

Commission to Develop the Maryland Model for Funding Higher Education

Minutes

December 10, 2008

The Commission to Develop the Maryland Model for Funding Higher Education held its sixth meeting of the 2008 interim on Wednesday, December 10, 2008 at 1:30 p.m. in the Appropriations Committee Hearing Room, House Office Building, Annapolis, Maryland.

The following members were present:

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

Chairman's Opening Remarks

Delegate Bohanan welcomed everyone to the meeting and explained that he is planning for this to be the final Commission meeting. He commented that this meeting was the culmination of a tremendous amount of work that began in January 2007. He said that Mr. PJ Hogan started with the Commission at that time and Delegate Bohanan

acknowledged that he was in the audience at the last meeting and commented that he had stayed with the Commission until the end.

Delegate Bohanan thanked the Commission members for all of the time and effort they dedicated to the Commission and commented that there were 17 full Commission meetings along with numerous workgroup meetings. He thanked the Commission members on behalf of himself, the Governor, and the General Assembly.

Delegate Bohanan also thanked “the individuals who helped us look good and who propped me up.” He said that the staff performed “exceedingly well” and he said he was very impressed with the outstanding staff support that the Commission received. He specifically thanked DLS, MHEC, and DBM for their staff support.

Delegate Bohanan pointed out the final report timeline in the binders and explained that the timeline needed to be followed in order to complete the report and have it available on the website by the week of December 21.

Review of Draft Final Report

Delegate Bohanan pointed out the outline for the final report and explained that the Executive Summary would be completed after the report was revised. He also mentioned that the Summary Table of Recommendations will be inserted into the relevant sections in the report. Delegate Bohanan pointed out the Preface, the Commission Charges and Background sections, and the Framework sections.

Delegate Bohanan started to mention that the HBI workgroup met last week on December 3 but Chancellor William Kirwan was afraid he had missed the opportunity to comment on the framework section so he spoke up and said that the first paragraph on page 24 points in a certain direction but has no punch line. He said he thinks it will be useful to add a sentence to the end of the paragraph that says “As the economy improves, the State should implement a similar approach for the funding of public four-year institutions tied to the recommendations in this report.”

Mr. Larry Shulman said he agreed with Chancellor Kirwan’s point but commented that the economy is not mentioned in this paragraph and pointed out that Chancellor Kirwan’s language only mentioned the four-year institutions and the community colleges and private institutions might feel left out.

Delegate Bohanan asked for the discussion of this language to be put on hold until after the discussion of the model. Senator Edward Kasemeyer asked staff to type up and distribute Chancellor Kirwan’s language.

Delegate Bohanan said that he forgot to have the designees introduce themselves at the beginning of the meeting so he asked them to introduce themselves at that time.

President Dan Mote spoke up about the first bullet on page 29. He said he did not like how it was worded and preferred the wording in the Appropriate Funding Shares Workgroup report. He was concerned that this wording was changing the process for the calculation of State funding but Ms. Rachel Hise with the Department of Legislative Services said there was no intent to change the process. Ms. Hise also said that the wording was changed because of a concern that was raised by an institution but apparently President Mote does not share that concern. President Mote said that he would prefer to see the sentence changed back to its original version.

President Mote also said he did not like the wording further down in the first bullet on page 29. Instead of “this in effect provides an unsatisfactory lower-limit” he would prefer “this is unsatisfactory.” Mr. Norman Augustine responded that he had no objections to this change.

Ms. Tina Bjarekull said that the funding model on pages 29 and 30 should be clarified to specify that the formulas for the community colleges and private institutions are part of the funding model.

Delegate John Olszewski commented that footnote number 3 on page 29 should be expanded to include a reference to how the State will know it is making progress toward its higher education funding goals. Delegate Bohanan said that this would be addressed by the accountability recommendations in the report and Delegate Olszewski asked if that could be referenced in the footnote.

Chancellor Kirwan commented that he likes the thermometers on page 30 but he questioned the titles over each thermometer. Mr. Augustine responded that the figure was a drawing and could not be changed electronically but arrangements will be made to have it changed for the final version of the report.

President Mote commented on the Tuition Stabilization Trust Account (TSTA) on page 34. He asked if the Commission should state that the account cannot be raided by the State for other needs. His fear is that at the same time that higher education needs to use the account, the State will be in serious financial times and will need to use the account also.

Delegate Bohanan said “Secretary Foster may object but I’m sure the rest of the group will think it is okay.” Secretary Foster had just arrived and had only heard the last part of Delegate Bohanan’s comment and joked “If the rest of the group will think it’s okay, I know I object.” Secretary Foster asked Delegate Bohanan to repeat what was said.

Delegate Bohanan said that the fear is if higher education has a special fund, the State might raid it during tough economic times. Secretary Foster said the intention of the State is to use funds for the reasons they were created but sometimes the economic environment is beyond anyone’s control. She agreed with putting in a sentence that says the State cannot raid the account, if it would give the Commission comfort.

President Mote said he thinks the TSTA provision should be stricken because the State cannot live by it. Mr. Shulman suggested having a provision that the TSTA cannot be raided unless 75% of the General Assembly agrees.

Senator Dyson commented that the State is probably going to furlough employees and he has been flooded with e-mails about this because the economy is so dire. He commented that he doesn't know if that kind of restriction in the legislature would work anyway. He said the only requirement is to pass a balanced budget.

Delegate Bohanan said he liked President Mote's original idea of putting in a sentence about the State not raiding the TSTA. He said that he believed President Mote's original suggestion was the best and he asked the Commission to agree to this.

President Mote said his preference was to take the provision out completely. Delegate Bohanan disagreed and said the TSTA was an important provision and it will not be removed. He said the sentence that should be added is something like "The intent and expectation is that this fund would be used only for this purpose."

President Mote commented that on page 46 there was a recommendation about institutions continuing to spend 2% of the replacement value of capital assets on facility renewal projects but there were no recommendations about what the State should do. He said it struck him that capital is such an important issue that the report should say something about what the State should do.

Chancellor Kirwan said that the report is very specific on the operating side but not specific on the capital side and suggested that there should be a statement about capital needs.

Mr. Augustine commented that perhaps this was because of the committee structure (workgroups) but he suggested making a capital piece part of the funding model. He also suggested adding another thermometer for measuring capital.

Delegate Bohanan commented that most of the recommendations deal with operating funding. He said that page 69 is where other capital recommendations begin and he commented that the Commission cannot solve the entire backlog of capital needs. He suggested adding a recommendation that would create a task force to further study the capital needs of higher education.

President Mote commented that after two years of study by the Commission, there is no specific number about capital needs reflected in the report. He said he thinks even if the State cannot afford the number, it should at least be stated.

Delegate Bohanan commented about the 2% facility renewal recommendation and said that the two budget committees have focused a lot on this. President Robert Caret said that he views the 2% as deferred maintenance funding and not as new space funding.

He said language could be added that if all of the thermometers are funded adequately, institutions should be targeting 2% because they will have sufficient funds for this.

Dr. Mary Leach spoke up on behalf of President David Ramsay and said that he as concerned that long-term capital needs had not been addressed in the report.

Delegate Bohanan commented that Thornton had dealt mostly with operating funding for K-12 education and then later the Kopp Commission looked at school facilities. He said that this Commission did not focus much on capital because the charges were mostly operational funding. President Mote disagreed and said that the Capital Workgroup studied the issue and wrote a report.

Mr. Clay Whitlow agreed with Delegate Bohanan and said that although there are some serious issues related to capital, the Commission risks diluting its message if it focuses too much on capital because its charge was about operating funding. He believes the capital issue is very important and deserves further consideration. He cautioned the Commission against rushing into throwing something into the report at the last minute.

Chancellor Kirwan asked if he could have some time to submit language on the capital issue and could pull some data from the capital report. Delegate Bohanan agreed and reminded him that it should be sent in by December 12 at 5:00 p.m.

President Caret suggested that additional capital language could be added on pages 69 and 70 in the “Ensuring Future Progress” section.

Chancellor Kirwan commented that on page 39 the strategic plan was to be sent to MHEC but there was no mention of sending it to the governing boards first. Chancellor Kirwan said the strategic plan should be submitted to the governing boards first and then to MHEC. Delegate Bohanan said he thinks this was the intent and agreed that the language should be clarified.

Ms. Bjarekull said that the GI bill that was recently passed has a lot of new provisions in it and MHEC should review it to ensure that all federal funds are being used. Secretary James Lyons said that MHEC had already been having internal discussions about this.

President Caret commented on page 29 about the funding model being implemented over a 10-year period. He asked if that could be changed to say a maximum of 10 years because the economy might turn around sooner. Mr. Augustine said it should be changed to “within 10 years.”

President Ray Hoy asked if the terms “comparator” and “competitor” on page 29 were intended to mean the same thing. Ms. Hise responded that “comparator” was used for a group of institutions and “competitor” was used for other states.

President Earl Richardson said he does not think the intention was to use the terms interchangeably. Delegate Bohanan agreed and said the two terms are separate and distinct and the report should reflect that.

President Mote asked about the Return on Investment (ROI) on page 60. He said he thought the three parts of the model at the top were supposed to say 100%. Mr. Shulman replied that the public does not understand the 75th percentile so the intention was to show this as 100%. He said this was an error in the chart and should be changed to be 100%.

Ms. Bjarekull said that the private colleges were also working to help develop the Associate of Science in Engineering so the paragraph on page 54 should be revised to reflect that.

Mr. Shulman spoke up and said he was trying not to sound territorial and if he did he apologized in advance. He said that we expect higher education to be accountable and he believes the Commission is missing an opportunity if the report places accountability in the back of the report under “Ensuring Efficiency in Higher Education.” He believes the Commission should integrate accountability earlier in the report because it is a very important piece. He said there is no question that the accountability recommendations are the cheapest recommendations in the report, which should resonate in these economic times.

Delegate Bohanan responded that the potential cost of fully implementing the recommendations will be very large and there couldn't be a worse time to roll out this report. However, the report sets a 10-year horizon and the economy will improve during that time. There are excellent recommendations in the report and he wants to ensure that the recommendations are reviewed and implemented when appropriate, including the recommendations that will cost money to implement. He said he is hoping this Commission's work will help to smooth the road in higher education funding. He said that the accountability recommendations can be implemented with minimal cost so we should focus on those and others that do not have a substantial cost.

Senator Ulysses Currie commented about the debate at the federal level about where economic stimulus money should be spent. He asked if the Commission should specifically state that it supports putting any federal economic stimulus funds into higher education.

Delegate Bohanan agreed and said that the Commission's last two years of work will position the State to take advantage of any federal economic stimulus funds.

Secretary Lyons clarified Mr. Shulman's statement about accountability. Secretary Lyons said although higher education is looking for more money, they are fine with being accountable for it.

Mr. John Paul Davey commented that Delegate Bohanan was clear about the situation the Commission finds itself in but Mr. Davey believes the preface to the report is not as strong. He said that the report does not acknowledge that we are in difficult financial times but the report will be a positive tool for later good economic times. Mr. Davey suggested a transmittal letter that will acknowledge where we are financially but that investment in higher education is important. The transmittal letter should clearly say why the Commission is being cautious but should also say that there are numerous good recommendations for future good economic times.

Delegate Bohanan agreed that these specifics would be good to put in the transmittal letter. Mr. Shulman commented that maybe the transmittal letter should include a reference to the federal economic stimulus money and how higher education has a multiplier effect.

Chancellor Kirwan agreed and said that there is momentum at the federal level to invest in construction within the state. He said that Governor O'Malley is prepared to submit lists about projects that the State needs money for and many of them are for higher education facilities. He said this makes the case for including more information about capital in the report and he again said he will submit language on capital.

Ms. Jeanette Ortiz, speaking on behalf of Lt. Governor Brown said that "workforce needs" should be added to the sentence about BRAC educational needs on page 68.

Chancellor Kirwan brought up his proposed language from page 24 again. Staff had typed it and distributed it to the Commission. He said that since page 24 is the framework and only sets the stage, he suggested that the language should go on page 33 at the end of the second paragraph.

Secretary Foster asked why he wanted this sentence and asked if he was creating a mandate without being specific.

Chancellor Kirwan said it is not a mandate because the General Assembly would have to adopt legislation to implement it first. He said that his concern with the report is that there is no language that sets a higher standard for the State's higher education. He thinks the report should have language that "ratchets up" the expectations for funding.

Secretary Foster said that the community colleges and private colleges are still tied to the public four-year institutions. The language in the report does not create a mandate but putting this language in might lead to the consideration of a mandate. She said that the budget is so laden with mandates that it ties her hands so she personally objects to this language.

Delegate Bohanan said that early on in the Commission's work, we decided not to roll out mandates because there are too many mandates now. He said that the Commission has done a lot of work trying to smooth the road for higher education

funding. He said he is afraid if we make this look like a mandate we might lose some support. Delegate Bohanan said he did not want to adopt the language.

Senator Kasemeyer said he initially thought the Kopp Commission's recommendations were excessive but ultimately the State did what the Commission recommended. He also commented that since the economy is a relative thing, it should not be mentioned in the report.

Secretary Foster agreed that the Kopp Commission's recommendations that were initially thought to be extreme were ultimately funded but those recommendations were not mandated. The recommendations were implemented because the Governor and the General Assembly supported them and this Commission's recommendations can be implemented without mandating any of them.

Senator Kasemeyer said that he has become a believer in higher education. He said that the State will always have needs such as health care but all of those needs will not be addressed if the State does not have a good workforce. He said that higher education is the future of our State.

Delegate Bohanan said that was a good transition into discussing the Commission legislation. If the Governor and the General Assembly champion the bill, its goals will be achieved. He said that Mr. Augustine has called this an "evergreen document" because it is living and it will continue to grow.

Chancellor Kirwan suggested alternative wording such as "As the economy improves, the State should consider the appropriateness of a similar approach for the funding of public four-year institutions tied to the recommendations in this report."

Secretary Foster said she would feel more comfortable if the language was not included in the report.

Delegate Bohanan said he appreciated the Chancellor raising this issue and asked if the Chancellor wanted to make a motion to adopt the language. Chancellor Kirwan responded that he did not want to cause a rift. Secretary Lyons said he believed that the compromise wording was appropriate. Senator Currie said the needs in education are leaning toward higher education rather than K-12.

Delegate Bohanan said that the Commission would adopt the compromise language.

Delegate Bohanan reminded the Commission that any additional comments must be sent in by December 12 at 5:00 p.m. and a revised version of the report will be sent out on December 15.

Delegate Bohanan asked for the Commission to vote on the final adoption of the report as modified today and Mr. Garland Williamson made a motion to adopt the final

report and the motion was seconded. All members present voted to adopt the final report except for President Richardson who abstained.

Mr. Williamson said he wanted to echo Delegate Bohanan's comments about the able staff. He said that he was impressed with the staff that supported him and the other Commission members. He thanked Mr. Hogan who was the first Commission chair, he thanked his fellow Commission members, and he thanked the Vice Chairman. He also thanked Delegate Bohanan for working with such a diverse group of personalities and for presiding over them with fairness, dignity, and balance. He said that the work Delegate Bohanan did on the Commission will bring honor to the legislation and he thanked Delegate Bohanan for his leadership. The Commission gave Delegate Bohanan a round of applause.

Delegate Bohanan thanked Mr. Williamson for his comments and again recognized Mr. Hogan as the former chair. Delegate Bohanan again commented on the talented Commission members that he had served with and thanked them again for all of their work.

Delegate Bohanan said that staff had been taking notes during each of the Commission meetings and had compiled those notes into minutes. Although the minutes had been compiled for each meeting, the Commission had not formally reviewed and approved the minutes. All of the minutes were sent by e-mail to the Commission so that the minutes could be formally approved at the meeting. The minutes will not be included in the final report but will be posted on the Commission website. Delegate Bohanan said that unless there were any questions or comments, the minutes would be formally adopted. No members present objected so the minutes were formally adopted.

Closing Remarks and Adjournment

Delegate Bohanan commented on a recent article in the Baltimore Sun about the Commission. He said he hoped the Commission members would go back to their spheres of influence and will continue their strong advocacy for higher education and will continue their public service. He said that education is the best possible investment we can make and it is critical and necessary. He said we might disagree about the exact amount that should be put into higher education but we all agree that it should be the highest possible amount.

He again thanked the Vice Chairman and he asked the Commission to give the staff a round of applause.

Delegate Bohanan adjourned the meeting at approximately 3:25 p.m.

Prepared by: Dana Tagalicod