

University System of Maryland Fiscal 2023 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

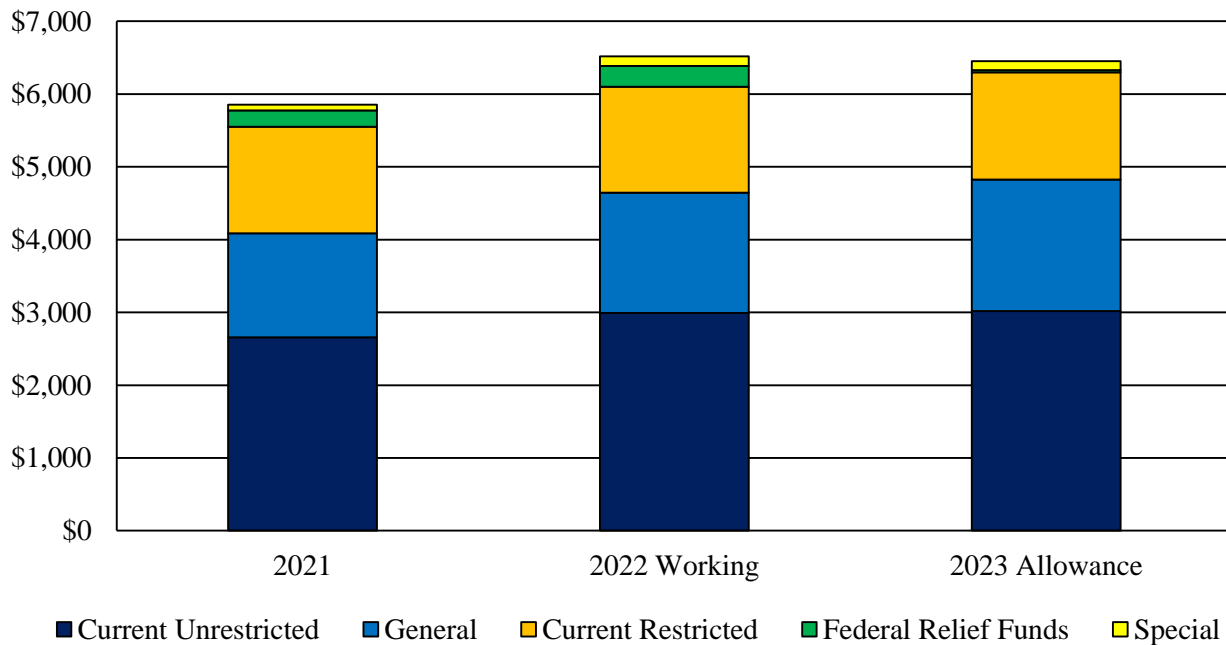
January 2022

Executive Summary

The University System of Maryland (USM) consists of 11 degree granting institutions, a research center, and the system office, which operates three regional higher education centers.

Operating Budget Data

Revenues by Fund Type
Fiscal 2021-2023
 (\$ in Millions)



Note: Special funds totaling \$9.4 million in fiscal 2022 and \$9.3 million in fiscal 2023 for the Maryland Fire and Rescue Institute are included as restricted funds. Fiscal 2022 general fund appropriation includes deficiencies, general salary increases, and \$213.2 million in pay-as-you-go (PAYGO). The fiscal 2023 general fund allowance includes general salary increases, annualization of fiscal 2022 general salary increases, and \$65 million in PAYGO. Of the general funds, \$2.5 million are restricted funds.

Source: Governor’s Fiscal 2023 Budget Books

- General funds increase by \$302.7 million, or 21.0%, in fiscal 2023 after adjusting for deficiencies that would replace \$43.9 million in general funds with the Higher Education Investment Fund (HEIF), a 3% general salary increase effective January 2022, increments, and a bonus. After adjusting for the deficiency, the HEIF decreases 15.1%, or \$19.3 million, in fiscal 2023.

R30B00 – University System of Maryland – Fiscal 2023 Budget Overview

- A portion of the increase in general funds in fiscal 2023 (\$93.8 million) restores the remaining fiscal 2021 Board of Public Works (BPW) reduction.
- The fiscal 2023 budget includes two additional proposed deficiency appropriations that would provide \$1.0 million in additional general funds: \$0.5 million for the University of Maryland Baltimore County (UMBC) to establish the Maryland Institute for Innovative Computing; and \$0.5 million for Bowie State University (BSU) to backfill funding.
- USM institutions received a total of \$574.2 million in federal relief funding between fiscal 2020 and 2022: \$210.8 million was required to be used for student financial aid; and the remaining to cover various COVID-19 related expenses and revenue losses. More than half of the funds (\$289.7 million) are to be expended in fiscal 2022.

Key Observations

- Between fall 2019 (prepandemic) and 2021, undergraduate enrollment across USM institutions has declined 4.3%, or 5,668 students, with only three institutions experiencing an increase in fall enrollment.
- Compared to fall 2020, undergraduate enrollment in fall 2021 declined 3.5%, or 4,579 students, with continuing students falling 5.0%, or 5,008 students. This decline was partly offset by a 7.1% (989 students) increase in first-time students.
- The impact of COVID-19 can be seen in the second-year retention rate of the fiscal 2021 cohort, which declined at all but one institution.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

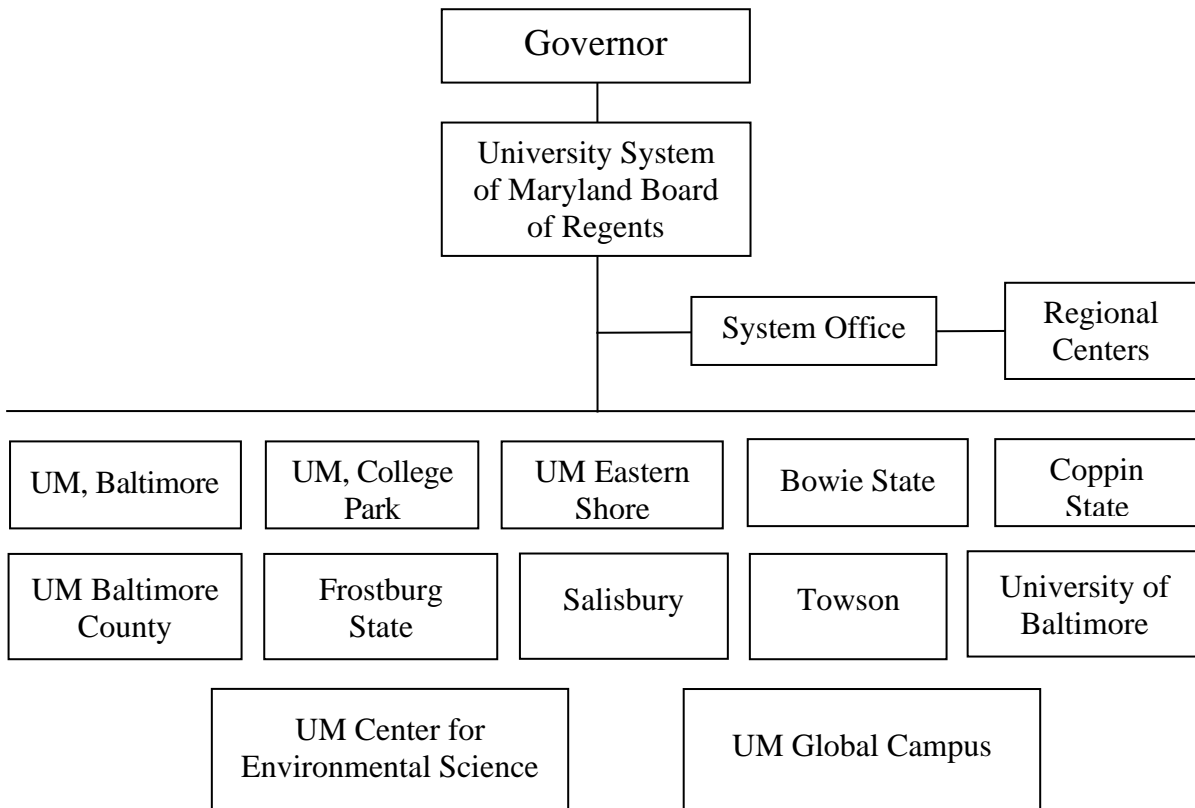
R30B00
University System of Maryland
Fiscal 2023 Budget Overview

Operating Budget Analysis

Program Description

Title 12 of the Education Article establishes USM to “foster the development of a consolidated system of public higher education, to improve the quality of education, to extend its benefits, and to encourage the economical use of the State’s resources.” USM consists of 11 degree-granting institutions, a research center, and the system office, which operates three regional higher education centers. **Exhibit 1** illustrates the structure of the system.

Exhibit 1
University System of Maryland



UM: University of Maryland

Source: Department of Legislative Service

The Board of Regents (BOR) is the governing body of USM. The board consists of 21 members, including 2 full-time students, the Secretary of Agriculture (*ex officio*), and the Secretary of Commerce (*ex officio*). Except for the Secretary of Agriculture and the Secretary of Commerce, 17 members are appointed by the Governor with the advice and consent of the Senate; 1 member is appointed by the Senate President; and 1 member is appointed by the Speaker of the House of Delegates. The board appoints the Chancellor, who serves as the chief executive officer of the system and the chief of staff to the board. The Chancellor and staff coordinate system planning; advise the board of systemwide policy; coordinate and arbitrate among system institutions; and provide technical, legal, and financial assistance.

The board reviews, modifies, and approves a systemwide strategic plan developed by the Chancellor in consultation with institution presidents. The board is charged with assuring that programs offered by the institutions are not unproductive or unreasonably duplicative. Other board activities include reviewing and approving new programs, reviewing existing programs, setting minimum admission standards, and determining guidelines for tuition and fees. The board monitors the progress of each system institution toward its approved goals and holds each president accountable for the progress toward the goals. Furthermore, the board may delegate any of its responsibilities to the Chancellor.

Consistent with the State Plan for Higher Education, USM goals are to:

- create and maintain a well-educated workforce;
- promote economic development;
- increase access for economically disadvantaged and minority students; and
- achieve and sustain national eminence in providing quality education, research, and public service.

Performance Analysis

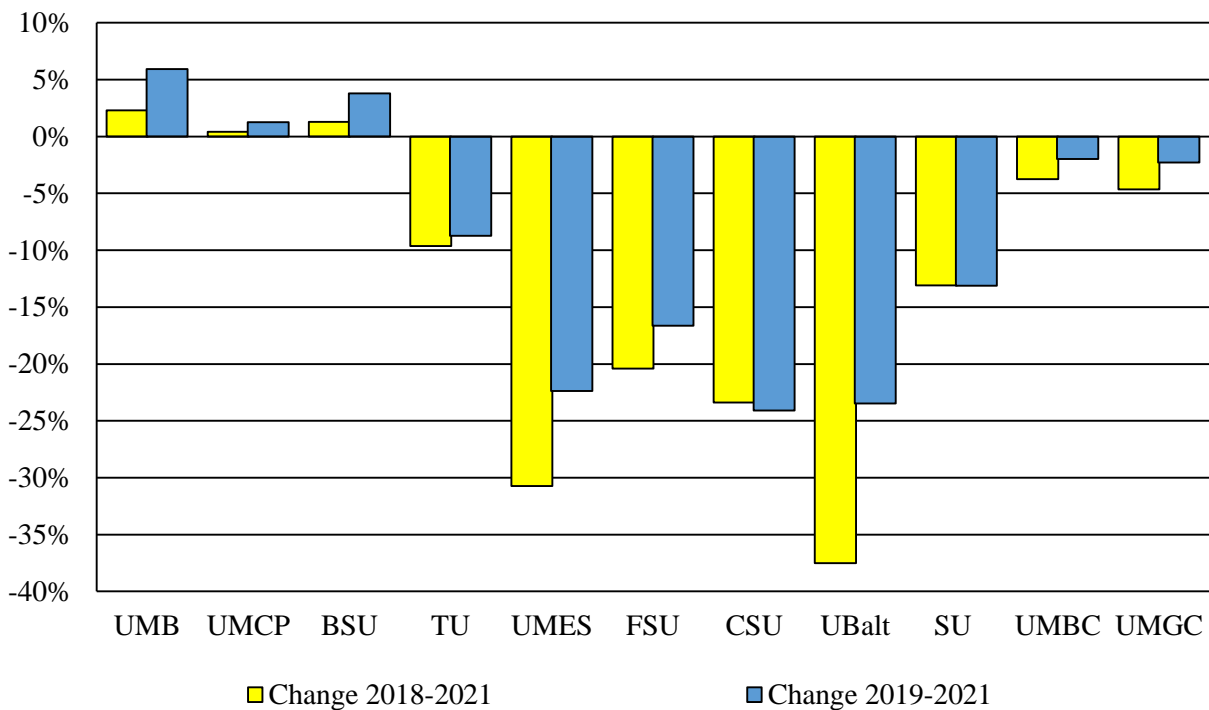
1. Undergraduate Enrollment

Impact of COVID-19

In fall 2020, USM institutions de-densified campuses with most classes being taught remotely and reduced resident hall occupancy. In fall 2021, campuses resumed in-person classes with full occupancy of resident halls. In order to understand the impact that these actions had on undergraduate enrollment, fall 2019 (prepandemic) enrollment is used as a baseline for comparison. Nationally, undergraduate enrollment at public four-year institutions fell 4.0% between fall 2019 and 2021, compared to a 4.3%, or 5,668 students, decline at USM institutions. When excluding University of Maryland Global Campus (UMGC), enrollment declined 5.4%, or 4,619 students.

Overall, all but three institutions – University of Maryland, Baltimore Campus (UMB); University of Maryland, College Park (UMCP); and BSU – experienced declines in enrollment from fall 2019 to 2021, as shown in **Exhibit 2**. Three institutions – University of Maryland Eastern Shore (UMES), Coppin State University (CSU), and University of Baltimore (UBalt) – saw enrollment drops of greater than 20% during this time period. In terms of headcount, Towson University (TU) experienced the largest decline of 1,709 students, and Salisbury University (SU) decreased by 1,001 students.

Exhibit 2
Change in Fall Undergraduate Enrollment
Fall 2018-2021

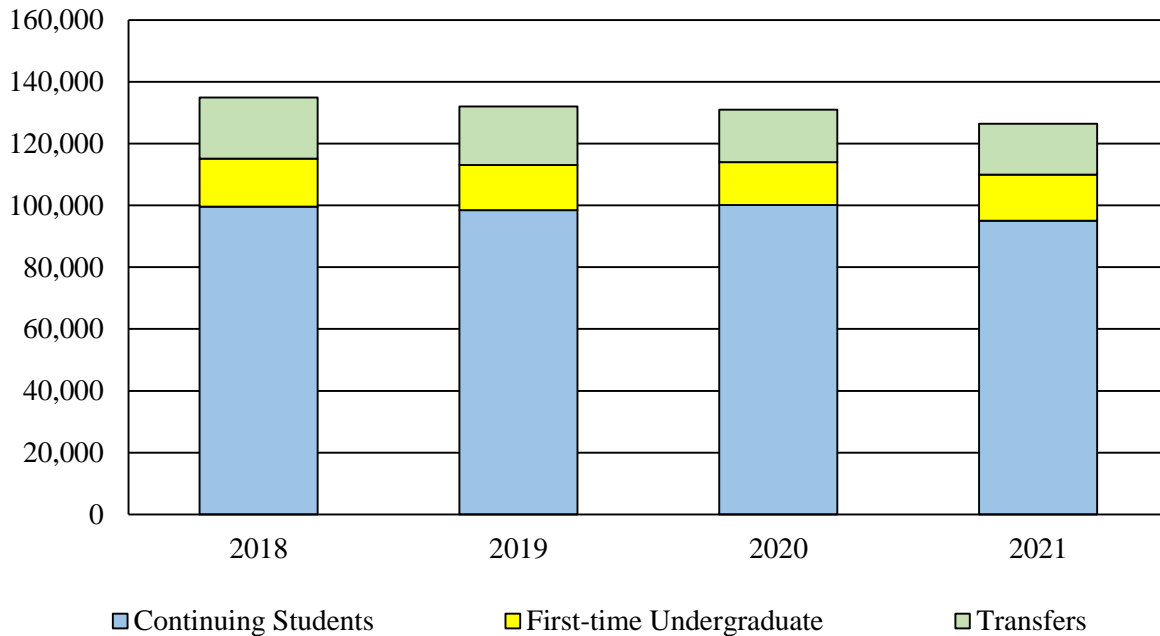


Source: University System of Maryland

It should be noted that enrollment declines started before the pandemic in fall 2018. Between fall 2018 and 2021, enrollment at USM institutions fell 6.3%, or 8,554 students, with three institutions experiencing enrollment growth – UMB, UMCP, and BSU. Of most concern are the drops in enrollment exceeding 30% at UBalt and UMES and 20% at CSU and Frostburg State University (FSU). These decreases, particularly those prior to the pandemic, lead to concerns about the financial stability of these institutions as they need to find ways to cover the loss of tuition and fee and auxiliary revenues.

When breaking down undergraduate enrollment by student category, transfer students have decreased by 3,353 students, or 16.9%, since fall 2018 with the largest decline (1,941 students) occurring in fall 2019, as shown in **Exhibit 3**. The largest total decline of 4,579 student occurred in fall 2021, primarily driven by continuing students falling by 5,008 students.

Exhibit 3
Fall Undergraduate Headcount Enrollment
Fall 2018-2021



Source: University System of Maryland

Exhibit 4 shows, by student level, the number of students who did not return to the same institution from fall to fall. According to USM, none of these students have graduated. Some may have transferred to another institution or participated in a study abroad program (excluding fall 2020 when the program was not offered). Students who stopped out may, over time, become dropouts, not returning to any college to complete their degree. The number of students not reenrolling in fall 2020, when campuses were partially opened with a majority of courses being taught remotely, increased to 24,641 students but was fewer than the 26,240 students in fall 2018.

Exhibit 4
Fall-to-fall Undergraduate Attrition by Student Level
Fall 2018-2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Freshmen	7,230	6,458	6,026
Sophomore	5,092	4,705	5,110
Junior	7,369	6,445	7,274
Senior	6,549	5,975	6,231
Total	26,240	23,583	24,641

Note: These are students who did not return to the same institution from fall to fall.

Source: University System of Maryland

Notably, the number of freshmen not enrolling decreased by 432 students in fall 2020, while the numbers of students at other levels not enrolling increased by 1,490. The trend may indicate remote learning did not deter freshmen from coming back to college and that the programs and services designed to help students were successful. Of concern, however, are the increased number of juniors and seniors from fall 2020 who did not come back after financially investing in their education and possibly accumulating debt. According to EAB, about half the students who stopped out will return within a year either on their own or in response to an institution’s reenrollment outreach program. This shows that there may still be opportunities for institutions to reach out to students who stopped out, whether they initially attended their institution or not, and encourage them to return and earn their degree.

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.

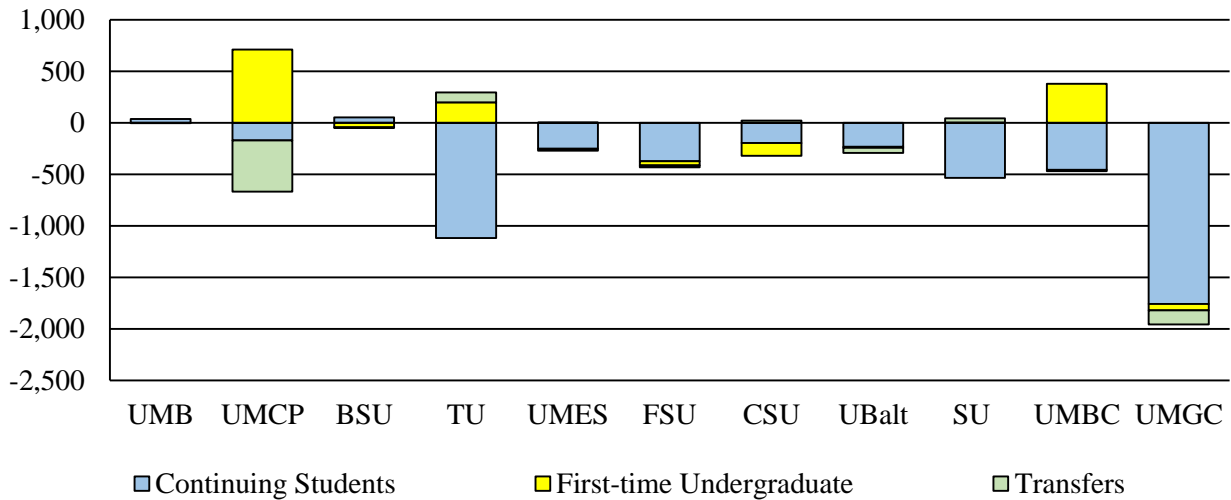
Fall 2021 Enrollment

In fall 2021, the second fall semester since the COVID-19 pandemic began, institutions resumed in-person classes and operating residency halls at near capacity (setting aside rooms for students who needed to isolate or quarantine). In order to keep students, faculty, and staff safe, USM implemented various procedures and policies including a vaccine mandate and an indoor masking requirement. Furthermore, for fall 2021, institutions were allowed to continue test optional admissions.

At the start of the fall semester, there were uncertainties: would those potential freshmen who did enroll in fall 2020 come to campus this fall and would those who stopped out return? Nationally, according to the National Student Clearinghouse, the answer was no: undergraduate enrollment at the public four-year institutions declined 3.8% in fall 2021, with a 2.7% decline in freshmen enrollment. Consistent with the national trends, at USM institutions, undergraduate enrollment declined 3.5%, or

4,579 students, in fall 2021. As shown in **Exhibit 5**, enrollment declined at eight institutions with four experiencing declines of over 10% – UMES, FSU, CSU, and UBalt. When excluding UMGC enrollment decreased 3.1%, or 2,623 students.

Exhibit 5
Change in Fall 2020 and 2021 Undergraduate Headcount Enrollment



Source: University System of Maryland

Continuing students declined 5.0%, or 5,008 students, with UMGC and TU accounting for 1,757 and 1,120 of the decline, respectively. Five institutions experienced declines exceeding 10% – UMES, FSU, CSU, UBalt, and SU. Enrollment of transfer students continued to decline for a third year, decreasing 3.3%, or 560 students. Seven institutions experienced a decline in transfers, with UMCP experiencing the greatest decrease of 18.8% (496 students) followed by UBalt at 16.0% (52 students). Conversely, CSU had the largest increase in transfer of 14.5% (22 students), the first increase in transfers since at least fall 2015 at CSU.

On the positive side, first-time students at USM institutions increased 7.1%, or 989 students. Increases totaling 1,290 students at four institutions were partly offset by declines at six institutions. UMBC experienced the largest increase at 22.0% (377 students), which resulted in one of their largest incoming classes. First-time enrollments at CSU continued to decline, a decrease of 40.5%, or 124 students.

The Chancellor should comment on efforts the 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.

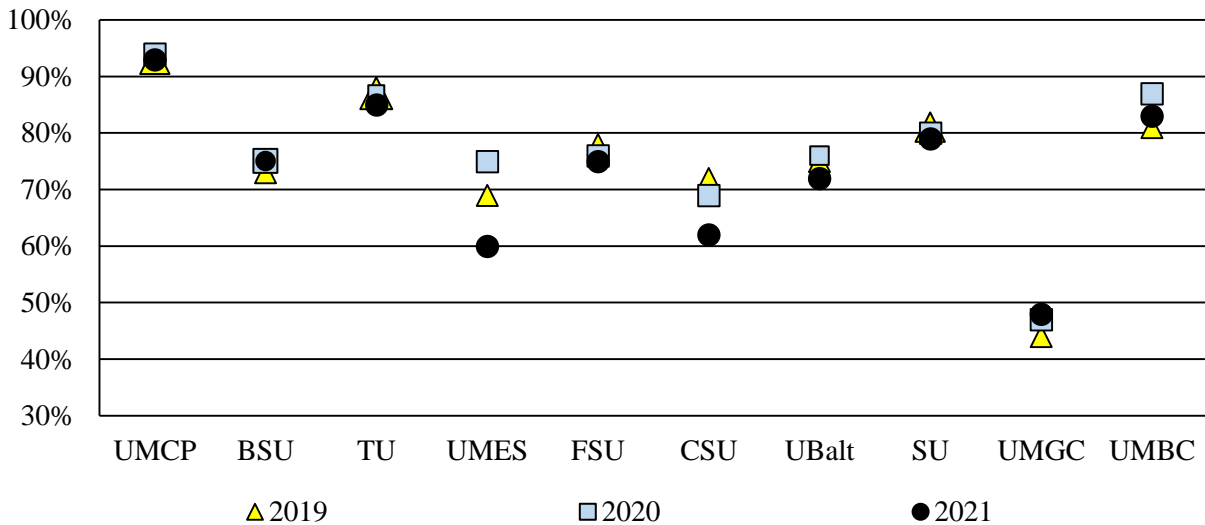
2. Student Performance

Retention Rates

Retention rates are not only an indicator of student progress but also the ability of institutions to keep students. The second-year rate is an indicator of a number of factors, ranging from students being prepared for college to institutions providing support to students. Improving the retention of students is one of USM’s strategies to increase enrollment, as it is easier to retain students than to recruit new students. It is also an early measure of any longer-term impacts that COVID-19 may have on institutions. As shown in Exhibit 4 and Exhibit 5, a substantial number of students did not come back to USM institutions in fall 2020 and 2021, which will affect the retention and graduation rates in the out-years, and it could take years for institutions to recover from the lost enrollment.

Exhibit 6 shows the impact of COVID-19 on the second-year retention rates, comparing the rates of fiscal 2019 cohort (prepandemic) with the fiscal 2020 and 2021 cohorts. The fiscal 2020 cohort had their first year interrupted by COVID-19 with the closure of campuses and the transition to remote learning during the spring 2020 semester. The impact on this cohort may have been tempered by the timing (mid-spring semester), emergency financial aid funding provided in the Coronavirus Aid, Relief, and Economic Security Act, and flexible grading policies such as allowing students to opt for pass/fail designation in lieu of a letter grade. Overall, three institutions – FSU, CSU, and SU – experienced slight declines in the second-year retention of the 2020 cohort.

Exhibit 6
Undergraduate Second-year Retention Rates
Fiscal 2019-2021



Source: University System of Maryland

In fiscal 2021, campuses operated at reduced capacity with a majority of courses still being taught remotely, which resulted in a decline in the second-year retention rate of the fiscal 2021 cohort at all institutions except BSU, which remained stable. UMES and CSU experienced the greatest declines of 15 and 7 percentage points, respectively. Overall, since the 2019 cohort, the retention rate has declined at six institutions with a significant decline of 10 percentage points occurring at CSU. These declines erased improvements at some campuses.

A unique challenge facing institutions in the current academic year is that the institutions essentially had two new classes coming to campus in fall 2021 – freshmen and sophomores. While the sophomores have completed a year of college, it was done remotely, and they did not get to have the typical on-campus experience and may need assistance in adjusting to campus life such as learning what academic resources are available, attending in-person classes, and engaging in campus life. If institutions are not successful in engaging the sophomores, it will impact their third-year retention and graduation rates.

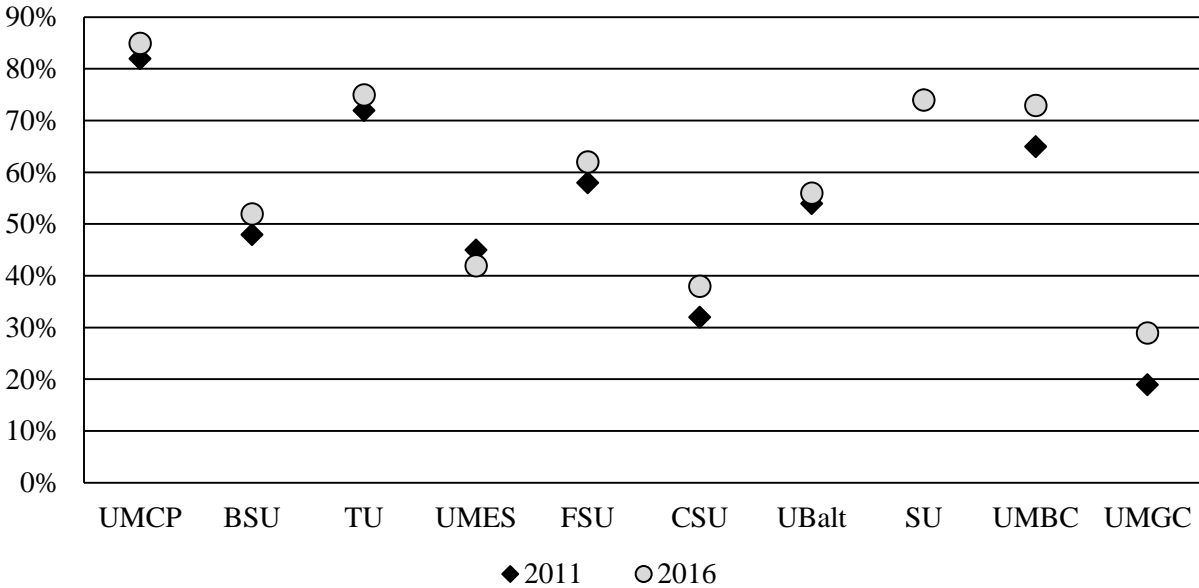
The Chancellor should comment on efforts being taking by institutions to assist sophomores to adjust to campus life to ensure their success in achieving a degree.

Graduation Rates

In order to provide a more complete picture of how institutions are performing, USM calculates its six-year graduation rate for all new degree-seeking students enrolled during the fiscal year. Unlike the traditional graduation rate used by the Maryland Higher Education Commission, which only tracks the completions of traditional first-time/full-time students (which only captures the success of about a third of USM students), USM’s method also includes part-time students, transfers, spring enrollments, and those who stopped out or changed enrollment status. The inclusion of these additional students provides a more complete picture of an institution’s performance. Furthermore, the graduation rates of fiscal year cohorts tends to be higher than the traditional rate at institutions that have a greater portion of transfers and part-time students, such as CSU and UBalt. In addition, using a fiscal year cohort allows for a calculation of a six-year rate for UMGC, which is excluded from the traditional measure due to its unique student population of mainly adult nontraditional students.

Exhibit 7 compares the six-year graduation rate of the fiscal 2011 and 2016 cohorts. Overall, the graduation rate increased at all institutions except UMES which declined by 3 percentage points. UMBC experienced the greatest increase of 8 percentage points to 73% with the 2016 cohort. While UMGC’s six-year rate increased to 29% with the 2016 cohort, it is the lowest of all the institutions and is more comparable to the two-year graduation rates of Maryland community college transfer students at other institutions. This is not surprising, given that transfer students comprised 89.8% of UMGC’s new undergraduate enrollment in fiscal 2016. Furthermore, 77.0%, or 28,777, of UMGC’s undergraduate students in fall 2015 were part-time students who take longer to graduate.

Exhibit 7
Fiscal Year New Student Cohort Graduation Rates Six Years from Entry
Fiscal 2012 and 2016 Cohort

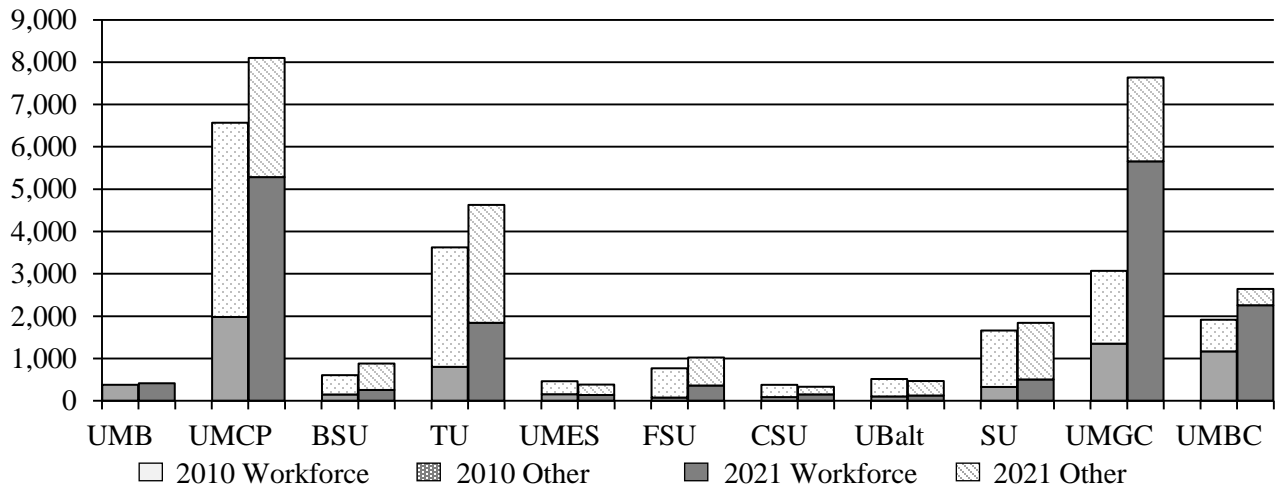


Source: University System of Maryland

Undergraduate Degree Production

In order to produce a well-educated workforce and maintain the State’s 55% degree attainment goal, USM will need to increase the number of undergraduate degrees awarded. **Exhibit 8** compares the number of undergraduate degrees conferred by institution between fiscal 2010 and 2021. Overall, between fiscal 2010 and 2021, degree production grew by 42.1%, to a total of 28,354. During that time, the number of workforce-related degrees (science, technology, engineering, and mathematics (STEM); health; and cybersecurity) increased by 61.3%, or 10,413 degrees. Conversely, the number of other degrees conferred fell by 2,009 degrees (15%). When excluding UMGC, BSU and UMBC experienced the largest growth rate, of 45.4% (275 degrees) and 38.0% (728 degrees), respectively. Three institutions – CSU, UBalt, and UMES – experienced declines in the number of degrees conferred, ranging from 9.3% at UBalt to 17.1% at UMES, which reflects the continuing enrollment declines at these institutions.

**Exhibit 8
Undergraduate Degrees Awarded by Workforce and Other
Fiscal 2010-2021**



Note: Workforce degrees include science, technology, engineering, and mathematics; health professionals; and cybersecurity. Degrees awarded by UMGC in 2020 are not comparable to 2010 due a change in the U.S. Department of Education reporting requirements; since online courses are now administered stateside, all degrees are included in the total.

Source: University System of Maryland

Fiscal 2022

Proposed Deficiency

The fiscal 2023 budget includes two proposed deficiency appropriations that would provide a total of \$1.0 million in general funds: \$0.5 million for UMBC to establish the Maryland Institute for Innovative Computing to expand the Maryland Technology Internship Program; and \$0.5 million for BSU to backfill funding. Another proposed deficiency totaling \$45.5 million, of which USM institutions’ share is \$43.9 million, would replace general funds with the HEIF, reflecting the revised revenue estimate in fiscal 2022 and use of HEIF fund balance.

Federal Stimulus Funds

USM institutions received a total of \$574.2 million from three federal relief packages, as shown in **Exhibit 9**, of which \$210.8 million and \$97.6 million were designated for financial aid and Historically Black Colleges and Universities (HBCU), respectively. A majority of the funds, 50%, or \$289.7 million, are to be expended in fiscal 2022, of which \$249.1 million was brought in through a fiscal 2022 budget amendment. The fiscal 2023 allowance includes \$31.5 million in Higher Education Emergency Relief Funds (HEERF) III provided in the American Rescue Plan, of which \$31.0 million is from the funding designated for HBCUs – \$20.3 million for UMES and \$10.7 million for CSU.

**Exhibit 9
Summary of HEERF
Fiscal 2020-2023
(\$ in Thousands)**

	<u>2020</u>	<u>2021</u>			<u>2022</u>			<u>2023</u>	<u>Total</u>
	<u>HEERF I</u>	<u>HEERF I</u>	<u>HEERF II</u>	<u>HEERF III</u>	<u>HEERF I</u>	<u>HEERF II</u>	<u>HEERF III</u>	<u>HEERF III</u>	
Financial Aid	\$29,127	\$10,174	\$36,814	\$8,799	\$0	\$7,178	\$118,737	\$0	\$210,828
Institutional Aid	20,056	24,280	79,102	20,758	105	21,084	90,730	0	256,115
SIP	38	271	328	0	100	7,857	590	480	9,664
HBCU	1,003	19,011	3,142	0	2,500	14,035	26,832	31,059	97,583
Total	\$50,225	\$53,737	\$119,386	\$29,557	\$2,705	\$50,153	\$236,889	\$31,539	\$574,190
Total by Type									
HEERF I*	\$106,666								
HEERF II	169,539								
HEERF III	297,984								
Grand Total	\$574,190								

HEERF I: Coronavirus Aid, Relief, and Economic Security Act
HEERF II: Coronavirus Response and Relief Supplemental Appropriations Act of 2021
HEERF III: American Rescue Plan
SIP: Strengthening Institution Programs

*UMGC did not use \$5,281

Source: University System of Maryland

As shown in **Exhibit 10**, of the funds not required to be used for financial aid, in fiscal 2021, the majority of funds were used to cover revenue losses. In fiscal 2022, 63.6% of the funds designated for institutional aid were used to cover revenue losses. However, in fiscal 2022, a greater portion is being used for other areas than occurred in fiscal 2021, including COVID-19-related expenses (18.9%) and financial aid (12.3%). Of the HBCU-specific funds, 41.4% and 26.3% are being used for technology and COVID-19-related costs, respectively.

Exhibit 10
Spending of HEERF Flexible Funding
Fiscal 2021-2022

	2021			2022		
	<u>Institutional Aid</u>	<u>HBCU</u>	<u>SIP</u>	<u>Institutional Aid</u>	<u>HBCU</u>	<u>SIP</u>
Revenue Loss	86.4%	51.6%	49.6%	63.6%	7.2%	5.8%
Testing, PPE, COVID-19 and Other	6.0%	27.7%	43.6%	18.9%	26.3%	42.7%
Academic/ Administrative						
Technology	6.2%	11.5%	6.7%	5.2%	41.4%	51.5%
Institutional Financial Aid	1.4%	9.2%		12.3%	25.1%	
Total Funds	\$124,140,488	\$22,153,249	\$599,070	\$111,918,339	\$43,367,415	\$8,546,721

HBCU: Historically Black Colleges and Universities
HEERF: Higher Education Emergency Relief Funds
PPE: personal protective equipment
SIP: Strengthening Institution Programs

Source: University System of Maryland; Department of Legislative Service

Proposed Budget

As shown in **Exhibit 11**, the adjusted fiscal 2023 State funds for USM increase \$299.3 million, or 19.1%, compared to the adjusted fiscal 2022 budget. Restricted funds decline \$222.0 million, or 12.9%, reflecting the expending of a majority of the federal relief funds in fiscal 2022. Overall, total funds decrease \$63.1 million, or 1.0%, reflecting a decrease of \$148.2 of pay-as-you-go funds. When excluding these funds, total funds increase \$85.1 million, or 1.4%, over fiscal 2022.

Exhibit 11
Proposed Budget
University System of Maryland
Fiscal 2021-2023
(\$ in Millions)

	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Adjusted</u>	<u>2023</u> <u>Adjusted</u>	<u>2022-2023</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$1,427,526	\$1,411,426	\$1,536,454	\$125,028	8.9%
Deficiency – HEIF Swap		-43,927		43,927	
Deficiency – BSU/UMBC		1,000		-1,000	
General Salary Increase		69,878	198,255	128,377	
HBCU Settlement Funds	0	0	6,342	6,432	
Total General Funds	\$1,427,526	\$1,438,377	\$1,741,051	\$302,673	21.0%
Special Funds					
HEIF	\$77,903	\$84,353	\$108,938	\$24,584	29.1%
Deficiency – HEIF Swap		43,927		-43,927	
Total HEIF	\$77,903	\$128,280	\$108,938	-\$19,343	-15.1%
CRF – HBCU Settlement Funds	\$0	\$0	\$16,000	\$16,000	
Total State Operating Funds	\$1,505,430	\$1,566,658	\$1,865,988	\$299,331	19.1%
Total State PAYGO	\$0	\$213,203	\$65,000	-148,203	
Other Unrestricted Funds	\$2,696,176	\$3,019,102	\$3,051,328	\$32,227	1.1%
CARES/CRRSSA/ARP –					
Direct Federal Support	62,468	20,489	0	-20,049	
CARES Act – Indirect	16,461	0	0		
Transfer (to)/from Fund Balance	-36,879	-27,857	-31,761	-3,904	
Net Unrestricted Funds (excluding PAYGO)	\$4,243,656	\$4,578,391	\$4,885,556	\$307,165	6.7%
Restricted Funds	\$1,431,093	\$1,445,635	\$1,461,062	\$15,427	1.1%
CARES/CRRSSA/ARP –					
Direct Federal Support	140,212	269,258	31,539	-237,719	
CARES Act – Indirect	6,452	0	0		
State Special Funds (Restricted)	30,773	9,605	9,873	268	
Total Restricted Funds	\$1,608,530	\$1,724,498	\$1,502,473	-\$222,024	-12.9%
Total Funds	\$5,852,186	\$6,516,092	\$6,453,029	-\$63,063	-1.0%
Total Funds Excluding PAYGO	\$5,852,186	\$6,302,889	\$6,388,029	\$85,140	1.4%

ARP: American Rescue Plan

CARES: Coronavirus Aid, Relief, and Economic Security

CRF: Cigarette Restitution Fund

CRRSSA: Coronavirus Response and Relief Supplemental Appropriations Act

HBCU: Historically Black Colleges and Universities

HEIF: Higher Education Investment Fund

PAYGO: pay-as-you-go

R30B00 – University System of Maryland – Fiscal 2023 Budget Overview

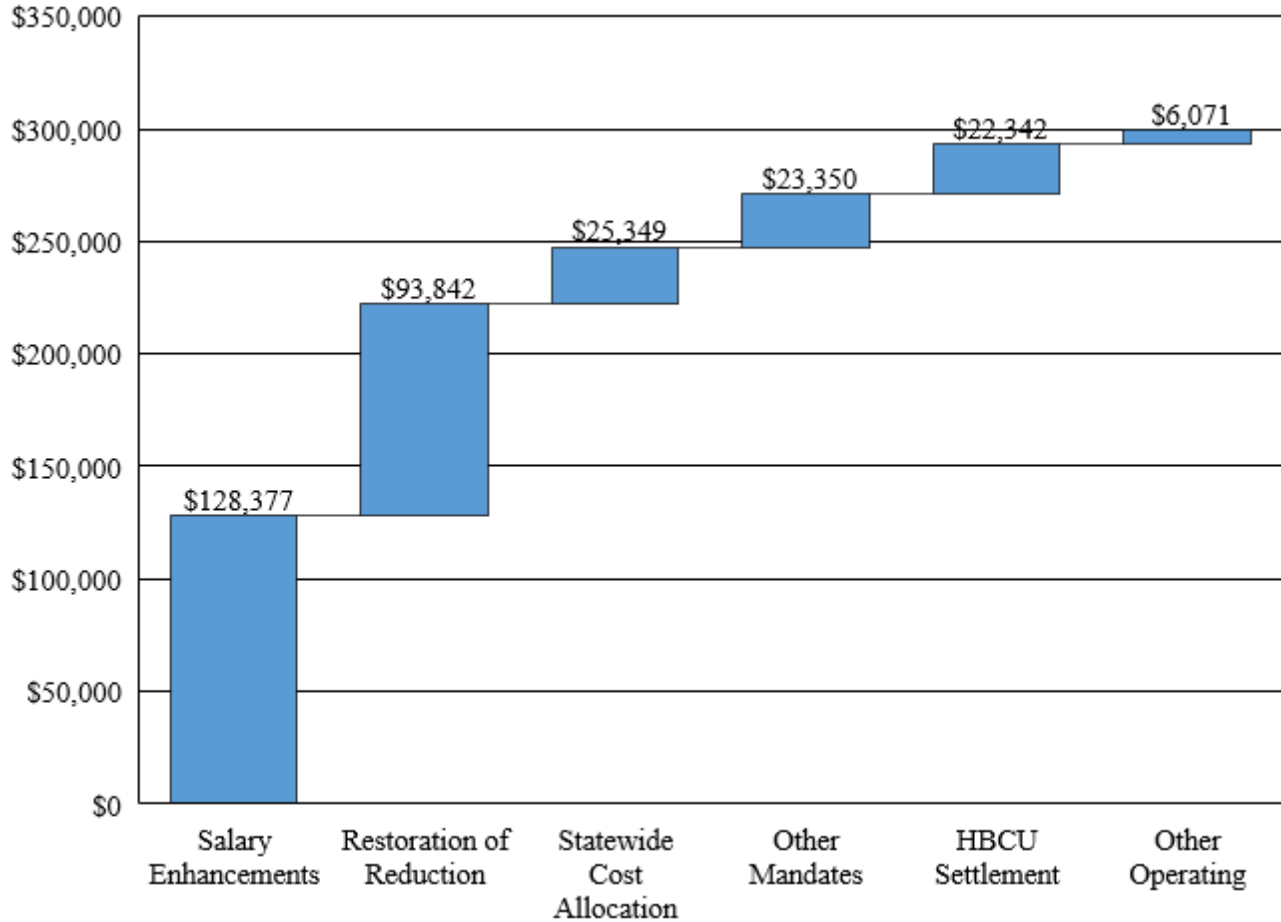
Note: The fiscal 2022 working appropriation is adjusted to reflect general salary increases, increments, one-time bonus, and deficiency. The fiscal 2023 allowance is adjusted to reflect the annualization of fiscal 2022 general salary increases and increments and fiscal 2023 3% general salary increase and increments. These actions are budgeted within the Department of Budget and Management Statewide Expenses. The fiscal 2023 general funds include \$2.5 million are restricted funds for UMB. The \$65.0 million in PAGYO in fiscal 2023 is budgeted within the Dedicated Purpose Account.

Source: Governor’s Fiscal 2023 Budget Books; Department of Legislative Services

As shown in **Exhibit 12**, State funds increase \$299.3 million, with salary enhancements for general salary increases effective July 2023 and annualization of the fiscal 2022 general salary increase and increments accounting for 42.9%, or \$128.4 million of the growth. The allowance also provides:

- \$93.8 million to restore the remaining portion of the fiscal 2021 BPW reduction, of which \$20.0 million is to be used to expand and enhance student mental health services. The remaining funds will be used to restore base cuts to various areas including financial aid, facilities renewal, student services, and technology. In fiscal 2022, USM received \$23.5 million as a partial restoration, to fund public health and health care programs at various institutions. Combined, these additions fully restore the \$117.3 million of reduction actions for USM approved by BPW in fiscal 2021;
- \$25.3 million related to statewide cost allocations with a majority of the increase related to health insurance; and
- \$6.1 million for other purposes, including \$3.7 million for the opening of new facilities at UMCP, UMES, FSU, and CSU; \$2.5 million in restricted one-time general funds provided to UMB for an endowment for the new Miller Center for Democracy and the law school; and \$0.4 million to UBalt to expand the operations at the Schaefer Center.

**Exhibit 12
Use of State Funding Increase
Fiscal 2023
(\$ in Thousands)**



HBCU: Historically Black Colleges and Universities

Source: Department of Budget and Management

The allowance also includes \$45.7 million in State funds for several mandates:

- \$22.3 million (\$6.3 million general funds and \$16.0 million Cigarette Restitution Fund) as mandated in Chapter 41 of 2021 as part of the HBCU settlement: \$10.6 million to BSU; \$6.1 million to UMES; and \$5.7 million to CSU;

- \$12.0 million as mandated in Chapter 683 of 2021, which includes \$2.5 million UMB’s Center for Maryland Advanced Ventures (CMAV) and UMCP’s University of Maryland (UM) Center for Economic and Entrepreneurship (UMCEED), in CMAV must use \$1.5 million and UMCEED \$2.5 million to encourage the development and location of technology companies in Baltimore City and Prince George’s County, respectively; \$4.0 million for funding guideline attainment (\$2.1 million to TU, \$1.0 million to SU, and \$0.9 million to UMBC); and \$3.0 million to UMBC to establish the Center for Cybersecurity;
- \$7.0 million as mandated in Chapter 418 of 2021 to UMB to the School of Medicine to provide clinical care at UM Regional Medical Center and specialized care at UM rural hospitals;
- \$2.4 million as mandated in Chapter 765 of 2019 provides additional funding of \$1.0 million each to UMB and UMCP for the MPowering Steering Committee and \$0.4 million to UMBC to help further its research and economic development activities;
- \$1.5 million as mandated in Chapter 356 of 2021 to BSU to establish the Center for the Study of Data Analytics and Sports Gaming;
- \$0.2 million as mandated in Chapter 15 of 2021 to UMCP for the Small Business Development Center; and
- \$125,000 each to UMB and UBalt to establish the Legal Education Success Collaborative as mandated in Chapter 213 of 2021.

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.

Other current unrestricted funds increase \$32.2 million, or 1.1% in fiscal 2023, of which \$32.0 million, or 1.8%, is due to an increase in tuition and fee revenues. This is partly due to a planned 2% increase in resident undergraduate tuition. Auxiliary revenues increase 1.8%, or \$11.4 million. These increases are partly offset by the decline in federal relief funds in which the remaining unrestricted HEERF II and III funds are used in fiscal 2022.

Unrestricted Expenditures and Revenues

In fiscal 2021, despite a majority of classes being taught remotely and institutions limiting the number of students on campus, USM closed the year with a surplus of \$61.4 million, as shown in **Exhibit 13**. Through various actions to reduce unrestricted expenditures and the use of federal relief funds, USM was able to cover the \$89.3 million deficit incurred in auxiliary enterprises. Initially, USM budgeted a transfer of \$171.8 million from the fund balance to cover expected revenue loss but instead was able to transfer \$36.9 million to the fund balance (see **Appendix 2** for fund balance by institution). Overall, the federal relief funds help temper the financial impact related to COVID-19 in fiscal 2020 through 2022 allowing USM to transfer funds to the fund balance.

Exhibit 13
Unrestricted Revenues and Expenditures
Fiscal 2020-2023
(\$ in Thousands)

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Working</u>	<u>2023</u> <u>Allowance</u>	<u>2022-2023</u> <u>\$ Change</u>	<u>2022-2023</u> <u>% Change</u>
Operating Expenditures	\$3,805,263	\$3,756,393	\$3,948,815	\$4,251,257	\$302,442	7.7%
Unrestricted Revenues						
State Funds	\$1,493,672	\$1,505,430	\$1,565,658	\$1,842,146	\$276,489	17.7%
Tuition and Fee	1,772,618	1,743,877	1,780,258	1,812,225	31,967	1.8%
CARES/CRRSAA/ARP	38,811	78,928	20,489	0	-20,489	
Other Revenues	558,104	578,832	591,785	580,619	-11,166	-1.9%
Total	\$3,863,205	\$3,907,067	\$3,958,189	\$4,234,990	\$276,801	7.0%
Operating Surplus/ Deficit	\$57,942	\$150,674	\$9,374	-\$16,267		
Auxiliary						
Expenditures	\$601,642	\$462,765	\$597,947	\$602,106	\$4,159	0.7%
Revenues	563,953	373,468	647,059	658,485	11,425	1.8%
Auxiliary Surplus/ Deficit	-\$37,689	-\$89,298	\$49,112	\$56,379	\$7,267	14.8%
Total Surplus/Deficit	\$20,253	\$61,376	\$58,486	\$40,112		
Other Funds						
Planned Transfer (to)/ from Fund Balance	-\$20,253	-\$36,879	-\$27,857	-\$31,761		

ARP: American Rescue Plan

CARES: Coronavirus Aid, Relief, and Economic Security

CRRSAA: Coronavirus Response and Relief Supplemental Appropriations Act

Note: Fiscal 2022 and 2023 expenditures and State funds adjusted to reflect general salary increases. Fiscal 2022 includes deficiencies. Fiscal 2023 excludes funding related to the HBCU settlement. State funds include Higher Education Investment Funds.

Source: Governor’s Fiscal 2023 Budget Books

In fiscal 2023, based on reported unrestricted operating expenditures, USM projects a total budget shortfall of \$16.3 million, with expenditures increasing 7.7%, or \$302.4 million, while revenues grow by \$276.8 million. This shortfall is offset by an anticipated \$56.4 million surplus in auxiliary enterprises, which would result in an overall surplus of \$40.1 million. USM plans to transfer \$31.8 million to fund balance, leaving \$8.3 million that could provide a cushion if enrollment and revenues come in below projections or to fund initiatives or programs.

Personnel Data

	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 22-23</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	24,964.51	25,436.62	25,435.62	0
Contractual FTEs	6,503.54	6,228.47	6,217.56	-10.85
Total Personnel	31,468.05	31,665.09	31,653.18	-10.85

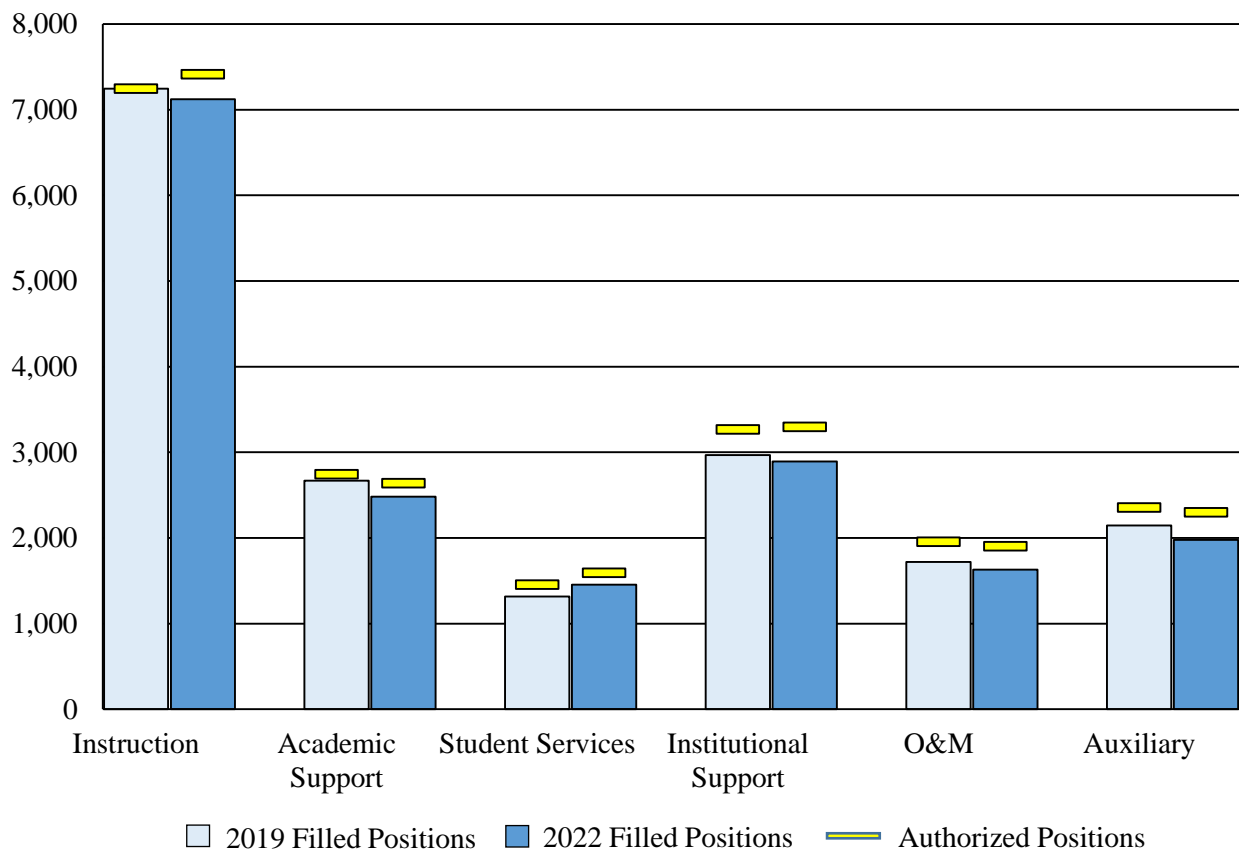
Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	864.55	3.40%
Positions and Percentage Vacant as of 12/31/21	2,150.45	8.48%

- USM has personnel autonomy and may create or abolish positions during the fiscal year. In fiscal 2022, 588.15 full-time equivalent (FTE) positions were added, which slightly offsets the elimination of 114.37 FTE (70.37 FTE State-supported and 44.0 FTE non-State supported positions).
- Of the eliminated regular positions, 70.37 were State-supported with UMCP accounting for 46% (32.37 positions) and UMB 24.1% (17.0 positions) of the abolished positions.
- Of the 327.35 FTE newly created positions, 181.99 FTE were State-supported positions with TU accounting for 44.5% (81.0 FTE) and UMB for 29.5% (53.62 FTE) of the positions. Position adjustments include the conversion of 260.8 contractual positions with TU converting 203.0 FTE contractual faculty lecturer to regular positions.
- The addition of 145.36 FTE non-State-supported positions are related to auxiliary and research with UMB accounting for 83.7% (121.67 FTE) of the positions. In addition, 132.90 FTE non-State-supported positions were converted to regular positions.
- The effects of the pandemic and the fiscal 2021 BPW budget reduction are reflected in the institution’s State-supported vacancy rates with BSU having the highest rate of 23.2% and six institutions exceeding 12% – TU, UMES, FSU, CSU, University of Maryland Center for Environmental Science (UMCES), and USMO.

Between fall 2019 and 2021, the vacancy rate in all positions, excluding research and public service, increased from 5.1% (980.35 FTE) to 8.4% (1,602.9). As shown in **Exhibit 14**, the largest percentage increase in vacant positions of 6.4 percentage points occurred in auxiliary positions, which reflects campuses reducing services in 2020 and 2021 and the current hiring challenges. The vacancy rate for student services-related positions has decreased between fall 2021 (9.8%) and fall 2019 (10.7%) as institutions have strived to fill these positions to meet the needs of students.

Exhibit 14
Authorized and Filled Positions
Fiscal 2019-2022



O&M: Operations and Maintenance

Note: Filled positions as of October 2018 and 2021.

Source: University System of Maryland; Governor’s Budget Books; Department of Legislative Services

Issues

1. USM Strategic Plan

After being delayed by the pandemic, USM’s 2022-2030 strategic plan will be presented to BOR at the February 2022 meeting. The plan was developed during the uncertainties of COVID-19, which has resulted in temporary and permanent changes to the academic and business models. These changes include speeding up the transformation of programs and courses to remote learning, which allows for increased flexibility, and increased access to programs. These impacts were taken into consideration when developing the plan. The plan is also expected to reflect the changing demographics of Maryland’s high school graduates and the disproportionate impact of COVID-19 on underrepresented minority students, which affects college affordability.

The plan’s goals and targets are expected to be centered around four themes:

- academic excellence and innovation;
- access, affordability, and achievement;
- workforce and economic development; and
- research.

While goals and targets reflect the changing environment, some from the previous plan are still applicable including those related to increasing the number of undergraduate degrees; underrepresented minorities (URM) who earn a degree in STEM and health-related fields; and URM faculty, staff, and students.

New goals are expected to include:

- expanding the pipeline of URM students by building and strengthening relations with K-12 schools focusing on improving outcomes and pathways;
- increasing enrollment and improving transfer pathways;
- developing programs for working professionals to meet workforce needs;
- creating new credentials;
- improving focus on student center programing and outcomes based assessment; and
- designing and implementing a set of enrollment management and student success strategies at the HBCUs.

USM will be monitoring and tracking progress toward meeting these goals, annually reporting progress to BOR including through its dashboard indicators available on its website. The Department of Legislative Services (DLS) will also monitor and examine performance in key target areas in future analyses.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1 2021 Joint Chairmen’s Report Responses from Agency

The 2021 *Joint Chairmen’s Report* (JCR) requested that USM and/or its institutions prepare three reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Report on the Instructional Workload of the USM Faculty:*** This annual report continues the transition between reports generated using the course unit metric as defined under an earlier USM BOR policy on faculty workload and the revised policy using credit hours to measure productivity. Key findings of the report include: (1) despite the challenges presented by the pandemic, total credit hours produced in 2020-2021 kept pace with total student headcount enrollment; (2) full-time tenured/tenure track and full-time, non-tenure track instructional faculty account for 69.5% of all credit hours produced, a slight increase from the previous year; and (3) since fiscal 2016, credit hours produced by core instructional full-time faculty increased 2.4%, while credit hours produced by part-time faculty declined by 3.4%.
- ***Report on Contracting Services:*** This report summarized USM’s policy and procedures for institutions entering into external contracts, including requirements to notified affected employees.
- ***Status of Implementing Universities at Shady Grove Financial Viability Recommendations:*** This report summarized the status of implementation of the 33 recommendations presented in the 2019 JCR report *Ensuring the Fiscal Viability of the Universities at Shady Grove*. Of the 33 recommendations, 3 have been completed; 7 are partially completed with additional work needed that is in progress; 19 are in progress; and 4 are still to be initiated, of which 3 are related to the Universities at Shady Grove (USG)’s work with the county on transportation and planning. In addition, six unresolved issues or tasks were identified that needed further work by the commission to determine how to move forward: three were resolved; two are partially resolved with additional work needed and are in progress; and the remaining task is in progress. Next steps noted in the report include finalizing and submitting USG’s budget under its own budget code (it should be noted the fiscal 2023 allowance includes a separate budget code for USG), completing the USG strategic planning process, and using those goals and strategies identified in the plan as a roadmap to help leadership advance progress on the recommendations.

Appendix 2
USM Fund Balance by Institution
Fiscal 2021-2023
(\$ in Thousands)

	<u>2022 Working</u>			<u>2023 Budgeted</u>			<u>2022-2023 \$ Change</u>			
	<u>2021</u>	<u>State-supported</u>	<u>Non-State-supported</u>	<u>Total</u>	<u>State-supported</u>	<u>Non-State-supported</u>	<u>Total</u>	<u>State-supported</u>	<u>Non-State-supported</u>	<u>Total</u>
UMB	\$271,609	\$78,098	\$200,775	\$278,873	\$83,237	\$202,901	\$286,138	\$5,138	\$2,126	\$7,264
UMCP	339,809	146,247	210,230	356,477	173,020	200,750	373,771	26,774	-9,480	17,294
BSU	32,386	20,709	12,968	33,677	21,717	13,271	34,988	1,008	303	1,310
TU	95,331	17,965	81,862	99,827	17,965	86,631	104,596	0	4,769	4,769
UMES	1,419	-9,188	10,607	1,419	-9,188	10,607	1,419	0	0	0
FSU	20,180	12,022	9,137	21,160	13,005	9,137	22,142	982,488	0	982
CSU	22,542	-141	23,393	23,252	262	23,697	23,959	403	303,827	707
UBalt	15,664	1,588	15,138	16,727	2,649	15,148	17,796	1,061	9,013	1,070
SU	69,892	851	64,549	65,401	411	66,797	67,207	-441	2,247	1,806
UMGC	150,646	0	134,869	134,869	0	127,178	127,178	0	-7,691	-7,691
UMBC	96,077	36,351	76,943	113,294	36,351	81,074	117,425	0	4,131	4,131
UMCES	25,390	74	25,603	25,677	74	25,896	25,971	0	294	294
USMO	13,127	9,493	3,159	12,651	9,017	3,159	12,176	-475	0	-475
	9,971	8,595		8,595	8,895	0	8,895	300	0	300
Total	\$1,164,043	\$322,666	\$869,234	\$1,191,900	\$357,415	\$866,246	\$1,223,661	\$34,749	-\$2,989	\$31,761

Source: University System of Maryland