Maryland Higher Education Commission
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Maryland Higher Education Commission
Fiscal Year 2026 Budget Testimony

Education and Economic Development Subcommittee – Budget Hearing
1:00 PM – House Office Building, Room 120, Annapolis, MD
Delegate Stephanie Smith, Chair
February 12, 2025
1:00 PM

Education, Business and Administration Subcommittee – Budget Hearing
1:00 PM – Senate Office Building, 3 West, Annapolis, MD
Senator Nancy King, Chair
February 13, 2025
1:00 PM

Page 21: The Secretary should comment on the status of the harm analysis.

MHEC Response: MHEC is in the early stages of drafting this report (as it is due September 1st). This initial report will define harm in 3 ways: harm to the HBCU, harm to the State, or harm to the student. Metrics will likely include enrollment trends (particularly disproportionate drops or increases in enrollment), market share (i.e., a redistribution of students from HBCUs to non-HBCUs), shifts in funding allocations, program viability and sustainability (e.g., faculty, accreditation), graduation/completion rates, and the economic impact of a specific program. We expect to meet with representatives from the four HBCUs in Maryland to develop this report. This would include senior leadership, faculty, and students.

Page 22: DLS has determined the report to be in compliance with the budget language and recommends the $100,000 in withheld general funds be released, and if there are no objections, a letter will be processed to authorize the release the funds.

MHEC Response: MHEC concurs.

Operating Budget Recommended Actions

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

, provided that $36,661,362 of this appropriation made for the purpose of the Joseph A. Sellinger Formula for Aid to Non-Public Institutions of Higher Education may not be expended for that purpose, but instead may be transferred by budget amendment to program R62I00.07 Educational Grants to be used only for providing grants to the Maryland Independent College and University Association institutions based on financial need of the institution. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

Explanation: This language restricts funds for the Sellinger formula to be only used to provide grants to Maryland Independent College and University Association institutions based on the financial needs of the institution. The grant program will be administered by the Maryland Higher Education Commission.

2. Reduce funding for the Sellinger formula. A separate action restricts the remaining funds to be used to provide grants to the independent institutions based on financial need.

Amount Change	-$36,661,362
Total General Fund Net Change	**-$36,661,362**

MHEC Response: The Maryland Higher Education Commission respectfully opposes the recommended action and requests that the General Assembly to fund the Sellinger program at the level of the Governor's Allowance in FY 2026.

The Joseph A. Sellinger program began in 1978 following a period when independent nonprofit colleges and universities in Maryland were experiencing financial difficulties. It was designed to provide stability to the college and university finances at the time. It has provided a stable source of funding for the independent nonprofit colleges and universities for over 47 years.

The funding in the Sellinger program, like that in the Senator John A. Cade Program for community colleges, is linked to the per student funding provided to the Maryland public four-year colleges and universities. Independent nonprofit colleges and universities receive a percentage of per student funding provided to the public colleges and universities multiplied by each Independent institution's FTE enrollment.

The administration of the Sellinger program on a per FTE student basis makes the most sense for the allocations of funds to the independent nonprofit colleges and universities. MHEC has administered the program for the past 47 years. MHEC would greatly appreciate the General Assembly not starting a new grant program at this time. MHEC has successfully administered the Sellinger program for over 47 years based on FTE count. This model ensures some consistency for all segments and also for institutions and their ability to accurately budget year to year. There simply isn't a reason to develop yet another grant program that needs to be administered in a different way than we fund all of the higher education segments.

The administration of this grant program comes with no additional resources and is "based on the financial need of the institution," which MHEC does not have the resources or expertise to evaluate the financial need of independent institutions. Dozens of metrics determine the financial health of an institution and MHEC is neither a rating agency nor an accounting firm. The analysis would be extensive and burdensome for MHEC to administer. To change the program to a grant program where institutions will be rated based upon financial need does not provide the clarity of how the funds are to be administered. On what will financial need be based? How will the grant be administered? Will colleges and universities have to apply for the funding by demonstrating through data and other information that they are more financially needy than other independent nonprofit Maryland institutions? What will be the remedy for institutions that believe they are financially needy but are denied funding in any given year? This requirement poses a great challenge and several questions that must be answered before it can be implemented. Keeping the allocation of Sellinger funds through a per FTE calculation for each independent nonprofit institution removes any objectivity in decision making that providing the funding through a competitive grant program based upon financial need would entail and remains the most equitable way to distribute Sellinger funding.

During 2024, DLS conducted a comprehensive study of the Cade Formula, which is modeled after and structured identically to the Sellinger formula. As part of that analysis they noted that the linkage to the State's public four year institutions "provided a predictable and stable funding structure and integration into the broader education ecosystem". Ultimately they identified six key considerations to weight for future changes to the Cade funding formula, none of which were the financial need of the institution. After this extensive study they did not recommend moving away from FTE based awards, but with no study whatsoever have recommended a change to the Sellinger formula that is inconsistent with the six considerations that should be taken into account for a change of this magnitude.

The concluding consideration of the DLS analysis was to "Build around metrics that are easy to collect, access, and analyze". Unfortunately, the relative financial needs of an independent colleges are not easily ascertained. MHEC would encounter challenges collecting, accessing, and analyzing an institution’s financial need. MHEC respectfully requests that the General Assembly continue to utilize an FTE metric for distribution of the Sellinger formula.

The funding is provided as an unrestricted grant to the colleges and universities and the institutions can use these funds to pay for various expenditures in their operating budgets. As can been seen in Exhibit 1, the main use of the funds over the years has been to provide Maryland students with student financial assistance. Over the past four years, between FY2020 and 2024, the institutions have provided almost 89% of Sellinger funding in student financial assistance to Maryland students attending their institutions.

Exhibit 1.
Use of Sellinger Funding as Reported by the Institutions
FY 2020 - 2024

	2020 Sellinger Funding	2020 Total Sellinger Funding Applied to Financial Aid	Percent of Sellinger Funding to Financial Aid	2020 Total Institutional Aid to Maryland Students	2020 Percent of Total Institutional Aid through Sellinger Funding	2021 Sellinger Funding	2021 Total Sellinger Funding Applied to Financial Aid	Percent of Sellinger Funding for Financial Aid	2021 Total Institutional Aid to Maryland Students	2021 Percent of Total Institutional Aid for Maryland Students through Sellinger Funding	2022 Sellinger Funding	2022 Total Sellinger Funding Applied to Financial Aid	Percent of Sellinger Funding for Financial Aid	2022 Total Institutional Aid to Maryland Students	Percent of Total Institutional Aid for Maryland Students through Sellinger Funding
Total	59,063,989	51,707,106	87.5%	285,138,554	18.1%	59,024,905	53,408,630	90.5%	268,058,622	19.9%	88,810,065	80,253,303	90.4%	257,431,970	31.2%

	2023Sellinger Funding	2023 Sellinger Funding Applied to Financial Aid	Percent of Sellinger Funding for Financial Aid	2023 Total Institutional Aid to Maryland Students	Percent of Total Institutional Aid for Maryland Students through Sellinger Funding	2024 Sellinger Funding	2024 Sellinger Funding Applied to Financial Aid	Percent of Sellinger Funding for Financial Aid	2024 Total Institutional Aid to Maryland Students	Percent of Total Institutional Aid for Maryland Students through Sellinger Funding
Total	118,638,457	105,458,000	88.9%	263,465,831	40.0%	136,824,789	119,403,831	87.3%	359,684,881	33.2%

Source: Utilization of Funds Reports: FY 2020 - 2024

This commitment has provided a wider choice to Maryland students in making the decision on where they can pursue their higher education goals. Maryland provides a wide variety of independent nonprofit four-year colleges and universities, from a large, world-renowned research university, a small liberal arts colleges where students study the works of some of the world's greatest writers and thinkers through the Great Books curriculum, and several other institutions of varying sizes and specialties.

The tie in the Sellinger program to the public four-year segment has provided a strong relationship of the independent nonprofit segment of higher education in Maryland with the public four-year and community college segments. This unique allocation in State funding for higher education leads to greater cohesiveness and collaboration among the segments.

For these reasons, MHEC respectfully requests that the General Assembly reject this recommendation and fund the Sellinger program at the level of the Governor's Allowance in FY 2026.

Budget Reconciliation and Financing Act Recommended Actions

Amend statute to eliminate the formula for the Joseph A. Sellinger Formula for Aid to Non-Public Institutions of Higher Education and establish a grant program to serve the institutions based on financial need.

MHEC Response: MHEC respectfully opposes this recommended action.