled “Higher Education Formulas and Funding in Other States.”

There was a discussion about how the term “formula” was being used in the presentation. One Commission member asked if a formula by definition is a mandate and Ms. Hise said no. Ms. Hise said that some formulas are mandated and some are not and mainly formulas have been used to provide equitable distribution of funds. A Commission member asked Ms. Hise how she would define the Cade and Sellinger formulas and she said they are mandated in statute and provide for the allocation of funds but there are also funding guidelines that inform the process, which are not mandated and not in statute.

There was a discussion about the 14 characteristics of an optimal formula and how to determine the priority order of the characteristics. One Commission member asked whether the list of priorities was set overall for all the institutions or does each institution get to set its own priorities? Ms. Hise said it was both because of horizontal and vertical equity.

One Commission member said he was getting the impression that formulas and guidelines are ideas about what should happen but are not necessarily what happens. He said the information in the presentation had been interesting but the bottom line is what does the Commission want to do for the State? There was some discussion about this and it was pointed out that the information about other states was presented for comparison purposes. Ms. Hise commented that the panelists at the symposium were not very enamored at looking at other states but they can serve as examples and to help with setting goals.

One Commission member asked if any states have a mandatory formula that must be followed. Ms Hise said it does not appear that this is the case in any state because mandates are not followed during difficult financial times.

There was a comment made that southern states look very good with the amount of higher education appropriations made by the states. It was pointed out that Florida does not have state income tax but is able to put 12.7% of state general funds into higher education. Ms. Schissler commented that there is a minimal level of costs associated

with running higher education institutions so states have to put in at least a certain level of funds in order to maintain the institutions.

There was a discussion about the role of corporate giving to higher education. One Commission member asked if the Department of Budget and Management considered huge private donations received by universities when deciding how much funding to allocate to the institution. One Commission member said it factors into the conversation but another said that the fastest way to kill private fundraising is to do a trade off of State funds for private money received.

A Commission member asked if anyone has looked at what other states are doing regarding checkbook management. He asked if there are any solutions in other states that would work for Maryland or does the Commission need to come up with something new? Ms. Hise responded that research is being done about specifics in other states and will be presented as a part of the segmental briefings.

A Commission member commented that there needs to be an effort to level the playing field and address inequities.

Symposium Wrap-up

Ms. Dana Tagalicod and Ms. Molly Slominski from the Department of Legislative Services briefly highlighted some of the ideas and issues that were raised during the symposium. The Commission members were given two handouts: Symposium Ideas/Issues, which summarized the comments received after the symposium and Symposium Key Issues, which was compiled by Commission staff as an attempt to pull out key issues. Each handout listed issues under four categories: Appropriate Share of Higher Education Costs, Balancing Quality and Access/Affordability, Accountability, and Other Issues. Some of the highlights were: a model must address changing demographics, a formula must be able to weather difficult financial times, the focus must be on minority and underserved populations so that gaps are addressed, what Maryland needs is very important, and setting State goals is crucial. There was no discussion by the Commission on the issues because the scheduled time period for the meeting was over.

Closing Remarks and Adjournment

Delegate Bohanan adjourned the meeting at approximately 12:55 p.m.

