



University System of Maryland
FY 2023 Operating Budget
Testimony & Response to Department of Legislative Services Analysis
USM Chancellor Jay A. Perman

Maryland Senate Budget and Taxation
Subcommittee on Education, Business and Administration
Nancy J. King, Chair
January 28, 2022

Maryland House Appropriations
Education and Economic Development Subcommittee
Benjamin S. Barnes, Chair
February 2, 2022

Members of the subcommittee, I begin my comments with some words of thanks.

First, I thank you for this opportunity to testify on Gov. Hogan's FY 2023 budget proposal for the University System of Maryland (USM). Maryland's state budget is, in many ways, a statement of Maryland's values. Approving this budget will send the unmistakable message that Maryland truly values higher education, especially public higher education. It will advance our mutual priorities of education, discovery and innovation, workforce development, economic growth, strong communities, and an unrivaled quality of life. As you can surmise, I'll be advocating for the adoption of the governor's budget as submitted.

I also thank you for the tremendous support you and your colleagues have shown to higher education and to the USM over the years. For a dozen years, first as president of the University of Maryland, Baltimore and now as chancellor of the USM, I've seen first-hand the very real impact of your support. I've seen it in the classroom, in the lab, and in the community.

Finally, I thank you for your leadership over these past two years of unprecedented challenges. From the earliest days of the pandemic, the General Assembly, in partnership with Gov. Hogan, acted swiftly and decisively. Your actions helped safeguard public health and secure Maryland's future. Looking at a variety of factors—health outcomes, education, the economy—Maryland's pandemic response is consistently ranked among the nation's best. And as today's virtual hearing underscores, you've continued to act in the best interests of the state and its citizens. I thank you for this leadership.


Of course, the USM has led an effective COVID response as well. By now our story is well known: In March 2020, we transitioned to online education, allowing teaching and learning to continue while protecting students, faculty, and staff. In fall 2020, we maintained a mostly remote learning environment, but allowed face-to-face or hybrid instruction for courses that required it. With three vaccines authorized for emergency use by early 2021, the USM issued a vaccination mandate in April. With that requirement in place, we welcomed all students back to campus in fall 2021. And now as our spring 2022 semester gets underway, our high campus vaccination rates, our rigorous testing and masking protocols, and our continued vigilance promise, once again, low disease positivity rates Systemwide.

But the USM's *internal* COVID management strategy is only half the story. Our institutions have led pandemic response efforts locally, nationally, and globally. We've played a key role in the development of the COVID vaccines, in the clinical trials that proved their safety and efficacy, in the policies Maryland enacted to protect public health, and in the direct care of COVID patients.

Obviously, the pandemic isn't over, and so the USM will continue the disease mitigation practices that have been so very effective. But with safe vaccines and new medical interventions available, and with the experience we've gained over the past 22 months, we can envision—and plan for—a future that's brighter and better.

Which brings me to the specifics of the governor's budget proposal. I'll touch on just a few key points before addressing the issues raised by Sara Baker and her team.

First—and most importantly—on behalf of the USM, I again express my support for Gov. Hogan's FY23 proposed budget.




FY23 Budget Overview / Top Line

- Governor's Proposal: **\$1.67 B** / General Fund and HEIF
 - **\$101M increase—6%**—over FY22 adjusted budget
- Additional **\$198M** for COLA & merit salary adjustments
 - Included as part of DBM personnel budget
- Will enable the USM to limit tuition increase
 - ~2% increase for in-state undergraduates

In brief, the governor has proposed \$1.67 billion in state support to the USM, coming from the General Fund and the Higher Education Investment Fund. This represents an increase of \$101 million—or 6 percent—over the USM’s FY22 adjusted budget.

I note that included in the budget proposal is an additional \$198 million to cover COLA and merit increases for USM employees. However, given that these salary increases are going to every state employee in every state agency, that funding is more appropriately considered part of the DBM personnel budget, rather than the USM budget.

The bottom line is that this budget shows significant support for the USM, enabling us to accomplish a great deal. First and foremost, it allows us to limit our tuition increase next year to an anticipated 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. I’ll have more to say on the issues of access and affordability later in my testimony.



FY23 Budget Overview / Key Elements

- \$93.8 M**—Full restoration of cut imposed by Board of Public Works, July 2020
- \$26.7 M**—Support of legislative mandates and other initiatives
- \$25.3 M**—Increased fringe benefit costs/other adjustments
- \$22.3 M**—Funding to USM’s three HBCUs
- \$3.7 M**—Operating costs associated with new USM facilities

But first, there are specific components of the funding increase that I want to highlight. Perhaps most importantly, this budget fully restores the \$93.8 million cut to the USM’s base budget made by the Board of Public Works in July 2020. At that time—with COVID infections on the rise, the economy on near lock-down, and a vaccine still months away—the state’s strategy of caution was the right approach, and making the cut was prudent. However, we now know that the dire revenue projections that precipitated that cut did not materialize.

I thank you and your colleagues for supporting the restoration of our budget. It allows us to advance our missions of education, discovery, and service; target important funding to academic


support, mental health counseling, and other student services; and bolster our critical role in workforce development and economic growth.

The governor’s proposed budget also includes more than \$26 million to support legislatively mandated USM activities as well as other USM initiatives. I’ll speak more about these in a moment.

The budget provides more than \$25 million to offset the increased costs of fringe benefits, primarily in the form of increased health insurance costs, for our employees. And while this is essentially “maintenance of effort” funding, I have to note that without it—if these increased costs were not offset with new funding—the USM would need to make cuts elsewhere or increase tuition further. So, once again, we’re deeply grateful for this support.

The budget also includes more than \$22 million in new funding for the USM’s three HBCUs—Bowie State University, Coppin State University, and the University of Maryland Eastern Shore. This is the first installment of the historic \$577 million settlement Maryland finalized last year. Over the next decade, this funding will have an enormously positive impact on our HBCUs, supporting student scholarships, faculty recruitment, and the expansion of academic programs.


With new federal support, significant private philanthropy, and a higher profile within the U.S. college landscape, it’s been said that HBCUs are “having a moment.” The USM will ensure that it’s not just a moment. These institutions are vital not only to the education of our students but to the prosperity and vitality of our state. New funding will expand our HBCUs’ reach, elevate their prominence, and amplify their impact, strengthening all of Maryland.



Select New Facilities Funded

- \$1.2 M**—UMES Pharmacy & Health Professions Building
- \$890,000**—FSU Education and Health Sciences Center
- \$670,000**—CSU Percy Julian Science Building
- \$650,000**—UMCP School of Public Policy
- \$240,000**—USMSM Southern Maryland Autonomous Research and Technology (SMART) Building

Finally, the budget contains \$3.7 million to help offset operating expenses associated with some of our newly opened facilities. This funding expands academic and research capacity across the state. These new and renovated buildings, many housing STEM and health sciences disciplines, will strengthen Maryland’s innovation ecosystem—from the Eastern Shore to Western Maryland, from the Baltimore/Washington corridor to Southern Maryland.



Select Legislative Mandates & Other Initiatives

- \$12 M**—SB 943 / Maryland Strategic Partnership Act
- \$7 M**—HB 173 / Clinical Care Funding at UMB
- \$2.4 M**—SB 897 / MPower Joint Steering Council
- \$2.5 M**—Miller Center for Democracy and the Law at UMB
- \$500,000**—Maryland Institute for Innovative Computing at UMBC
- \$400,000**—William Donald Schaefer Center for Public Policy at UBalt


As I mentioned a few moments ago, the proposed budget includes more than \$26 million to support specific initiatives, many of them legislatively mandated. I won’t go through the entire list, but there are a few key initiatives I’ll highlight.

The budget continues to support the strategic partnership between the University of Maryland, Baltimore (UMB) and the University of Maryland, College Park (UMCP), known as MPowering the State. Let me underscore the importance of your support for this collaboration between our two largest research institutions: According to the NSF’s annual Higher Education Research and Development Survey, UMB’s and UMCP’s combined R&D expenditures—taken together as the “University of Maryland”—rank in the top 10 among U.S. public universities, and the top 20 among *all* U.S. universities. These prominent rankings make the USM exceedingly attractive to federal agencies and other funders of vital research.

The proposed funding for select initiatives also includes \$7 million to UMB in support of critical care services—funding that will be especially important in terms of strengthening rural health care in Maryland—and \$500,000 for the University of Maryland, Baltimore County’s new Institute for Innovative Computing, which will help the state address its most urgent needs in cybersecurity and data analytics.

Again, the bottom line is that every aspect of the governor’s FY23 budget proposal for the USM demonstrates Maryland’s commitment to higher education. We enthusiastically support the budget and encourage its adoption.

And, as I’ve often noted, this support for public higher education demonstrates Maryland’s bipartisanship, which we all know is increasingly rare in legislative bodies across the country. The USM remains a genuine, shared funding priority in Annapolis and throughout Maryland. And as chancellor, I assure you that Maryland’s commitment to the USM is matched by the USM’s commitment to Maryland.



An Accessible & Affordable USM

Modest tuition increase planned for in-state undergrads next year

- Maryland ranks **24th** for public in-state tuition and fees
- And is **below** the national average

\$66 M in need-based institutional aid awarded to undergrads in FY21

- **\$177 M** awarded in **total undergraduate institutional aid** in FY21
- Half of all USM undergraduates graduate **with NO student loan debt**

Half of USM undergraduates are from **minority populations**

- Minority student population: **Up 26%** since fall 2011
- Minority faculty population: **Up 67%** since fall 2011

That commitment is perhaps best defined by our efforts to make a USM education possible for any Marylander who wants one. With your support, we’ve been aggressive in making our tuition and fees more affordable. A decade or so ago, among public universities nationwide, the USM had one of the highest costs of education for in-state students. Today, we’re in the middle of the pack, and below the national average. In addition, we’ve increased undergraduate institutional aid to an all-time high, with a special emphasis on need-based aid.

The impact of these efforts has been profound: Today, fully half of USM undergraduate students graduate without any tuition debt whatsoever. At the same time, we’ve worked hard to ensure that the students we serve reflect Maryland’s population. Systemwide, enrollment among students of color has climbed 26 percent over the last decade, and half of our students now identify as non-white. We still have much work to do in this area, but we’re making important progress.

Strengthening Maryland

164,852 students enrolled

- 80% of undergrads are from MD

43,715 degrees awarded

- 80% of all bachelor's degrees conferred in MD

16,268 STEM and health care degrees

- 7,827 computer science; 4,043 health professions

\$1.6 B in external grants & contracts

- University of Maryland **ranked 10th** among public institutions in **R&D spending**

\$10.4 B in total economic activity, supporting 57,500 jobs

Two of the best measures of our overall success are the numbers in which our graduates join Maryland's workforce and the way in which the entire USM drives Maryland's economy.

Last year, the USM awarded nearly 44,000 degrees, almost 40 percent of them in STEM and health care disciplines. Eight in every 10 bachelor's degrees conferred 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.

Our total R&D enterprise across the System is \$1.6 billion—up significantly from pre-pandemic expenditures. We've supported 1,200 USM-linked startups over the last decade, and through the Maryland Momentum Fund (MMF), the USM is an equity investor in more than two dozen USM-affiliated startups. That MMF investment is matched 7:1 by external investors.

Finally, I'd like to note that late last year, the Jacob France Institute undertook a study of the USM's economic impact. In what's regarded as a conservative estimate, the study concluded that the USM generated \$10.4 billion in economic impact this past fiscal year and supported 57,500 Maryland jobs. For every state dollar invested in the USM, we return \$2–3 to Maryland's people, families, and communities. Our core missions of education, research, and service fuel Maryland's strength and prosperity.

Before turning to your questions and those raised by Ms. Baker, I'll close with an observation: All of us within the USM desperately want a return to normal. But the challenges of these past many months have been of value. Working together as a System, we rose to face this crisis. And

working together as a System, we fulfilled our abiding mission to be a public good in—and *for*—Maryland.

And our students, under the most difficult circumstances, showed tremendous grit and grace. As always, we take our cue from them. Channeling their tenacity, I can say with confidence that the USM will do even more to enrich the state, educate its learners, and serve its people.

Turning to the recommendations made—and issues raised—by the Department of Legislative Services.

Recommendations:

1. ***Page 4—Concur with Governor’s Allowance.***

USM Response:

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

Comment Requested:

1. ***Page 9—The Chancellor should comment on efforts institutions are taking to retain students, especially juniors and seniors, and efforts to reach out to those who have stopped out to return and earn their degree.***

USM Response:

College completion is very important to the USM. Many students stop-out or drop-out of their education every year, and yet the USM believes they can be successful. Our universities wouldn’t have admitted them if that were in doubt.

Higher education primarily focuses on retention rate. It’s a positive number and easy to compare with peer institutions. As the National Student Clearinghouse reports, only 55 percent of 1.8 million first-time students will complete a degree at their first institution. This means that 45 percent—or 800,000 students—transfer, stop-out, or drop-out annually. While the USM has better retention and graduation rates than national averages, we’re still finding ways to improve.

The Board of Regents has established an Enrollment Workgroup to engage with university leadership on issues of access, recruitment, retention, and student success. Through this workgroup, the institutions have identified strategies for addressing enrollment issues.

Each of our USM universities now has a leader for enrollment management who reports directly to the president or to the president’s cabinet. Student success initiatives that will positively affect enrollment are central to each university’s strategy.

Attrition numbers are useful in knowing where to strategically apply effort. Our universities are analyzing different student subpopulations to understand why students stop-out and how best to reengage them.¹ They've identified several reasons for student attrition, such as challenges related to mental health, financial aid, and student debt. This information helps the universities design precise wraparound services that meet the needs of each student. While many strategies are therefore highly individualized, some good, broad practices are also being piloted, and the results are shared within our Enrollment Management Executive affinity group.

Moving forward, our universities' institutional resources will be focused on:

1. Academic advising aiding the often difficult transition from general studies to an upper-level curriculum—the point at which students choose a major and determine needed prerequisites.
2. Paid internships, which when undertaken in students' area of interest, reduce financial distress, demonstrate how classroom work applies to students' chosen career, and provide access to job opportunities, historically the purview only of "well-connected" learners.
3. Near-completer programs, implemented at several of our universities, designed to entice back students who are within 30 credits of a degree.

In addition, the USM is working on several initiatives that will enhance retention efforts:

- a. Implementation of the new ARTSYS platform at 35 Maryland colleges and universities.
- b. Virtual fall and spring transfer fairs Systemwide for Maryland community college students.
- c. An interinstitutional conference, held each fall and spring, for the USM's enrollment management professionals, sponsored by the Office of Academic Affairs.
- d. A USM-sponsored convening each spring of enrollment management professionals from colleges and universities statewide.

Comment Requested:

2. ***Page 10—The Chancellor should comment on efforts University System of Maryland Office (USMO) and BOR are taking to assist those institutions experiencing significant drops in undergraduate enrollment to stabilize enrollment and maintain financial sustainability, the breakeven points for those institutions, and what happens when enrollment drops below the breakeven level.***

¹ UMGC markets to students, mostly working adults, who often transfer credits from one or more institutions. Without UMGC, the numbers in Exhibit 4 would be far fewer, and many Marylanders would not have the opportunity to continue in their education. By providing access through UMGC, Maryland has a public option that serves these students—students who often stop and start many times during their academic careers.

USM Response:

The Board of Regents has established an Enrollment Workgroup to engage with university leaders on issues of enrollment and to share best enrollment management practices. Additionally, my executive team and I meet with the presidents of institutions experiencing enrollment declines to discuss contributing factors and to map a path forward.

Enrollment stability entails effort on many different fronts—for instance, improving student retention; supporting pathway programs that strengthen the education pipeline from K–12 schools to college; developing branding strategies that enhance student recruitment.

Central to the USM’s Strategic Plan are goals related to enrolling and serving a broader set of learners, offering new degrees, certificates, and other credentials that advance learners’ own education or career objectives—for instance, helping them reskill for a new job or upskill for professional advancement. Several of our institutions plan to build enrollment by diversifying the education opportunities and credentials they offer, and raising awareness of those opportunities with branding campaigns.

To strengthen enrollment-related revenue, our universities often focus their enrollment plans as much on achieving an optimal student *mix* as on enrolling more students overall—for example, recruiting students for new, high-demand programs; expanding enrollment in graduate programs; and improving enrollment among full-time students.

While our USM institutions have autonomy to develop and execute enrollment strategies best-suited for their own attributes, needs, and opportunities, the USM Office shares best practices with our universities, and they share best practices with one another.

Regardless of challenges presented by external pressures, our universities offer a high-value, lifetime benefit that’s accessible to all Maryland learners. The USM has a broad reach—from Western Maryland to the Eastern Shore. And our three regional higher education centers—including our newest, the USM at Southern Maryland—multiply affordable, accessible options for Maryland students.

Declining higher ed enrollment is a national issue, exacerbated by the pandemic and an uncertain economic recovery. On a long-term basis, we’re committed to stable enrollment and we continue to develop plans to attract and retain demographic groups that we simply haven’t served as well as we should: adult learners, Latinx students, students transferring from Maryland’s community colleges. Systemwide, our enrollment patterns and projections follow a long-term positive trajectory. In the short-term, meanwhile, we’ll maintain an overall enrollment of 165,000 to 170,000 students, while pursuing a 10-year enrollment goal of 180,000 students.

While state appropriations and enrollment-related revenue are central to our universities' financial health, the USM Office recognizes its critical role in contributing to institutional stability and growth. The USM Office helps the universities with their long-range planning and resource management, we facilitate private fundraising, and we provide financial stewardship. We work with each of the presidents to open higher education access to all Maryland learners and improve degree completion among all groups; to anticipate and meet Maryland's workforce needs with new and expanded programs; to provide Systemwide collaboration in academics, finances, technology, and student services; and to maximize state resources through programs like our Effectiveness & Efficiency initiative, whose focus on reducing costs and investing in quality has thus far saved Maryland taxpayers more than \$600 million.

Comment Requested:

3. Page 12—*The Chancellor should comment on efforts being taking by institutions to assist sophomores to adjust to campus life to ensure their success in achieving a degree.*

USM Response:

The challenges faced by sophomores as we emerge from the pandemic are substantial, given that their college careers began in lockdown. We do have a loss of students between freshman and sophomore years, and that loss is aggravated by the fact that second-year students didn't get the same chance to build a sense of connection with the campus community as students before them. Like freshmen, they're "new" to a college campus.

Our universities, therefore, have developed parallel orientation programs for freshmen and for sophomores. These programs introduce students to the myriad academic, social, and support services that will enrich their college experience. Enhancing wraparound services for sophomores—including individual support services—has proved useful in keeping them engaged. And, finally, our universities' focus on academic success, especially in math, reduces the need for remedial courses and thereby improves retention.

To serve transfer students, each of our universities develops articulation agreements with Maryland's community colleges. These agreements—prolific for the largest transfer majors—ease students' transition into the USM, and save them considerable time and money toward a four-year degree. At the Universities at Shady Grove, whose students *begin* their education at a community college, the Transfer Access Programs provide those students early access to USG services and opportunities—advising, skill-building, academic readiness support. Towson University has launched its Tiger Way program and Transfer Student Center to ensure a seamless transfer experience. Coppin State University has begun offering emergency support and tuition assistance to transfer students who are struggling financially.

Comment Requested:

- 4. Page 20—The Chancellor should comment on student demand for mental health services, especially during the pandemic, how institutions are meeting student needs, and how institutions plan to use the \$20 million to meet the mental health needs of their students.**

USM Response:

Two years under the strain of COVID has created mental health challenges for all of us. But for our students—some of whom have spent 10 percent or more of their lives in the grip of this crisis and lack the life experiences that help us deal with acute stress—COVID has been devastating. It's meant a rapid pivot to new learning modalities, separation from their friends and classmates, and mounting financial pressure. All of this compounds the natural stress of moving from home to campus, from high school to college, from general education courses to a rigorous college major.

Simply put, we must meet students where they are and get them the support they need. But providing wraparound services to the degree and on the scale that students require—particularly first-generation students, students with great financial need, students who came to us underprepared for college coursework—is daunting.

Academic support services can include academic advising and coaching, study and writing support, and tutoring in specific areas (especially math). Having these services available, accessible, and present in just-in-time formats is increasingly important for the students we serve, particularly in these tough times.

Providing more financial aid—and financial aid counseling—is also essential, as well as emergency aid for students with unreliable transportation, those experiencing food insecurity, those facing eviction or homelessness. For students attending classes from a crowded home environment, potentially with several family members in school—K–12 as well as college—additional gaps may exist in technology hardware, software, and internet connectivity. For many students, the loss of part-time jobs in industries most affected by COVID shutdowns—hospitality, retail, service, construction—amplify financial need and emotional stress.

Unfortunately, traditional financial aid packages that simply defray the cost of tuition, room, and board do not meet the needs of many of the students we most hope to see succeed. *These* students require highly qualified teams of student services professionals.

While more wraparound supports can address some of these stressors, we're also seeing more of our students presenting with more serious clinical symptoms. Our mental health professionals tell us they're counseling many more students with suicidal ideation as well as those who have attempted suicide since the onset of the pandemic. A higher number of emergency petitions have been required, creating additional stress for classmates and roommates.

Working together, our universities' counseling center directors and health center directors, as well as our vice presidents for student affairs, have been meeting regularly to share resources and practices. Our institutions have also turned to outside vendors for support in telecounseling and technology-based platforms that engage students quickly and then make referrals for more individualized and intensive care.

Unfortunately, at the same time, our counseling centers have suffered significant losses in professional staff, as we cannot offer salaries competitive with the pay that professionals can make in private practice while enjoying the flexibility of setting their own office hours and maintaining manageable patient loads. The extra costs to provide this access to both online and face-to-face therapeutic services are substantial.

With the full restoration of the BPW cut of \$93.8 million, we expect to fill faculty and staff positions that went unfilled during the pandemic, including positions integral to the counseling and student support activities mentioned here.

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