



Lawrence J. Hogan, Jr.
Governor

Boyd K. Rutherford
Lt. Governor

Anwer Hasan
Chairman

Jennie C. Hunter-Cevera
Acting Secretary

Maryland Higher Education Commission Higher Education Budget Overview for Fiscal 2016

Testimony of Dr. Jennie C. Hunter-Cevera, Acting Secretary of Higher Education, to the Senate Budget and Taxation Subcommittee for Education, Business and Administration

January 29, 2015

Recommended Actions

1. Adopt the following narrative:

Institutional Aid, Pell, and Loan Data by Expected Family Contribution Category:

In order to more fully understand all types of aid available to students, the committees request that data be submitted for each community college public four-year institution and independent institution on institutional aid, Pell grants, and student loans. Data should include, by expected family contribution (EFC), the number of loans and average loan size of federal subsidized and unsubsidized loans, and loans from private sources as report to the Maryland Higher Education Commission (MHEC). Additionally, data should be provided on Pell grants, including the number and average award size by EFC. Finally, data should include the number of institutional aid awards and average award size by EFC for institutional grants, institutional athletic scholarships, and other institutional scholarships. The data in the response should differentiate between need-based aid and merit scholarships. Data should also include the number of institutional aid awards and average award size by EFC for tuition waivers/remissions of fees to employees and dependents and students. Waiver information for students should be reported by each type of waiver in State law. This report should cover fiscal 2015 data received by MHEC from State institutions and is to be submitted in an electronic format (Excel file).

Information Request
Report on financial aid
categories by EFC

Author
MHEC

Due Date
December 15, 2015

MHEC concurs with this recommendation.

Issues

1. **The Secretary should comment on how Maryland can remain competitive with FT/FT students and what nontraditional student demographics the State should look to enrolling in the short term.– p. 32**

Background

Some of the decline in first-time, full-time enrollment is attributable to a small but persistent shift in the first-time student population. Through Fall 2009, first-time full-time students made up approximately 69% of the first-time population; since Fall 2011, first-time full-time students have made up 65% of the first-time population. Overall, the number of first-time students followed the general enrollment pattern in Maryland: growing through Fall 2011, then declining in Fall 2012 and Fall 2013. (Data for first-time, part-time students in Fall 2014 are not yet available.) This pattern suggests that a growing number of recent high school graduates are remaining in Maryland but choosing to pursue part-time study instead of full-time study. The likeliest explanation for this phenomenon is prevailing economic conditions.

The decline in first-time enrollment is correlated with the end of the Distinguished Scholars program, which was a scholarship program awarded to high-performing high school students with the intention of encouraging them to attend Maryland colleges and universities. This program made its last initial award in FY 2011. It is possible that the decline in first-time, full-time students may be partially related to the discontinuation of this program. However, the larger decline in enrollment beginning in Fall 2011, which is generally attributed to recovering economic conditions, likely had a greater effect.

It is difficult to identify sub-populations of the recent high school graduate population that are especially likely to leave the state, and therefore strategies for competing for students are not obvious. For example, the racial and ethnic profile of first-time students enrolling at public institutions is very similar to that of the high school graduate population. Since average SAT scores have not changed substantially in recent years, it is unlikely that high-ability students are departing Maryland at accelerated rates. MHEC will conduct further research in an attempt to identify factors that may be related to this decline.

Early college programs underway around the State, boosted by the passage of the College and Career Readiness and College Completion Act (CCRCCA), will likely have a positive effect on the number of recent high school graduates pursuing higher education in Maryland.

Potential Options for Implementation

MHEC could expand its outreach efforts to include a marketing campaign extended to all State high schools with an emphasis on potential first-time college students as well as students from underrepresented minority groups. One Commissioner, who is a high school principal, might be willing to pilot a marketing campaign in partnership with MHEC and several institutions of higher learning.

Maryland institutions should continue their efforts to increase enrollment of adult and returning students, and to provide improved services specifically targeted toward helping these students learn, or re-learn, how to assess their existing skills and gain new ones, negotiate classrooms and offices, develop note-taking and study skills, learn about and apply for financial aid, build study partnerships with other students, and balance the demands of study, work, and family. These services facilitate these students' entry, or re-entry, into higher education. Adult and returning students comprised a significant portion of the surge in enrollment earlier in this decade and are essential to realizing the State's degree completion goal. Moreover, MHEC will be able to identify additional populations through the continuation of the Near Completers initiative, as well as through implementation of MHEC's expanded data collections.

- 2. The Secretary and Chancellor should report on progress toward adopting standards for assessing the accuracy of information made available to the public and when the MLDS website may have content available to either legislators or the general public.– p. 34**

The Governing Board expects to ratify standards for the release of public information at its next meeting in March of this year. These standards will provide a basis for presenting information that accounts for the difficulties of matching data across datasets while also providing useful information in those cases when complete matches are neither necessary nor possible.

- 3. The Secretary should comment on progress toward standardizing definitions across State and local agencies to avoid confusion in data reporting and public presentations. – p. 36**

The CCRCCA established a statutory definition for the term “dual enrollment.” At that time, MHEC's use of the term was generally broader than that of the statutory definition; that is, it included students enrolled at any high school, public or otherwise, and regardless of whether the student was also earning high school credit. On the other hand, the Maryland State Department of Education's (MSDE) use of the term was generally narrower than that of the statutory definition; that is, it referred only to those students who were receiving college and high school credit simultaneously. Both MHEC and MSDE are applying the term according to the statutory definition – for example, in the jointly developed document “Frequently Asked Questions About the Dual Enrollment Provisions of the College and Career Readiness Act of 2013,” <http://msde.state.md.us/w/EarlyCollegeCreditFAQ2014.pdf>.

As for its part, MHEC does not officially report data on dual enrollment according to the statutory definition in the CCRCCA, because it does not have data on whether a dually enrolled student is also receiving high school credit for college courses. In general, MHEC follows the lead of Maryland Longitudinal Data System Center (MLDSC) on this issue, which has the statutory responsibility for annual reporting on dually enrolled students in Maryland.

4. **The Secretary and State Superintendent of Schools should comment on how dual enrollment can compete with other programs like AP for enrollment and why the four largest local education agencies saw declines in headcount dual enrollment participation after CCRCCA went into effect. – p. 37**

MHEC believes that the CCRCCA may have had little immediate impact on dual enrollment because it took effect after most students had already selected courses and made curricular choices for the 2013-2014 academic year. Participation in dual enrollment experiences requires a good deal of coordination on the part of the student, the high school, and the college or university, and it is possible that the majority of students had already made their plans for the Fall 2013 semester prior to July 1, 2013, when the law went into effect. Moreover, institutions and local education agencies needed some time to establish processes for handling the new procedures for funding dually enrolled students, and to develop materials and strategies for communicating these procedures, and the new opportunities, to students.

While it is true that the number of students at community colleges serving the largest local education agencies saw declines in dual enrollment between Fall 2012 and Fall 2013, it is likely that this is due to random chance rather than deliberate action. For example, two community colleges serving larger jurisdictions, Anne Arundel Community College and Hagerstown Community College, saw relatively large increases, while two community colleges serving smaller jurisdictions, Allegany College of Maryland and Cecil College, saw relatively large decreases. It does not appear that the size of local education agencies or institutions is well correlated with decreases. Moreover, enrollment declines at institutions serving the largest jurisdictions were small, and none of the decreases exceeded 0.2% of the total headcount enrollment at the respective community colleges.

As MHEC understands it, the high rate of participation in Advanced Placement courses and exams is the result of deliberate strategies and emphases by MSDE and local education agencies across the state. According to the College Board, Maryland leads the nation with 29.6% of students succeeding on an AP exam. Unlike AP, dual enrollment provides students with the opportunity to spend time on a college campus and to interact with college faculty and other college students. MHEC knows that community colleges and four-year institutions are eager to work with MSDE, local education agencies, and individual high schools to recruit greater numbers of dually enrolled students.

Moreover, as the State continues to implement the PARCC assessments with the statutory requirement of assessing all students for college and career readiness no later than the 11th grade, additional opportunities for expansion may emerge as students deemed college and career ready will likely be presented with a wider range of options to attain college credit.

The Secretary and State Superintendent should also comment on how, in the future, the State can evaluate whether dual enrollment is successful in Maryland. – p. 37

In the future, as MHEC and MSDE work with the Maryland Longitudinal Data System Center (MLDSC) to learn more about dual enrollment, the success of dual enrollment might be assessed in several ways. A successful program, for example, should be associated with the following types of anticipated or expected outcomes:

- The number of participating students increases.
- In particular, the number of low-income and traditionally underrepresented students increases.
- Dually enrolled students are more likely than other high school students to pursue postsecondary degrees at Maryland institutions.
- Dually enrolled students are more likely than other students to persist in college and earn a postsecondary degree, and to complete this degree on time.

As more longitudinal information becomes available about how Maryland students are utilizing dual enrollment programs, additional outcomes might be added to this list.

Also, on or before December 31, 2017, MHEC, in collaboration with MSDE, MACC, USM, Morgan State University, and St. Mary's College of Maryland, is required under the CCRCCA to report on the academic, enrollment, and financial impacts of being a dually enrolled student, with data disaggregated by local school system and by public higher education institution. This report will also identify potential obstacles to expanded participation in dual enrollment.

5. The Secretary and representatives from the two- and four-year institutions should comment on if further efforts should be taken to refine MHEC's model; suggest other models that would award institutions for excelling in their missions; and on the possibility of Maryland entering into performance contracts or agreements with institutions. – p. 42

MHEC would welcome dialog across diverse institutions of higher education and consideration of other approaches to performance funding. The present MHEC model was developed at a time when the policy landscape appeared inhospitable to such approaches as outside-base funding and establishing performance targets or agreements, which are suggested in the DLS analysis. Approaches such as these may address some of the problems of the present MHEC model, and may be more sustainable in the long run.

The evidence on the effectiveness of performance-based funding approaches is mixed. In a few states, analysts have identified links between funding formulas and improved outcomes, but in others, such as a recent study on Washington State, analysts have found that PBF has had no meaningful effect on results. It may be that certain kinds of PBF approaches are more likely to lead to improvements than others, and so MHEC will

continue to monitor closely emerging analytical findings on PBF in an attempt to identify best practices in other states.

The present MHEC model emphasizes metrics relating to undergraduate education and degree completion, which have been high-priority policy goals for the State in recent years. However, MHEC concurs that there are many different goals and outcomes that could be used to set performance targets. MHEC also believes that the present model's emphasis on undergraduate education makes it extremely difficult for research universities to earn performance funding commensurate with the lost appropriations associated with a within-base funding approach.

Given these qualifications, the framework proposed for the public four-year and public two-year segments of higher education could be modified and applied within Maryland's existing budget process. Under this approach, each institution would be evaluated independently on its improvement in student progression, degree completion and institutional mission metrics as identified in the current framework. Funding for each institution, whether "within-base" or "outside-base," would be set aside by institution, as opposed to being "pooled" for all institutions, as in the current framework.

Each institution would then be analyzed for its performance in making improvements on its metrics. Budget recommendations and decisions on how much PBF funding each institution should receive could then be made based upon the analysis.

This approach would accomplish three objectives: first, it would add the "Performance-based Funding" component to Maryland's budget process for higher education; second, it would maintain the integrity of the State's current budget process, using analysis of institutional budget requests, funding guidelines and other factors when making budget decisions; and third, it would maintain the flexibility in which higher education funding is appropriated by the Governor and General Assembly and avoid adding another form of mandated funding in the State budget.

Finally, MHEC would like to comment on the idea that the proposed Federal ratings system for colleges and universities is a performance-based funding system. When President Obama originally announced the system, he stated that federal funding would be tied to institutional performance, and implied that high-performing institutions would receive increased federal funding. However, the most recent draft version of that proposal, which was released in December 2014, showed a more restrained connection between performance and funding. This version would effectively establish a minimum level of performance, and institutions falling below that level would become ineligible to award federal financial aid. The proposal is still being reviewed, but it is not clear that the final version will in fact be a true performance-based system.

6. The Secretary should comment on how institutions may be held accountable for the high debt loads of its own graduates. The Chancellor should comment on how USM will continue to meet its goal of ensuring that low-income students graduate with less debt. – p. 45

The DLS analysis does not define a “high debt load,” and such a definition would be helpful in attempting to address this question. As noted in the analysis, graduates from Maryland institutions have the 28th highest level of debt in the nation. Clearly, the standard of reference for “high debt loads” cannot be “compared to the rest of the nation.” MHEC would welcome more discussion about the meaning of the term “high debt loads.”

It is certainly true that student debt has been rising over time, although the rate of growth in Maryland has been slower than that of the nation as a whole in recent years. According to the College Board report *Trends in Student Aid*, per-borrower debt increased nationally by 16% from FY 2007 to FY 2012; however, in the same period, per-borrower debt in Maryland grew by only 7%.

Public Sector - Undergraduate Awards of One-Year or More per \$100,000 of Undergraduate Loan Dollars, 2011-12				
Source: U.S. Department of Education Federal Student Aid				
http://studentaid.ed.gov/about/data-center/student/title-iv				
NCES, IPEDS 2011-12 Completions File; c2012_a Provisional Release Data File.				
State	Total Undergraduate Awards of One-Year or More	Undergraduate Loans Originated	Awards per \$100,000 Loans	Rank among States
California	241,259	\$2,307,329,270	10.46	2
Washington	57,705	\$692,323,745	8.33	4
New York	112,602	\$1,440,505,579	7.82	5
Virginia	61,001	\$929,889,024	6.56	10
<i>Maryland</i>	<i>42,736</i>	<i>\$671,042,432</i>	<i>6.37</i>	<i>11</i>
New Jersey	50,568	\$800,449,905	6.32	13
North Carolina	65,822	\$1,052,341,684	6.25	15
Total 50 States	2,067,798	\$36,593,803,554	5.65	
Massachusetts	29,989	\$569,529,552	5.27	21
Minnesota	43,670	\$971,798,298	4.49	31
Pennsylvania	65,504	\$1,663,904,104	3.94	39
Ohio	72,527	\$1,995,525,374	3.63	45

Another approach to comparing debt across states is to determine the number of awards made by public institutions per \$100,000 of federal student debt. This approach has the advantage of incorporating debt from all public institutions, which the Project on Student Debt data does not. The chart above shows Maryland’s performance on this metric, as

well as performance for the ten competitor states and the United States as a whole. This chart, too, shows that Maryland's performance is strong compared to the nation, but perhaps not much stronger than competitor states. One contributing factor may be that the analysis reflects awards of one year or more, which are issued in much higher numbers in states other than Maryland.

The national growth in debt is likely the product of substantial changes to Federal financial aid policy. Federal financial aid has become increasingly centered on loans rather than grants. Since 2009, the interest rate on Stafford loans has been lowered, and maximum borrowing amounts have been increased on loans of all types. Moreover, changes to lending standards in recent years ensure that education loans are relatively easy to obtain. Indeed, since other forms of credit have become more difficult to obtain, both students and families have strong incentives to take on educational debt. Indeed, these last few factors embody a policy change in financing higher education that is so complete that it is difficult to imagine that student debt would not rise.

Other factors affecting debt depend on the individual choices of students and families. For instance, some students may be motivated to borrow funds for education because of the decline in real wages for workers with a high school diploma. Non-economic factors affecting students' choice of college, including location, prestige, and program offerings, also play a role.

Ultimately, the decision to borrow funds for education is a private one, outside the immediate control of colleges and universities. We offer the following for dialog and consideration:

- MHEC would propose to expand its current outreach programs to educate both high school and college students and families on the many opportunities for funding assistance for postsecondary education, instead of having to incur student debt, as well as how to access those resources.
- MHEC would work with high school guidance counselors and designated financial aid staff within our institutions of higher learning.
- MHEC would also propose to increase the visibility of this outreach through increased advertising and public relations efforts to convey the message that college can be affordable. This effort would be a more positive and productive approach to adding additional regulation and reporting requirements on the institutions of higher education.

In short, there are many factors that contribute to student debt, and only a few of these are within the control of the institutions themselves. To the extent that institutions should be held accountable, it would be most appropriate to assess institutions on their ability to manage the factors that are within their control. These might include:

- Improving graduation outputs, and ensuring that fewer individuals remain enrolled beyond 100% of the normal time to degree;
- Designing institutional financial aid policies that minimize reliance on borrowing; and
- Limiting annual increases to tuition and fees.