



UNIVERSITY SYSTEM *of* MARYLAND

University System of Maryland FY 2022 Budget Testimony

Maryland House Appropriations—Subcommittee on Education and Economic Development
Maryland Senate Budget and Taxation—Subcommittee on Education, Business and Administration

USM Chancellor Jay A. Perman

February 4, 2021

Chairman Barnes, Chairman Zucker, members of the subcommittees, thank you for this opportunity to testify on Gov. Hogan's FY 2022 budget recommendations for the University System of Maryland (USM), and for the tremendous support you've shown to higher education and to the USM over the years.

I'm particularly grateful for your leadership over these last 11 months. From the earliest days of this pandemic, the General Assembly, in partnership with Gov. Hogan, acted swiftly and decisively to make significant funding available to mount an effective COVID response. This action—*your* action—helped safeguard public health and secure Maryland's future. And in the months since, you have continued to act in the best interests of the state and its citizens. I thank you for this leadership.

Today marks my second time testifying before you on the USM's proposed budget—and what a difference a year makes. Last February, one month into my role as chancellor, I was excited about what we could accomplish together: strengthening our institutions, growing our research, expanding our work to benefit Maryland communities, amplifying our economic impact across the state. I shared with you my top priority as chancellor: to make higher education accessible and affordable for *all* Maryland students. You supported me in that mandate. And then, one month later, everything changed.

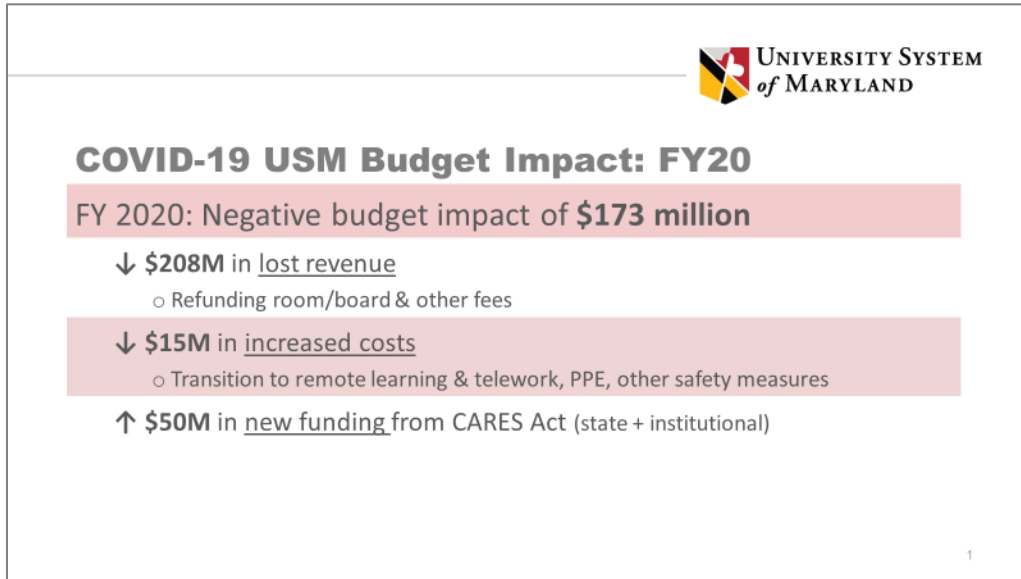
Make no mistake: I am as committed as ever to our *shared* vision for the USM. But before we can realistically look forward to the USM's future, we must look back at what we've been through; how we confronted our challenges, rose to the occasion, and provided for our students, faculty, staff, and communities; and, yes, how this crisis has affected our budget.


From the beginning of the pandemic—even before there were any confirmed cases in Maryland—the USM was making plans to ensure continuity of operations, avoid the interruption of academic study, and protect students, faculty, and staff. Last March, we efficiently transitioned to remote education for students and faculty. We initiated telework—where possible—for staff. And we took measures to secure the safety of employees who could not work remotely.

Even under these unprecedented circumstances, however, it was vital that the USM remain open and operating—that we fulfill our mission of education, research, and service; that we continue to deliver essential

patient care and counseling; that we provide housing, dining, and other vital services for students who had no option but to remain on our campuses.

Yes, things were different. Classes were taught online, research was limited in scope, and our work—for the most part—was done remotely. But the USM was open and operating, safely and effectively, delivering on our promise to *remain* a public good in Maryland.



 UNIVERSITY SYSTEM
of MARYLAND

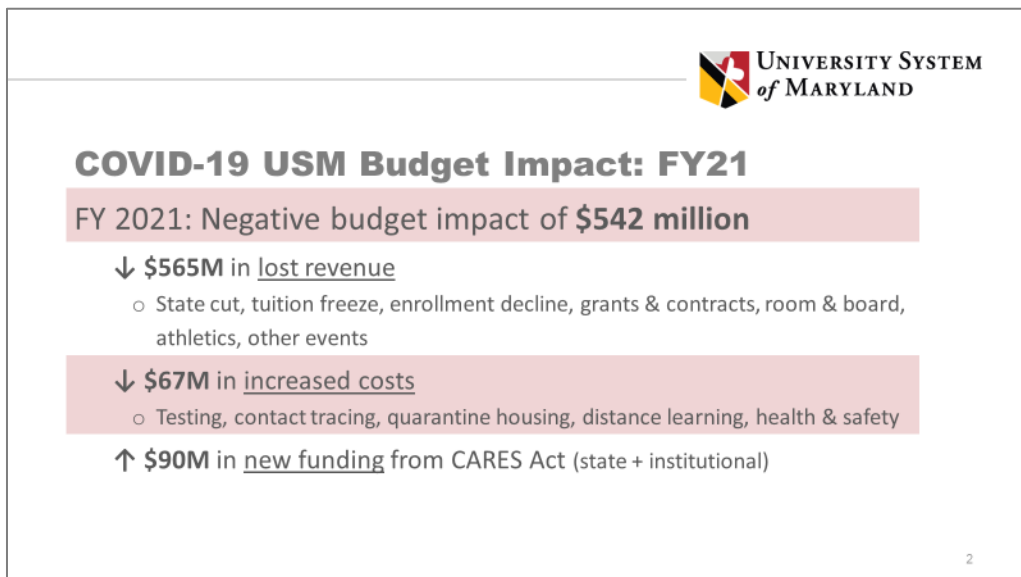
COVID-19 USM Budget Impact: FY20


FY 2020: Negative budget impact of **\$173 million**

- ↓ **\$208M** in lost revenue
 - Refunding room/board & other fees
- ↓ **\$15M** in increased costs
 - Transition to remote learning & telework, PPE, other safety measures
- ↑ **\$50M** in new funding from CARES Act (state + institutional)

1

As the slide above indicates, this did come with a significant cost. With the partial refund of room and board for students who left campus in March, the cancelation of athletics and other events, and the reimbursement of some student fees, the USM lost almost \$208 million in revenue. Compounding these losses were new costs associated with health and safety protocols and with online learning, including the provision of laptops and internet connectivity for students without technology access. Even with an offset of \$50 million in support from the federal CARES Act, the USM took a budget hit of \$173 million in FY 2020.



 UNIVERSITY SYSTEM
of MARYLAND

COVID-19 USM Budget Impact: FY21

FY 2021: Negative budget impact of **\$542 million**

- ↓ **\$565M** in lost revenue
 - State cut, tuition freeze, enrollment decline, grants & contracts, room & board, athletics, other events
- ↓ **\$67M** in increased costs
 - Testing, contact tracing, quarantine housing, distance learning, health & safety
- ↑ **\$90M** in new funding from CARES Act (state + institutional)

2

Of course, FY 2020 was just the start. This current fiscal year, the revenue losses have been far more severe, as they have been for public universities across the country. In July 2020, the Board of Public Works (BPW) approved a USM appropriation cut of \$122 million. That base cut was more than one-quarter of the total BPW-approved reductions, meaning the USM sustained a considerable share of the state's pain.

Shortly thereafter, the Board of Regents approved a freeze in tuition, room and board, and other fees for the 2020–21 academic year. While the freeze was the right thing to do for students and families under significant financial stress, it reduced our budget by \$41 million. Additionally, to achieve campus de-densification goals, USM institutions limited the number of students in campus housing, which significantly shrank room and board revenue. Together, reduced enrollment, diminished room and board revenue, the loss of athletic conference fees and ticket sales, and other losses amounted to more than \$300 million.

This budget impact has been enormously challenging to manage. However, it bears noting that the USM's deliberative response to COVID forestalled additional losses. The University System's undergraduate enrollment has dropped only 0.9 percent this academic year, while the average undergraduate drop at four-year public institutions nationwide is 1.9 percent. We credit this comparative success to the USM's efficient transition to online and hybrid learning last fall, our fortification of institutional aid to students in financial need, and the robust support we *continue* to provide students in terms of academic, advising, and mental health services.

The impact of the USM's financial losses is exacerbated by new costs associated with safely returning some students to campus last fall—namely, COVID testing, daily symptom monitoring, personal protective equipment provided to students and employees, and the modification of campus buildings to contain virus spread.

During the fall 2020 semester, USM institutions administered more than 170,000 COVID tests, at a cost of \$7.6 million. This regimen of baseline, surveillance, and symptomatic testing—combined with rapid isolation and quarantine, and rigorous adherence to disease prevention protocols (mask-wearing, hand-washing, physical distancing)—made our USM campuses a safe place to be last fall, when compared with their surrounding communities and the counties in which they sit. Together, our USM institutions had a cumulative positivity rate averaging below 3 percent from September through December.

Adding to these disease prevention costs were additional technology investments supporting more robust, effective, and engaging online learning.


A one-time CARES Act offset of \$90 million still leaves the USM with a budget deficit of \$542 million for FY 2021. (The CARES Act also provided \$40 million in emergency financial aid for struggling students; USM institutions distributed those funds *directly* to students.)

All told—from the closing months of FY20 to the beginning of FY22—we estimate new costs and decreased revenues at more than \$700 million.

As you know, the USM has taken significant and aggressive steps to address this shortfall. We implemented a near-freeze on new hires, eliminated more than 500 vacant positions (full- and part-time), cut discretionary spending, enacted temporary salary reductions, and deferred construction and facilities maintenance. In addition, we drew down our fund balance by \$184 million.

Of course, as you also know, the vast majority of steps we've taken to address the FY21 budget hole were one-time actions. Temporary salary cuts, drawing down the fund balance, cutting facilities renewal—these options are not realistically available for the USM to use again. If we were forced to make significant cuts in the future, it would mean deeper, permanent cuts to our base budget, which would be felt for several years at all 12 USM institutions and all three regional higher education centers.

Turning to the specifics of the governor's budget proposal, I'll touch on just a few key points before addressing the questions and issues raised by Sara Baker and her team. First—and most importantly—on behalf of the USM, I express my support for Gov. Hogan's FY22 proposed budget.

 UNIVERSITY SYSTEM
of MARYLAND

FY22 Budget Overview

Governor's Proposal: **\$1.4 billion** / General Fund and HEIF

- ↓ **\$129M decrease** (↓8.3%) from approved FY21 budget
- ↓ **\$7.4M decrease** (↓0.5%) from adjusted FY21 budget

↑ Additional **\$38M** for COLA
Included as part of DBM Personnel Budget

Will enable the USM to limit tuition increase
↑2% for in-state undergraduates

3

In brief, the governor has proposed state support for the USM of \$1.4 billion, coming from the General Fund and the Higher Education Investment Fund. After accounting for the FY21 one-time deficiencies and the FY22 COLA, the net result is a decrease of \$129 million—or 8.3 percent—from the USM's *approved* FY21 budget, and a decrease of \$7.4 million—or 0.5 percent—from the USM's *adjusted* FY21 budget.

I'm pleased to point out that—even with the reductions we're facing—the budget proposal will enable the USM to limit our tuition increase next academic year to a modest 2 percent for in-state undergraduates. Working closely with our legislative and state partners, the USM is making higher education sustainably affordable for Maryland students.

There are a few specific components of the increase in state funds I want to highlight.

FY22 Budget Proposal Elements

↓ \$16.1M: State funding across-the-board reduction

↓ \$600K: Fringe benefit rate adjustments

↔ \$4.4M: Reinstatement of unemployment funding

↑ \$2.2M: Operating expenses for new USM facilities

↑ \$2.4M: SB 897/MPower Steering Council

↑ \$350K: Judge Alexander Williams Center

4

The budget includes **\$2.2 million to fund operating expenses for new USM facilities**. Thanks to leaders in Annapolis, the USM is expanding academic and research capacity across the state. These new and renovated facilities—many housing STEM and health sciences disciplines—will strengthen Maryland’s innovation ecosystem. When faced with critical challenges like defeating COVID or rebuilding Maryland’s economy, this investment in our facilities and our academic and research capacity is vital.


The budget includes **\$2.4 million to support the MPower Joint Steering Council**, which oversees the strategic partnership between the University of Maryland, Baltimore (UMB) and the University of Maryland, College Park (UMCP). The partnership has yielded 25 collaborative academic and research programs, generated hundreds of millions of dollars in joint funding, and accelerated commercialization of university research. Last fiscal year alone, the two universities disclosed 333 inventions, licensed 48 technologies, launched 13 startups, and conducted \$1.1 billion in research.

In fact, the MPower partnership enables the formal linking of UMB and UMCP as a single research enterprise. Just this week, the National Science Foundation released its annual research rankings, and the two universities’ combined expenditures place the University of Maryland at No. 8 among the nation’s *public* universities, and No. 14 among *all* universities. Additionally, Maryland is now among only a handful of states with more than one university conducting in excess of \$1 billion in research annually. I’m indebted to the late Senate President Emeritus Mike Miller for his vision in crafting the University of Maryland Strategic Partnership—for seeing clearly how these two universities, in leveraging each other’s strengths, would powerfully benefit their students and the state.

Finally, the budget includes **\$350,000 for the Judge Alexander Williams Center**. Established in 2015 at UMCP, the center provides a forum for discussing pressing problems facing minority communities and transforming the systems of inequality that create and sustain them. Given the grave racial disparities prevailing in education, income, safety, health care, criminal justice, and more, I believe the work of the Judge AW Center has never been more critical or more deserving of support.

The bottom line is that the governor’s FY22 budget demonstrates—even under these unimaginably difficult circumstances—that Maryland remains committed to higher education. We enthusiastically support the budget and encourage its adoption. Certainly, any further cuts to the USM’s budget would move us from a difficult position to a devastating one.

I will also note that this support for higher education, particularly public higher education, underscores Maryland’s embrace of bipartisanship, which we all know is increasingly rare in legislative bodies across the country. I believe the USM stands as a genuine, shared funding priority in Annapolis and throughout Maryland. And as chancellor, I pledge that Maryland’s commitment to the USM will continue to be matched by the USM’s commitment to Maryland.



An Accessible USM

- Froze tuition, room/board & other fees for the 2020-21 academic year
 - 2% increase for in-state undergraduates next year
- \$64M in need-based institutional aid awarded to undergrads: FY20
 - \$174M awarded in total undergraduate institutional aid: FY20
 - Half of all USM undergraduates graduate with NO student loan debt
- Half of USM undergraduates are students of color
 - Minority student population: ↑ 36% over FY10
 - Minority faculty population: ↑ 65% over FY10

5

That commitment has manifested in many different ways over this very unusual year, but our primary commitment has remained: to make a college education possible for any Marylander who wants one. USM institutions awarded \$174 million in undergraduate financial aid last fiscal year, \$12 million more than the year before. Of that total, \$64 million was distributed as need-based aid, a 62 percent climb over 10 years. Understanding the devastating financial toll COVID has taken on our students and their families, the USM froze all undergraduate and graduate tuition and fees for this current academic year and, under the proposed FY22 budget, we’ll be able to keep next year’s increase to a modest 2 percent.

Strengthening Maryland

170,180 students enrolled

- 80% of undergrads are from MD

42,654 degrees awarded

- 79% of all bachelor's degrees conferred in MD

16,000 STEM and health care degrees

- 7,400 cyber; 4,000 health professions

\$1.54 billion in external grants & contracts

3 research parks supporting **360 companies** & **11,500 jobs**

6

The USM is also dedicated to shepherding the state through its post-COVID economic recovery and toward strong and sustained growth. We're proud that our graduates become Maryland's workforce, and that this workforce, in turn, powers Maryland's economy. Last year, the USM awarded more than 42,000 degrees, nearly 40 percent of them in high-demand STEM and health care disciplines. Almost eight of every 10 bachelor's degrees awarded in Maryland are awarded by the USM, and because 80 percent of our undergraduates are in-state residents, they often stay in Maryland following graduation, contributing their wealth to our economy and their service to our communities.

USM Pandemic Response

UMBC alum led **development of Moderna vaccine**

UMB led **clinical trials** for Moderna & Pfizer vaccines

USM providing expertise in **public health policy, data tracking & forecasting, bioproduction, quantum computing, supply chain solutions**

350+ USM nursing students granted **early graduation** to join frontline workforce

USM campuses in discussions to serve as **community vaccination sites** & to **staff up vaccine distribution centers**

USM COVID Research & Innovation Task Force establishing **regional pandemic response, preparedness & biodefense effort**

7

Certainly, much of the USM's service to the state this year centered on strengthening Maryland's COVID response. Throughout this crisis, our people and our expertise have been key resources to the state. USM faculty in public health, epidemiology, and emergency management populate Gov. Hogan's Coronavirus Response Team and help shape state strategy. Meanwhile, the USM COVID Research & Innovation Taskforce—established last spring to develop and scale COVID solutions—is focusing its work on pandemic predicting,

economic recovery, medical countermeasures, and community health. Additionally, the USM has joined Connected DMV as lead academic partner in a regional effort to establish a biodefense center focused on neutralizing virus-causing pathogens.

As it became clear the toll COVID was taking on Maryland's health care personnel, the USM swelled the state's frontline workforce by securing regulatory approval for the early graduation of our nursing students. Over the spring and fall of 2020, more than 350 USM undergraduate and graduate nursing students entered practice early to support their health care colleagues.

As Maryland now turns to vaccine distribution, USM institutions are in discussions with the state to serve as community vaccination sites, which could prove vital to an accelerated distribution plan. The USM is working, as well, on a systemwide way to staff state vaccination sites with USM students—both in volunteer roles and for clinical and non-clinical credit.

Of course, the USM's vaccine expertise runs deep. University of Maryland, Baltimore County alumna Dr. Kizzmekia Corbett co-led the National Institutes of Health (NIH) team that worked with Moderna on developing its vaccine, and UMB has emerged as a national leader in vaccine development and testing. The Center for Vaccine Development and Global Health at UMB led the clinical trials for both FDA-approved COVID vaccines. Center director, Dr. Kathleen Neuzil—one of two principal investigators for the COVID-19 Prevention Trials Network launched by NIH—headed the effort to develop and test COVID vaccines under the country's Operation Warp Speed initiative.

Without question, this has been a challenging year—for the University System and for the state. But the USM is looking forward, eager to take what we've learned and apply it to future challenges. For instance, we know how to quickly and effectively adapt our operations to keep our students, employees, and communities safe. Systemwide, we've strengthened remote and online learning, which is, of course, central to higher education, pandemic or no. We've focused our \$1.5 billion research enterprise on clear and present challenges and deployed institutional expertise and assets to address them.

In many ways, this crisis has made the USM more nimble, more focused, and—without question—more collaborative. While surely all of us long for a return to normal, I take comfort in knowing that the USM can do extraordinary work in extraordinary times; that we can rise to existential threats—and thrive. Understanding our full strength, I'm confident we can do even more to meet the needs of our students and our state.

Below, I turn to the recommendations made and issues raised by the Department of Legislative Services.

RECOMMENDATIONS

Page 28—Concur with Governor's Allowance.

USM RESPONSE

The USM supports the DLS recommendation to concur with the Governor's Allowance.

ISSUES & COMMENTS REQUESTED

Page 25—The Chancellor should comment on how the transition of academic program and student services has shifted the thinking of institutions on how to better provide program and services to students, new opportunities, and how the pandemic will affect the future business model of higher education.

USM RESPONSE

Throughout the COVID crisis, the USM has demonstrated its ability to deliver high-quality online education to thousands of students. Moreover, our institutions have continued to refine the teaching strategies and technologies they use to optimize student learning in a remote environment. Hundreds of hours of training and instructional design support, provided across the system, have allowed faculty to improve remote courses and virtual labs, and more deeply engage students in their synchronous and asynchronous components.¹ This capacity—not only to design and refine high-quality online learning experiences but to teach them well—will be imperative going forward, as we explore new methods of delivering degree programs, certificates, and skills development credentials.

In tandem with this work, we are evaluating the pandemic’s impact on the future of higher education—in the context of the larger trends influencing our sector. The USM has undertaken a yearlong update to our strategic plan. The update will directly address the demographic, social, and economic changes already reshaping higher education. The pandemic may have accelerated some of these trends, and we’re taking that acceleration into account. But even with the substantial changes we anticipate, we expect that higher education will continue to entail a mix of experiences: residential, on-campus learning; remote, online learning; and a portfolio of in-person and virtual academic support services.

Through our strategic planning process, we’re soliciting input from stakeholders throughout the state and gathering research from consultants, industry associations, and other universities. While the final, approved plan won’t be released until December, I can tell you that we’re confident the USM and its universities will remain strong and competitive well into the future. Corroborating this strength, all three major U.S. bond rating agencies—Fitch, S&P, and Moody’s—have, in the past two weeks, affirmed the USM’s existing ratings: AA+, AA+, and Aa1, respectively.

As I’ve said many times, the stability—and vitality—of the USM lay in the diversity of academic programs and experiences we offer. From nationally ranked research and comprehensive institutions to a global online university to regional higher education centers, we already have many—if not most—of the assets needed to compete in the years ahead. Just as a memorable Maryland motto was “America in Miniature,” the USM is “Higher Education in Miniature.” We are a microcosm of the higher education landscape, today and tomorrow.

Adding to this richness, we have the Kirwan Center for Academic Innovation, which has been a champion for transformative change within higher education, as well as the USM’s key resource in preparing us to lead it. The center is an invaluable asset to the system, to our students, and to the state.

The USM will continue to prioritize excellence in education. And we will do so knowing that COVID has severely disrupted learning for students at all levels, dealing an especially damaging blow to our most vulnerable students. Without question, COVID has exacerbated existing and well-documented achievement and opportunity

¹ Synchronous learning entails real-time interaction between faculty and students in a shared physical or virtual environment; asynchronous learning entails no real-time interaction.

gaps, placing students from underserved communities and from low-income families at an even greater disadvantage.

We are therefore eager to address the significant academic needs we anticipate among many of our incoming freshmen, and we're cognizant that we must personalize the attention and services we dedicate to students who, now more than ever before, are susceptible to dropping out. Of course, we must also serve "nontraditional" students (becoming more "traditional" every day) whose career advancement or transition requires upskilling or reskilling. There is a great sense of urgency around this last population of learners, as the pandemic has cost many people their jobs and, with it, their economic security.

Guiding all of this work are three watchwords: access, affordability, and outcomes. The USM will continue to compete aggressively with our peers by: 1) stressing access—expanding online learning, growing programs offered at regional higher education centers, developing more badging and certificate opportunities; 2) improving affordability—keeping tuition and fees modest, increasing financial aid, growing need-based aid; and 3) minding outcomes—expanding programs and capacity in high-demand, high-wage employment sectors: STEM, cybersecurity, health sciences.

Finally, we will leverage our "systemness" to grow our considerable success in academic transformation, technology development, fundraising, and administrative efficiencies.