

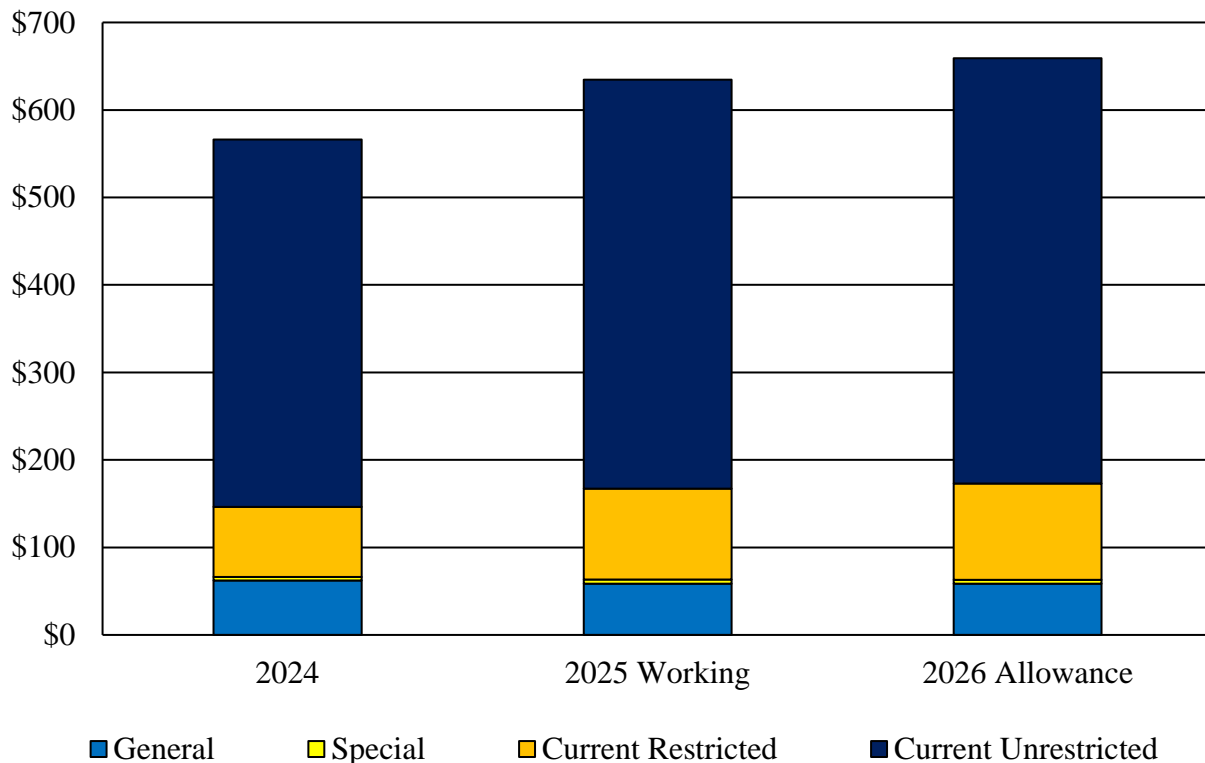
R30B30
University of Maryland Global Campus
University System of Maryland

Executive Summary

The University of Maryland Global Campus (UMGC) is an online State university that offers undergraduate and graduate programs. With locations in Maryland and at military installations around the world, UMGC primarily serves working adults and service members.

Operating Budget Summary

**Fiscal 2026 Budget Increases \$24.3 Million, or 3.8%, to \$658.9 Million
(\$ in Millions)**



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

For further information contact: Kelly Norton

kelly.norton@mlis.state.md.us

- In fiscal 2026, State support decreases by \$212,949, or 0.3%, compared to the fiscal 2025 working appropriation. **However, when excluding the impact of the fiscal 2025 salary adjustments budgeted within UMGC in fiscal 2026 but centrally budgeted in the Department of Budget and Management in fiscal 2025, State support decreases by \$2.6 million, or 4.1%.**
- The fiscal 2026 budget includes a \$25.8 million proposed deficiency appropriation across higher education institutions, of which UMGC’s share is \$712,772, to replace general funds with Higher Education Investment Funds (HEIF) due to available balance.

Key Observations

- ***Enrollment:*** In fall 2024, undergraduate enrollment at UMGC increased by 1,394 students, or 2.7%, compared to fall 2023. This marks the third year of enrollment increases after the 4.2% decline experienced in fall 2021.
- ***High Impact Economic Development Activities (HIEDA):*** The Office of Legislative Audit’s (OLA) most recent fiscal compliance audit of UMGC raised issues with the transparency and procurement processes of the institution’s three HIEDA entities.
- ***Advertising Campaign:*** Over the span of six fiscal years, UMGC will spend approximately \$326.0 million on a marketing campaign to increase overall enrollment locally, regionally, as well as outside of the Washington, DC; Maryland; and Virginia (DMV) region. Between fall 2019 and 2024, total enrollment has increased by 8.1%, or 4,731 students.

Operating Budget Recommended Actions

1. Adopt committee narrative requesting a report on the national marketing campaign.

Updates

- UMGC has developed spending plans for the \$72.0 million in proceeds from the sale of its Largo property. UMGC will allocate \$62.0 million to operating fund balance to be spent over four years on various initiatives, and \$10.0 million to the renovation of its Administration Building.

R30B30
University of Maryland Global Campus
University System of Maryland

Operating Budget Analysis

Program Description

UMGC specializes in providing access to higher education for Maryland’s adult learners. Most UMGC students have career and/or family commitments that lead them to study part time. UMGC serves its students through traditional and innovative delivery of undergraduate and graduate degree programs, noncredit professional development programs, and conference services.

UMGC provides onsite instruction and student services at 25 locations throughout the State of Maryland and the Washington, DC metropolitan area and has offered online education programs since 1994. The institution also offers academic programs and student services in other states (California, Colorado, Florida, Georgia, Hawaii, North Carolina, New York, Virginia, and Washington) and programs overseas for U.S. service members and their families, U.S. citizens, and international students. UMGC’s vision is to be the global university of Maryland.

Academic programs offered by UMGC include Bachelor of Arts and Bachelor of Science degrees with 35 majors and 41 minors. UMGC offers 42 master’s degrees as well as master’s degree specializations in fields including biotechnology, information technology (IT), data analytics, business administration, and teacher education. UMGC also offers a Doctor of Business Administration and a Doctor of Management in Community College Policy and Administration. The university has a role in renewing and upgrading the skills of an experienced workforce.

Carnegie Classification: Masters Colleges and Universities: Larger Programs

Fall 2024 Undergraduate Enrollment Headcount		Fall 2024 Graduate Enrollment Headcount	
Male	28,442	Male	5,258
Female	23,745	Female	5,567
Total	52,187	Total	10,825
Number at Regional Centers	490	Number at Regional Centers	27

Fall 2024 New Students Headcount		Campus (Main Campus)	
First-time	1,004	Acres	12 Acres
Transfers/Others	12,025	Buildings	3 Buildings, 1 Garage
Graduate	3,075	Average Age	39.5Years
Total	16,104	Oldest	1964 (58 years)

Programs		Degrees Awarded (2023-2024)	
Bachelor’s	35	Bachelor’s	8,471
Master’s	42	Master’s	3,543
Doctoral	2	Doctoral	33
		Total Degrees	12,047

Proposed Fiscal 2026 In-state Tuition and Fees*

Undergraduate Tuition	\$330 per credit hour
Mandatory Fees	\$15 per credit hour

*Contingent on Board of Regents approval.

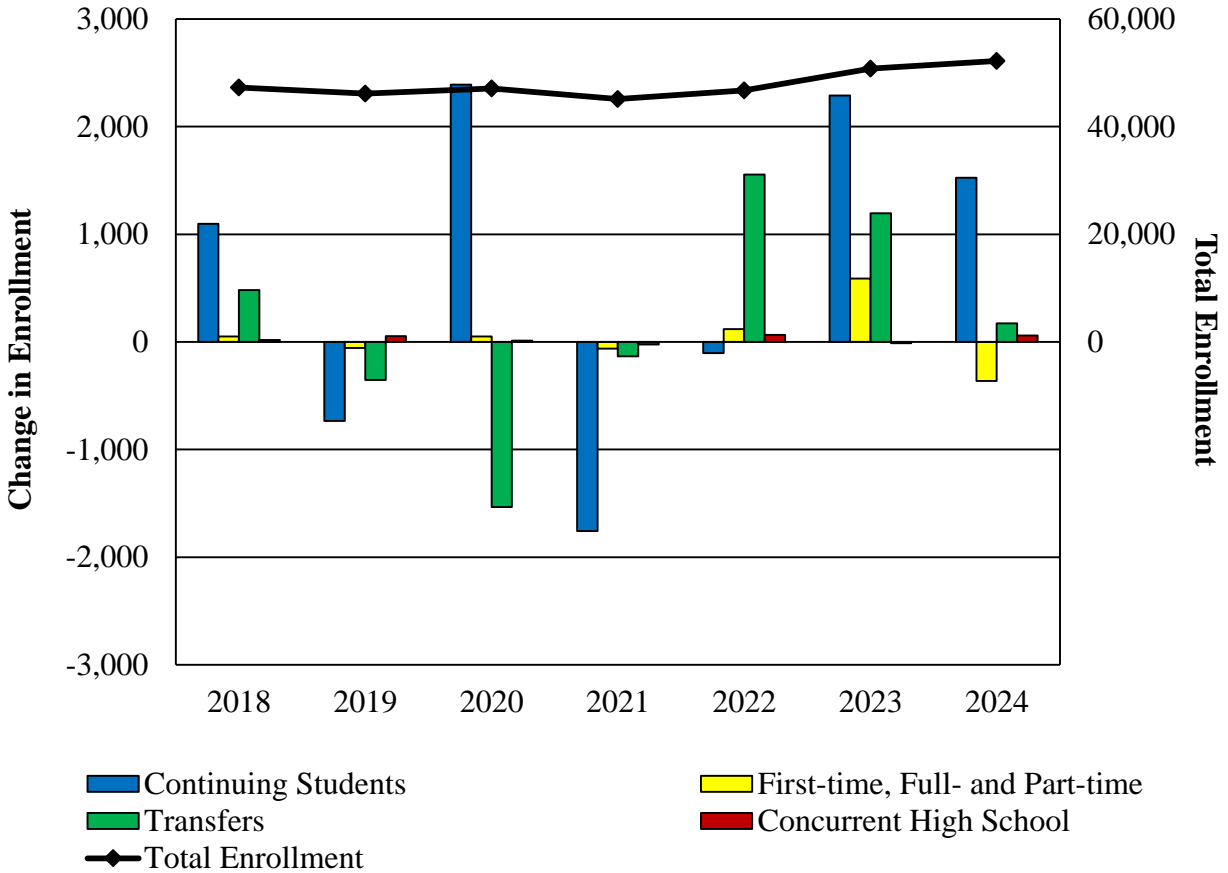
Performance Analysis: Managing for Results

1. Fall Headcount Enrollment

From fall 2014 through 2018, UMGC experienced steady enrollment growth that reached 47,253 students in fall 2018. In fall 2019, enrollment decreased to 46,162 students, a decline of 1,091 students, or 2.3%, as a result of the overall softening of the adult education market. As shown in **Exhibit 1**, in fall 2020, UMGC again experienced enrollment growth, an increase of 2% compared to fall 2019, which was attributed to the impact of the COVID-19 pandemic and a shift in education modality preferences to online versus in-person education delivery. However, after that initial increase in fall 2020, enrollment decreased by 4.2% in fall 2021, as the Army Portal was taken offline due to a problematic transition. Since fall 2021, UMGC has experienced three consecutive years of undergraduate enrollment growth. In fall 2024, enrollment increased by 1,394 students, or 2.7%, compared to fall 2023, resulting in a total enrollment of 52,187 students, which is the highest level in recent history. The growth was primarily driven by an increase in continuing students of 4.1% (1,525 students) and a 1.5%, or 173, increase in transfer students. The concurrent high school population increased by 48.7%, or 58 students. First-time students

decreased by 26.5% (362 students). However, that decrease did not have an effect on overall enrollment due to the first-time student population comprising of only 1.9% of total enrollment.

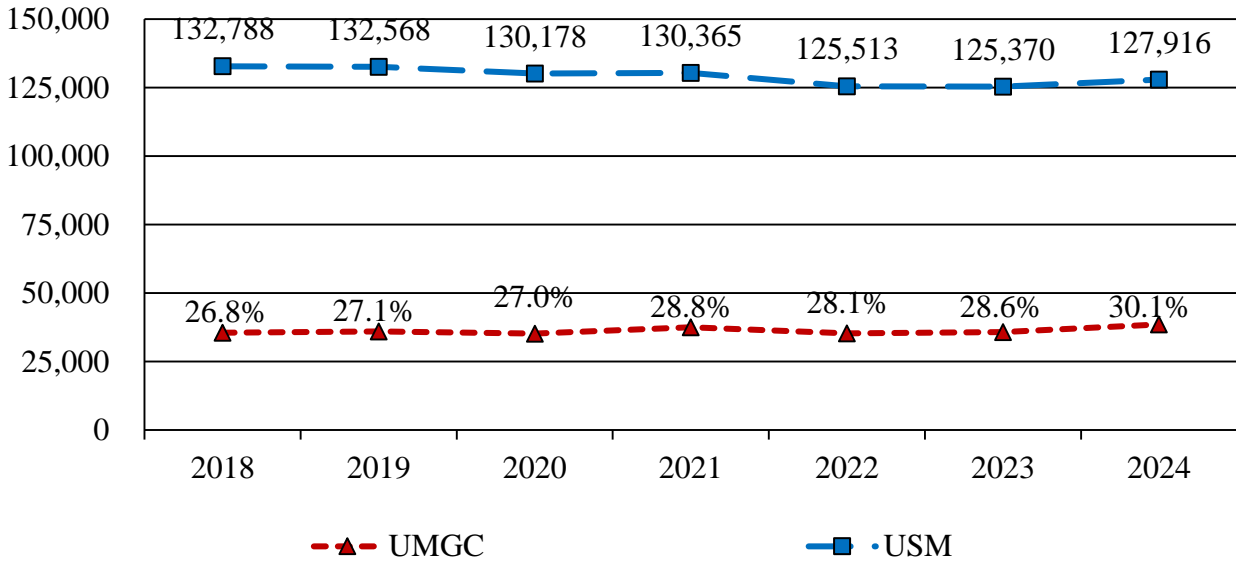
Exhibit 1
Change in Undergraduate Headcount Enrollment
Fall 2018-2024



Source: University System of Maryland

UMGC continues to have the highest percentage of the total University System of Maryland (USM) undergraduate full-time equivalent student (FTES) enrollment. As shown in **Exhibit 2**, UMGC’s percentage of the total USM FTES enrollment has grown in most years since fiscal 2018. The fall 2024 level of 30.1% of the total USM FTES enrollment was the highest in recent years.

Exhibit 2
University of Maryland, Global Campus Full-time Equivalent Student Undergraduate Enrollment Compared to University System of Maryland Full-time Equivalent Student Undergraduate Enrollment
Fall 2018-2024



UMGC: University of Maryland, Global Campus
 USM: University System of Maryland

Source: Department of Budget and Management

2. Student Performance

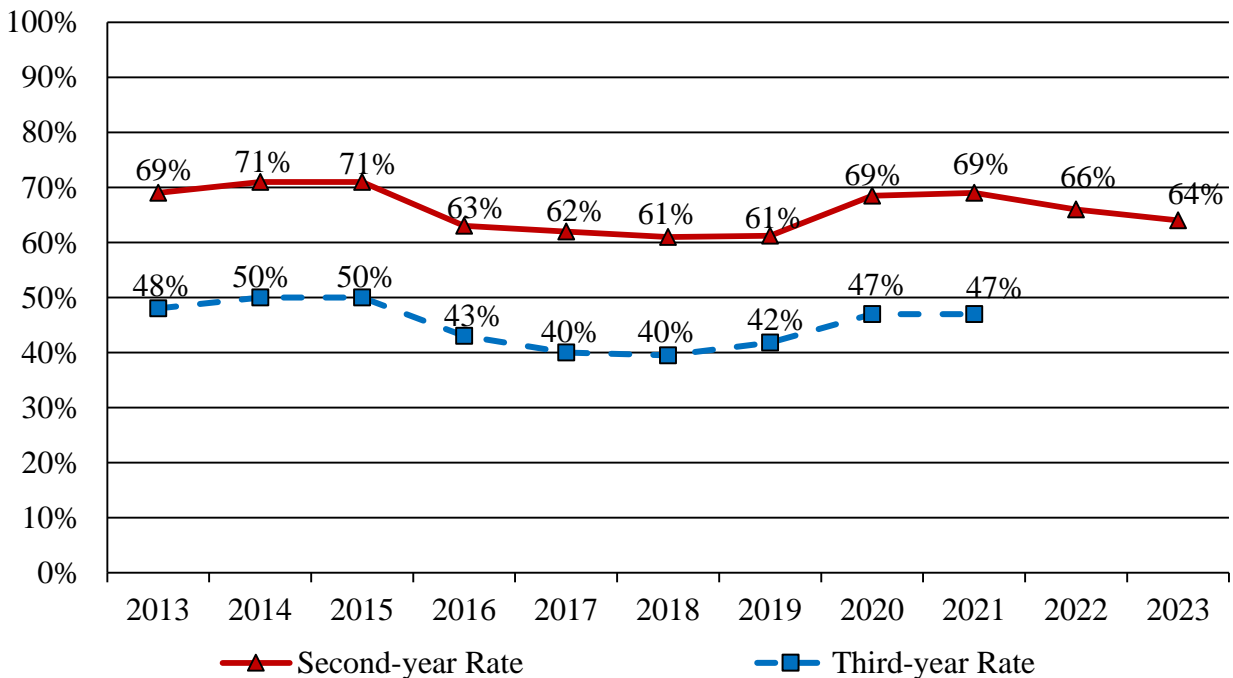
Retention Rates

Student persistence, or retention, provides a measure of student progress and an indication of an institution’s performance: the higher the retention rate, the more likely that students will persist and graduate. As students are most likely to drop out during their first year, the second-year retention rate provides an indication if retention strategies are working or if further investigation is needed to identify areas of improvement. Institutions tend to focus efforts on retaining first-time, full-time students. However, UMGC’s transfer student population is significantly larger than its first-time student population. For example, transfer students comprised 23.3% of the student population, compared to 2.7% for first-time students in fall 2023 (the most recent year for which

retention rates are available). Therefore, the discussion of retention and graduation rates focuses on the transfer student population.

Exhibit 3 provides the most recent retention rates for UMGC. The second-year retention rate remained fairly stable between the fiscal 2012 through 2015 cohorts, at 71% for three of those years. However, for the 2016 cohort, the second-year retention rate decreased by 8 percentage points, to 63%. The primary reason for the lower retention rates from the 2016 to 2019 cohorts was the inclusion of overseas military students who tend to move locations or military bases, hampering retention. To address the decline, UMGC adopted several intervention strategies, including strengthening mathematics courses with adaptive learning resources. Additionally, in fall 2019, UMGC launched the Professional and Career Exploration for transfer students, a credit-bearing course for a first-term experience that is required for all new students within their first seven credits that provides graded activities to ensure proper mentoring and guidance between faculty and students. The retention rate rebounded in the 2020 cohort, rising from 61% to 69%. The second-year retention rate has decreased since the 2021 cohort and was 64% for the 2023 cohort. The third-year retention rate has generally tracked the second-year retention levels and, therefore, the third-year retention rate held steady for the 2020 and 2021 cohorts at 47%.

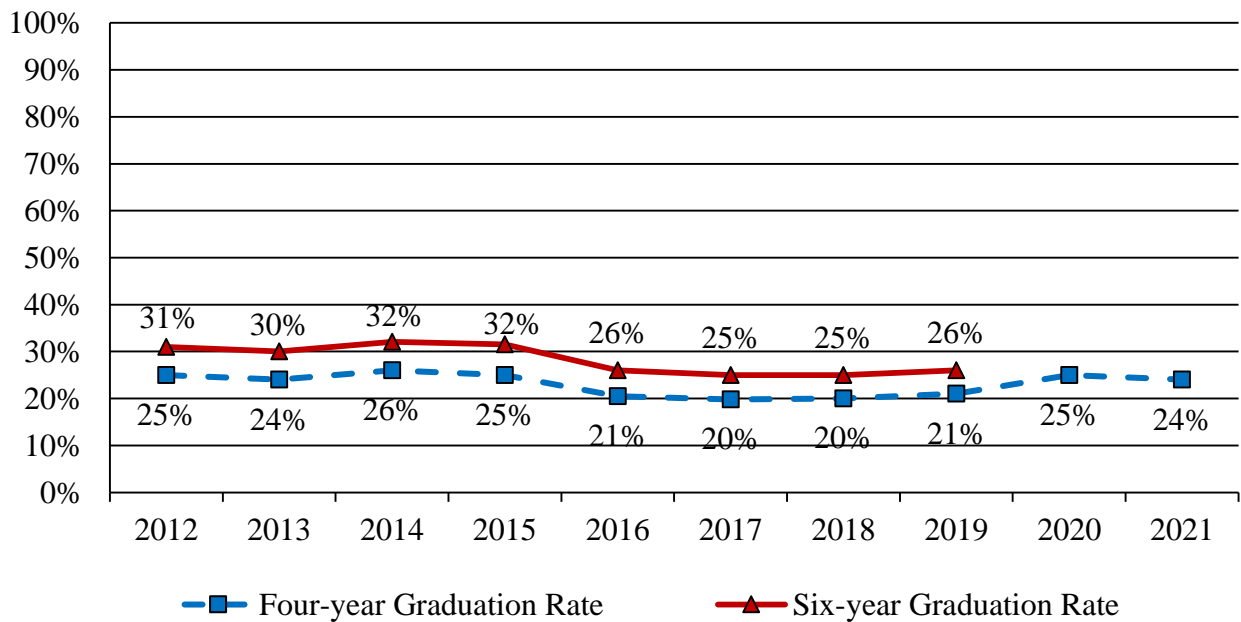
Exhibit 3
Second- and Third-year Retention Rates for Transfer Students
Fiscal 2013-2023 Cohorts



Source: University of Maryland Global Campus

Graduation rates are, in part, another measure of student persistence and efficiency. **Exhibit 4** shows the four- and six-year graduation rates for transfer students. The six-year graduation rate hovered around 30% from fiscal 2011 through 2015. Since that time, the six-year graduation rate has decreased 6 percentage points from fiscal 2015 (32%) to 2016 (26%) and has stayed at or near that level through the fiscal 2019 cohort. The four-year graduation rate has mirrored the six-year graduation rate. The four-year graduation rate was steady from the fiscal 2011 cohort to the 2015 cohort, and then decreased 4 percentage points for the fiscal 2016 cohort. From the fiscal 2016 cohort to the 2019 cohort, the four-year graduation rate had remained steady at around 20%. The primary reason for the decline in transfer graduation rates from academic year 2015 to 2016 was the inclusion of overseas military students, who tend to move locations/military bases; therefore, experiencing lower retention and graduation rates and tend to come with prior education experience and transfer credits. The initiatives described earlier related to retention were also expected to assist in improving graduation rates. Both initiatives have led to documented increases in student success and persistence increases in the 2020 cohort, and UMGC anticipated that higher graduation rates would follow. The four-year graduation rate increased to 25% for the 2020 cohort but decreased slightly to 24% in the 2021 cohort.

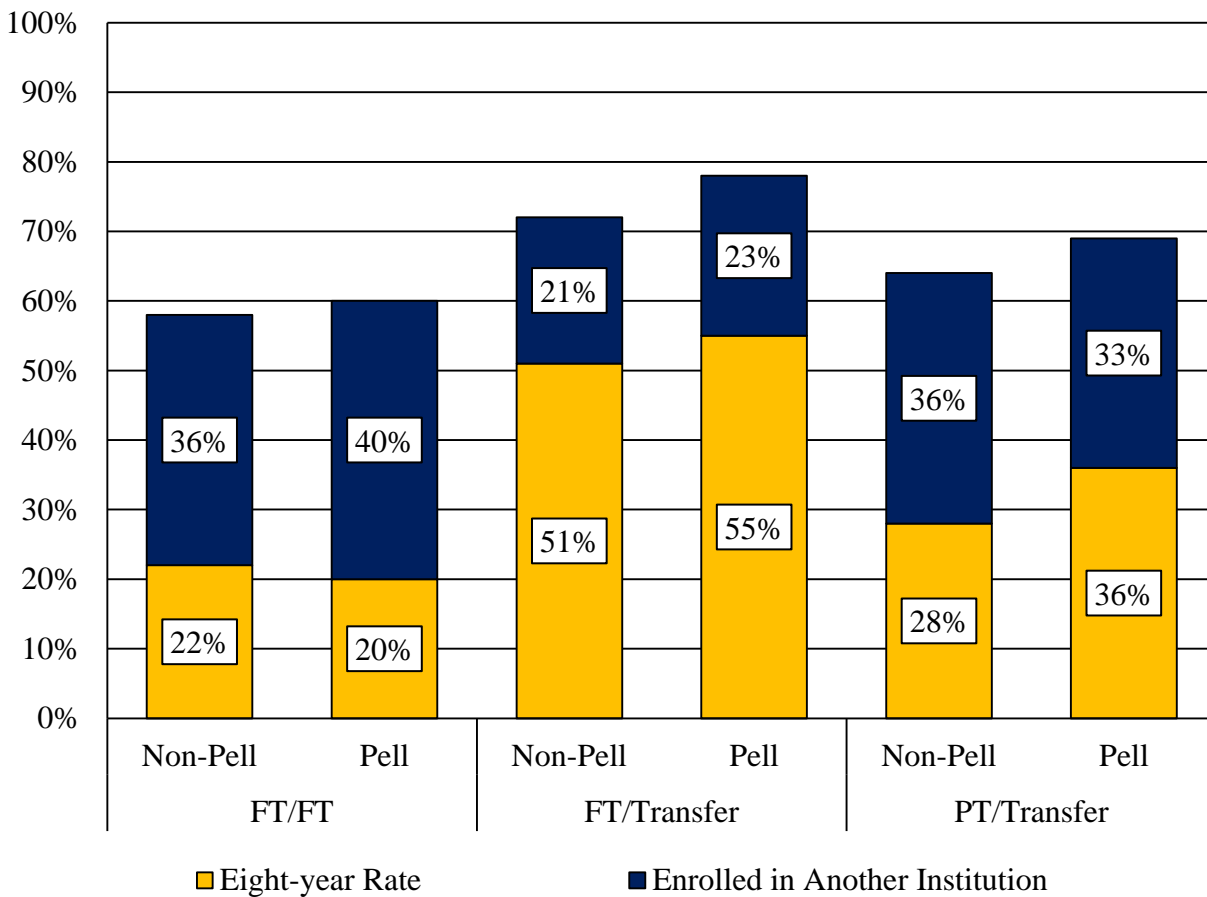
Exhibit 4
Four- and Six-year Graduation Rates for Transfer Students
Fiscal 2012-2021 Cohorts



Source: University of Maryland Global Campus

In order to have a more inclusive graduation rate that captures the progress of nontraditional students, the Integrated Postsecondary Data System reports on the outcomes of first-time, transfer, and part-time transfer students by Pell and non-Pell recipients. As shown in **Exhibit 5**, full-time transfer students, both Pell and non-Pell eligible, graduate at a higher rate than the other categories, at 55% and 51%, respectively. Full-time, first-time students, both non-Pell-eligible and Pell-eligible, graduate at similar rates, at 22% and 20%, respectively. Pell-eligible full- and part-time transfer students graduate at higher rates than non-Pell-eligible students, though the reverse is true for first-time, full-time students.

Exhibit 5
Eight-year Graduation Rates for Students Entering in 2015-2016 Academic Year



FT: full time
 FT/FT: first time, full time
 PT: part time

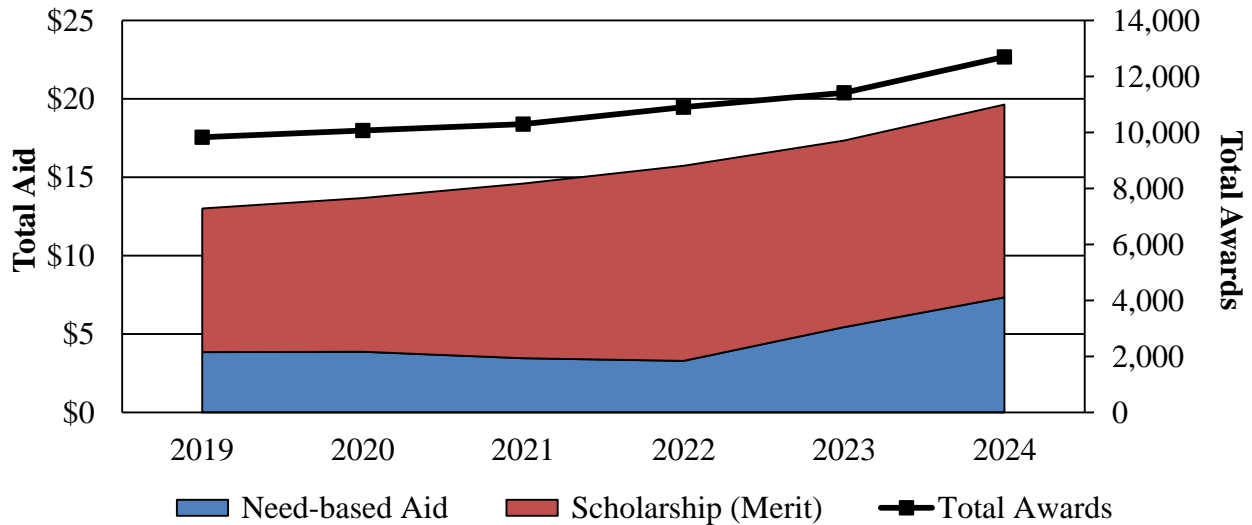
Source: National Center for Education Statistics; College Navigator

3. Affordability and Accessibility

Financial Aid

As shown in **Exhibit 6**, from fiscal 2019 through 2024, the amount spent on institutional aid has increased by 51.0%, from \$13.0 million to \$19.6 million. Institutional aid increased by \$2.3 million, or 13.3%, in fiscal 2024 compared to fiscal 2023. From fiscal 2019 to 2022, spending on need-based aid as a share of all aid decreased, from 29.6% to 20.9%. The decrease in need-based aid was accompanied by an increase in merit aid, from 70.4% in fiscal 2019, to 79.1% in fiscal 2022. Need-based spending increased by 31.4% and 37.4% in fiscal 2023 and 2024, respectively.

Exhibit 6
Institutional Aid Expenditures and Total Awards by Category
Fiscal 2019-2024
(\$ in Millions)



Source: University of Maryland Global Campus, Maryland Higher Education Commission

UMGC attributes the large percentage of the aid going to merit, rather than need-based aid, to the Maryland Completion Scholarship, which allows Maryland community college graduates to transfer to UMGC to complete a bachelor’s degree for \$12,000 or less, well below the typical cost for in-State students. The Completion Scholarship began as a pilot program in fiscal 2013 and expanded in fiscal 2017, with a partnership with Prince George’s Community College. This program is not need-based aid and accounts for the large amount of institutional aid dedicated to

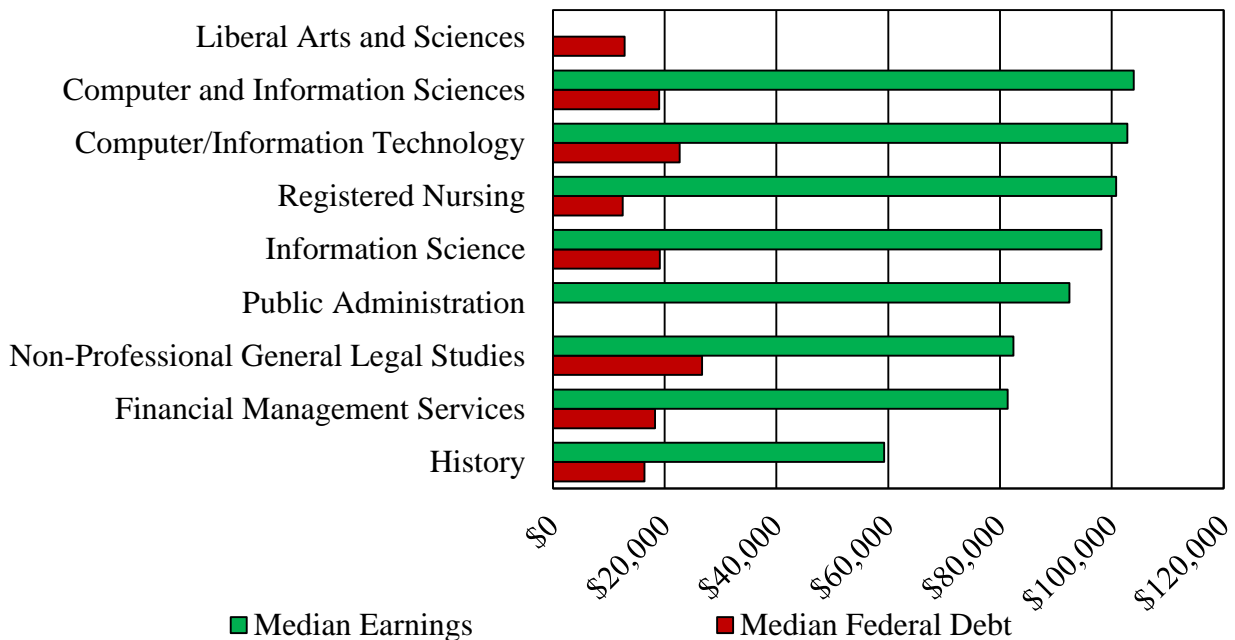
scholarships. In fiscal 2023 and 2024, merit aid accounted for 68.6% and 62.6% of all aid, respectively.

As the amount of aid provided increased, there has been a similar increase in the number of awards provided, an increase of 29.1%, or 2,866 awards, from fiscal 2019 through 2024. Between fiscal 2023 and 2024, there was an increase of 11.2%, or 1,283, in awards provided.

Student Federal Debt

In an effort to give students a better picture of outcomes at the program rather than the institutional level, the U.S. Department of Education’s College Scorecard reports the median debt (excluding private and Parent PLUS loans) and median earnings two years after graduation, as reported by the institution. This information helps students consider the amount of federal debt that they may incur and their ability to repay the loan after graduating since repayments are based on salaries. **Exhibit 7** contains a combination of the fields of study with the highest earnings and the largest fields of study at UMGC. Among this group, graduates from the registered nursing program have the lowest federal debt, totaling \$12,500, while also attaining a median salary of \$100,807. The highest median federal debt is \$26,701, affecting nonprofessional general legal studies, with a median salary of \$82,406.

Exhibit 7
Undergraduate Programs by Median Federal Debt and Median Earnings



Source: U.S. Department of Education; College Scorecard

Fiscal 2025 Working Budget

Actions Affecting Fiscal 2025 Budget

The fiscal 2026 budget includes one proposed deficiency appropriation impacting UMGC, representing UMGC’s share of an \$25.8 million deficiency across institutions, that would replace general funds with the HEIF due to higher available funds (\$712,772).

Cost Containment

Two cost containment actions approved by the Board of Public Works (BPW) at a July 2024 meeting impacted UMGC, for a total reduction of \$945,211. One of these was a 1.0%, or \$570,211, reduction in UMGC’s appropriation, which was met by reducing expenditures on contractual services for IT projects.

In addition, the actions reduced the funds added for the Maryland Completion Scholarship Program in Section 21 of the fiscal 2025 budget bill by \$375,000 (50% of the added funds).

Implementation of Legislative Priorities

Of the remaining funds added for the Maryland Completion Scholarship in Section 21, UMGC has expended the entire \$375,000.

Education and General Expenditures

Since tuition and fee revenue in the allowance is based on enrollment projections, increases and decreases in enrollment can have a significant effect on an institution’s revenues. Therefore, looking at the changes in expenditures by program areas between fiscal 2024 and 2025, when institutions know their fall enrollment, provides a more accurate picture of funding priorities.

Exhibit 8 shows the changes for unrestricted funds by program area between fiscal 2024 and 2025. Overall, fiscal 2025 spending increases by \$44.6 million, or 9.2%, compared to fiscal 2024. The fiscal 2025 education and general (E&G) revenues increase by \$35.5 million, or 7.4%. Student services experienced the largest increase by \$22.5 million, or 15.5%. UMGC attributes the increased spending across all categories to enrollment growth leading to more student support staffing needs and salary adjustments.

Exhibit 8
Budget Changes for Unrestricted Funds by Program
Fiscal 2024-2025
(\$ in Thousands)

	Actual 2024	Adjusted Working 2025	\$ Change 2024-2025	% Change 2024-2025
Expenditures				
Instruction	\$112,440	\$120,781	\$8,341	7.4%
Public Service	16,276	16,493	217	1.3%
Academic Support	50,980	55,640	4,660	9.1%
Student Services	145,443	167,986	22,543	15.5%
Institutional Support	127,564	134,096	6,532	5.1%
Operation and Maintenance of Plant	10,039	11,124	1,085	10.8%
Scholarships and Fellowships	23,424	24,664	1,240	5.3%
E&G Total Expenditures	\$486,166	\$530,784	\$44,617	9.2%
Revenues				
Tuition and Fees	\$394,248	\$426,257	\$32,009	8.1%
State Funds ¹	66,394	63,188	-3,206	-4.8%
Other	17,143	23,867	6,724	39.2%
Total E&G Revenues	\$477,785	\$513,312	\$35,527	7.4%
Auxiliary Enterprises				
Transfer to/from Fund Balance	\$8,382	\$17,472	\$9,090	-108.4%
Available Unrestricted Revenues	\$486,166	\$530,784	\$44,617	9.2%

E&G: education and general

¹State funds include general funds and Higher Education Investment Funds.

Note: Numbers may not sum due to rounding. The fiscal 2025 working appropriation includes deficiencies. The fiscal 2025 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management, and adjustments are not reflected in this agency's budget.

Source: Governor's Fiscal 2026 Budget Books; Department of Legislative Services

Exhibit 9 shows that E&G expenditures have exceeded revenues in five of the last seven fiscal years. From fiscal 2019 to fiscal 2025, E&G expenditures exceeded revenues in every fiscal year except 2021 and 2023. To cover the E&G deficits, UMGC relies on fund balance transfers. In fiscal 2024 and 2025, E&G expenditures exceed revenues by \$8.4 and \$17.5 million, respectively. When universities face E&G deficits, they use auxiliary revenue to cover the difference. Auxiliary revenue comes from residential halls, food services, parking services, and bookstores. However, as a nontraditional university, UMGC lacks this revenue source. Therefore, UMGC relies on the fund balance to cover these deficits. UMGC reported a fund balance of \$133.3 million at the close of fiscal 2024. **The President should comment on how the university is addressing the financial situation, the sustainability of using fund balance over the long term to support E&G expenses, and how it is working to bring its expenses more in line with revenues.**

Exhibit 9
Education and General Revenues and Expenditures
Fiscal 2019-2025
(\$ in Thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
E&G Revenues	\$417,552	\$408,495	\$422,536	\$402,011	\$431,922	\$477,785	\$513,312
E&G Expenses	426,819	417,917	409,396	413,989	425,855	486,166	530,784
E&G Surplus/Deficit	-\$9,268	-\$9,422	\$13,140	-\$11,977	\$6,067	-\$8,382	-\$17,472
Fund Balance Transfer from/to fund balance	\$11,306	\$9,536	-\$6,436	\$11,981	-\$3,034	\$8,382	\$17,472
Total Surplus/Deficit	\$2,038	\$114	\$6,705	\$3	\$3,033	\$0	\$0

E&G: Education and General

Source: Governor's Fiscal 2021-2026 Budget Books; Department of Legislative Services

Fiscal 2026 Proposed Budget

As shown in **Exhibit 10**, in fiscal 2026, the State funding, when excluding the fiscal 2025 salary increases budgeted within UMGC in fiscal 2026 but still centrally budgeted in fiscal 2025, decreases by 4.1%, or \$2.6 million, compared to the adjusted fiscal 2024 working appropriation.

R30B30 – USM – University of Maryland Global Campus

Including costs related to the fiscal 2025 salary increases, State support decreases by only \$0.2 million, or 0.3%. An anticipated transfer from the fund balance of \$21.3 million represents spending on efforts to expand into new designated marketing areas, digital infrastructure upgrades, and national advertising; this amount has been approved by the USM Board of Regents (BOR). **The President should comment on how the institution will address the reduction in State support.**

Exhibit 10
Proposed Budget
University of Maryland Global Campus
(\$ in Thousands)

	FY 24	FY 25	FY 26	FY 25-26	% Change
	<u>Actual</u>	<u>Adjusted</u>	<u>Adjusted</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$62,090	\$59,465	\$56,329	-\$3,135	-5.3%
Deficiency – HEIF Swap		-713		713	
Adjusted General Funds	\$62,090	\$58,752	\$56,329	-\$2,423	-4.1%
Special Funds					
HEIF	\$4,303	\$3,723	\$4,248		
Deficiency – HEIF Swap		713			
Total HEIF	\$4,303	\$4,436	\$4,248	-\$188	-4.4%
Adjusted State Funds	\$66,394	\$63,188	\$60,578	-\$2,610	-4.1%
Adjustment – Fiscal 2025					
General Salary Increases			\$2,397		
Total State Operating					
Funds	\$66,394	\$63,188	\$62,975	-\$213	-0.3%
Other Unrestricted Funds	\$411,391	\$450,124	\$464,422	\$14,298	3.2%
Transfer to/from Fund					
Balance	8,382	17,472	21,339		
Net Unrestricted Funds	\$486,166	\$530,784	\$548,736	\$17,952	3.4%
Total Restricted Funds	\$80,025	\$103,900	\$110,200	\$6,300	6.1%
Total Funds	\$566,191	\$634,683	\$658,935	\$24,252	3.8%

HEIF: Higher Education Investment Funds

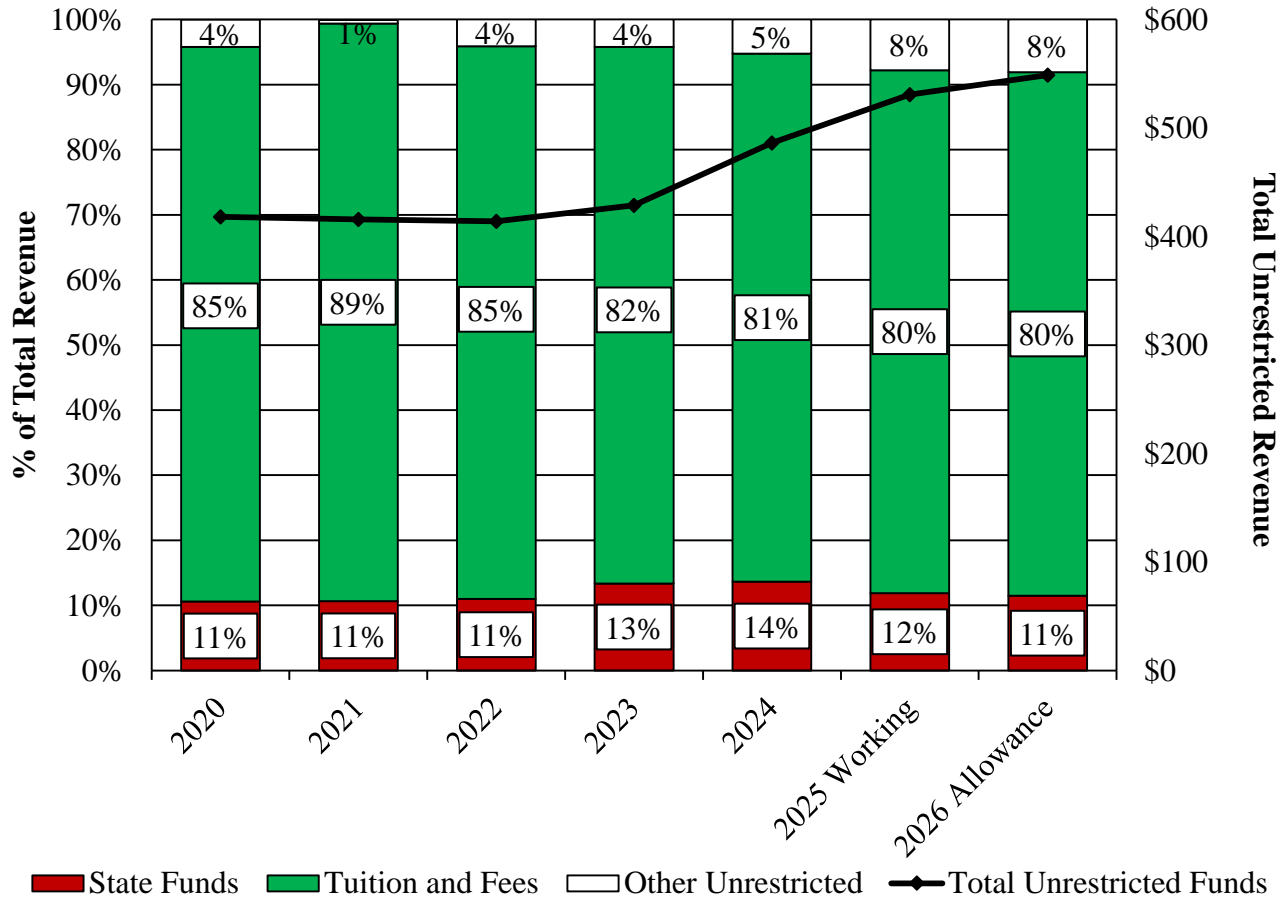
Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Source: Governor’s Budget Books, Fiscal 2026; Department of Legislative Services

Revenue Sources

As shown in **Exhibit 11**, in the fiscal 2026 allowance, State funds (general funds and the HEIF) comprise 11% of UMGC’s unrestricted revenues, while tuition and fee revenue comprise 80%. Tuition and fees have recovered from the decline in fiscal 2022 caused by the pandemic but comprise a lower share of overall unrestricted revenues. The fiscal 2025 working appropriation anticipates tuition and fee revenue to total \$426.3 million, which would be \$32.0 million, or 8.1%, more than fiscal 2024. The fiscal 2026 allowance anticipates tuition and fee revenue of \$441.5 million, an increase of 3.6%, or \$15.2 million, compared to fiscal 2025.

Exhibit 11
Unrestricted Revenues by Fund Source
 Fiscal 2020-2026
 (\$ in Millions)



Source: Governor’s 2020-2026 Budget Books; Department of Legislative Services

Personnel Data

	<u>FY 24 Actual</u>	<u>FY 25 Working</u>	<u>FY 26 Allowance</u>	<u>FY 25-26 Change</u>
Regular Positions	974.71	1,025.00	1,025.00	0.00
Contractual FTEs	<u>2,439.15</u>	<u>2,604.51</u>	<u>2,769.60</u>	<u>165.09</u>
Total Personnel	3,413.86	3,629.51	3,794.60	165.09

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	55.56	5.42%
Positions and Percentage Vacant as of 12/31/24	30.00	2.93%
Vacancies Below Turnover	25.56	

- In fiscal 2026, the number of contractual full-time equivalents (FTE) increase by 165.09. **The President should provide a reason for the continuing increase in contractual FTEs in fiscal 2025 and 2026.**

Issues

1. HIEDA at UMGC

The enactment of Chapter 450 of 2012 laid the groundwork for HIEDA entities at USM institutions. The chapter, initially proposed by USM, provides flexibility and relief from State ethics law and procurement practices to help facilitate and encourage technology transfer and commercialization activities that are expected to result in a significant economic impact for the institution, USM, or Maryland. In September 2015, USM BOR approved its *Policy on High Impact Economic Development Activities*, addressing, in part, the purpose, creation, requirements, conflicts of interest, and procurement policies and procedures relating to HIEDA entities for USM institutions. The USM HIEDA policy defines HIEDA as those that meet one of the following criteria:

- 20 or more new jobs in the State of Maryland;
- the award or completion of at least \$1,000,000 in externally funded research or other projects;
- the establishment or relocation of one or more new companies to be registered or incorporated in the State and doing business in the State;
- the production of at least \$1,000,000 of annual gross revenue;
- the licensing and potential commercialization of a promising new technology or other product; or
- an academic program to meet workforce demand in a documented labor shortage field.

These criteria must be projected to be met within the first five years of existence to be granted HIEDA status and met within the first five years or the HIEDA status will be revoked or reconsidered.

Since 2015, UMGC has created three HIEDA entities. The first was approved in September 2015, HelioCampus, a spin-off of its Office of Analytics. The second HIEDA entity is UMGC Ventures (Ventures). The third entity is AccelerEd. In June 2017, AccelerEd began as a Ventures subsidiary but was subsequently approved by the USM Chancellor as a HIEDA entity in June 2019. AccelerEd is a spin-off of UMGC's Office of Technology. Ventures is a holding company for the two other HIEDA entities. Ventures manages AccelerEd and has an equity investment in HelioCampus.

A fiscal compliance audit of UMGC was released by OLA in December 2022, covering the period from October 1, 2018, through December 1, 2022. The audit raised issues surrounding

UMGC’s HIEDA entities. First, OLA identified specific activities that raise questions as to whether UMGC’s continued relationship with Ventures and its affiliates is in the best interest of UMGC and the State, including UMGC being the primary revenue source for Ventures and AccelerEd. Ventures and AccelerEd were established to provide services to other institutions. However, from fiscal 2017 to 2022, UMGC accounted for \$198.1 million of Ventures’ \$215.3 million revenue, approximately 92.0%.

Second, OLA noted that UMGC obtained IT services from Ventures and its subsidiaries, totaling approximately \$184.1 million from November 2018 to December 2022, without competitive procurement and without verifying that the amounts paid were proper. UMGC did not competitively procure its IT projects but gave Ventures the leeway to ensure that the most qualified and advantageous vendor was obtained. However, UMGC had a written agreement with Ventures that required Ventures to use AccelerEd for UMGC’s IT needs. This agreement also made AccelerEd UMGC’s de facto IT department. As noted, AccelerEd began as UMGC’s Office of Technology but became a private entity, converting its 100 employees from State employees to part of the private sector.

Third, OLA reported that UMGC did not adequately monitor an IT project being developed for its use by Ventures, which was ultimately determined to be unusable and abandoned after UMGC expended \$25.7 million. AccelerEd was chosen as a contractor for a new student information system (SIS) in July 2018. AccelerEd subcontracted the work out to another entity. The project’s total cost was expected to be \$21.6 million and have a go-live date of January 2020. However, that project was stopped in June 2021 after an independent vendor determined there were significant deficiencies with the status and direction of the project. UMGC paid \$25.7 million for a project that was never delivered, and ultimately paid its existing SIS vendor, \$719,000, to update the existing SIS.

OLA’s audit has raised concerns about the transparency of institutions and their HIEDA entities. During the audit process, OLA was met with resistance from UMGC in sharing financial information related to its HIEDAs and their relationships with UMGC. UMGC informed OLA that it could not share financial information related to its HIEDA and relationship with UMGC, because of Internal Revenue Service regulations regarding the tax-exempt status granted to Ventures and its subsidiaries, AccelerEd and HelioCampus, which state that these entities must remain at arm’s length and not be subject to any direct control from UMGC. Based on this regulation, UMGC indicated to OLA that it could not provide the requested information or documentation and believed that OLA should request that information from Ventures. The HIEDA entity did not provide the requested information to OLA during the audit period. However, after the audit was closed, the UMGC Ventures Board voted to allow OLA access to the requested financial information. In response to the OLA audit, USM BOR created a HIEDA task force. The task force submitted its final recommendations to revise the HIEDA policy on February 14, 2025. The five recommendations are as follows:

- ***Clarification of Eligible Activities:*** Cost savings resulting from reductions in university employees are explicitly excluded from being considered HIEDA, ensuring that economic growth initiatives prioritize investment-driven benefits rather than operational downsizing.

- ***Improved Transparency in Reporting:*** The HIEDA annual report to BPW and the General Assembly must now include detailed funding sources, net benefits, and BOR’s assessment of whether each activity serves the State’s best interests.
- ***Audit Requirement Alignment:*** Updates provide consistency with other BOR policies by specifying that financial statement audits must be conducted by a certified public accountant once an entity reaches \$1 million in assets or annual revenues. This reinforces fiscal oversight while allowing flexibility for smaller entities.
- ***Technical and Structural Adjustments:*** Minor wording refinements improve clarity without altering intent, and the vetting of consortia creation has been moved from the removed procurement section to a more appropriate section on entity creation and recognition.
- ***Removal of Procurement Provisions:*** Language related to procurement exemptions for HIEDA entities has been eliminated. The policy has been aligned with broader state procurement standards, and consistency in contracting practices across institutions has been ensured.

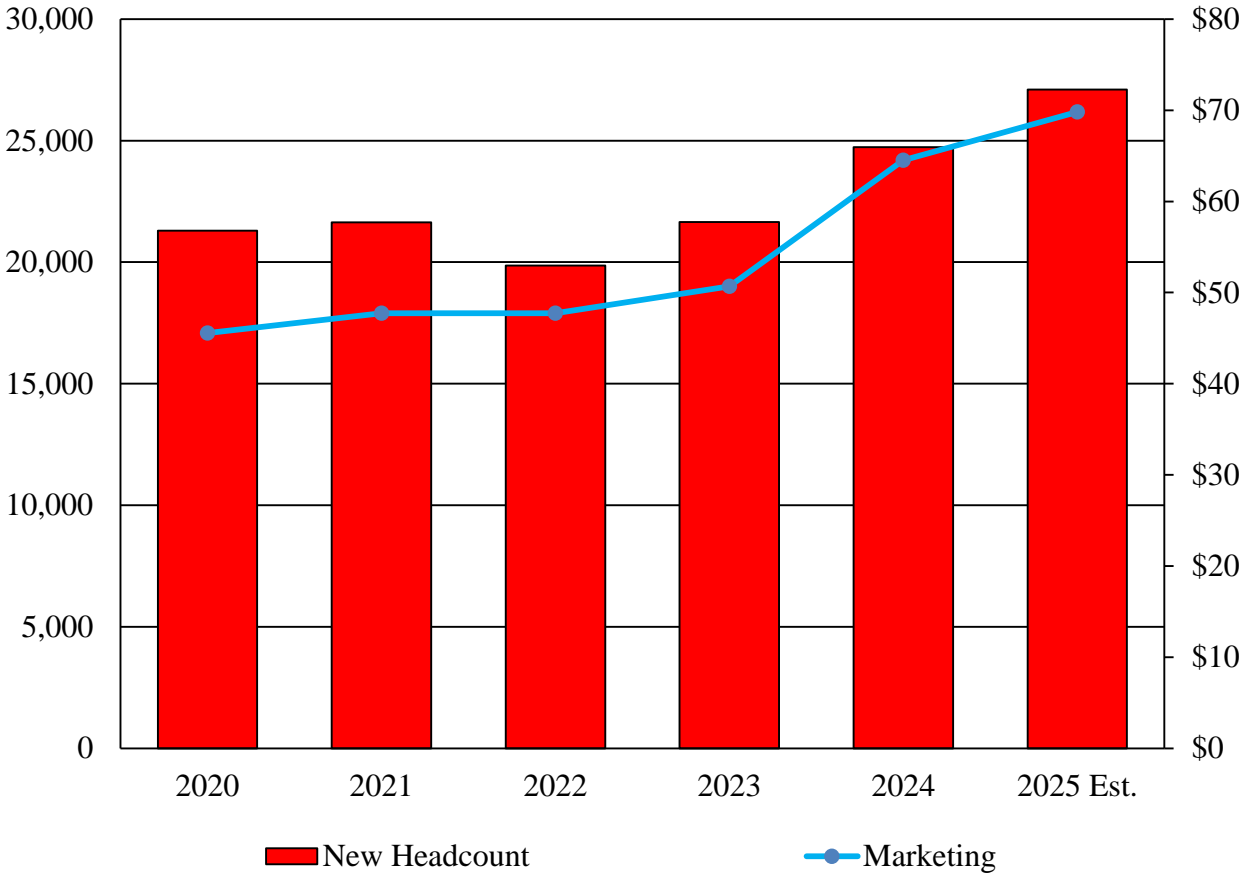
The President should comment on the actions that UMGC has taken to address the HIEDA-related findings in the OLA audit as well as how the institution will ensure compliance with the task force’s recommendations.

2. Advertising Campaign

In calendar 2019, UMGC was authorized by USM BOR and approved by BPW to spend up to \$500 million in advertising costs over six years, beginning in fiscal 2019. At the time, UMGC felt constrained by its reliance on the DMV region and the military. According to UMGC, the market share of adult students in the DMV region had reached near maximum levels. In contrast, competing institutions had made inroads into the area. At the time, UMGC felt that the market saturation in the DMV region had made it prohibitively expensive to continue relying heavily on this location to enroll students.

Exhibit 12 shows UMGC’s marketing campaign spending from fiscal 2020 to 2025. UMGC has spent approximately \$326.0 million, or 65.2%, of the approved \$500.0 million. From fiscal 2020 to 2025, spending increased by 53.1%. According to UMGC, this spending has accounted for an additional 136,280 new stateside students over this period. UMGC contends that 21,292 students were gained from \$45.6 million spent on marketing in fiscal 2020 and expects to gain 27,100 from \$69.8 million in fiscal 2025.

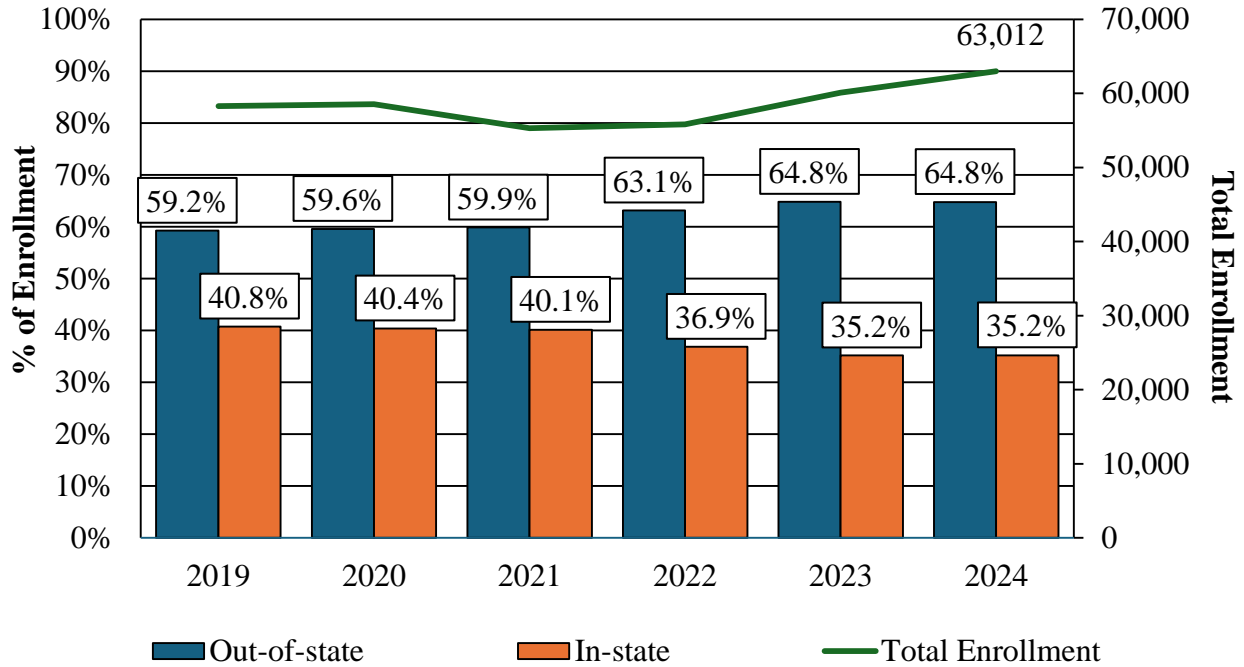
Exhibit 12
Headcount Gained from Marketing Spend
Fiscal 2020-2025 Est.
(\$ in Millions)



Source: University of Maryland Global Campus

However, when looking at enrollment from fall 2018 to fall 2024, enrollment has not gained 20,000 students every year. **Exhibit 13** shows the student enrollment from fall 2018 to fall 2024. Since fall 2019, UMGC’s enrollment has increased by 4,731 students, or 8.1%. Out-of-state enrollment has grown at the institution. In fall 2019, out-of-state students accounted for 59.2% of the student population; by fall 2024, that had grown to 64.8%. UMGC believes this marketing campaign has been cost effective. The institution contends that for every \$1 spent, \$5.60 in student revenue over four years will be generated. UMGC has plans to transfer \$21.3 million from the fund balance in fiscal 2026 to expand in new marketing areas. **The President should comment on how UMGC measures students gained from the marketing campaign.**

Exhibit 13
University of Maryland Global Campus’ Enrollment Patterns
Fall 2019-2024



Source: University System of Maryland

OLA’s audit included two findings related to the advertising contracts. OLA found that UMGC did not have formal documented procedures for assigning work to prequalified vendors for its two master advertising contracts. Related to this finding, OLA noted that statements of work were not detailed to allow effective monitoring of contracts. The second finding stated that the institution did not adequately justify two sole-source advertising procurements. OLA believed those procurements were not consolidated to circumvent USM Procurement and Policies Procedures. UMGC procured a one-year contract from the same vendor for two consecutive years, providing the same service. If those two contracts had been combined, it would have exceeded \$500,000 and required USM approval. The findings raise concerns about transparency around the procurement process and the ability to monitor contracts effectively.

UMGC had placed an item on the October 2, 2024 BPW agenda for approval to spend up to \$450 million in advertising over a period of six years. That item was subsequently withdrawn with discussion. **The President should comment on whether the institution plans to reintroduce that item. The Department of Legislative Services recommends adopting committee narrative requesting that UMGC submit a comprehensive report on the national marketing campaign.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

National Marketing Campaign: The University of Maryland Global Campus (UMGC) undertook an expansive national campaign to expand its reach, spending approximately \$326 million from fiscal 2020 to 2025. The committees are interested in the results of this multimillion dollar campaign. The committees request that UMGC submit a report by December 1, 2025, detailing the amount spent in each fiscal year, as well as the number and dollar value of each media contract used, and the students gained from each contract. The report should also include the metrics on how the institution determined the enrollment gains from the campaign. UMGC should address the details of any planned or implemented new marketing campaigns not related to the initial \$500 million campaign.

Information Request	Author	Due Date
National marketing campaign	UMGC	December 1, 2025

Updates

1. Sale Proceeds of the Largo Properties

Prior to the enactment of legislation in the 2023 session, money received from the sale of university property could only be used to purchase or improve property and facilities with the approval of BPW. The sale proceeds could not be applied to the Annuity Bond Fund Account. With the enactment of Chapter 160 of 2023, sale proceeds from a nonresidential campus can be used for operating expenses at the nonresidential campus with the approval of USM BOR. Chapter 160 went into effect June 1, 2023. The timing of the change was pertinent because it coincided with UMGC’s sale of its Largo properties to the Maryland-National Capital Park and Planning Commission for \$75.0 million. Those properties included a 232,038 square-foot (SF) building at 1616 McCormick Drive, a 63,500 SF building at 1601 McCormick Drive, and a 6.8-acre vacant parcel at 1440 McCormick Drive in Prince George’s County. USM BOR and BPW approved this real estate transaction in December 2022. The sale was completed in March 2023. UMGC netted \$72.0 million after broker fees and can use the proceeds toward operating costs.

At the USM BOR Finance Committee meeting on January 29, 2025, UMGC presented its plans for the \$72.0 million for board approval. UMGC plans to transfer \$62 million to its operating fund balance. **Exhibit 14** shows the planned use for those funds over the next four years. The remaining \$10.0 million will go toward the renovation of the UMGC Administration Building.

Exhibit 14 Planned Use of Largo Sales Proceeds (\$ in Millions)

<u>Planned Use</u>	<u>Cost</u>
UMGC Core Product Development (Course Design)	\$20.0
Technology Upgrades Student Facing Systems	15.0
Skills-based Workforce Development (Platform and Curricula)	10.0
Artificial Intelligence Investments	7.0
Persistence, Retention, Conversion Technology and Training (Student Support)	6.0
Student Success Initiatives for Underrepresented Groups	4.0
Total	\$62.0

UMGC: University of Maryland Global Campus

Source: University System of Maryland

**Appendix 1
Audit Findings**

Audit Period for Last Audit:	October 1, 2018 – December 31, 2022
Issue Date:	August 2024
Number of Findings:	7
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: OLA identified certain activities that raise questions as to whether UMGC’s continued relationship with Ventures and its affiliates is in the best interest of UMGC and the State, including being the primary revenue source for Ventures and AccelerEd.

Finding 2: UMGC obtained IT services from Ventures and its subsidiaries totaling approximately \$184.1 million during November 2018 to December 2022 without competitive procurement and without verifying that the amounts paid were proper.

Finding 3: UMGC did not adequately monitor an IT project being developed for its use by Ventures, which was ultimately determined to be unusable and abandoned after UMGC expended \$25.7 million.

Finding 4: UMGC did not have formal documented procedures for assigning work to prequalified vendors for two master advertising contracts totaling \$500 million, and related statements of work were not sufficiently detailed to allow for effective monitoring by UMGC.

Finding 5: UMGC did not adequately justify two sole-source procurements of advertising services and did not consolidate the procurements, which OLA believes circumvented USM *Procurement Policies and Procedures*.

Finding 6: UMGC did not adequately control and account for collections, which totaled \$7.3 million in fiscal year 2022.

Finding 7: UMGC’s procedures for reviewing residency changes were not sufficiently comprehensive, resulting in 67% of residency changes not being subject to an independent review and approval.

*Bold denotes item repeated in full or part from preceding audit report.

Appendix 2
Object/Fund Difference Report
University System of Maryland – University of Maryland Global Campus

<u>Object/Fund</u>	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u> <u>Appropriation</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25 - FY 26</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	974.71	1,025.00	1,025.00	0.00	0%
02 Contractual	4,757.52	2,604.51	2,769.60	165.09	6.3%
Total Positions	5,732.23	3,629.51	3,794.60	165.09	4.5%
Objects					
01 Salaries and Wages	\$ 264,503,168	\$ 290,456,928	\$ 296,714,300	\$ 6,257,372	2.2%
02 Technical and Special Fees	1,642,764	2,037,961	3,531,613	1,493,652	73.3%
03 Communication	669,313	833,313	833,313	0	0%
04 Travel	2,543,287	2,030,194	2,030,194	0	0%
06 Fuel and Utilities	1,800,006	1,894,570	1,894,570	0	0%
07 Motor Vehicles	165,563	112,380	112,020	-360	-0.3%
08 Contractual Services	179,456,788	196,248,160	206,558,331	10,310,171	5.3%
09 Supplies and Materials	5,298,623	5,519,759	5,497,666	-22,093	-0.4%
11 Equipment – Additional	205,293	470,589	470,589	0	0%
12 Grants, Subsidies, and Contributions	102,717,391	127,631,871	133,931,871	6,300,000	4.9%
13 Fixed Charges	7,188,940	7,447,657	7,360,989	-86,668	-1.2%
Total Objects	\$ 566,191,136	\$ 634,683,382	\$ 658,935,456	\$ 24,252,074	3.8%
Funds					
40 Unrestricted Fund	\$ 486,166,351	\$ 530,783,815	\$ 548,735,889	\$ 17,952,074	3.4%
43 Restricted Fund	80,024,785	103,899,567	110,199,567	6,300,000	6.1%
Total Funds	\$ 566,191,136	\$ 634,683,382	\$ 658,935,456	\$ 24,252,074	3.8%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.

Appendix 3
Fiscal Summary
University System of Maryland – University of Maryland Global Campus

<u>Program/Unit</u>	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Wrk Approp</u>	<u>FY 26</u> <u>Allowance</u>	<u>Change</u>	<u>FY 25 - FY 26</u> <u>% Change</u>
01 Instruction	\$ 112,854,323	\$ 121,456,343	\$ 127,847,608	\$ 6,391,265	5.3%
03 Public Service	16,275,857	16,492,834	16,492,834	0	0%
04 Academic Support	50,979,678	55,639,838	54,588,338	-1,051,500	-1.9%
05 Student Services	145,443,004	167,985,741	179,243,921	11,258,180	6.7%
06 Institutional Support	128,078,821	134,722,749	136,097,913	1,375,164	1.0%
07 Operation and Maintenance Of Plant	112,559,453	138,385,877	144,664,842	6,278,965	4.5%
Total Expenditures	\$ 566,191,136	\$ 634,683,382	\$ 658,935,456	\$ 24,252,074	3.8%
Unrestricted Fund	\$ 486,166,351	\$ 530,783,815	\$ 548,735,889	\$ 17,952,074	3.4%
Restricted Fund	80,024,785	103,899,567	110,199,567	6,300,000	6.1%
Total Appropriations	\$ 566,191,136	\$ 634,683,382	\$ 658,935,456	\$ 24,252,074	3.8%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.