

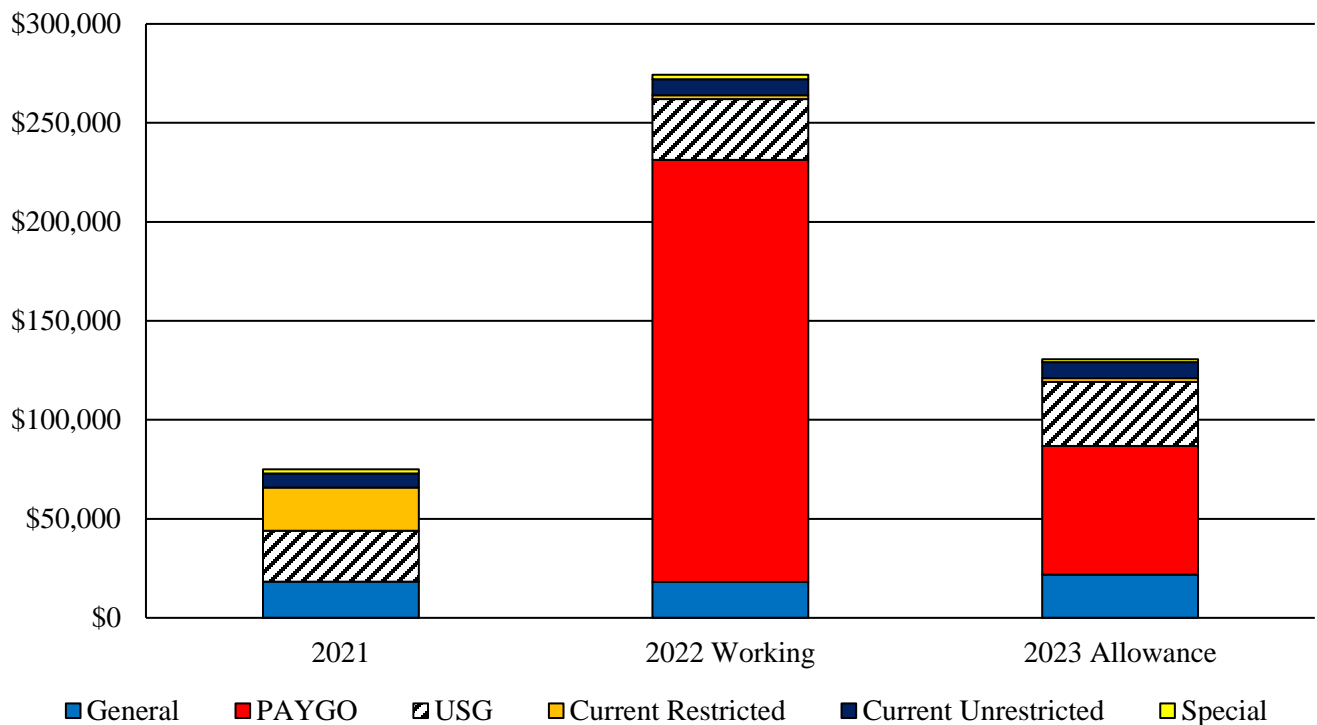
R30B36
University System of Maryland Office
University System of Maryland

Executive Summary

The University System of Maryland Office (USMO) works closely with the University System of Maryland’s (USM) 12 institutions and 3 regional higher education centers (RHEC) to leverage their collective expertise and resources, share best practices, and increase the system’s effectiveness and efficiency.

Operating Budget Summary

**Fiscal 2023 Budget Decreases \$143.7 Million, or 52.4%, to \$130.7 Million
(\$ in Thousands)**



PAYGO: pay-as-you-go

Note: The Universities at Shady Grove (USG) included in budget. The fiscal 2022 working appropriation is adjusted to reflect general salary increases, increments, one-time bonuses, and a proposed deficiency appropriation. The fiscal 2023 allowance is adjusted to reflect the annualization of fiscal 2022 general salary increases and increments and the fiscal 2023 general salary increase and increments. These actions are budgeted within the Department of Budget and Management Statewide Expenses. Fiscal 2023 PAYGO funds are budgeted within the Dedicated Purpose Account.

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- Total funding for USMO and USG decreases in fiscal 2023 by \$143.7 million, or 52.4%, compared to fiscal 2022, due to all USM pay-as-you-go (PAYGO) funds being allocated to USMO; when these funds are excluded, total funds increase by 7.4%, or \$4.5 million in fiscal 2023.
- General funds for USMO increase by \$3.7 million, or 20.2%, in fiscal 2023 compared to fiscal 2022, after adjusting for a proposed deficiency appropriation that would replace \$1.2 million in general funds with the Higher Education Investment Fund (HEIF) and fiscal 2022 and 2023 statewide salary adjustments. After adjusting for the proposed deficiency appropriation, the HEIF decreases 36.5%, or \$0.8 million, in fiscal 2023.
- The fiscal 2023 allowance for USG increases 5.55%, or \$1.7 million.

Key Observations

- The impact of the pandemic on the enrollment of transfer students can be seen in fiscal 2021, when a majority of courses were taught remotely and institutions limited the number of students on campus, with enrollment falling 10.0%, or 4,092 students.
- In fiscal 2021, enrollment at USM’s RHECs increased 12.1%, primarily due to increasing enrollment in University of Maryland Baltimore’s (UMB) Medical Cannabis program at USG.

Operating Budget Recommended Actions

1. See the University System of Maryland Overview for systemwide recommendations.

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Operating Budget Analysis

Program Description

USMO is the staff agency to the USM Board of Regents. The office advocates on behalf of the 12 institutions and 3 RHECs, facilitates collaboration and efficiencies among institutions, and provides information to the public. USMO includes the Chancellor, executive, and administrative staff and the central services of budget, accounting, auditing, information technology, capital planning, advancement, and public government relations.

The mission of USMO is to improve the quality of life for the people of Maryland by providing a comprehensive range of high quality, accessible, and affordable educational opportunities; engaging in research and scholarship that expand the boundaries of current knowledge; and providing knowledge-based programs and services that are responsive to the needs of the citizens of the State and the nation.

The goals of USMO are to:

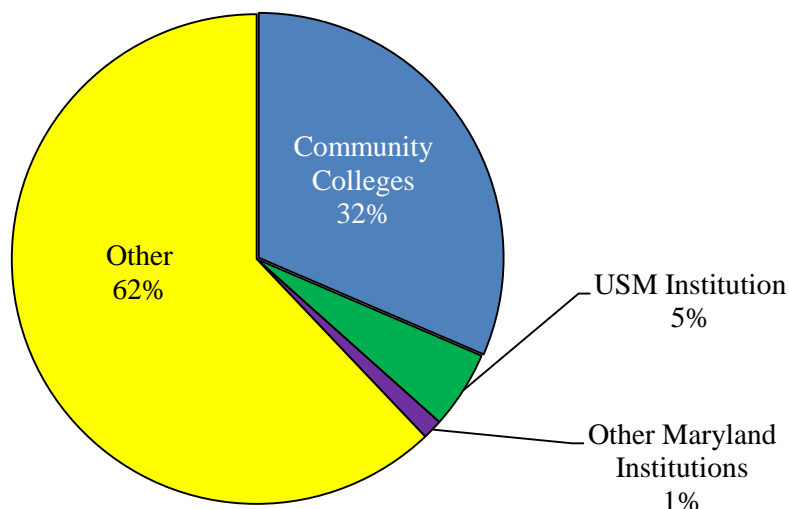
- offer expansive access to affordable, high-quality educational opportunities;
- perform groundbreaking research;
- instill a culture of innovation and entrepreneurship;
- promote economic growth and workforce development;
- provide vital services to communities and individuals; and
- partner with business, governmental, nonprofits, and organizations to improve quality of life.

Performance Analysis

1. Transfer Students

Increasing the number of transfer students is one of USM’s key components to growing enrollment, particularly transfers of Maryland community college students. As shown in **Exhibit 1**, community college transfers comprised 32% of all transfers in fiscal 2021. Other transfers, which include those who transfer from out-of-state institutions, accounted for 62% of transfers, while transfers from other Maryland institutions and between USM institutions accounted for the remaining 6% of transfers. Overall, transfer students comprised 52.5% of USM’s new undergraduate students in fall 2021, down from 56.4% in fall 2019 (prepandemic).

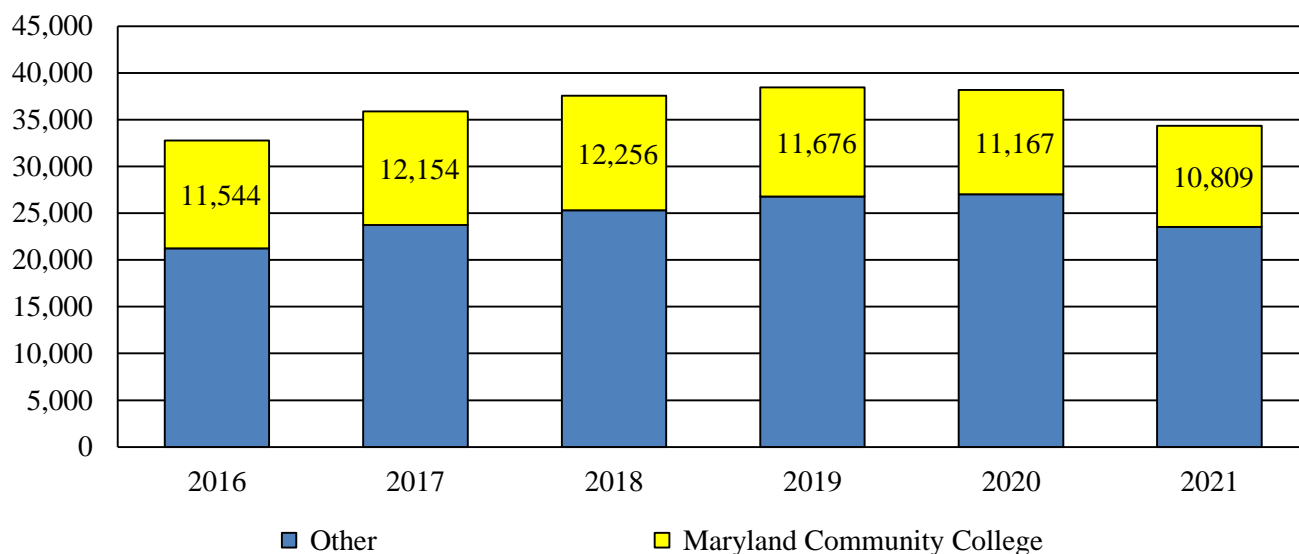
Exhibit 1
Transfer Students by Type of Sending Institution
Fiscal 2021



Source: University System of Maryland

Exhibit 2 breaks down the trend in the enrollment of transfer students by those coming from community colleges and all other institutions (including out-of-state transfers, transfers between USM institutions and other Maryland institutions). After increasing for three years, to the highest number of transfers in fiscal 2019, 38,449 students, enrollment of transfers declined 10.6% (4,092 students) by fiscal 2021. Most of this decline occurred in fiscal 2021, when enrollment of transfer students declined by 3,834 students (10%) compared to the prior year. The decline can mainly be attributed to out-of-state transfers, which may indicate students that preferred to stay closer to home during the pandemic.

**Exhibit 2
Transfer Students Enrollment
Fiscal 2016-2021**

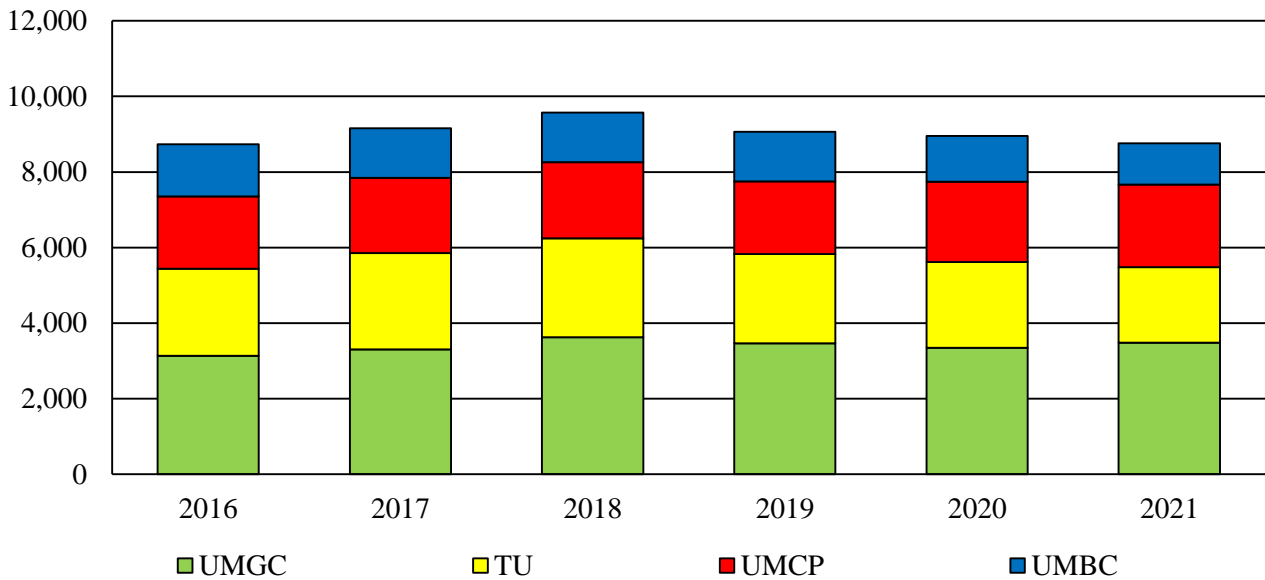


Source: University System of Maryland

Although the decline in other transfers was larger in fiscal 2021, that was the first decline in recent years for that population. Of greater concern is the continual decline in Maryland community college transfers, which in fiscal 2021 decreased for a third year to 10,809 students. Since fiscal 2018, when enrollments of Maryland community college transfers reached its highest point of 12,256 students, transfers have fallen 11.8%, or 1,447 students. This may in part reflect the continuing decline of enrollment at the community colleges. Overall, due to these ongoing declines, community college transfers have comprised less of the total transfers enrollments, decreasing from 33.9% in fiscal 2017 to 31.5% in fiscal 2021.

A majority of those transferring from a community college enroll at one of four USM institutions – University of Maryland Global Campus; Towson University; University of Maryland, College Park; and University of Maryland Baltimore County – as shown in **Exhibit 3**. The portion of transfers enrolling at one of these institutions increased from 71.3% in fiscal 2016 to 81.1% in fiscal 2021.

**Exhibit 3
Top Receiving Institutions
Fiscal 2016-2021**



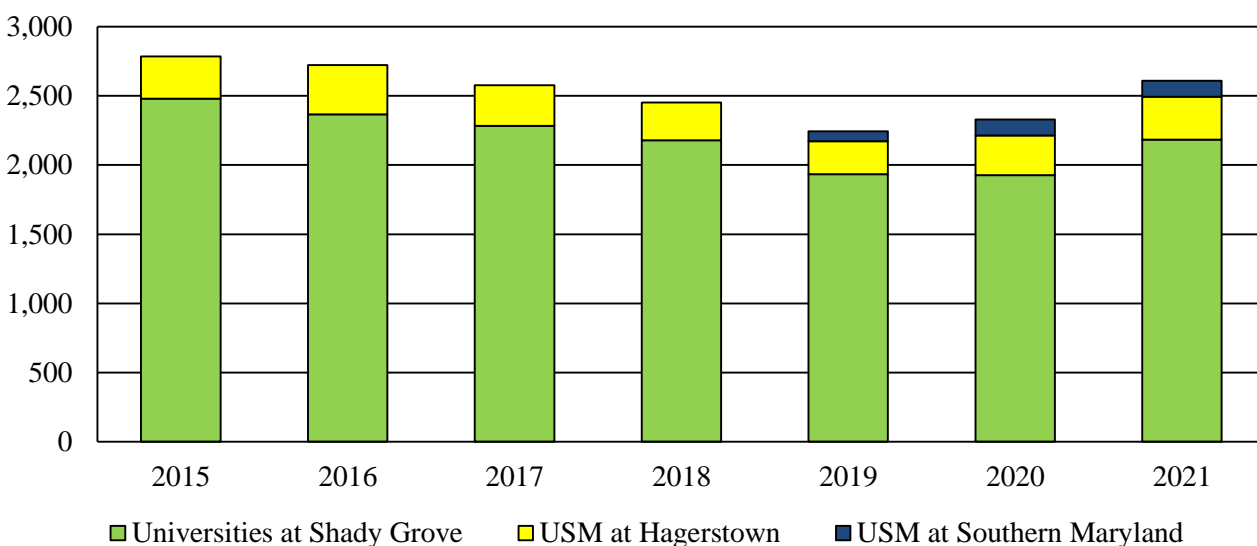
Source: University System of Maryland

The Chancellor should comment on efforts to increase the number of transfers from community colleges including efforts to improve pathways from the community colleges to USM institutions.

2. Enrollment at Regional Higher Education Centers

USM provides access to its institutions through three RHECs – USG, USM at Hagerstown (USMH), and USM at Southern Maryland (USMSM). Overall, in fiscal 2021, enrollment at RHECs increased 12.1%, or 280.7 full-time equivalent student (FTES), as shown in **Exhibit 4**. This is primarily due to enrollment at USG increasing by 257 FTES, or 13.3%, which is related to growth in UMB’s Medical Cannabis program. Despite the increase in enrollment at USG to 2,184 FTES in fiscal 2021, it is 11.9% below fiscal 2015 when enrollment reached its highest point of 2,479 FTES.

**Exhibit 4
FTES Enrollment at Regional Higher Education Centers
Fiscal 2015-2021**



FTES: full-time equivalent student

Source: University System of Maryland

USMH experienced an increase of 8.5%, or 24 FTES, in enrollment primarily due to Frostburg State University’s Physician Assistant program. Enrollment at USMSM remained stable. See **Appendix 1** for detailed enrollment by institution.

Fiscal 2022 Working Budget

Actions Affecting Fiscal 2022 Budget

The fiscal 2023 budget includes a proposed deficiency totaling \$45.5 million across institutions, of which USMO’s share is \$1.2 million, which would replace general funds with HEIF funds, reflecting the revised HEIF revenue estimate in fiscal 2022 and the use of the HEIF balance.

Fiscal 2023 Proposed Budget

The adjusted fiscal 2023 State funds for USMO increase 13.9%, or \$2.8 million, over the adjusted fiscal 2022 working appropriation after excluding PAYGO capital, as shown in **Exhibit 5**.

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The General Fund increases \$3.7 million, or 20.2%, which is slightly offset by \$0.8 million decline in the HEIF related to the proposed deficiency. Overall, total funds decrease \$145.4 million, or 59.6%, reflecting a decrease of \$148.2 million of PAYGO funds. When excluding these funds, total funds increase 9.3%, or \$2.8 million.

Exhibit 5
Proposed Budget
University System of Maryland Office
Fiscal 2021-2023
(\$ in Thousands)

	2021	2022	2023	2022-2023	% Change
	<u>Actual</u>	<u>Adjusted</u>	<u>Adjusted</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$18,308	\$18,616	\$20,104	\$1,488	8.0%
Deficiency – HEIF Swap		-1,161			
General Salary Increase		716	1,738	1,022	
Total General Funds	\$18,308	\$18,171	\$21,842	\$3,671	20.2%
Special Funds					
HEIF	\$2,093	\$1,122	\$1,450	\$327	29.1%
Deficiency – HEIF Swap		1,161			
Total HEIF	2,093	2,284	1,450	-834	-36.5%
Total State Operating Funds	\$20,402	\$20,455	\$23,291	\$2,837	13.9%
Total State PAYGO		\$213,203	\$65,000	-\$148,203	-69.5%
Other Unrestricted Funds	\$8,359	\$7,591	\$7,591	\$0	
Transfer (to)/from Fund Balance	-1,235	475	475		
Net Unrestricted Funds					
(Excluding PAYGO)	\$27,526	\$28,520	\$31,357	\$2,837	9.9%
Total Restricted Funds	\$21,788	\$2,000	\$2,000	\$0	0.0%
Total Funds	\$49,314	\$243,723	\$98,357	-\$145,366	-59.6%
Total Funds Excluding PAYGO	\$49,314	\$30,520	\$33,357	\$2,837	9.3%

HEIF: Higher Education Investment Fund

PAYGO: pay-as-you-go

Note: The fiscal 2022 working appropriation is adjusted to reflect general salary increases, increments, one-time bonuses for USMO and USG, and a proposed deficiency appropriation. The fiscal 2023 allowance is adjusted to reflect the annualization of fiscal 2022 general salary increases and increments and a fiscal 2023 general salary increases and increments. These actions are budgeted within the Department of Budget and Management Statewide Expenses. Fiscal 2023 PAYGO funds are budgeted within the Dedicated Purpose Account.

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

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Additional State funding support includes:

- \$1.5 million to restore funding related to the reduction taken by the Board of Public Works (BPW) in fiscal 2021;
- \$1.0 million for the annualization of a fiscal 2022 general salary increase and increments and fiscal 2023 general salary increases and increments;
- \$0.2 million for the opening of a new facility at USMSM; and
- \$0.1 million for adjustments related to various statewide allocations and rate changes.

USMO's budget also includes funding for its RHECs. USMH and USMSM are budgeted within USMO's budget. In general, USMH and USMSM account for about a quarter of USMO's general fund budget (see **Appendix 2** for more detail of USMH and USMSM's budget).

USG Proposed Budget

In 2019, USMO, in response to a request included in the *Joint Chairmen's Report*, developed a plan to ensure the financial viability of USG. One of the recommendations was the creation of a separate budget for USG. A new budget code (R30B37) was created for USG for the fiscal 2023 budget cycle. As shown in **Exhibit 6**, the adjusted fiscal 2023 State funds for USG increase 10.6%, or \$2.4 million, over fiscal 2022. It should be noted that due to the new budget being created during fiscal 2022, the fiscal 2022 statewide salary enhancements are budgeted within USMO, and as a result, the increase is overstated.

Exhibit 6
Proposed Budget
Universities at Shady Grove
Fiscal 2021-2023
(\$ in Thousands)

	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Adjusted</u>	<u>2023</u> <u>Adjusted</u>	<u>2022-2023</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Expenditures					
Salaries and Wages	\$10,570	\$10,708	\$11,126	\$418	3.9%
Operating Expenses	15,109	19,921	21,190	1,269	6.4%
Total Operating Expenses	\$25,678	\$30,629	\$32,317	\$1,687	5.5%
State Supported Revenues					
General Funds	\$22,909	\$21,039	\$22,245	\$1,206	5.7%
General Salary Increases			828		
HEIF		1,107	1,430	323	29.1%
Total State Funds	\$22,909	\$22,146	\$24,503	\$2,357	10.6%
CARES – Indirect Support	\$136				
Enrollment Funding Initiative ¹	3,409	\$3,286	\$3,363		
Auxiliary	24	1,264	1,288		
Student Fees	1,430	1,322	1,563		
Other	988	1,236	1,050		
Transfer (to)/from Fund Balance	-4,398	1,376	-300		
Total Unrestricted Funds	\$24,498	\$30,629	\$31,467	\$837	2.7%
Total Restricted Funds	\$1,181		\$850	\$850	
Total Funds	\$25,678	\$30,629	\$32,317	\$1,687	5.5%

CARES: Coronavirus Aid, Relief, and Economic Security

HEIF: Higher Education Investment Fund

¹Since 2007, when institutions received enrollment funding initiative funds, nine institutions have provided annual payments totaling \$3.2 million (the amount was based on projected enrollment growth at USG) to support various student services.

Note: Since a budget code was established for fiscal 2023 budget cycle, fiscal 2022 statewide salary enhancements are budgeted in USMO. The fiscal 2023 allowance is adjusted to reflect the annualization of fiscal 2022 general salary increases and increments and fiscal 2023 3% general salary increase and increments.

Source: Governor’s Fiscal 2023 Budget Books

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Additional State funding includes \$1.8 million to restore reductions taken by BPW in fiscal 2021 and \$0.8 million for the fiscal 2022 and 2023 general salary increase and increments. These increases are slightly offset by a decrease of \$0.3 million related to adjustments to statewide allocations and rate changes.

It should be noted that auxiliary revenues, which include parking fees, and conference and events increase by \$1.4 million in fiscal 2022. However, USG notes that the fiscal 2021 level reflects credit card fees and refunds on credit card sales and to vendors and that fiscal 2022 has not been adjusted to reflect the financial impacts of COVID-19. USG expects the actual revenues to be similar to fiscal 2021.

Personnel Data

	<u>FY 21</u> <u>Actual</u>	<u>FY 22</u> <u>Working</u>	<u>FY 23</u> <u>Allowance</u>	<u>FY 22-23</u> <u>Change</u>
Regular Positions	197.00	196.00	196.00	0.00
Contractual FTEs	<u>5.00</u>	<u>10.50</u>	<u>10.50</u>	<u>0.00</u>
Total Personnel	202.00	206.50	206.50	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	8.17	4.17%
Positions and Percentage Vacant as of 12/31/21	25.25	12.88%
Vacancies Above Turnover	17.08	

Operating Budget Recommended Actions

1. See the University System of Maryland Overview for systemwide recommendations.

Appendix 1
FTES Enrollment at Regional Higher Education Centers
Fiscal 2016-2021

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
USG						
BSU	11.1	10.4	16.1	6.1	5.1	2.3
SU	58.5	40.4	34.6	27.8	25.1	19.2
TU	78.0	73.4	100.9	98.8	104.2	120.2
UBalt	58.4	77.5	88.4	81.1	55.2	43.5
UMB	453.0	531.4	567.7	544.5	604.9	772.5
UMBC	355.1	363.1	365.6	363.8	371.9	391.5
UMCP	954.4	848.9	630.0	597.3	590.0	683.2
UMES	77.0	72.6	57.2	54.6	40.4	24.9
UMGC	334.5	264.4	194.7	160.7	130.5	126.2
Total	2,380.0	2,282.1	2,055.2	1,934.7	1,927.3	2,183.5
USMH						
FSU	192.1	141.3	148.1	129.5	179.9	207.3
CSU	1.4	1.0	1.5	0.8		
SU	45.7	55.0	55.8	66.0	73.1	62.5
TU	112.2	90.5	57.3	36.3	31.4	36.2
UMCP						
UMES						1.7
UMGC	11	10.1	10.3	5.4	2.1	3.1
Total	362.4	297.9	273.0	238.0	286.5	310.8
USMSM						
BSU				5.3	6.3	5.1
SU				15.3	19.6	19.9
TU				44.4	41.1	60.4
UMGC				0.0	26.5	15.4
UMCP				4.9	21.7	14.3
Total				69.9	115.2	115.1

FTES: full-time equivalent student

Source: University System of Maryland

Appendix 2
USMH and USMSM Proposed Budgets
(\$ in Thousands)

	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Working</u>	<u>2023</u> <u>Allowance</u>	<u>2022-2023</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
<u>USMH</u>					
<u>Expenditures</u>					
Salaries and Wages	\$645	\$659	\$710	\$52	7.8%
Operating Expenses	1,736	1,454	1,557	103	7.1%
Total Operating Expenses	\$2,381	\$2,113	\$2,267	\$154	7.3%
<u>State Supported Revenues</u>					
General Funds	\$2,312	\$2,088	\$2,242	\$154	7.4%
Transfer From Fund Balance	45				
Total State Supported	\$2,357	\$2,088	\$2,242	\$154	7.4%
<u>Non-State Supported</u>					
Rental, Testing & Other	\$23	\$25	\$25		
Total Revenues	\$2,380	\$2,113	\$2,267	\$154	7.3%
<u>USMSM</u>					
<u>Expenditures</u>					
Salaries and Wages	\$847	\$1,006	\$1,342		
Operating Expenses	465	910	1,916	1,006	110.5%
Academic Program Incentives	696	900	900		
Total Operating Expenses	\$2,008	\$2,816	\$4,158	\$1,342	47.6%
<u>Revenues</u>					
State Appropriations	\$2,039	\$2,696	\$3,167	\$471	17.5%
St. Mary’s County Grant	40	40	40		
Calvert County Grant	25	25	25		
Rental Income and Other services	156	55	926		
Transfer to/from Fund Balance	-253				
Total Revenues	\$2,008	\$2,816	\$4,158	\$1,342	47.6%

Note: Fiscal 2022 and 2023 adjusted to include salary enhancements

Source: University System of Maryland

**Appendix 3
Object/Fund Difference Report
University System of Maryland Office**

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	197.00	196.00	196.00	0.00	0%
02 Contractual	5.00	10.50	10.50	0.00	0%
Total Positions	202.00	206.50	206.50	0.00	0%
Objects					
01 Salaries and Wages	\$ 27,706,756	\$ 28,453,744	\$ 28,143,032	-\$ 310,712	-1.1%
02 Technical and Special Fees	10,150	79,197	83,661	4,464	5.6%
03 Communication	1,342,140	1,055,849	1,055,849	0	0%
04 Travel	56,704	305,473	305,473	0	0%
06 Fuel and Utilities	1,480,510	1,826,000	1,826,000	0	0%
07 Motor Vehicles	4,505	24,584	24,594	10	0%
08 Contractual Services	14,096,368	11,822,970	13,911,934	2,088,964	17.7%
09 Supplies and Materials	477,371	2,387,010	2,387,010	0	0%
11 Equipment – Additional	86,552	94,812	94,812	0	0%
12 Grants, Subsidies, and Contributions	5,453,253	11,988,798	12,538,798	550,000	4.6%
13 Fixed Charges	1,610,703	1,266,118	1,307,441	41,323	3.3%
14 Land and Structures	22,667,353	214,332,272	1,429,272	-212,903,000	-99.3%
Total Objects	\$ 74,992,365	\$ 273,636,827	\$ 63,107,876	-\$ 210,528,951	-76.9%
Funds					
40 Unrestricted Fund	\$ 52,023,572	\$ 58,433,827	\$ 60,257,876	\$ 1,824,049	3.1%
43 Restricted Fund	22,968,793	215,203,000	2,850,000	-212,353,000	-98.7%
Total Funds	\$ 74,992,365	\$ 273,636,827	\$ 63,107,876	-\$ 210,528,951	-76.9%

Note: The fiscal 2022 working appropriation does not include deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allow do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

**Appendix 4
Fiscal Summary
University System of Maryland Office**

<u>Program/Unit</u>	<u>FY 21 Actual</u>	<u>FY 22 Wrk Approp</u>	<u>FY 23 Allowance</u>	<u>Change</u>	<u>FY 22 - FY 23 % Change</u>
04 Academic Support	\$ 5,713,987	\$ 7,138,817	\$ 7,633,887	\$ 495,070	6.9%
06 Institutional Support	43,600,055	235,868,543	23,985,403	-211,883,140	-89.8%
04 Academic Support	25,678,323	30,629,467	31,488,586	859,119	2.8%
Total Expenditures	\$ 74,992,365	\$ 273,636,827	\$ 63,107,876	-\$ 210,528,951	-76.9%
Unrestricted Fund	\$ 52,023,572	\$ 58,433,827	\$ 60,257,876	\$ 1,824,049	3.1%
Restricted Fund	22,968,793	215,203,000	2,850,000	-212,353,000	-98.7%
Total Appropriations	\$ 74,992,365	\$ 273,636,827	\$ 63,107,876	-\$ 210,528,951	-76.9%

Note: The fiscal 2022 working appropriation does not include deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allow do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.