

Maryland Higher Education Commission

Van de Water Consulting's Report  
*Meeting Maryland's Postsecondary Challenges*

Commission to Develop the Maryland Model for  
Funding Higher Education

June 4, 2007

# Maryland Higher Education Commission

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# Origin of Report

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- State Plan is based on the vision that “All Maryland residents who can benefit from postsecondary education and desire to attend a college, university, or private career school should have a place in postsecondary education and it should be affordable.”
- To achieve this vision the State must initiate a comprehensive process to develop a postsecondary education model that will address the linkage of tuition policy, State support to institutions and institutional and State financial aid
- To assist with development of a model, Van de Water Consulting was retained



## MHEC's Endorsement

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- Van de Water Consulting's Report, *Meeting Maryland's Postsecondary Challenges*, was presented to MHEC in the fall and endorsed in January 2007
- MHEC recommends that the following three issues, in addition to those raised in this report, be considered
  - Preparedness for college of Maryland high school graduates
  - Enrollment growth and enrollment distribution
  - Possibilities for cost containment in the management of public colleges and universities



# Recommendations and Impact

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- Meeting Maryland's Postsecondary Challenges contains four recommendations:
  - Set specific goals for access and affordability to support the implementation of the State Plan
  - Strengthen coordination of planning and budget processes to promote more collaborative and better-informed decision-making
  - Align state appropriations, tuition and student aid to guide budget development and provide framework for determining the proportion of higher education funding needs to be shared by the State and student, and then balance the student's share with increases in student financial aid
  - Use student aid to make postsecondary education affordable for all citizens
- Recommendations should serve as a foundation for deliberations of the Commission to Develop the Maryland Model for Funding Higher Education
- Implementation will have a positive impact on Maryland's higher education system and strengthen the formulation of higher education policy and analysis



## What to Focus On

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- Development of a peer state-based funding model to provide predictability and stability to higher education funding, while moderating tuition increases
- Enhancement to financial aid programs to ensure that students can afford college
- Support the implementation of the State Plan for Higher Education by developing measurable goals for improved access and affordability



# Predictability and Stability through Peer State-Based Funding Model

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- Peer states identified by the consultant are considered to be best practice states in terms of budget coordination and financial aid
- Identified states have characteristics similar to Maryland in terms of income and tuition
- A peer state-based model would set a goal for determining the appropriate share of higher education costs paid by the State and by the student
- To ensure affordability for Maryland's lower income students, a peer state-based model should call for State financial aid at the average level of the identified peer states



# Illustration of Van de Water Model

## Updated for FY 2007 (page 37 of report)

	<b>Maryland FY 2007 Actual (millions)</b>	<b>Current Funding Distribution FY 2007</b>	<b>Distribution Applying Van de Water Model</b>	<b>FY 2007 Funding Level Using Van de Water</b>	<b>Difference (millions)</b>
Estimated Higher Education Funding Needs	2,823				0
State Tax Appropriations	1,436	51%	59%	1,666	230
Gross Tuition & Mandatory Fees	1,387	49%	41%	1,157	-230
State Student Aid to Public Institutions	83	6% of tuition	11% of tuition	127	44

Source: Funding data for Maryland and Peer States are from State Higher Education Executive Officers, *State Higher Education Finance 2006*, February 2006, Maryland State Operating Budget Books, Department of Budget and Management



# Use Maryland Guidelines and Funding Formulas for Peer State-Based Model

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- Existing funding guidelines are an institutional peer-based model that compares funding and performance of individual Maryland public colleges and universities with similar colleges and universities nationally
- Existing funding guidelines should be used for a peer state-based model for the purpose of determining higher education funding needs
- The State should then incrementally work toward achieving these needs



## Use Maryland Guidelines and Funding Formulas for State Peer-Based Model

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- Funding formulas for the independent institutions and community colleges are linked to the funding levels of the four-year public institutions
- This provides a great incentive for the sectors to work together to achieve higher education goals



# Enhancements to financial aid programs to ensure that students can afford college

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- Consistent with the recommendation of the Spelling's Commission, *Meeting Maryland's Postsecondary Challenges* recommends enhancements to State financial aid programs to support the State's goals of access and affordability
- Maryland is moderate in terms of State financial aid and ranks 23<sup>rd</sup> in need-based aid per FTE for FY 2005
- Maryland has ranked low in affordability in the "*Measuring Up 2006: State-by-State Report Card*" and prior report cards because of the share of family income students from lower-income families must pay to attend the lowest cost colleges in Maryland



## State financial aid programs should be revised to provide better access for lower-income students

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- According to Measuring Up 2006, for a student in the lowest 20<sup>th</sup> percentile of family income, it takes 62% of income to attend a community college and 79% of income to attend a four-year public institution
- MHEC studies show that the lowest income students have the largest amounts of unmet need with or without loans, and a high level of student loan debt, especially at community colleges



## State financial aid programs should be revised to provide better access for lower-income students

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- From 1996, the first year the State's largest need-based aid program was implemented, to present, tuition and fees have increased by 96% at the four-year publics and by 58% at the community colleges
- In 1996, the maximum award in this program was \$2,500, 71% of tuition and fees at the four-year publics and exceeded tuition and fees at the community colleges
- In 2007, the maximum award is \$3,000, 44% of tuition and fees at the four-year publics and approximately equal to tuition and fees at the community colleges



# Measurable Goals and Benchmarks for Improved Access and Affordability

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- Goals will identify higher education priorities for Maryland and measure progress in achieving them
- Higher education budget can be analyzed in relation to these goals and priority areas can be identified for the upcoming fiscal year budget
- Timely analysis of these goals will assist the Governor during the budget formulation process and the General Assembly while making budgetary decisions



## Conclusion

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- MHEC appreciates the opportunity to share its views on *Meeting Maryland's Postsecondary Challenges*
- Strongly encourages the Commission to consider the following in its deliberations
  - Development of a state peer-based funding model to provide predictability and stability for higher education funding, while moderating tuition increases
  - Enhancement to financial aid programs to ensure that students can afford college
  - Support the implementation of the State Plan for Higher Education by developing goals to measure progress in terms of access and affordability



## Conclusion

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- MHEC believes this framework will help Maryland achieve its vision:

“All Maryland residents who can benefit from postsecondary education and desire to attend a college, university, or private career school should have a place in postsecondary education and it should be affordable.”