



**R62I0001**

**Maryland Higher Education Commission**

**Fiscal Year 2027 Operating Budget**

**Response to Department of Legislative Service Analysis**

**Senate Budget and Taxation Committee Education, Business, and  
Administration Subcommittee**

**Senator Nancy King, Chair**

**February 19, 2025**

**House Appropriations Committee Education and Economic Development  
Subcommittee**

**Delegate Stephanie Smith, Chair**

**February 18, 2025**

**Background:** The Maryland Higher Education Commission (MHEC) appreciates this opportunity to provide responses and requested updates contained in the Operating Budget Analysis prepared by the Department of Legislative Services.

MHEC serves as the State’s coordinating and regulatory authority for postsecondary education, ensuring that Maryland’s postsecondary education system remains accessible, affordable, and aligned with workforce and economic priorities. The statutorily established Commission sets policy direction and adopts regulations, while the agency’s professional staff, under the leadership of the Secretary, implements those policies, administers programs, and ensures compliance and transparency. With a comparatively small administrative footprint, MHEC manages an FY27 proposed budget of \$891.9 million, of which the vast majority supports direct student financial aid and statewide investments.

Only 2% of the total appropriation supports agency-wide administrative operations. A staff of 88 positions, 25 of whom support student financial aid, oversees hundreds of millions of dollars in aid, regulates 57 colleges and universities and more than 130 private career schools, and administers complex statutory mandates across a system serving approximately 345,000 credited students annually. This structure reflects a deliberate balance between student access, equity, fiscal stewardship, and long-term system sustainability.

Maryland’s postsecondary education ecosystem is one of the most diverse and high-performing in the nation, encompassing 16 community colleges, the 12 institutions of the University System of Maryland, Morgan State University as the State’s Preeminent Public Urban Research University, St. Mary’s College of Maryland as the public honors college, 15 state-aided independent institutions, and more than 130 private career schools.

Collectively, these institutions drive economic growth, civic vitality, and innovation across the State. To guide this system, MHEC is advancing the 2026–2030 Maryland State Plan for Higher Education pursuant to Education Article §11–105. The Plan establishes clear, data-driven goals and performance indicators to increase postsecondary attainment, strengthen credential value, and close persistent equity gaps in enrollment, transfer, and completion. A cross-sector steering committee and structured working groups are ensuring broad stakeholder engagement and shared ownership, while aligning statewide goals with agency capacity and measurable outcomes. This work reinforces Maryland’s position as a national leader in access and innovation and reflects a sustained partnership with the General Assembly.

At the same time, Maryland is navigating significant shifts in the federal landscape that heighten both opportunity and risk. Structural changes to federal postsecondary education oversight, volatility in Pell Grant eligibility rules, expansion of short-term Pell for workforce programs, and

proposed caps on federal student loans are reshaping the financial aid environment and increasing administrative complexity for states. Concurrently, proposed reductions in federal research funding threaten the financial stability and innovation capacity of Maryland's public universities. These dynamics place additional pressure on state systems to do more with limited resources, even as demand for financial aid and student support continues to grow.

In this context, continued strategic investment in MHEC's coordinating, oversight, and administrative capacity is essential to safeguard public funds, sustain institutional excellence, and ensure that Maryland's postsecondary system remains a powerful engine of equity, talent development, and long-term economic growth.

MHEC is grateful to the Administration for a budget proposal that thoughtfully reflects the State's fiscal realities while continuing to prioritize strategic investments in postsecondary education. By balancing fiscal discipline with targeted support, the Governor's proposed allocations position MHEC to advance his commitment to leaving no Marylander behind and ensuring that every resident has meaningful access to affordable, high-quality postsecondary education and workforce opportunity.

MHEC's responses to the referenced statements and highlighted concerns are provided below. Quoted text from the DLS analysis appears in bold. Additional statements regarding MHEC operations to which the agency is responding are italicized. Each response is organized by issue number and includes the corresponding page reference from the analysis.

The DLS analysis identified four primary issues:

1. Update on Implementation of New Program Approval Process
2. Status of New Financial Aid System
3. Student Loan Debt Relief Tax Credit
4. Increasing Number of Mandated Reports Not Submitted

In addition to the four issues identified in the DLS analysis, MHEC also responds to the overall 2023 Office of Legislative Audits report.

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## Office of Legislative Audits Findings

***Page 10: Fiscal 2026 – “The Department of Legislative Services (DLS) recognizes that the fiscal 2025 shortfall must be addressed; however, DLS recommends reducing MHEC's general fund fiscal 2027 appropriation by \$250,000 to ensure the intent of the failure to authorize the release of funds is met.”***

MHEC respectfully disagrees with the recommendation to reduce the fiscal 2027 general fund appropriation by \$250,000. Since the release of the March 2025 audit, MHEC has taken decisive corrective action by strengthening internal controls, revising operational workflows, and enhancing documentation and oversight procedures across affected units.

The Commission maintains structured monthly meetings with the Department of Budget and Management's Audit and Financial Compliance Unit to review and verify mitigation progress. MHEC has formally responded to all seven findings, completed five, and is advancing the remaining two toward resolution. The formal close-out process is governed by external verification protocols, which means findings may remain technically open during administrative review even after corrective actions have been fully implemented.

Significant structural improvements have been implemented. MHEC reorganized the Office of Student Financial Assistance, increased staffing within the Service Obligation Unit, and eliminated a historical backlog of more than 1,000 cases dating back to fiscal 2020. The agency instituted independent transaction-level verification procedures to ensure audit traceability for repayment adjustments and service determinations. MHEC also revised its accounting procedures to eliminate the prior wash process, so that institutional refunds are reconciled within the same fiscal year as the original payment, resulting in more accurate expenditure reporting.

These findings originated during the operational disruptions of the 2020 pandemic. Current fiscal and program leadership were appointed after that period and have prioritized remediation and modernization of compliance.

Regarding the Student Loan Debt Relief Tax Credit, the agency has established a mandatory independent review process. A separate compliance layer now validates a sample of tax credit applications against source documentation, including lender statements and residency proofs, prior to final certification, ensuring every awarded credit is fully supported by evidence.

Because only 2 percent of MHEC's total appropriation supports agency-wide administrative operations, a \$250,000 reduction would directly affect the staffing and oversight capacity necessary to sustain these strengthened controls. Reducing administrative resources at the point where corrective systems have been implemented would undermine continued compliance and long-term fiscal integrity. MHEC remains fully committed to transparency, accountability, and the prevention of repeat findings in future audit cycles.

## **Identified Issue 1: Update on Implementation of New Program Approval Process**

**Page 17: Administration Procedure Program Review Process** – *“Chapter 963 required MEHC to develop and publish on its website an administrative procedures guide for the new program review process by January 1, 2025. It also requires the guide to be updated at least*

*once a year. However, as of January 1, 2026, the guide could not be located on MHEC's website."*

MHEC acknowledges the observation regarding the accessibility of the Administrative Procedures Guide. The guide was developed and operationalized internally to support implementation of the revised program approval framework. However, it was not clearly posted or labeled on the agency's website in a manner that made it readily identifiable to external users.

Upon identifying this concern, MHEC took immediate corrective action. The Administrative Procedures Guide has now been formally posted and clearly linked on the agency's website to ensure transparency and public access. The agency has also implemented internal web publication checkpoints to ensure that future statutorily required materials are both developed and publicly accessible by their required deadlines.

**Page 18: Review of Academic Programs** – *"The report [HBCU Impact Evaluation on Newly Approved Academic Programs Annual Report] was due by January 1, 2025, with additional reports to be submitted each January thereafter to the Senate Education, Energy, and Environment Committee, and the House Appropriations Committee. As of January 2026, MHEC has yet to submit a report."*

MHEC respectfully clarifies that the statutory requirement distinguishes between the internal review deadline and the reporting deadline.

Pursuant to Education Article § 11–206.2(a), the agency is required to complete its review of recently approved academic programs on or before January 1 of each year. However, subsection (b) of the same statute requires that MHEC report its findings to the Senate Education, Energy, and Environment Committee and the House Appropriations Committee on or before September 1 of each year.

In accordance with § 11–206.2(b), MHEC transmitted the required report on September 1, 2025, consistent with the statutory reporting deadline. Following subsequent discussion with the Department of Legislative Services, it was determined that the report did not fully conform to DLS formatting requirements and, therefore, required resubmission in the prescribed format.

MHEC has since worked directly with DLS to ensure the report is aligned with required formatting standards. The timing issue reflects a technical discrepancy in the submission format rather than a failure to complete the statutory review or transmit the report.

Accordingly, while the January 1 date governs completion of the review itself, the statute does not require submission of the report to the General Assembly until September 1. MHEC remains committed to continuing this review and reporting process annually as required under statute.

**Page 18: Workforce Need** – *“MHEC was also required to update the 2022 State Plan for Higher Education to include State and regional workforce needs on or before January 1, 2025. MHEC has not yet submitted the revised 2022 State Plan, nor has the webpage for the 2022 State Plan been updated to include workforce data. In addition, while the workforce data is posted on MHEC's website, it can only be found using the search function rather than a direct link.”*

MHEC respectfully clarifies that the required workforce need analysis was updated, completed, and submitted in accordance with the statutory timeline. The agency interpreted the statutory requirement as requiring development and publication of the workforce needs analysis, rather than retroactive amendment and resubmission of the existing 2022 State Plan document with an appended workforce section. Consistent with prior practice, the workforce analysis was developed as a standalone document and published on the agency's website.

Due to operational disruptions caused by the pandemic, the State Plan cycle is currently offset by one year. The 2022–2025 State Plan was structured as a transitional, post-pandemic bridge document. MHEC is now actively developing the comprehensive 2026–2030 Maryland State Plan for Higher Education and is on schedule to submit the new Plan by the July 1 statutory deadline. The forthcoming Plan will fully integrate statewide workforce data into its goals, benchmarks, and performance metrics.

In the interim, to address accessibility concerns, MHEC has updated the 2022 State Plan webpage to include a direct link to the workforce needs analysis, ensuring transparency and ease of access. The updated page may be accessed here:

<https://mhec.maryland.gov/pages/2021-2025-maryland-state-plan-for-higher-education.aspx>

MHEC remains committed to statutory compliance, transparency, and clear public presentation of workforce data.

**Page 18:** *“The Secretary should comment on the seeming disconnect between emerging workforce needs as defined by statute and the lists developed by MHEC.”*

MHEC recognizes DLS's observation regarding alignment of the agency's current workforce lists with Education Article § 11–105(a). The agency appreciates the emphasis on statutory precision.

MHEC respectfully disagrees that there is a disconnect between the statutory definition and the agency's current workforce analysis. Appendix D reflects a deliberate and reasoned interpretation of Education Article § 11–105(a) and serves as a practical bridge between the

statutory concept of “innovative, unique, and rare” graduate fields and actionable academic planning across Maryland’s institutions.

Appendix D is a component of MHEC’s published Workforce Needs Analysis and identifies graduate-level academic fields where Maryland currently lacks programmatic capacity or where emerging workforce signals indicate strategic opportunity.<sup>1</sup> These listings are intended to guide institutional proposal development and inform early-stage program review discussions consistent with statutory intent.

By definition, emerging industries often lack the traditional labor-market classifications or longitudinal data that standard workforce models rely on. Appendix D, therefore, reflects forward-looking analysis designed to anticipate innovation rather than respond only after fields are fully established.

MHEC remains committed to refining this methodology through continued engagement with the Maryland Department of Labor, the Department of Commerce, and institutional partners to ensure ongoing alignment with statutory requirements and workforce realities.

Identifying innovative and rare graduate-level workforce needs presents inherent methodological challenges. Emerging industries often lack the established labor-market classifications, longitudinal data, or degree taxonomies that traditional workforce-shortage analyses rely on. For example, in the early 2000s, unmanned aerial systems (drone technology) would not have appeared on conventional workforce lists until significant commercial and federal investment reached scale. MHEC understands that a strictly reactive approach risks positioning Maryland behind emerging economic sectors rather than ahead of them; hence, the purpose of the exercise.

Appendix D, therefore, reflects a forward-looking methodology. It identifies niche graduate specializations such as sustainable design or international globalization studies, where Maryland currently lacks graduate capacity, allowing institutions to strategically develop programs before those fields become mainstream elsewhere.

MHEC’s methodology is structured to satisfy the statute’s<sup>2</sup> three core elements:

- Graduate-level focus: The analysis centers on advanced research and professional fields that do not currently exist in Maryland’s graduate degree inventory.
- Identification of rare needs: By flagging areas such as Agricultural Animal Breeding where no Maryland institution currently offers a program, MHEC is identifying clear regional capacity gaps consistent with the statutory “innovative and rare” standard.

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<sup>1</sup> Appendix D is published as part of MHEC’s Workforce Needs Analysis and is available at: <https://mhec.maryland.gov/Pages/Workforce-Needs-Analysis--Public-Comment.aspx#ADEWNP>

<sup>2</sup> Education Article §11–105

- Leveraging resources: These listings signal opportunities for institutions to pursue federal grants, research partnerships, and private investment, aligning academic development with economic competitiveness.

Importantly, MHEC has not received substantive feedback indicating that the current workforce analysis is incomplete or materially misaligned with statutory intent. The draft Workforce Needs Analysis, including Appendix D, was released for public comment, and no formal objections or recommended revisions were submitted during that period.

Institutions are actively referencing the published workforce lists when preparing Letters of Intent and new program proposals, suggesting that the framework is operationally useful within Maryland’s academic planning process. That said, MHEC recognizes that workforce forecasting is inherently dynamic. The agency remains committed to ongoing collaboration with institutions, employers, and State partners to refine and strengthen the methodology as needed.

MHEC views this process as iterative and welcomes continued feedback to ensure that the analysis reflects both statutory requirements and evolving workforce conditions.

As part of the development of the 2026–2030 Maryland State Plan for Higher Education, MHEC is continuing to refine and strengthen this analysis. The agency is increasing coordination with the Maryland Department of Labor and the Department of Commerce and expanding engagement with industry partners. This includes moving beyond standard occupational classifications to identify emerging skill clusters, such as artificial intelligence, ethics, and quantum infrastructure, before they crystallize into formal degree and certificate programs.

MHEC remains committed to full statutory compliance and welcomes specific guidance should refinements be recommended. To date, no formal request for revision or correction has been raised. The agency stands ready to adjust as appropriate to ensure clarity, transparency, and continued responsiveness to Maryland’s evolving workforce needs.

**Pages 18 - 19: Letter of Intent** – *“MHEC did not start accepting LOIs until October 1, 2025, 10 months after the date established in statute. MHEC received 28 LOIs in the first two weeks of October, and then on October 14, 2025, MHEC sent an email to institutions stating that, due to a high volume of LOIs received, institutions were to hold any new LOI submissions until November 1. On November 1, MHEC sent another email to institutions further extending the deadline until December 1, 2025. These delays impact when an institution can submit a program for MHEC approval, thereby affecting its ability to offer new programs in a timely manner and respond to the student’s and State’s workforce needs.”*

MHEC acknowledges that formal acceptance of Letters of Intent (LOIs) began on October 1, 2025. An LOI, as established under Chapter 963 (HB 1244 of 2024) and clarified under HB 479



(2025), is a preliminary notice submitted by an institution prior to filing a full program proposal. The purpose of the LOI is to facilitate early collaboration among institutions and allow the agency to provide advance feedback regarding potential duplication and alignment with workforce priorities before significant institutional resources are committed.

Implementation timing was directly influenced by necessary statutory corrections to HB 1244. As reflected in legislative correspondence following Sine Die 2024, the final enacted bill differed from the amendment the conference committee intended to adopt, particularly regarding §11–206.5 and the scope of institutions subject to the LOI requirement. Corrective legislation was subsequently enacted during the 2025 Session through HB 479 and signed into law in May 2025. Prior to those corrections, key provisions required clarification to ensure consistent and defensible statewide implementation. Following enactment, MHEC moved expeditiously to operationalize the revised framework, with campus leadership participating in developing the LOI process.

As currently required by statute, all public senior institutions and private nonprofit institutions of higher education must submit an LOI for new graduate-level programs intended to be proposed within the subsequent six-month to two-year period. This was an entirely new process for both institutions and MHEC staff; no LOI framework existed prior to HB 1244.

Within the first two weeks of implementation, MHEC received 28 LOIs, reflecting significant institutional engagement. The brief administrative pause communicated in October and November was a deliberate quality control measure to standardize internal review protocols and ensure consistent evaluation of duplication and workforce alignment. This step was taken to preserve the integrity of the review process, not to delay institutional planning.

Since October 2025, MHEC has processed more than 50 LOIs. Initial review cycles required additional time as analytical templates and review benchmarks were finalized. As workflows stabilized, turnaround times improved substantially. Recent submissions have received determinations within approximately three to four weeks, demonstrating that the process is functioning efficiently and predictably.

It is important to note that this new statutory responsibility was implemented without an increase in staffing. The same academic affairs team that previously reviewed full proposals absorbed the LOI function while continuing to process all other academic actions. Despite this expanded workload, the team has maintained consistent throughput.

It should be emphasized that the LOI process is designed as an early coordination mechanism to prevent unnecessary program duplication and ensure alignment with State workforce priorities before institutions invest significant resources. It is not intended to impede innovation. MHEC respectfully disagrees with the implication that the current process has hindered institutions from advancing innovative proposals.

The record reflects the continued advancement of major initiatives across high-demand sectors. During this same period, MHEC approved the Meritus School of Osteopathic Medicine, the State's first veterinary school at the University of Maryland Eastern Shore, the Doctor of Social Work collaboration between Morgan State University and the University of Maryland, Baltimore, and oversaw the merger of the Maryland University of Integrative Health into Notre Dame of Maryland University.

Over the past two calendar years, MHEC processed 1,093 academic proposals, including 181 approved new degree and certificate programs, 93 of which are STEM and other lighthouse<sup>3</sup> sector programs aligned with workforce demand. Additionally, 13 new private career schools were approved to provide targeted, skills-based workforce training in fields including artificial intelligence, HVAC, health professions, cosmetology, and barbering. Maryland institutions continue to deliver strong outcomes in critical workforce areas, such as healthcare and education, while expanding capacity in emerging industries. The volume and scope of approvals demonstrate that Maryland's academic ecosystem remains active, responsive, and strategically aligned.

**Page 19: Approval of Online Programs – *“The Secretary should discuss the reason that MHEC did not meet statutory deadlines to implement various provisions in statute and has failed to submit required reports.”***

MHEC remains fully committed to meeting all statutory obligations under Chapter 963 (HB 1244, 2024), titled *Maryland Higher Education Commission – Academic Program Approval and Institutional Mission Statements – Requirements*, codified in relevant part under Education Article §§ 11–206 and 11–206.1 through 11–206.5.

The implementation timelines for HB 1244 were directly affected by the bill's legislative history. As documented in correspondence from the Conference Committee Chairs following Sine Die 2024, the final enacted version of HB 1244 included provisions that differed from the amendment the conference committee intended to adopt, particularly regarding § 11–206.5 and the scope of the Letter of Intent process. Corrective legislation was subsequently enacted during the 2025 Session through HB 479 (2025), which clarified and aligned the statutory framework with legislative intent.

Knowing that amendments were forthcoming during the 2025 Session, MHEC did not delay progress. The agency moved forward with implementation of core components of HB 1244, including:

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<sup>3</sup> Programs that meet transparent, evidence-based standards for high labor-market demand and strong earnings outcomes, specifically aligning with Maryland's innovation sectors like life sciences, cybersecurity, quantum computing, aerospace, clean energy, and advanced manufacturing.

- Regulatory revisions to the definition of a substantial modification
- Establishment of the Program Review Process Advisory Council (PRPAC)
- Development and publication of the Workforce Needs Analysis

Once HB 479 was enacted in Spring 2025, MHEC advanced full operational implementation in a structured and coordinated manner.

Statewide academic approval reform requires alignment across community colleges, public four-year institutions, independent institutions, and regional higher education centers. Through PRPAC, MHEC engaged campus presidents, provosts, and senior academic officers to ensure that new standards are clear, uniformly applied, and legally sound. This collaborative process was necessary to ensure durable implementation rather than fragmented compliance.

Regarding the development of a process to review fully online academic programs that predominantly enroll out-of-state students, HB 1244 (2024) does not impose a specific statutory implementation deadline for this provision. MHEC is deliberately developing this framework after reaching consensus on standards related to unreasonable and unnecessary duplication under Education Article § 11–206. The goal is to ensure Maryland institutions remain competitive in the national marketplace while upholding statutory requirements for quality, duplication prevention, and workforce alignment.

MHEC’s approach has prioritized legal clarity, statewide consistency, and the long-term sustainability of the academic approval process over expedited implementation that could create future compliance or litigation risk.

## **Identified Issue 2: Status of New Financial Aid System**

**Pages 19 - 20: Status of New Financial Aid System – “*The Secretary should provide further information on the factors that resulted in the delay of implementing the new system, if MHEC is on track to implement the system by the 2027-2028 academic year, the estimated cost of the new system, and if student input was obtained in development of the new system.*”**

MHEC welcomes the opportunity to provide clarification and offers the following structured response.

### **1. Factors Contributing to Timeline Adjustments**

Several primary factors contributed to schedule adjustments.

First, the project requires coordination and approval across multiple State entities, including the Department of Information Technology, the Department of General Services, and other oversight bodies. Infrastructure setup, procurement governance, cybersecurity review, cloud-hosting compliance, and licensing approvals must occur in sequence. These reviews are necessary to ensure State ownership, security, and integrity, as well as the platform's long-term sustainability.

Second, the procurement process was materially delayed due to external legal challenges following the vendor selection of Attain Partners on September 6, 2024. Two bid protests were filed, the second of which escalated to a formal appeal before the Board of Contract Appeals. These actions postponed the planned November 20, 2024, presentation to the Board of Public Works and delayed contract finalization. These procurement actions were external to MHEC's operational readiness but directly affected the implementation timeline.

Third, the project's technical scope is significant. The system must administer more than 27 distinct State financial aid programs, each with unique statutory eligibility criteria, award calculations, and compliance requirements. Developing a unified architecture capable of automating these determinations while accommodating annual federal and State policy changes requires phased configuration and rigorous testing.

It is also important to note that the statute requiring replacement of MDCAPS was enacted at the end of fiscal year 2022, providing approximately three years to complete procurement, system design, development, and statewide enterprise implementation. Given the scope and complexity of modernizing a statewide financial aid platform, this timeline was ambitious.

## 2. Implementation Status

MHEC is currently on track for implementation aligned with the 2027–2028 academic award cycle. According to the February 6, 2026, Project Status Report, the Maryland Student Information System (MDSIS) is formally designated as “On Track.”

Key milestones achieved include:

- Finalized use cases for the Research Portal with active configuration underway
- Active configuration of rulesets for all 27 plus financial aid programs
- Migration of vendor-developed code into MHEC's secured environment
- Ongoing execution phase planning and structured staff training

As workflows stabilize and configuration progresses, the project remains aligned with the current implementation target.

## 3. Estimated Cost

The projected cost range of \$10 million to \$20 million reflects current market benchmarks for enterprise-level IT modernization of comparable complexity. To date, \$13.4 million has been appropriated. The fiscal 2027 allowance would bring total funding toward the upper end of that estimate, supporting automated eligibility processing, multiple stakeholder portals, cloud infrastructure, cybersecurity protections, and long-term maintenance capacity.

The funding level reflects the scale required to administer 27-plus financial aid programs within a secure, modern, data-driven architecture that replaces legacy infrastructure.

#### 4. Student and Stakeholder Input

Student experience is central to MHEC’s design priority. To reduce barriers immediately while the full system is being built, the Office of Student Financial Assistance developed and launched the MHEC OneApp. This streamlined interim gateway has already yielded significant operational improvements. For the 2026–2027 award cycle, MHEC opened the application on January 15, 2026, the earliest opening date in the agency’s history. This achievement demonstrates MHEC’s commitment to improving access even as the larger technological transformation is underway. The forthcoming platform will support:

- A single application across programs
- Mobile compatibility
- Multilingual access
- Electronic document upload and signature capability
- Clearer guidance tools

The project has largely been in a backend development and configuration stage to address the complex rulesets of 27+ financial aid programs. Now that the project is advancing toward the prototype phase, MHEC will actively engage students to test these interfaces. Moving from backend configuration to frontend prototyping enables the agency to deliver tangible systems to learners, ensuring the final product is intuitive, accessible, and user-friendly.

MHEC remains focused on delivering a modern, secure, and sustainable statewide financial aid platform that fulfills legislative mandates and improves the student experience. While procurement litigation and interagency approval requirements extended certain milestones, the project is formally on track and progressing in alignment with the 2027–2028 academic cycle.

### **Identified Issue 3: Student Loan Debt Relief Tax Credit (SLDRTC)**

**Page 20: SLDRTC – “MHEC should comment on why the report [Student Loan Debt Relief Tax Credit Recommendations One-Time Report] has not been submitted.**

MHEC acknowledges that the full analytical report originally due January 1, 2026, was not submitted in its traditional format. The statistical information provided to DLS reflected preliminary program data rather than a finalized retrospective analysis.

The timing of the statutory deadline presents a structural challenge. Under statute, MHEC must certify tax credit awards by December 15. The report is due January 1, providing approximately two weeks to finalize award certifications, validate application data, conduct impact analysis, and develop policy recommendations. This compressed timeline proved particularly challenging during Tax Year 2025 due to significant decrease in program funding coupled with increased demand.

MHEC is currently completing a comprehensive retrospective analysis of the 2025 cycle, including distribution patterns, priority category outcomes, and the impacts of funding gaps. A full report aligned with prior DLS reporting expectations will be submitted.

**Page 20: SLDRTC – *DLS recommends extending the \$9 million dollar cap on the Student Loan Debt Relief Tax Credit through tax year 2026 and altering the due date of the report to December 1, 2026.***

MHEC understands that the referenced report pertains to the *Annual Student Loan Debt Relief Tax Credit* report, which contains applicant data, demographic information, award distribution, and related program statistics. MHEC further understands the recommendation to be a modification of the current statutory due date from January 1, 2026, to December 1, 2026. If adopted, this change would allow the agency to submit a complete, validated, and analytically robust report following closure of the tax year cycle rather than within two weeks of award certification. Should DLS be referencing a different report requirement, MHEC respectfully requests clarification to ensure full and timely compliance.

However, MHEC respectfully opposes extending the \$9 million cap through tax year 2026. The 2025 award cycle demonstrated that the \$9 million funding level is insufficient relative to demand and statutory priorities. The State has observed a historic surge in interest, with more than 18,000 residents competing for limited resources. Since the program's inception in Tax Year 2017, application volume has more than tripled, surging from 4,988 applicants in the inaugural year to 18,310 in the current cycle. Consequently, a significant number of otherwise eligible applicants were unable to receive awards due to funding constraints. Extending the reduced cap would limit the State's ability to support workforce retention and to provide debt relief to Maryland residents.

MHEC urges consideration of restoring funding capacity to better align with demonstrated demand and statutory intent. Maintaining the reduced cap constrains the program's effectiveness at a time when postsecondary education affordability and workforce competitiveness remain critical statewide priorities.

**Page 23: SLDRTC** – *“However, when DLS requested the same information from MHEC to use in the 2026 session, MHEC instead submitted a report that did not include the requested information.”*

MHEC acknowledges that the interim data submitted for the 2026 session did not match the granularity of prior years' reports. This variance was due to two primary factors. First, the agency is still actively conducting a rigorous internal analysis of the Tax Year 2025 applicant pool to validate the specific impacts of the reduced funding cap on statutory priority tiers. Second, the Commission experienced a leadership transition during this critical reporting period, specifically the turnover of the Assistant Secretary for Finance and Administration. This vacancy temporarily impacted the agency's capacity to aggregate and finalize complex retrospective data exhibits within the standard timeline.

To rectify this and ensure the General Assembly receives the most robust data possible, MHEC proposes the submission of a comprehensive Joint Chairmen's Report (JCR) due July 1, 2027. This report would encompass all data points requested in the 2025 Budget Reconciliation and Financing Act, while offering an expanded scope of analysis that evaluates the program's long-term structural sustainability and the ongoing impact of funding constraints on Maryland's workforce.

#### **Identified Issue 4: Increasing Number of Mandated Reports Not Submitted**

*Page 20: Increasing Number of Mandated Reports Not Submitted – “The Secretary should explain why MHEC continues to miss due dates for mandated reports and the reason for the increase in the number of reports not submitted.”*

MHEC acknowledges that not all mandated reports were submitted in accordance with statutory deadlines and remains fully committed to meeting all reporting obligations. The agency takes this matter seriously and has implemented structural reforms to address both submission timing and compliance with formatting requirements.

It is important to clarify that a portion of the reports identified as “not submitted” were, in fact, transmitted to the Department of Legislative Services within or shortly after statutory deadlines. In several instances, however, the reports did not conform to the required DLS formatting standards and were therefore not formally accepted or recorded in DLS tracking systems. The issue was not failure to transmit, but an internal gap in verifying template compliance and technical formatting prior to submission.

At the time, MHEC did not have a centralized internal review protocol to ensure reports met DLS formatting requirements before transmittal. As a result, reports requiring revision were not always promptly corrected and resubmitted. That breakdown has now been addressed.

Over the past five months, MHEC has implemented strengthened internal controls, including standardized agency-wide templates aligned with DLS requirements; centralized tracking systems within External and Legislative Affairs; clearly assigned internal ownership of each mandated report; formal pre-submission compliance review; and advanced deadline monitoring. These reforms are now embedded in agency operations to ensure reports are not only transmitted on time but submitted in full compliance with statutory and technical standards.

During this same period, the agency experienced significant leadership transitions, including the departure of the former Executive Director of External and Legislative Relations in July and the retirement of the Assistant Secretary of Finance and Administration in December. Upon joining in late September, the new Executive Director conducted a comprehensive reconciliation of all legislative-mandated reports and Joint Chairmen's Reports, coordinating directly with DLS staff to clarify formatting expectations, reconcile submission histories, and resolve discrepancies between internal and external tracking systems.

It is also important to note that while DLS observed an increase in late or unsubmitted reports over the past three years, the total number of reporting requirements assigned to MHEC has increased during that same period, expanding administrative workload without a proportional increase in staffing. In addition, several reports identified in the analysis are tied to programs that are no longer funded or statutorily required. MHEC is working with DLS to reconcile and confirm active reporting obligations.

MHEC has taken concrete, systemic steps to ensure that reporting compliance is proactive and structured rather than reactive. The agency remains fully committed to transparency, statutory adherence, and continued coordination with DLS to prevent recurrence.