
University System of Maryland Fiscal 2025 Budget Overview

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

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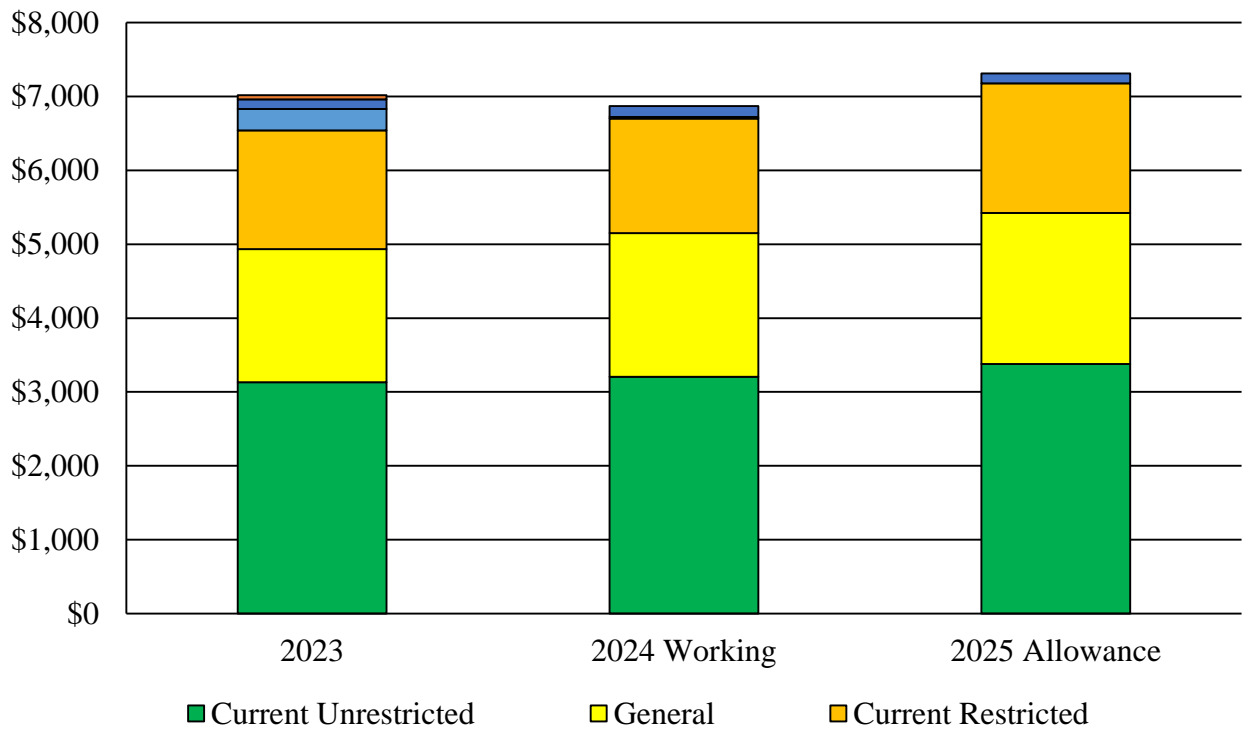
Analysis of the FY 2025 Maryland Executive Budget, 2024

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 2023-2025
(\$ in Thousands)



PAYGO: pay-as-you-go

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included institution’s budget.

Source: Governor’s Fiscal 2025 Budget Books

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- General funds increase by \$96.9 million, or 5.0%, in fiscal 2025 after an accounting for a proposed deficiency appropriation that would replace \$30.9 million in general funds with the Higher Education Investment Fund (HEIF). After adjusting for the deficiency, the HEIF decreases 13.5%, or \$20.3 million, in fiscal 2025. Overall, State funding increases \$78.9 million, or 3.8%, in fiscal 2025.
- When excluding the fiscal 2024 general salary increases budgeted in the fiscal 2025 allowance but not included in USM’s fiscal 2024 working appropriation, State funds decrease by 2.2%, or \$45.2 million.

Key Observations

- Between fall 2019 (prepandemic) and 2023, undergraduate enrollment across USM institutions has declined 2.1%, or 2,786 students. However, when excluding University of Maryland Global Campus (UMGC), enrollment fell by 8.6%, with only four institutions experiencing an increase in fall enrollment.
- Undergraduate enrollment for fall 2023 increased by 3.2% compared to fall 2022. However, when excluding UMGC, enrollment slightly declined (0.1%, or 75 students). Enrollment of first-time students in fall 2023 grew for a fifth year, with an increase of 4.3%.
- While the second-year retention generally improved across institutions with the fiscal 2023 cohort compared to the prior cohort, it has not recovered to prepandemic levels.
- Overall, the impact of the pandemic on enrollment and retention has affected undergraduate degree production, which declined by 5.0% in fiscal 2023.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

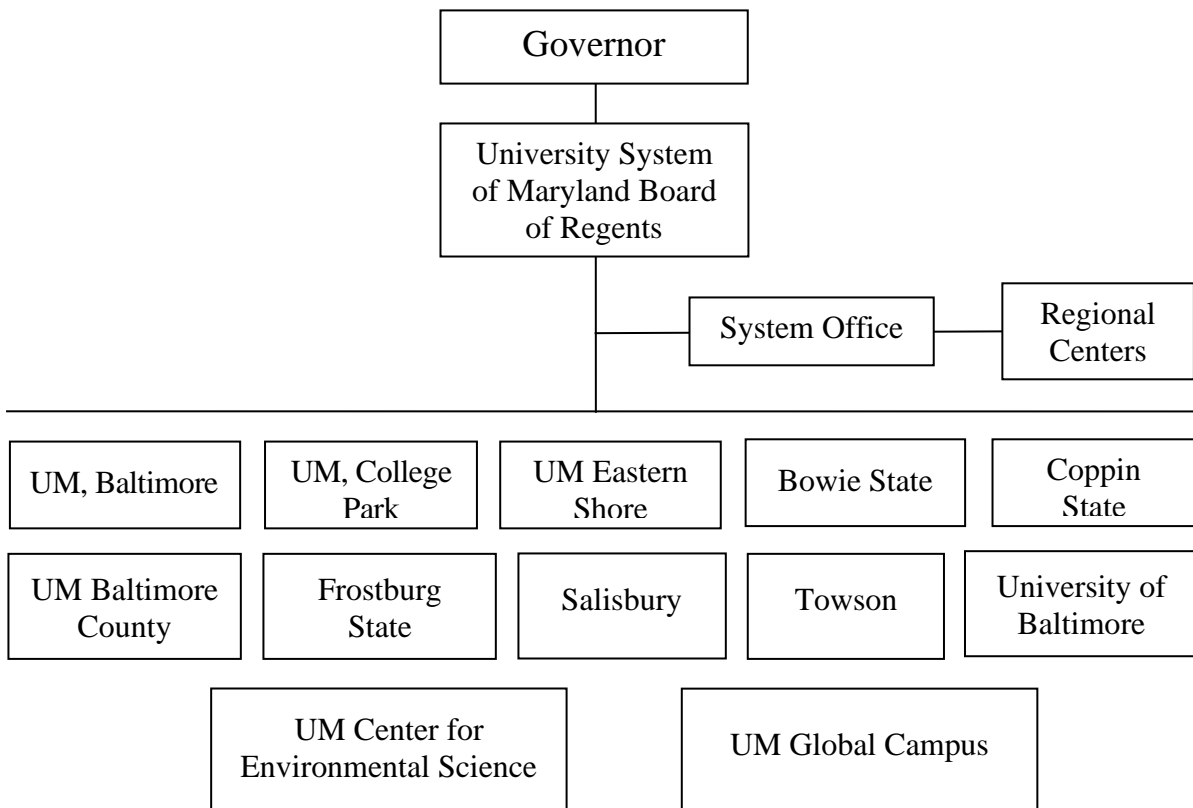
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Operating Budget Analysis

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.

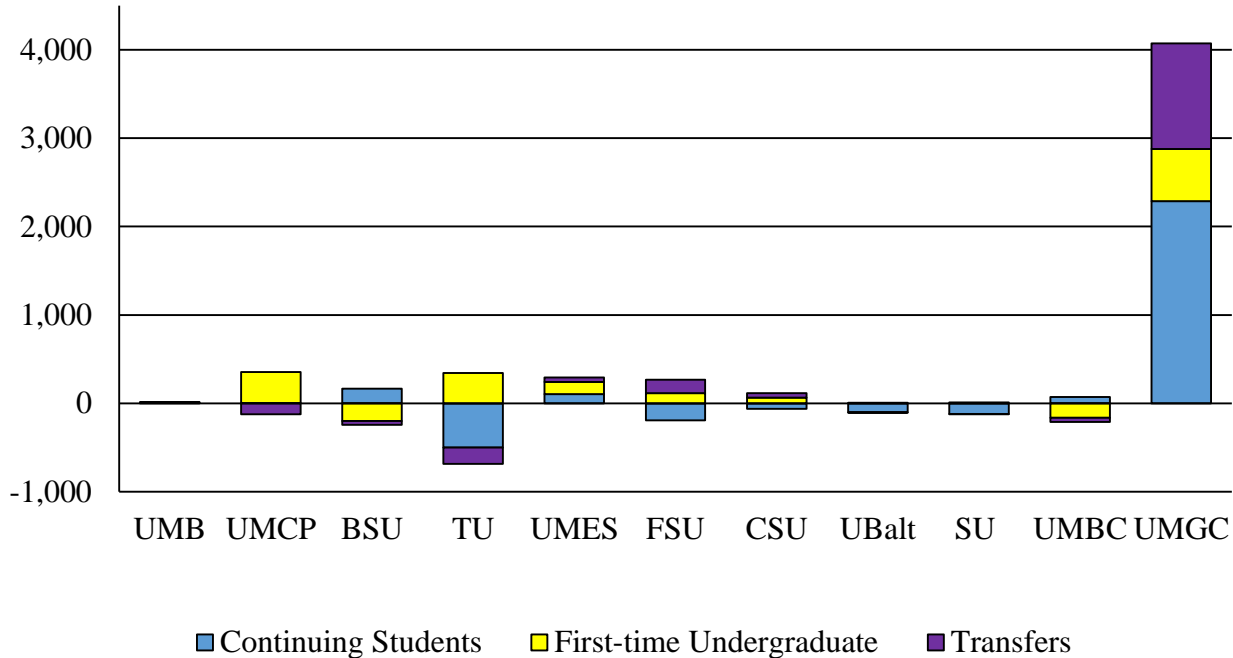
Performance Analysis

1. Undergraduate Enrollment

Fall 2023 Undergraduate Enrollment

Undergraduate enrollment grew for a second year at USM institutions, increasing by 3.2%, or 3,984 students, in fall 2023, as shown in **Exhibit 2**. However, when excluding UMGC, enrollment declined for a fifth straight year, but the rate of decline slowed considerably from prior years, decreasing by 0.1%, or 75 students. Nationally, according to data from the National Student Clearinghouse, enrollment at public four-year institutions grew 0.6% in fall 2023.

**Exhibit 2
Change in Undergraduate Headcount Enrollment
Fall 2022 and 2023**



Source: University System of Maryland

Overall, five institutions – University of Maryland, Baltimore (UMB), University of Maryland, College Park (UMCP), University of Maryland Eastern Shore (UMES), Frostburg State University (FSU), and Coppin State University (CSU) – experienced an increase in enrollment. UMES experienced the highest rate of growth of 15.7%, or 300 students, driven by an increase of 138 and 103 first-time and continuing students, respectively. The largest percentage decline in undergraduate enrollment of 7.1%, or 97 students, occurred at University of Baltimore (UBalt) due to a decline of 101 continuing students. In terms of total number of students, Towson University (TU) and University of Maryland Baltimore County (UMBC) experienced the largest declines of 344 and 135 students, respectively.

The decline in USM’s enrollment was primarily driven by 624 students not returning to campuses. This decrease can partly be attributed to large graduating classes coupled with smaller incoming classes. UBalt and FSU experience the greatest rate of decline in enrollment of continuing students of 9.3%, or 101 students, and 7.7% , or 193 students, respectively. The largest decrease, in terms of numbers, occurred at TU where 501 students did not return.

Overall, enrollment of first-time students increased for a fifth year, increasing by 4.3%, or by 640 students excluding UMGC, with UMCP and TU accounting for the majority of the increase with 349 and 343 students, respectively. However, enrollment of first-time students declined by 368 at four institutions with Bowie State University (BSU) and UMBC accounting for virtually all of the decrease at 200 and 164 students, respectively.

While the number of transfer students grew by 1,071 students, or 6.1%, this is attributed to an 11.2%, or 1,196 students increase at UMGC. When excluding UMGC, transfers declined by 125 students, or 1.8%. However, the rate of decrease has slowed from previous years. TU and the UMCP accounted for most of the decline with 186 and 125 fewer transfer students, respectively.

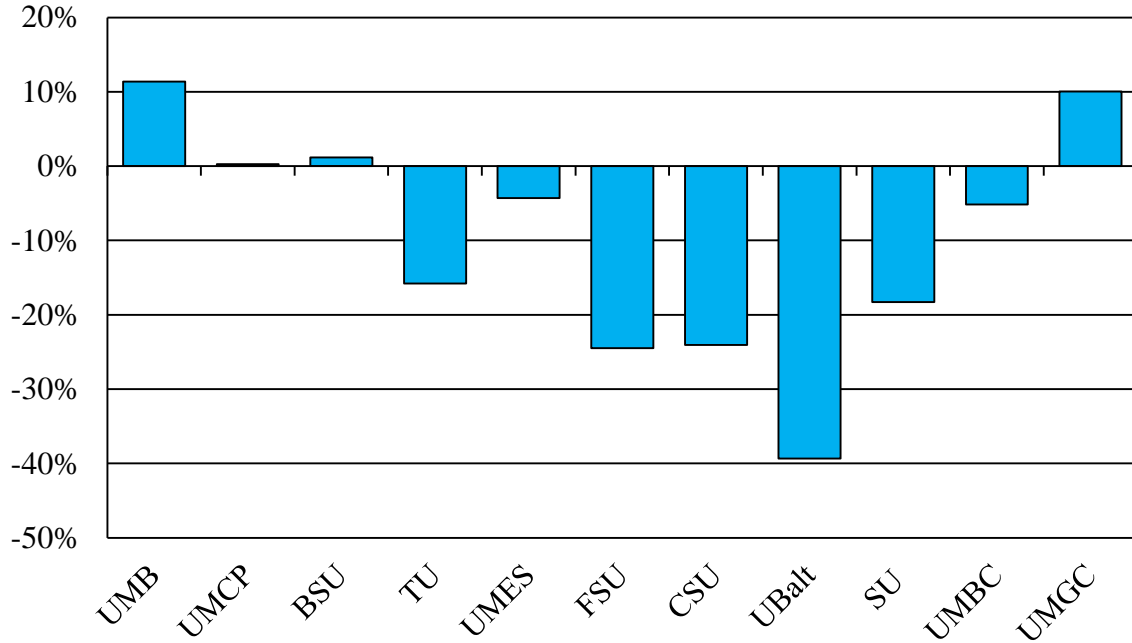
Lingering Effects of Covid-19

Fall 2023 marks the second year since institutions returned to normal operations with resumption of in-person classes and full occupancy of resident halls. The pandemic first impacted the students entering in fall 2020 when classes were taught remotely with limited occupancy in resident halls. Since the return to normal operations starting with the entering class of fall 2021 there were questions if enrollment would return to preandemic levels. While the answer was no, the rate of enrollment decline has slowed.

In order to understand the impact the pandemic and the actions taken by the institutions had on undergraduate enrollment, fall 2019 (prepandemic) enrollment is used as a baseline for comparison. Since fall 2019, enrollment at USM institutions has declined by 2.1%, or 2,786 students, and when excluding UMGC, fell by 8.6%, or 7,417 students. Nationally, according to the latest data from the National Student Clearinghouse, undergraduate enrollment at the public four-year institutions declined by 2.8% from fall 2019 to 2023.

Overall, as shown in **Exhibit 3**, all but four institutions (UMB, UMCP, BSU, and UMGC) experienced declines in enrollment from fall 2019 to 2023. Nationally, enrollment at regional institutions has been declining, especially during the pandemic. This trend also occurred at Maryland's regional institutions, each of which experienced double-digit rates of decline. At three institutions (UBalt, FSU, and CSU) the decrease in enrollment exceeded 24% during this time period. In terms of headcount, TU experienced the largest decline of 3,102 students, with Salisbury University (SU) experiencing the second largest decrease (1,406 students). These decreases have led to concerns about the financial stability of these institutions as the institutions need to find ways to cover the loss of tuition and fee and auxiliary revenues.

Exhibit 3
Change in Fall Undergraduate Headcount Enrollment
Fall 2019 and 2023



Source: University System of Maryland; Department of Legislative Services

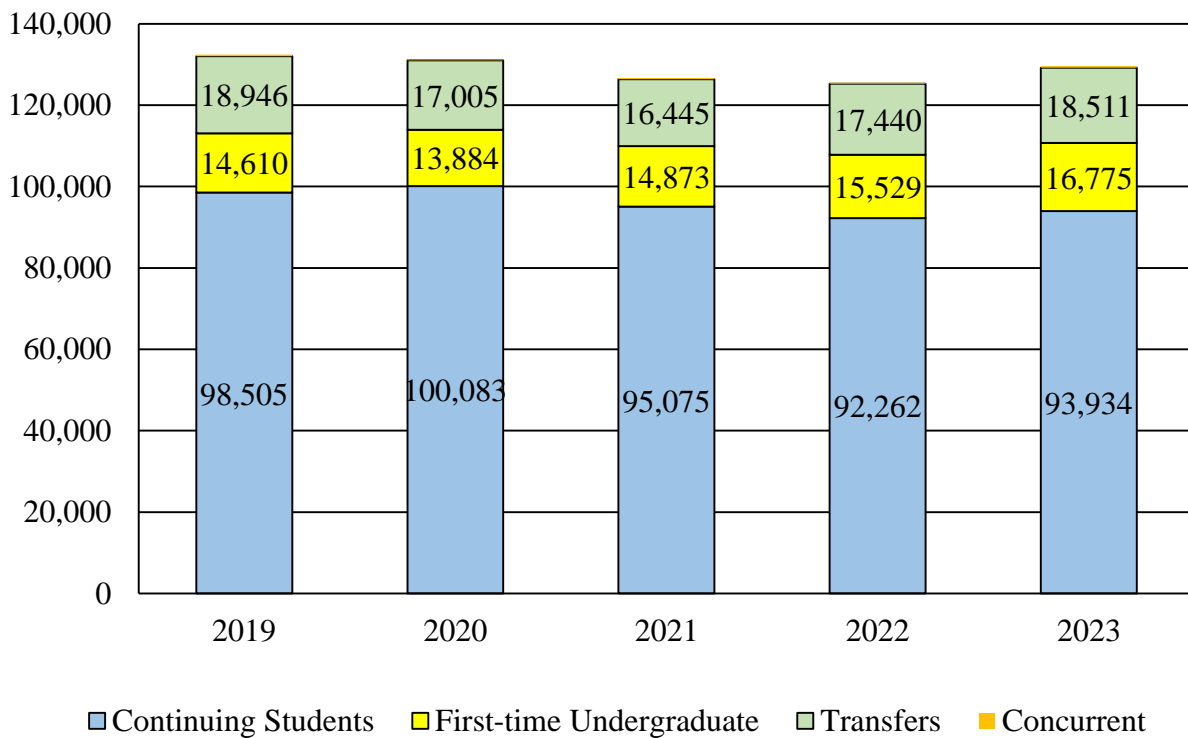
It should be noted that one of the priorities of USM’s strategic plan – Vision 2030 – is access, affordability, and achievement with one of the goals being to increase undergraduate enrollment. A near-term target is to increase enrollment to 131,000 students or more by 2025 over fall 2021 enrollment of 126,705 students, an increase of 3.4%. Based on fall 2023, USM would need to increase enrollment by 1.2%, or 1,401 students, by 2025. As previously discussed, as long as UMGC continues to show strong growth, USM will likely achieve its target. However, the continuing struggles of the other institutions should not be overlooked as the number of high school graduates decline along with the changing demographics of college going student population.

The Chancellor should comment on factors contributing to the decline in enrollment at the regional institutions, challenges to growing and increasing access at the institutions, and the impact of increased competition for fewer students among institutions.

When breaking down undergraduate enrollment by student category, as shown in **Exhibit 4**, the number of continuing students decreased by 4.6%, or 4,571 students, since fall 2019.

However, when excluding UMGC, enrollment of continuing students fell by 7,388. Overall, the largest total decline of 4,484 students occurred in fall 2021, primarily driven by a 5,008 decrease in the number of continuing students. The number of first-time students has rebounded and exceeded prepandemic levels growing from 14,610 to 16,775 students from fall 2019 to 2023, respectively.

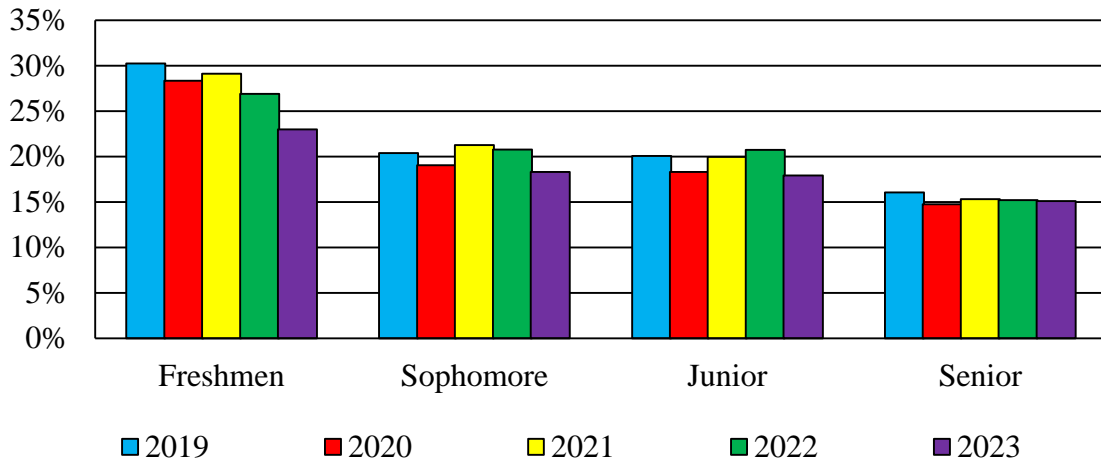
Exhibit 4
Fall Undergraduate Headcount Enrollment by Status
Fall 2019- 2023



Source: University System of Maryland

Exhibit 5 shows the percentage of students by level, who did not return to the same institution from fall 2019 to fall 2023. According to USM, none of these students have graduated. Students may not have re-enrolled for a variety of reasons including transferring to another institution, enlisting in the military, medical or personal reasons, or stopped out.

Exhibit 5
Fall-to-Fall Undergraduate Attrition by Student Level
Fall 2019-2023



Source: University System of Maryland

The percentage of students not returning in fall 2020 declined across all levels, indicating remote learning did not deter students from reenrolling. However, the percentages increased for all levels in fall 2021, suggesting that students may not have had a positive experience with remote learning. The rate of attrition has since declined among all levels with the percentage of students not returning in fall 2023 falling to the lowest level since at least fall 2019. This may indicate that the return of normal operations in fall 2022 and efforts to retain students have yielded positive results, especially among freshmen in which the percentage not returning fell from 30.2% in fall 2019 to 23.0% in fall 2023. Of concern are the juniors and seniors who do not complete their degree after financially investing in their education and possibly accumulating debt.

Since fall 2019, 95,220 students did not return to the same institution representing opportunities for institutions to reach out and reengage these students to come back and earn a degree. In particular, those who have at least two years of academic progress and have stopped out since fall 2020. These students were identified by the National Student Clearinghouse Research Center as those who are most likely to reenroll and complete a degree.

The Chancellor should comment on institutions and efforts to reach out to those who have stopped out to return and earn their degree.

Enrollment Projections

There have been recurring issues with Maryland Higher Education Commission’s (MHEC) methodology used to project enrollment at Maryland public four-year higher education

institutions. MHEC has missed enrollment declines and consistently prepared overly optimistic projections compared to the full-time equivalent student (FTES) enrollment figures in the Governor’s Budget Books, which are provided by the institutions. As shown in **Exhibit 6**, in fiscal 2024, MHEC’s projection is higher than the budget books by 6,039 FTES, and the difference increases to 6,103 FTES in fiscal 2025. This difference has implications for the funding included in the fiscal 2025 budget. As discussed in the Higher Education Overview, the calculations for Cade and Sellinger formulas begin with the aid per FTES at selected four-year public institutions. In a break from past practice, the Department of Budget and Management (DBM) chose to use the MHEC projections for fiscal 2025 rather than the estimates prepared by the institutions. Using the higher MHEC enrollment figures reduces the aid per FTES at the four-year institutions compared to what it would be if the traditional institutional estimates are used leading to funding for the formulas also being significantly less than projected.

Exhibit 6
Comparison of FTES Enrollment
Fiscal 2023-2025

	Selected Public Four-years									
	2023 <u>Actual</u>	2024					2025			
		<u>MHEC</u>	<u>Budget Books</u>	<u>Difference</u>		<u>MHEC</u>	<u>Budget Books</u>	<u>Difference</u>		
UMCP	33,483	36,536	34,000	2,536	6.9%	36,844	34,250	2,594	7.0%	
BSU	5,036	5,443	5,090	353	6.5%	5,491	5,153	338	6.2%	
TU	16,170	17,355	15,846	1,509	8.7%	17,509	15,853	1,656	9.5%	
UMES	2,217	2,496	2,376	120	4.8%	2,518	2,378	140	5.6%	
FSU	3,005	3,286	3,239	47	1.4%	3,314	3,239	75	2.3%	
CSU	1,637	1,734	1,713	21	1.2%	1,749	1,765	-16	-0.9%	
SU	6,335	6,718	6,206	512	7.6%	6,779	6,511	268	4.0%	
UMBC	11,319	12,416	11,475	941	7.6%	12,523	11,475	1,048	8.4%	
Total	79,202	85,984	79,945	6,039	7.0%	86,727	80,624	6,103	7.0%	
Other Institutions										
UMB	6,942	7,898	6,872	1,026	13.0%	7,947	6,863	1,084	13.6%	
UBalt*	2,261	2,534	2,101	433	17.1%	2,551	2,508	43	1.7%	
UMGC	35,292	39,928	36,615	3,313	8.3%	40,220	37,347	2,873	7.1%	
Total Other	44,495	50,360	45,588	4,772	9.5%	50,718	46,718	4,000	7.9%	

*Fiscal 2025 enrollment numbers in the Governor's budget books last updated in fiscal 2023; UBalt is in the process of updating projections

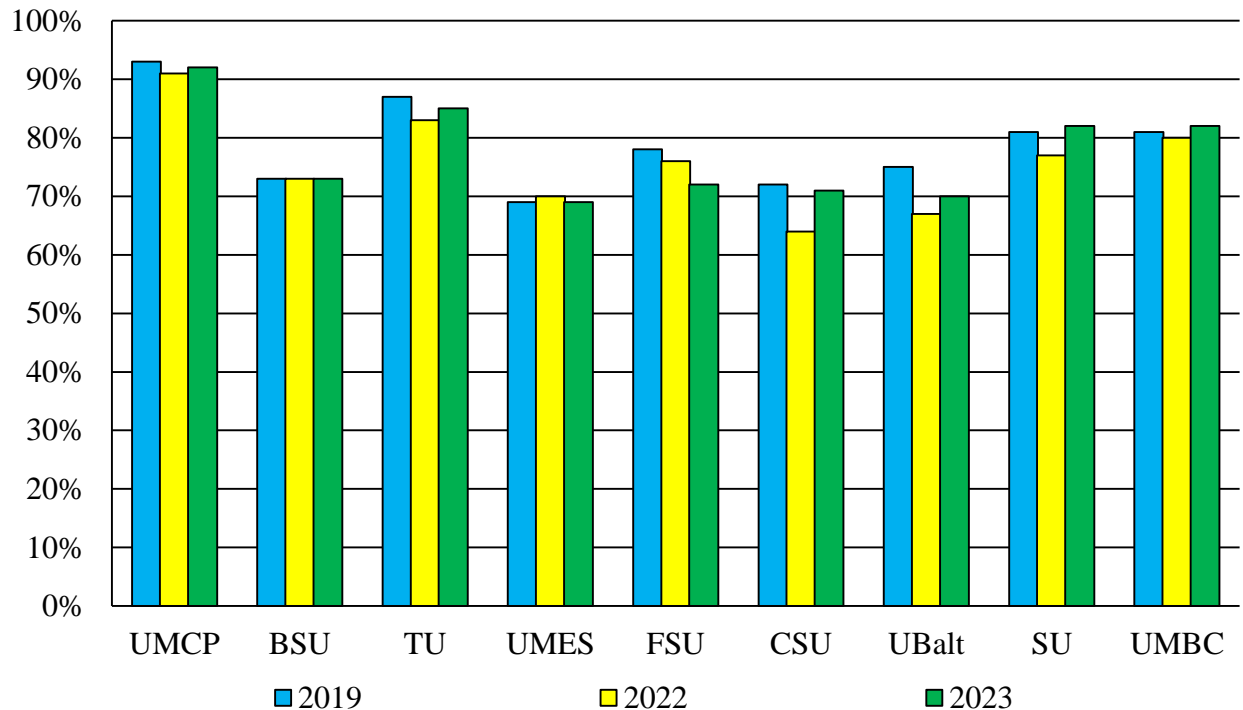
Source: Maryland Higher Education Commission; Governor’s Fiscal 2025 Budget Books

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. **Exhibit 7** shows the impact that COVID-19 had on the second-year retention rates. The fiscal 2022 cohort experienced the greatest impact with the two-year rate declining between 1 to 8 percentage points between the fiscal 2019 (prepandemic) and fiscal 2022 cohort. Only UMES experienced a growth in its retention rate, increasing from 69% to 70%, respectively. The 2022 cohort faced a unique challenge – their first year of college was done remotely so they did not get to have the typical on-campus experience and needed assistance in adjusting to campus life, such as learning what academic resources are available, attending in-person classes, and engaging in campus life.

Exhibit 7
Second-year Retention Rates
Fiscal 2019-2023 Cohorts

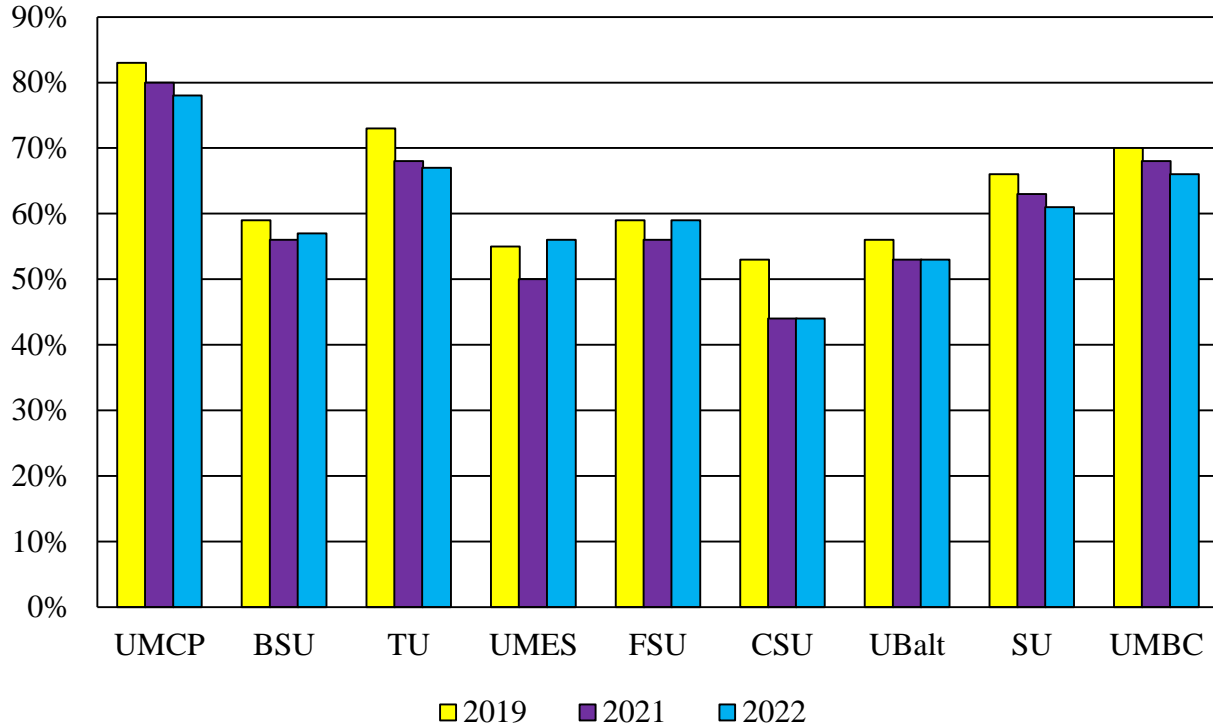


Source: University System of Maryland

The second-year rate for the fiscal 2023 cohort increased at all institutions except for FSU and UMES, which declined by 4 and 1 percentage points, respectively. In general, the rate at most institutions has recovered to prepandemic levels except for FSU and UBalt, where the rates of the 2023 cohorts are 6 and 5 percentage points lower than the 2019 cohort, respectively.

Exhibit 8 compares the third-year retention rates of the fiscal 2019 cohort (prepandemic) to the fiscal 2021 and 2022 cohorts. For the 2020-21 academic year (fiscal 2021 cohort), institutions de-densified campuses with most classes being taught remotely and reduced resident hall occupancy. This resulted in the third-year retention rate for the fiscal 2021 cohort declining between 2 and 9 percentage points compared to the fiscal 2019 cohort. The rate for the fiscal 2022 cohort the rate decreased at four institutions (UMCP, TU, SU and UMBC) compared to fiscal 2021, was unchanged at two institutions (CSU and UBalt), and improved at three institutions (BSU, UMES, and FSU). While rates have not rebounded to prepandemic levels, it is expected with the improvement in the second-year rate, as previously shown in Exhibit 7, the third-year rate will increase with the fiscal 2023 cohort.

Exhibit 8
Third-year Retention Rates
Fiscal 2019-2022 Cohorts

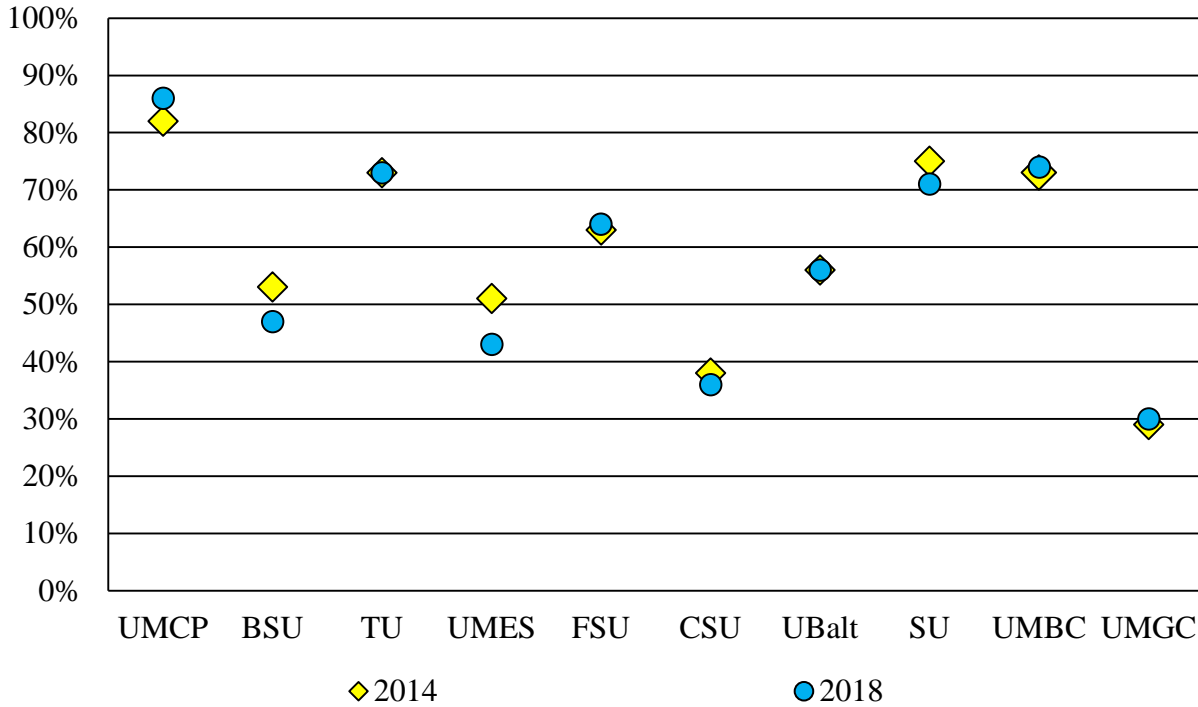


Source: University System of Maryland

Graduation Rates

Exhibit 9 compares the six-year graduation rate of the fiscal 2014 and 2018 cohorts. Fiscal year cohorts include all new degree seeking students enrolled during the fiscal year and includes part-time students, transfers, spring enrollments, and those who stopped out or changed enrollment statuses. This provides a more complete picture of how institutions are performing. It should be noted that the graduation rates of fiscal year cohorts tend 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 9
Six Year Graduation Rates Six Years from Entry
Fiscal Year 2014 and 2018 Cohorts



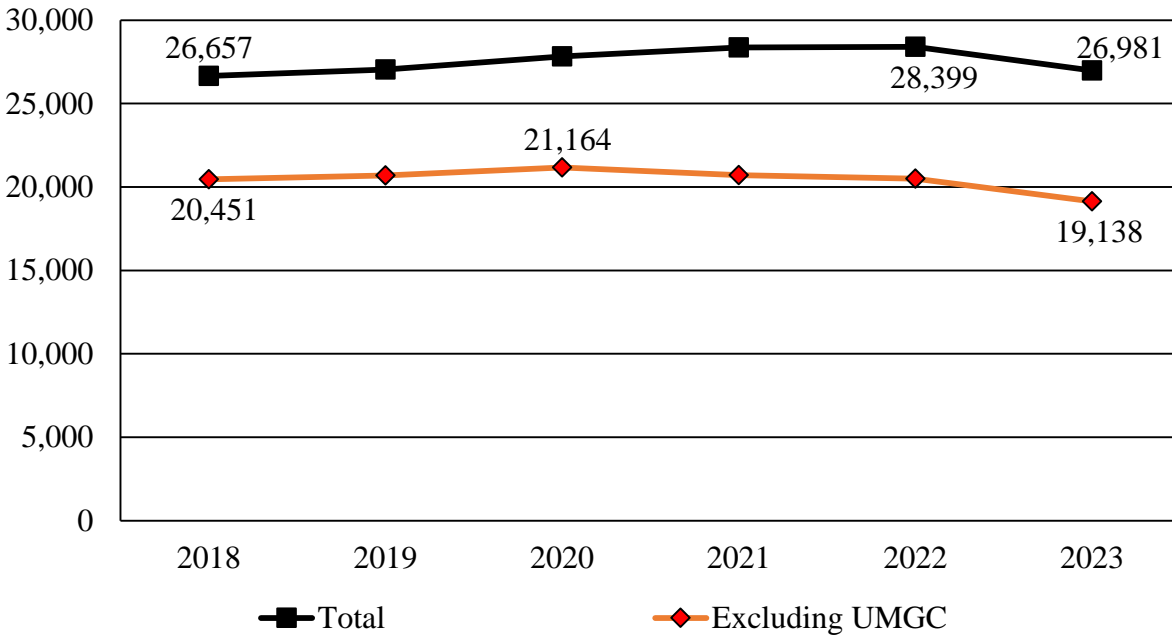
Source: University System of Maryland

Overall, USM attained its highest six-year graduation rate of 61% with the fiscal 2014 cohort, one of the last cohorts that graduated before the pandemic. The rate has since fallen to 57% with the fiscal 2018 cohort, which can be attributed to the pandemic in which fewer students enrolled and/or return to campuses. Four of the regional institutions experienced declines ranging from 2 to 8 percentage points at CSU and UMES, respectively. The rate was unchanged at TU and UBalt and increased at the remaining four institutions by 1 to 4 percentage points.

Undergraduate Degree Production

As previously discussed, the pandemic negatively affected enrollment and the retention of students. As shown in **Exhibit 10**, this in turn impacted the production of undergraduate degrees. After increasing by 6.5% between fiscal 2018 to 2022 to 28,399 degrees, the number of degrees conferred decreased by 5.0% (1,418 degrees) in fiscal 2023 to 26,981 degrees. When excluding UMGC, after reaching the highest number of degrees conferred of 21,164 in fiscal 2020, the number dropped by 9.6% to 19,138 in fiscal 2023, the fewest degrees awarded since fiscal 2013.

Exhibit 10
Undergraduate Degrees Conferred
Fiscal 2018-2023

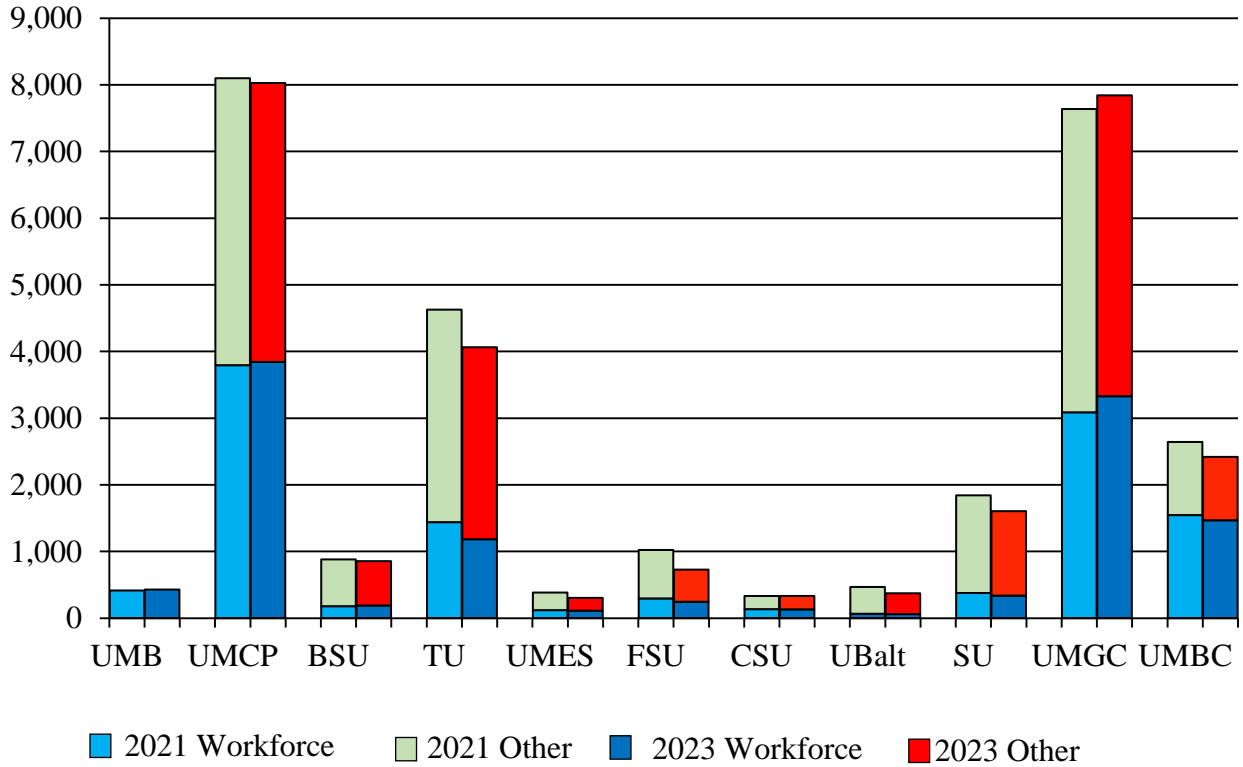


Source: University System of Maryland

Workforce Related Degrees

Another priority area of USM’s strategic plan is workforce and economic development. One goal is to meet and exceed the MHEC bachelor’s degree production targets established for USM under Maryland’s 55% attainment goal with the target of producing between 26,000 and 27,1000 undergraduate degrees, annually, through 2025. **Exhibit 11** compares the number of undergraduate degrees conferred by institution between fiscal 2021 (baseline) and 2023. While degree production declined by 4.8%, between fiscal 2021 and 2023, the number awarded, 26,981 degrees, falls within the target range.

**Exhibit 11
Undergraduate Degrees Awarded by Workforce and Other
Fiscal 2021 and 2023**



Note: Workforce degrees include science, technology, engineering, and mathematics; health care related; and cybersecurity.

Source: University System of Maryland

Only three institutions – UMB, CSU, and UMGC – experienced an increase in the number of undergraduate degrees awarded ranging from 3.4% at UMB to 0.3% at CSU. UMES and UBalt experienced the greatest declines of 20.8% (80 degrees) and 20.3% (95 degrees), respectively. In terms of numbers, at 564, TU has the largest decrease in the number of degrees awarded between fiscal 2021 and 2023.

Another goal in its strategic plan is for USM to expand the number of graduates critical to Maryland’s economy that includes science, technology, engineering, and mathematics (STEM); health; and cybersecurity. The short-term target is to annually produce by 2025 at least:

- 10,000 undergraduate STEM degrees;

- 2,500 undergraduate health care degrees; and
- 6,5000 undergraduate cybersecurity degrees.

The number of workforce related degrees conferred declined by 1.1% from 11,457 to 11,332 between fiscal 2021 and 2023, respectively. While the number of STEM degrees awarded increased by 96, the number of health care-related degrees conferred declined by 221 degrees to 2,253 in fiscal 2023. This was mainly driven by a 24.7% (167) decrease in the number of degrees awarded by TU. In fiscal 2023 the total number of STEM degrees awarded totaled 9,079 and the number of cybersecurity degrees (a subset of STEM and other degrees) increase 6.1% to 6,011 degrees. The number of other degrees conferred decreased by 11,248 degrees (7.4%) between fiscal 2021 and 2023, resulting in 4.8% decrease in the number of degrees conferred since fiscal 2021.

Fiscal 2024

Proposed Deficiency

The fiscal 2024 budget includes a proposed deficiency appropriation totaling \$32.0 million, of which USM institution's share is \$30.9 million, to replace general funds with the HEIF, reflecting the use of higher than expected revenues.

Proposed Budget

As shown in **Exhibit 12**, the adjusted fiscal 2025 State funds for USM decrease \$45.3 million, or 2.2%, compared to the adjusted fiscal 2024 budget. Restricted funds increase \$187.1 million, or 11.9%, in fiscal 2025 mainly due to an increase in federal grants and contract. Overall, total funds increase \$309.3 million, or 4.5%, when including \$17.6 of pay-as-you-go (PAYGO) funds in fiscal 2024. When excluding these funds, total funds increase \$326.8 million, or 4.8%, over fiscal 2024.

Exhibit 12
Proposed Budget
University System of Maryland
Fiscal 2023-2025
(\$ in Thousands)

	<u>2023</u> <u>Actual</u>	<u>2024</u> <u>Adjusted</u>	<u>2025</u> <u>Adjusted</u>	<u>2024-2025</u> <u>Change</u>	<u>%</u> <u>Change</u> <u>Prior</u> <u>Year</u>
General Funds	\$1,796,719	\$1,942,501	\$1,887,130	-\$55,371	-2.9%
State General Funds (Restricted)	2,500		199		
Deficiency – HEIF Swap		-30,905			
HBCU Settlement Funds	6,342	36,193	33,120		
Total Adjusted General Funds	\$1,805,561	\$1,947,790	\$1,920,449	-\$27,341	-1.4%
Special Funds					
HEIF	\$116,664	\$119,561	\$130,185		
Deficiency – HEIF Swap		30,905			
Total HEIF	\$116,664	\$150,466	\$130,185	-\$20,281	-13.5%
CRF – HBCU Settlement Funds	\$16,000		\$2,356		
DPA Legislative Priorities	1,876				
Total Adjusted State Operating Funds	\$1,940,101	\$2,098,255	\$2,052,990	-\$45,266	-2.2%
Adjustment – Fiscal 2024					
COLA/Increment			\$124,218		
Total State Operating Funds	\$1,940,101	\$2,098,255	\$2,177,207	\$78,952	3.8%
Other Unrestricted Funds	\$3,252,972	\$3,231,221	\$3,410,031		
CRRSAA/ARPA – Direct Federal Support	187				
Transfer (to)/from Fund Balance	-124,127	-27,431	-32,426		
Net Unrestricted Funds	\$5,069,132	\$5,302,045	\$5,554,812	\$252,767	4.8%
Restricted Funds	\$1,595,577	\$1,540,771	\$1,744,964		
CARES/CRRSSA/ARPA – Direct Federal Support	59,034				
State Special Funds PAYGO	292,132	17,562			
State Special Funds (Restricted)	10,757	10,701	11,134		
Total Restricted Funds	\$1,957,500	\$1,569,034	\$1,756,098	\$187,064	11.9%
Total Funds	\$7,026,632	\$6,871,079	\$7,310,909	\$439,830	6.4%
Total Funds Excluding PAYGO	\$6,734,501	\$6,853,517	\$7,310,909	\$457,392	6.7%

ARPA: American Rescue Plan Act

CARES: Coronavirus Aid, Relief, and Economic Security

COLA: cost-of-living adjustment

CRF: Cigarette Restitution Fund

CRRSSA: Coronavirus Response and Relief Supplemental Appropriations Act

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DPA: Dedicated Purpose Account

HBCU: historically Black college and university

HEIF: Higher Education Investment Fund

PAYGO: pay-as-you-go

Note: Numbers may not sum to total due to rounding. The fiscal 2024 working appropriation includes deficiencies. The impacts of the fiscal 2024 statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in institution's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in institution's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in institution's budget.

Source: Governor's Fiscal 2025 Budget Books; Department of Legislative Services

State funds decrease by \$45.3 million when excluding the impact of the fiscal 2024 general salary increases in fiscal 2025, which are not included in the fiscal 2024 working appropriation of the USM institutions but are budgeted centrally in the Statewide Account in DBM. **Despite the decrease in underlying State support, the USM budget assumes in-state tuition will increase only 2% in fiscal 2025. The Chancellor should comment on whether the decrease in underlying State support will lead USM to revisit its planned 2% in-state tuition increase.**

Decreases between the fiscal 2024 working appropriation and fiscal 2025 allowance include:

- \$55.0 million due to adjusting the turnover rate to 6% across institutions;
- \$8.5 million due one-time legislative additions in the fiscal 2024 budget (see the Higher Education Overview for further information on the legislative adds);
- \$5.0 million of one-time funding to the Universities at Shady Grove (USG) as mandated in Chapter 623 of 2022 to fund workforce development initiative; and
- \$0.7 million in BSU's allocation of historically Black college and university (HBCU) settlement funds.

The fiscal 2025 allowance includes \$6.6 million in additional State funds for several mandates:

- \$4.0 million as mandated in Chapter 683 of 2021 for funding guideline attainment;
- \$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; and

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- \$0.2 million as mandated in Chapter 490 of 2023 to UMCP University of Maryland Extension to administer the educational components of the Maryland Native Plants Program.

The fiscal 2025 allowance provides \$5.5 million to fund two initiatives:

- \$4.8 million to provide matching funds to UMES agriculture extension; and
- \$0.7 million to UMBC to increase funding for the Maryland Technology Internship Program, bringing total funding to \$1.1 million.

Additional State support is also provided to cover increases in operating costs, including:

- \$7.3 million related to statewide cost allocations; and
- \$4.7 million for the opening of new facilities at BSU, CSU, FSU, TU. the University of Maryland Center for Environment Science, UMCP, and UMES.

It should be noted that the fiscal 2025 allowance does not include funds for the increase of Maryland's share of the professional instructional costs for the Virginia-Maryland Regional College of Veterinary Medicine (VMCVM). The agreement between Virginia Polytechnic and State University (Virginia Tech) and UMCP in 1989 established the regional veterinary medical program at Virginia Tech. Under the agreement a total of 120 slots (30 per year) are reserved for Maryland residents. Section 13-804 of the Education Article states that Maryland shall provide the appropriate level of general funds to meet the financial requirements of the professional instructional program, which is determined by a board comprised of representatives from Virginia Tech and UMCP. In fiscal 2024, the State's share is \$6.4 million, and the increase for fiscal 2025 is \$0.5 million. In order to meet the State's obligation UMCP will need to find the funds in other areas of its budget.

Other current unrestricted funds increase by \$174.6 million, or 5.4%, in fiscal 2025, of which \$75.1 million is due to a 10.5% increase in auxiliary revenue. The sales of educational services grow 12.8%, or \$32.7 million, while tuition and fee revenue increases, 0.1%, or \$2.3 million.

Unrestricted Expenditures and Revenues

With the return of more normal operations in fiscal 2022, revenues increased, resulting in a \$60.7 million operating surplus, as shown in **Exhibit 13**. The \$92.2 million surplus in auxiliary revenues reflected the return of full occupancy of the resident halls. Overall, \$123.8 million was transferred to the fund balance (see **Appendix 1** for fund balance by institution).

Exhibit 13
Unrestricted Revenues and Expenditures
Fiscal 2022-2025
(\$ in Thousands)

	<u>Actual</u> <u>2022</u>	<u>Actual</u> <u>2023</u>	<u>Working</u> <u>2024</u>	<u>Allowance</u> <u>2025</u>	<u>\$</u> <u>Change</u> <u>2024-2025</u>	<u>%</u> <u>Change</u> <u>2024-2025</u>
Operating Expenditures	\$3,959,807	\$4,364,896	\$4,626,719	\$4,804,176	\$177,457	3.8%
Unrestricted Revenues						
State Funds	\$1,574,884	\$1,905,656	\$2,062,062	\$2,141,532	\$79,470	3.9%
Tuition and Fee	1,774,937	1,786,523	1,871,187	1,873,503	2,316	0.1%
CARES/CRRSAA/ARPA	26,291	187	2,100		-2,100	-100.0%
Other Revenues	644,387	741,409	645,229	746,595	101,366	15.7%
Total	\$4,020,500	\$4,433,775	\$4,580,578	\$4,761,629	\$181,052	4.0%
Operating Surplus/Deficit	\$60,693	\$68,879	-\$46,141	-\$42,547		
Auxiliary Expenditures	\$546,905	\$687,776	\$635,464	\$729,596	\$94,133	14.8%
Auxiliary Revenues	639,118	723,127	712,706	787,834	75,128	10.5%
Auxiliary Surplus/Deficit	\$92,213	\$35,350	\$77,242	\$58,237		
Total Surplus/Deficit	\$152,906	\$104,230	\$31,100	\$15,691		
Other Funds						
Planned transfer (to)/from fund balance	-\$123,757	-\$124,127	-\$27,431	-\$32,426		

ARPA: American Rescue Plan Act

CARES: Coronavirus Aid, Relief, and Economic Security

CRRSAA: Coronavirus Response and Relief Supplemental Appropriations Act

Note: Fiscal 2024 expenditures and State funds does not include general salary increase. Fiscal 2023, 2024, and 2025 excludes funding related to the historically Black colleges and universities settlement. State funds include Higher Education Investment Funds. Other revenues exclude auxiliary and Maryland Energy Innovation Funds. State funds also excludes general funds and Dedicated Purpose Account funds that are restricted funds that appear as State funds in other exhibits.

Source: Governor’s Fiscal Budget Books

R30B00 – University System of Maryland – Fiscal 2025 Budget Overview

In fiscal 2023, across USM institutions, operating expenses increased by 10.2%, or \$405.1 million, partly due to general salary increases, while revenues grew by 10.3%, or \$413.3 million, resulting in a \$68.9 million operating surplus. That, along with a \$35.4 million surplus in auxiliary, resulted in \$124.1 million transfer to fund balance. In fiscal 2024, across USM institutions, there is currently an expected operating deficit of \$46.1 million due to expenditures increasing by \$261.8 million, while revenues only increased by \$146.8 million. This shortfall is more than covered by a \$77.2 million surplus in auxiliary revenues.

While the fiscal 2025 allowance includes the fiscal 2024 general salary increases, these funds are not included in fiscal 2024; therefore, a comparison cannot be made in the growth on expenditures and operating revenues. In fiscal 2025, there is an operating shortfall of \$42.5 million. However, since tuition and fee revenue in the allowance is based on enrollment projections, changes in enrollment can have a significant impact on an institution’s revenues. Therefore, adjustments will be made to revenues and expenditures in fiscal 2025 as the numbers become clearer with the start of the fall semester.

Personnel Data

	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 24-25</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	25,927.39	26,431.69	26,431.69	0
Contractual FTEs	6,657.76	6,692.72	6,766.80	74.08
Total Personnel	32,585.15	33,124.41	33,198.49	74.08

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding			
New Positions		1,278.31	4.85%
Positions and Percentage Vacant as of 12/31/22		1,728.43	6.54%

- USM has personnel autonomy and may create or abolish positions during the fiscal year. In fiscal 2024, 1,578.89 full-time equivalent (FTE) positions were added, which were partially offset by the elimination of 1,074.58 FTE positions (592.81 FTE State-supported and 481.77 FTE non-State-supported positions) resulting in a net increase of 504.3 FTE.
- UMCP accounted for 83.3% (894.59 FTE) of the eliminated positions of which 476.43 FTEs were State-supported positions, and UMBC accounted for 11.4% (121.99 FTE) of the decline in positions of which 78.38 FTEs were non-State-supported positions.

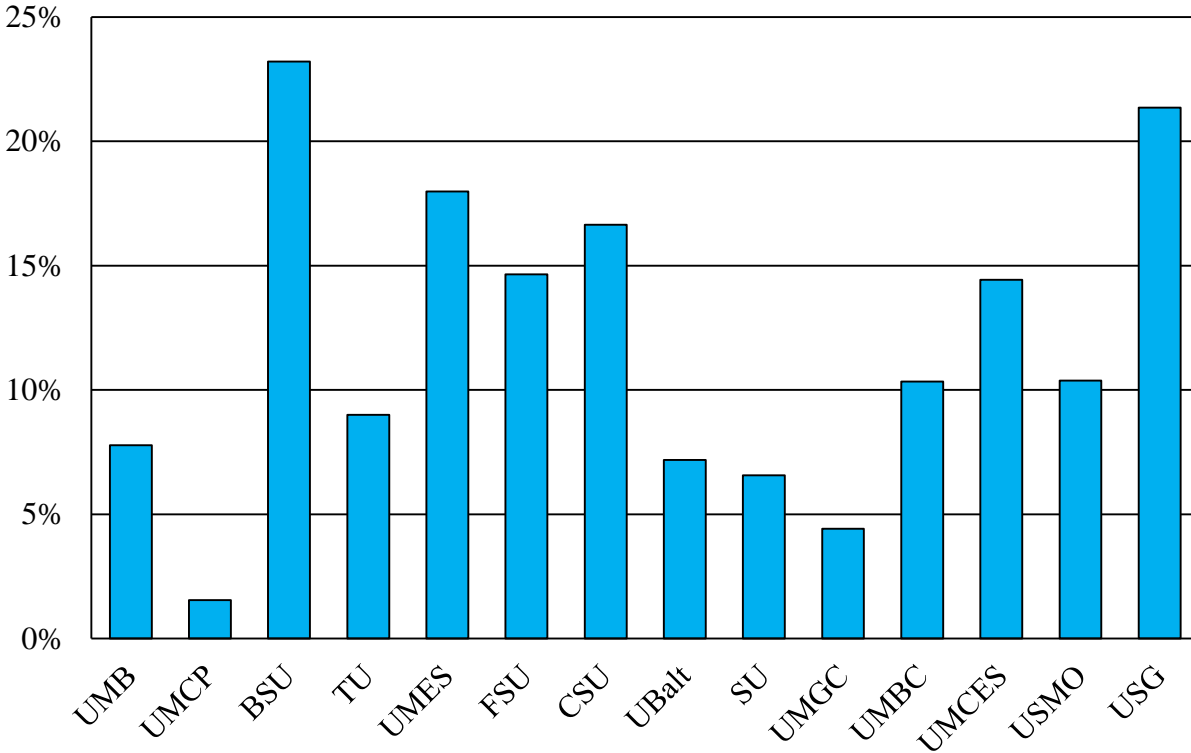
R30B00 – University System of Maryland – Fiscal 2025 Budget Overview

- Of the 1,555.21 FTE newly created positions, 840.11 FTEs were State-supported positions. UMCP accounted for 70.3% (1,093.99 FTE) of the new positions of which 586.68 FTEs were State supported. UMBC accounted for 196.28 FTEs of the new positions of which 116.92 FTEs were State-supported positions.
- Position adjustments include the conversion of 23.68 contractual positions to regular positions, with UMB converting 14.68 FTEs to regular positions.
- Of the 49.26 FTE newly created State-supported positions at BSU, 24.0 FTE are funded with the HBCU settlement funds to support various student support services and hire faculty.
- The addition of 730.1 FTE non-State-supported positions are related to auxiliary and research, with UMCP accounting for 64.2% (507.31 FTE) of the positions.

Vacant Positions

Exhibit 14 shows the vacancy rate for State-supported positions by institution as of December 2023. While the overall systemwide vacancy rate is 7.2%, seven institutions have rates in the double digits. BSU and USG have the highest rates of 23.2% and 21.3%, respectively. At 1.6%, UMCP has the lowest rate.

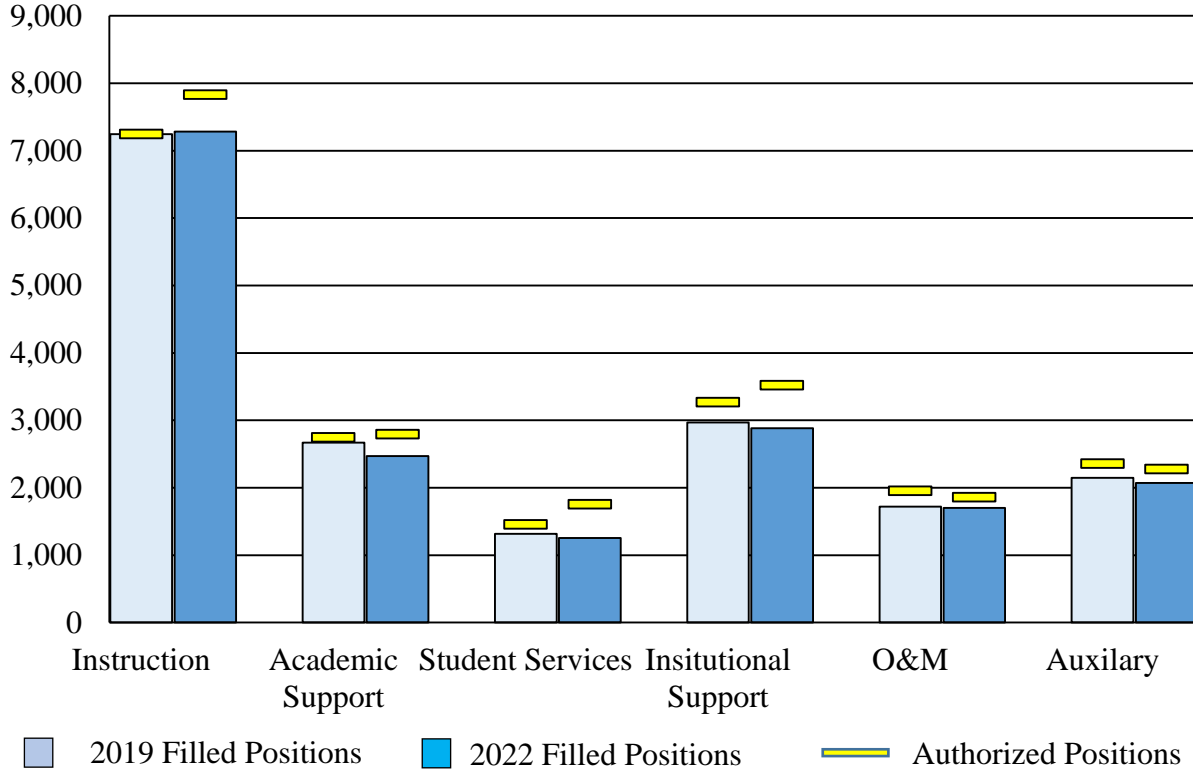
Exhibit 14
State-supported Position Vacancy Rates
As of December 31, 2023



Source: University System of Maryland

Between fall 2019 and 2023, the vacancy rate in all positions, excluding research and public service, increased from 5.1% (980) to 11.9% (2,392). Overall, as shown in **Exhibit 15**, the vacancy rate in all program areas, except operation and maintenance of plant, increased during this time period. Overall, the largest percentage decline in the number of filled positions of 7.4 percentage points occurred in academic support positions, which are positions that provide support services for instructional programs including libraries, media services, academic computing support, and administration. The number of unfilled positions student services related positions increased from 141 FTEs in fall 2019 to 502 FTEs in fall 2024. This is of concern as these positions provide services directly to the students such as counseling, financial aid, admissions and registrar, and health services and can directly impact the retention of students.

**Exhibit 15
Authorized and Filled Positions
Fiscal 2019 and 2024**



O&M: Operations and Maintenance

Note: Filled positions as of October 2019 and 2023.

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

The Chancellor should comment on the increase on the number of vacant positions, factors contributing to the increase and challenges to filling positions.

Issues

1. CSU and UMES In-state Tuition for Out-of-state Students

In April 2023, the USM BOR approved CSU and UMES to extend in-state tuition to out-of-state students from states with no HBCU. This tuition policy would affect students from 30 states. In addition to the 30 states, this tuition rate will apply to students from the U.S. territories: Puerto Rico; St. Croix; St. John; and St. Thomas. CSU and UMES are positioning themselves to take advantage of the increased enrollment at HBCUs that has continued since the Black Lives Matter movement in 2020.

With this strategy, CSU and UMES can potentially increase enrollment from out-of-state students. When excluding students from unknown origins, 13.7% of CSU undergraduate students and 21.6% of UMES undergraduate students were from out-of-state in fall 2023. The program at CSU is the Expand Eagle Nation. CSU has established a transfer agreement with the Colorado Community College System and plans to do similarly with California, Illinois, and Massachusetts. In the first year, UMES expects an additional 100 students and an additional 300 students in following years. This policy will go into effect in fall 2024. This policy is not retroactive and will not apply to returning students, nor graduate students, from the eligible states and territories. **The Presidents should comment if there is any plan to extend the program to returning students.**

Three of the states that will be extended in-state tuition are New Jersey, New York, and Pennsylvania. These three states are the largest contributors of out-of-state students for CSU and UMES. As shown in **Exhibit 16**, those states comprise of nearly half of CSU’s out-of-state students, on average 31% of UMES’ out-of-state student population.

Exhibit 16
Percentage of Out-of-state Undergraduate Students from New Jersey,
New York, and Pennsylvania
Fall 2019-2023

	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Fall 2023
CSU	43.3%	49.8%	49.2%	48.6%	48.5%
UMES	27.1%	29.7%	28.8%	34.3%	35.3%

Note: Excludes unknown origins.

Source: University System of Maryland IRIS

In higher education, typically out-of-state students subsidize the education of in-state students by paying higher tuition and fees. For fall 2025, in-state tuition is expected to be \$7,100 and out-of-state tuition is expected to be \$14,023 at CSU. For UMES, the tuition and fees for in-state and out-of-state students is expected to be \$9,076 and \$20,122, respectively. Both universities are essentially reducing the potential out-of-state tuition revenue in half for each student impacted. **The Presidents should address how this plan might affect its out-of-state tuition and fee revenue and its budgets.**

2. UMES’ Proposed Doctor of Veterinary Medicine Program

In December 2023, the USM BOR approved a Doctor of Veterinary Medicine (D.V.M.) program at UMES. MHEC approved the new program January 16, 2024, making this the second D.V.M. program offered by a Maryland institution. The other program is offered by UMCP through a partnership with Virginia Tech. While UMES’ program will be the second, it will be the only one physically offered in the State due to VMCVM being housed on Virginia Tech’s campus. In fiscal 2024, the State will expend \$6.4 million in operating costs for Maryland students to be guaranteed 30 of the 120 slots at VMCVM. The UMES D.V.M. program will differ from the VMCVM program. UMES plans to offer an accelerated program that will require three years for those who already have a Bachelor of Science (B.S.), as opposed to the traditional four-year program offered at VMCVM. Students will spend two years taking courses and one year in clinical rotations. UMES believes that the accelerated program will help lower operating costs of the program while simultaneously allowing students to start their careers sooner.

In addition to being the second Maryland institution with a D.V.M. program, UMES will be the second HBCU in the nation to offer said degree. Currently, Tuskegee University in Alabama is the only HBCU with a D.V.M. program. The UMES D.V.M. program would complement its mission as land grant institution in a rural area. UMES foresees its D.V.M. program producing agricultural veterinarians as well as companion-animal veterinarians. It is planned for the D.V.M. to be a catalyst for other programs, such as, B.S. in Veterinary Technology and Masters/Doctorate in Biomedical Sciences. UMES indicates that the proposed program will address the current veterinarian shortage, that is expected to grow to 40,000 by 2030. In addition to addressing the shortage, UMES hopes the program will diversify the veterinarian profession and shore up the number of rural veterinarians. Only three percent of veterinarians are Black, and 44 states have federally designated private practice food supply veterinary medicine shortages in rural areas.

Revenues and Costs

The academic program proposal submitted to MHEC indicates that for the first five years of the program, the expected revenues will outpace the expenditures, as shown in **Exhibit 17**. While UMES has indicated that the D.V.M. program will essentially pay for itself from year one, that does not include the \$13.9 million in startup costs needed to create the school. **The President should address the anticipated funding sources for the startup costs for the proposed school, including the possible use of HBCU settlement funding.** UMES has indicated that there is a commitment to provide clinical rotations from the largest national practices at no cost to UMES.

That would be a significant cost-saving measure because schools usually carry the cost of clinical rotations. UMES has indicated preliminary commitments for donations are valued at \$6 million to \$10 million, clinical rotations valued between \$500,000 and \$750,000, and curriculum delivery valued between \$300,000 and \$500,000. **The President should comment on the status of these commitments, the length of clinical rotations donations and curriculum delivery, and alternatives if these commitments are not finalized.**

Exhibit 17
Expected Revenues and Expenditures for First Five Years of Proposed
Doctor of Veterinary Medicine Program

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Revenues	\$8,612,600	\$14,563,940	\$20,217,713	\$20,217,713	\$20,217,713
Expenditures	8,486,250	13,391,750	17,290,435	18,122,546	18,474,757
Net Income	\$126,350	\$1,172,190	\$2,927,278	\$2,095,167	\$1,742,956

Source: University of Maryland Eastern Shore; Maryland Higher Education Commission

Part of the potential considerations is physical space and costs associated with creating capacity. UMES has indicated that the program will begin by using a mix of existing infrastructure on its campus, particularly the use of the new School of Pharmacy and Health Professions building. Phase 1 of the building has been completed, and Phase 2 will include plans for dedicated veterinary space. Phase 2 is not slated to be completed until fiscal 2029. UMES’ capital proposal also includes plans for a 10,000 to 15,000 square foot veterinary skill center that will also include office space, student services, and work areas, as well as a bovine teaching center, and a small equine stable. The veterinary skill center and bovine teaching center are not in the Fiscal 2025 *Capital Improvement Program*. **The President should address how the existing physical spaces will adequately serve the D.V.M. program, as well as the timeline for the newly proposed facilities.**

Accreditation

UMES will be seeking accreditation from the Council of Education (COE) of the American Veterinary Medical Association. The COE has 11 standards of accreditation: organization; finances; physical facilities and equipment; clinical resources; information resources; students; admission; faculty; curriculum; research programs; and outcomes assessment. Of these standards, three were not adequately addressed in the academic proposal submitted to MHEC. Those three standards are physical facilities and equipment, clinical resources, and faculty. COE’s physical facilities and equipment standard requires an on-campus veterinary teaching hospital or have formal affiliation with one or more off-campus veterinary hospitals or other training sites used for

teaching. UMES’ proposal does not include a plan for a veterinary teaching hospital. UMES’ proposal chooses to use the distributed teaching model with clinical rotations in lieu of a veterinary teaching hospital. The proposal includes plans for donated clinical rotations that can meet the standard of physical facilities and clinical resources. However, if those donated clinical rotations do not materialize, UMES will be deficient on two standards. COE requires that faculty numbers and qualifications must be sufficient to deliver the educational program and fulfill the mission of the college. UMES plans to have a total of 25 full-time faculty members within five years. Recent vacancy numbers indicate that might not be an easy task. As of December 31, 2023, UMES had 56 vacant faculty positions. UMES has indicated that a number of those vacancies are related to the faculty lines related to this anticipated new program. **The President should address how UMES plans to adequately staff the new school.**

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

Appendix 1 2023 Joint Chairmen’s Report Responses from Agency

The 2023 *Joint Chairmen’s Report* (JCR) requested that USM and/or its institutions prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services 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 Board of Revenues 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 2022 to 2023 kept pace with total student headcount enrollment, between 2021-2022 and 2022-2023 academic years enrollments decreased 1.4%, while total credit hours generated declined 0.5%; (2) full-time tenured/tenure track and full-time, non-tenure track instructional faculty account for 70.1% of all credit hours produced, a slight increase from the previous year; (3) average credit hours produced by core instructional full-time faculty slightly declined from 334 to 341 between 2021-2022 and 2022-2023 academic years respectively; and (4) faculty secured over \$1.81 billion in research funding, a 15.6% increase from the previous year.
- ***Report on Undergraduate Admissions Process:*** UMCP has a comprehensive recruitment plan that includes all areas of the State, but it has routinely been the case that students from rural areas have not applied to the university at the same rates as their counterparts in other areas of the State. UMCP has explored strategies and opportunities to increase interest, applications, and enrollment from underrepresented areas of the State. In addition, UMCP is an inaugural member of the Small Town and Rural Students (STARS) program comprised of 16 colleges and universities across the country. It is designed to ensure students from small towns and rural networks receive enhanced information about, exposure to, and recruitment from preeminent universities. Through the STARS program, UMCP will enhance recruitment, outreach, college application support, and professional counselor development to students and counselors from Allegany, Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Kent, Queen Anne’s, Somerset, St. Mary’s, Talbot, Washington, Wicomico, and Worcester counties. Overall, admission decisions made by the Application Review Committee consider a student’s performance, co-curricular involvement, and potential for academic success within the context of where a student lives. Additionally, students must have demonstrated interest and determination in continuing their education; contribute their personal skills, interests and activities to the undergraduate population; contribute to the diversity of thoughts and ideas within and outside the classroom; and are interested in having a positive impact on their local, national, and worldwide communities upon graduation.

Appendix 2
USM Fund Balance by Institution
Fiscal 2023-2025
(\$ in Thousands)

	<u>2023</u>	<u>2024 Working</u>			<u>2025 Budgeted</u>			<u>2023-24 \$ Change</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>
UMBC	\$297,942	\$83,320	\$223,068	\$306,388	\$83,070	\$231,764	\$314,834	-\$250	\$8,696	\$8,446
UMCP	457,530	136,552	341,631	478,183	130,925	367,910	498,835	-5,627	26,279	20,653
BSU	36,462	24,648	13,512	38,161	26,084	13,825	39,909	1,436	313	1,749
TU.	120,494	17,759	108,680	126,439	17,759	114,625	132,385	0	5,945	5,945
UMES	1,758	-9,120	11,360	2,241	-9,120	12,607	3,488	0	1,247	1,247
FSU	20,871	21,891	-1,020	20,871	23,060	-1,020	22,040	1,169	0	1,169
CSU	25,777	10,851	15,949	26,800	13,253	14,614	27,867	2,403	-1,335	1,067
UBalt	16,722	2,737	15,163	17,900	3,914	15,164	19,078	1,177	1	1,178
SU	73,797	2,156	73,748	75,904	2,612	75,400	78,011	455	1,651	2,107
UMGC	141,700	124,385		124,385	106,913		106,913	-17,472		-17,472
UMBC	160,424	56,764	108,532	165,296	56,764	113,823	170,587	0	5,291	5,291
UMCES	29,006	747	28,606	29,353	1,094	28,606	29,700	347		347
USM Office	17,345	11,505	6,183	17,688	11,847	6,183	18,030	343	0	343
USG	12,101	12,452	5	12,457	12,808	5	12,813	356	0	356
Total	\$1,411,928	\$496,647	\$945,418	\$1,442,065	\$480,985	\$993,506	\$1,474,491	-\$15,662	\$48,088	\$32,426

Source: University System of Maryland