

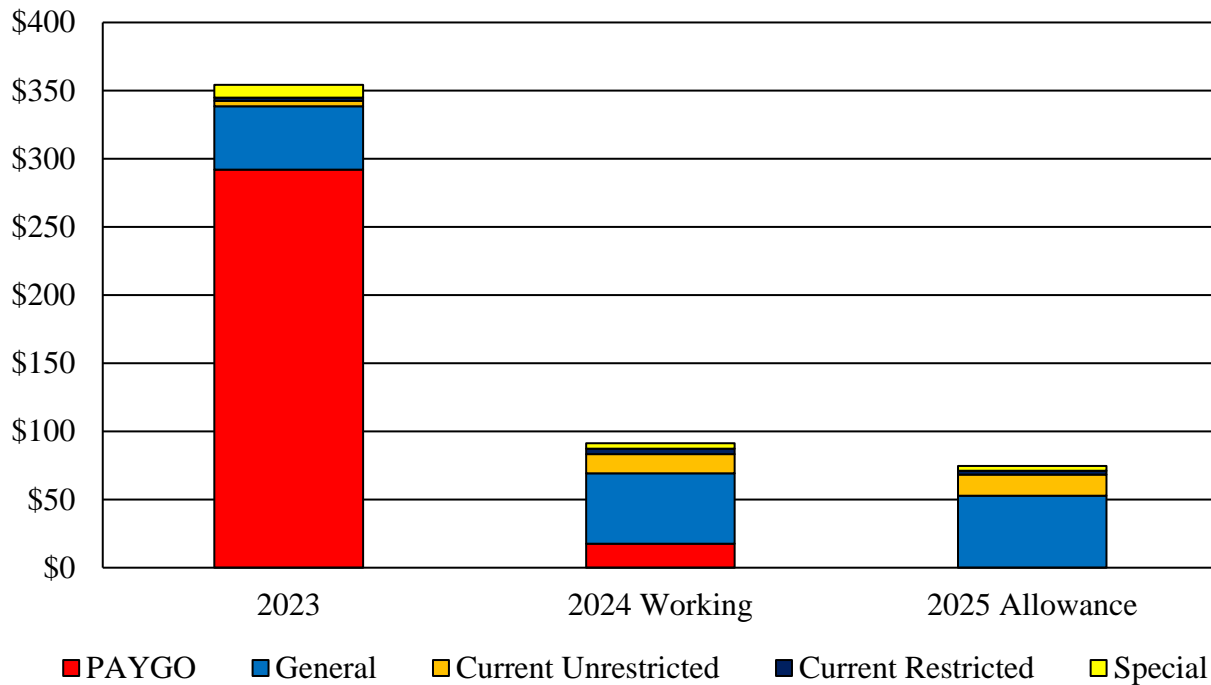
R30B36
University System of Maryland Office
University System of Maryland

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. This analysis includes both the USMO budget and the funding for the Universities at Shady Grove.

Operating Budget Summary

**Fiscal 2025 Budget Decreases \$16.6 Million, or 18.2%, to \$74.6 Million
(\$ in Millions)**



PAYGO: pay-as-you-go

Note: Includes the Universities at Shady Grove. 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 institution’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 in institution’s budget.

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- General funds for USMO and the Universities at Shady Grove (USG) in the fiscal 2025 allowance increase by \$1.1 million, or 2.2%, compared to the fiscal 2024 working appropriation after adjusting for a proposed deficiency appropriation that would replace a total of \$0.8 million in general funds with Higher Education Investment Fund (HEIF) funds. After adjusting for the proposed deficiency, the HEIF decreases by 13.5%, or \$0.5 million, in fiscal 2025.
- General funds for USMO include \$4.0 million as mandated by Chapter 683 of 2021 to be allocated to the institution(s) with the lowest estimated funding guideline attainment.
- General funds for USG decrease 14.8%, or \$4.2 million, due to the removal of one-time funding of \$5.0 million provided in fiscal 2024 as mandated by Chapter 623 of 2022 for workforce development initiatives.
- Total funds for USMO and USG decrease in fiscal 2025 by \$16.6 million, or 18.2%, compared to fiscal 2024 due to the pay-as-you-go (PAYGO) funds for all USM institutions being allocated to USMO; when excluding these funds, total funds increase by 1.3%, or \$1.0 million, in fiscal 2025.

Key Observations

- ***Community College Transfers:*** Of concern is the continual decline in the number of Maryland community college transfers, which decreased by 25.6% between fiscal 2018 and 2023 to 9,115 students. This may in part reflect the continuing declining enrollment at the community colleges.
- ***Community College Transfers by Status:*** Since fiscal 2019, an increasing portion of the community colleges transfer students are coming in as a junior, increasing from 47% in that year to 55% in fiscal 2023.
- ***RHEC Enrollment Continues to Decline:*** Enrollment at USM’s RHECs declined for a second year, in fiscal 2023, decreasing by 10.5%, or 264 full-time equivalent students (FTES) compared to fiscal 2022. Since fiscal 2021, enrollment at RHECs has fallen by 13.8% to 2,250 FTES.

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:

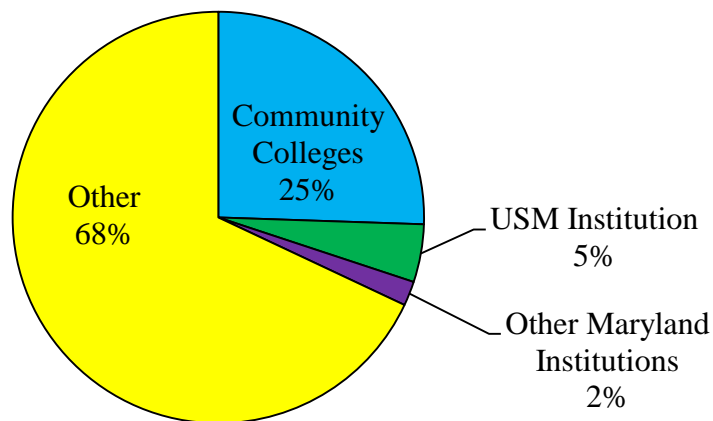
- offer expansive access to affordable, high-quality educational opportunities;
- perform groundbreaking research;
- instill a culture of innovation and entrepreneurship;
- promote economic growth and workforce development;
- provide vital services to communities and individuals; and
- partner with business, governmental, and nonprofit 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 only comprised a quarter of all transfers in fiscal 2023. This share of transfers is down from 32.6% in fiscal 2018. Other transfers, which include those who transfer from out-of-state institutions, accounted for 68% of transfers, while transfers from other Maryland institutions and between USM institutions accounted for the remaining 7% of transfers. Overall, Maryland community college transfer students comprised 21.7% of USM’s new undergraduate students in fiscal 2023, down from 26.1% for the fiscal 2020 cohort (prepandemic).

Exhibit 1
Transfer Students by Type of Sending Institution
Fiscal 2023

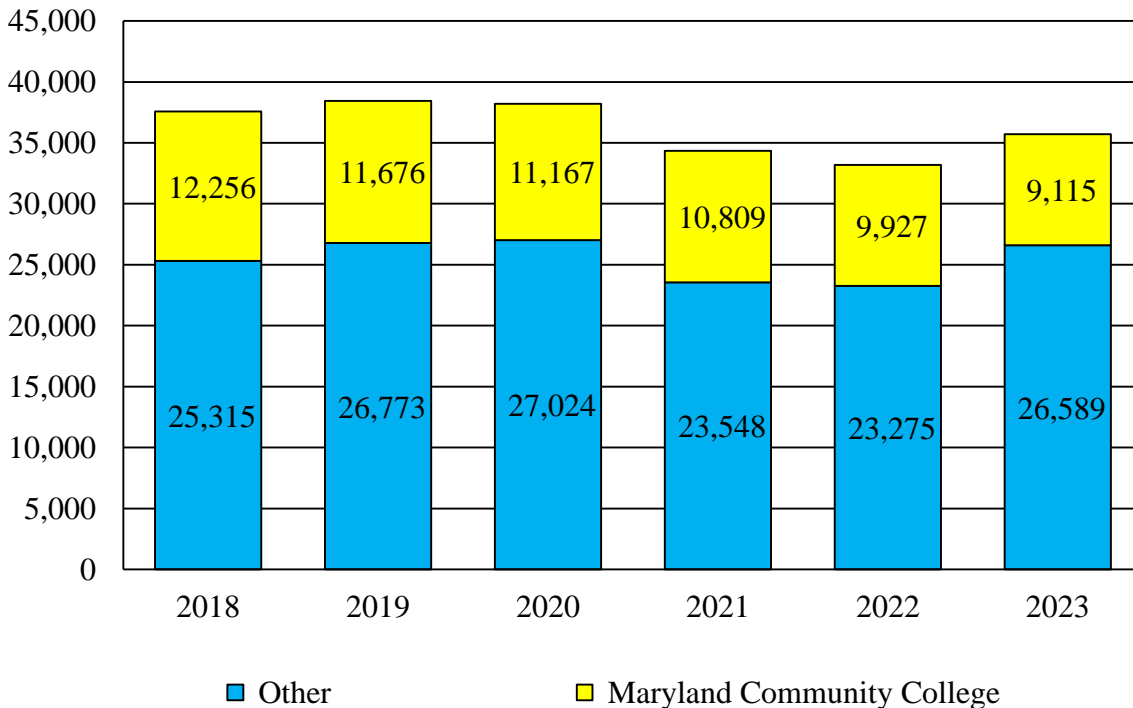


Note: Other includes those transferring from out-of-state or other unknown institution

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 and transfers between USM institutions and other Maryland institutions). After reaching the highest number of transfers in fiscal 2019 of 38,449 students, the number of transfers decreased in subsequent years. Between fiscal 2019 and 2023, the drop in transfers totaled 7.1%, or 2,745 students. The largest decline in transfers occurred in fiscal 2021, when the enrollment of transfers decreased by 10.0%, or 3,834 students. The decrease in transfers in fiscal 2021 can be attributed to out-of-state transfers, which may indicate that students preferred to stay closer to home during the pandemic.

Exhibit 2
Enrollment of Transfer Students
Fiscal 2018-2023

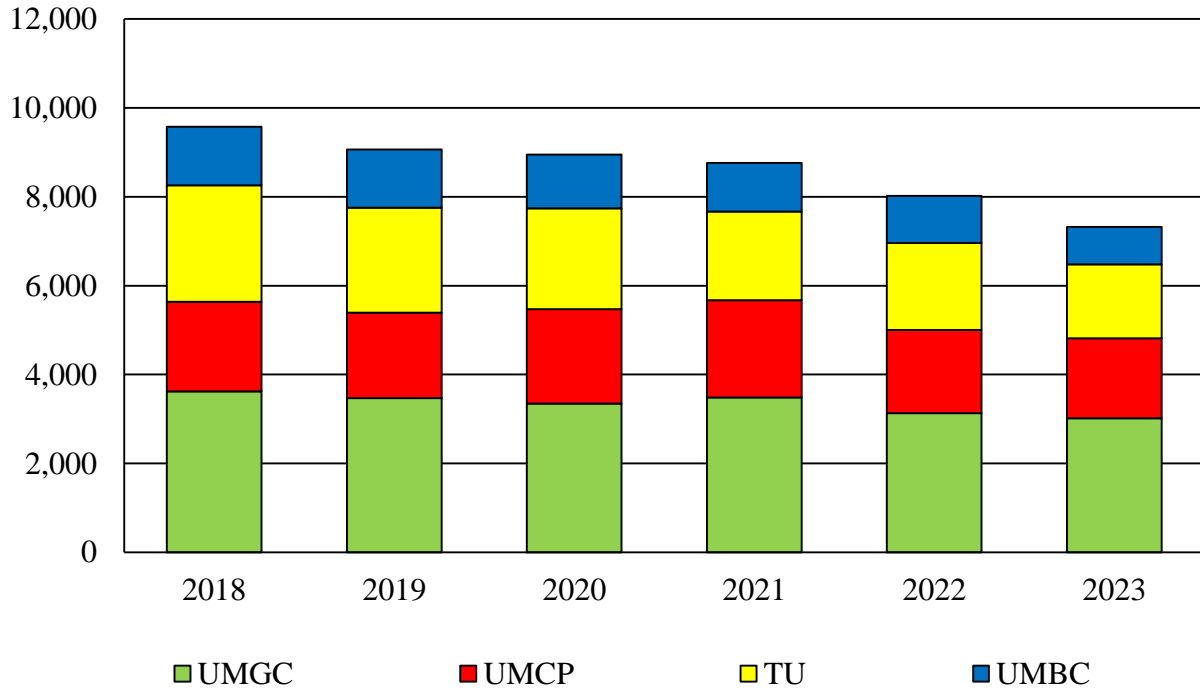


Source: University System of Maryland

In fiscal 2023, enrollments of transfers rebounded, increasing by 7.5% compared to fiscal 2022, to 35,704 students, which was primarily driven by a 14.2% (3,314 students) increase in the number of those transferring from out-of-state institutions. Of greater concern is the continual decline in the number of Maryland community college transfers, which has dropped by 25.6%, or 3,141 students, since fiscal 2018 to 9,115 students in fiscal 2023. This may in part reflect the continuing declining enrollment at the community colleges. However, with an 8.3% increase in enrollment at the community colleges in fall 2023, it is anticipated the number of transfers will increase in the coming years.

As shown in **Exhibit 3**, a majority of those transferring from a community college enroll at one of four USM institutions – the University of Maryland Global Campus; Towson University (TU); the University of Maryland, College Park Campus; and the University of Maryland Baltimore County. Community college transfers to these four institutions declined by 23.5%, or 2,250 students, from fiscal 2018 to 2023. Of these, TU experienced the greatest decline of 36.7%, or 962 students. Overall, the portion of Maryland community college transfers enrolling at one of these institutions increased from 78.1% in fiscal 2018 to 80.3% in fiscal 2023.

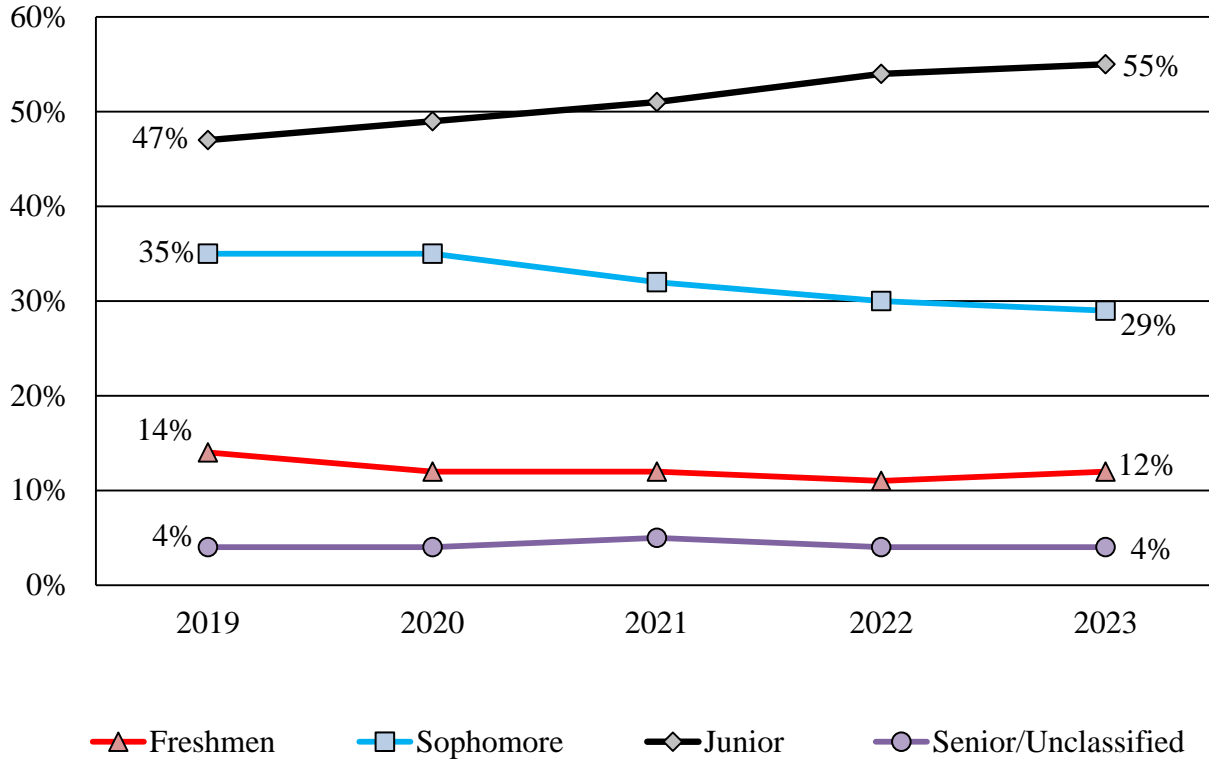
Exhibit 3
Top Receiving Institutions
Fiscal 2018-2023



Source: University System of Maryland

As shown in **Exhibit 4**, between fiscal 2019 and 2023, an increasing portion of those coming from the community colleges transferred in as a junior, increasing from 47% to 55%. Conversely, those transferring in as freshmen and sophomores have declined to 12% and 29%, respectively. This may indicate that more students may be transferring to an institution with a credential, and that more students may see attending a community college for two years as a means to obtain an affordable education.

Exhibit 4
Student Level of Community College Transfers
Fiscal 2019-2023

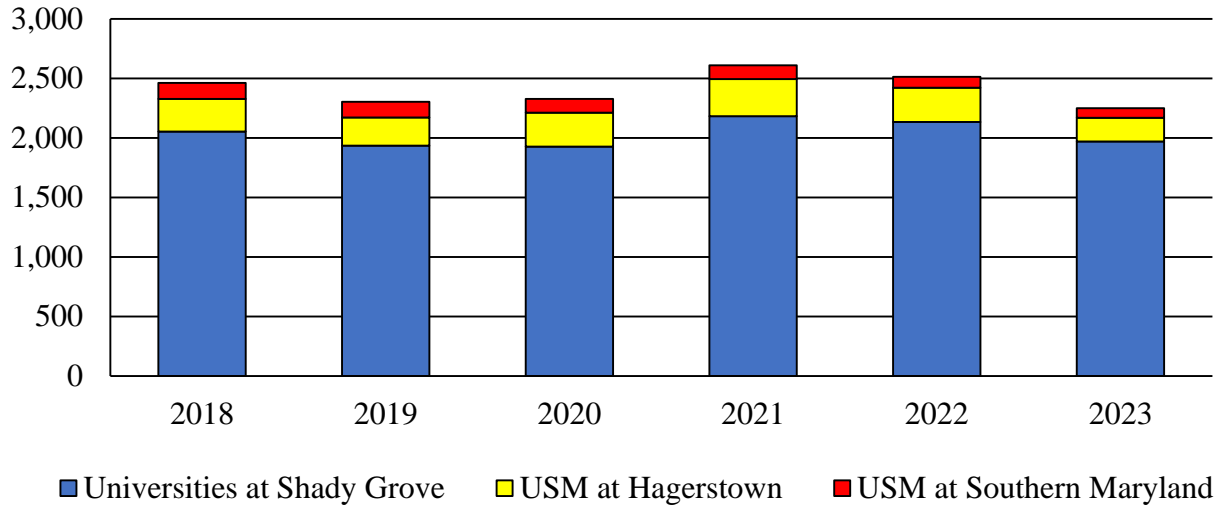


Source: University System of Maryland

2. Regional Higher Education Center Enrollment

USM provides access to its institutions through three RHECs – USG, USM at Hagerstown (USMH), and USM at Southern Maryland. As shown in **Exhibit 5**, between fiscal 2018 and 2020, the FTES enrollment across RHECs declined by 5.5%, or 135 FTES, which may be attributed to the pandemic and the challenges associated with remote learning. Enrollment rebounded in fiscal 2021, growing by 12.1%, or 281 FTES, primarily due to enrollment at growth at USG of 257 FTES, or 13.3%, related to the University of Maryland, Baltimore Campus’ medical cannabis program. (See **Appendix 1** for detailed enrollment by RHEC and institution).

**Exhibit 5
FTES Enrollment by RHEC
Fiscal 2018-2023**



FTES: full-time equivalent student
RHEC: regional higher education center

Source: University System of Maryland

In fiscal 2023, enrollment at RHECs declined by 10.5%, or 264 FTES, compared to fiscal 2022, with USG accounting for 164 FTES of the decline. Overall since fiscal 2021, enrollment at RHECs has dropped by 13.8% to 2,250 FTES in fiscal 2023. USMH experienced the largest decline during this period, 36.3%, falling to its lowest enrollment since fiscal 2018 of 198 FTES.

The Chancellor should comment on the continuing enrollment decline at RHECs and if the academic and business model needs to be reconsidered given the changing demographics of potential students and the competition for fewer students.

Fiscal 2024 Working Budget

Proposed Deficiency Appropriation

The fiscal 2025 budget includes a proposed deficiency appropriations totaling \$32.0 million across USM institutions and Morgan State University that would replace general funds with HEIF funds due to the use of higher-than-expected revenue, of which USMO's and USG's share is each approximately \$0.4 million.

Fiscal 2025 Proposed Budget

University System of Maryland Office Proposed Budget

The fiscal 2025 State funds for USMO grow by 19.7%, or \$5.0 million, over the adjusted fiscal 2024 working appropriation, as shown in **Exhibit 6**. When excluding the impact of the fiscal 2024 general salary increases in fiscal 2025 allowance, State funds grow by 16.1%, or \$4.1 million. Overall, total funds decrease by \$12.1 million, or 22.6%, reflecting a decrease of \$17.6 million of PAYGO funds. When excluding these funds, total funds increase by 15.0%, or \$5.4 million.

Exhibit 6
Proposed Budget
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>% Change</u> <u>Prior Year</u>
General Funds	\$23,272	\$23,932	\$27,906	\$3,974	16.6%
Deficiency – HEIF Swap		-411			
Total General Funds	\$23,272	\$23,520	\$27,906	\$4,385	18.6%
Special Funds					
HEIF	\$1,552	\$1,591	\$1,732	\$141	8.9%
Deficiency – HEIF Swap		411			
Total HEIF	1,552	2,002	1,732	-270	-13.5%
Adjusted State Operating Funds	\$24,824	\$25,522	\$29,638	\$4,115	16.1%
Adjustment – Fiscal 2024 COLA/Increment			\$911		
Total State Operating Funds	\$24,824	\$25,522	\$30,549	\$5,026	19.7%
Other Unrestricted Funds	\$10,384	\$8,273	\$9,457	\$1,184	14.3%
Transfer to/from Fund Balance	-5,048	448	-343		
Net Unrestricted Funds	\$30,160	\$34,243	\$39,663	\$5,420	15.8%
State Special Funds PAYGO	\$291,980	\$17,562			
Restricted Funds	642	2,000	\$2,000		
Total Restricted Funds	\$292,622	\$19,562	\$2,000	-\$17,562	-89.8%
Total Funds	\$322,782	\$53,805	\$41,663	-\$12,142	-22.6%
Total Funds Excluding PAYGO	\$30,802	\$36,243	\$41,663	\$5,420	15.0%

COLA: cost-of-living adjustment

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 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 institution’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 in institution’s budget.

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

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The fiscal 2025 allowance provides \$4.0 million as mandated in Chapter 683 for USMO to allocate to the institution(s) with the lowest estimated funding guideline attainment in 2021 to increase their estimated attainment level to 68%. The fiscal 2025 allowance also provides \$0.4 million allocated for various statewide costs. These increases are partly offset by a decrease of \$0.6 million due to an increase in the turnover rate to 6.0%.

Universities at Shady Grove Proposed Budget

As shown in **Exhibit 7**, State funds for USG in fiscal 2025 decreases by 14.7%, or \$4.4 million, compared to the fiscal 2024 working appropriation after accounting for the proposed deficiency appropriation. When excluding the impact of the fiscal 2024 general salary increases in the fiscal 2025 allowance, total State funds decrease by 16.5%, or \$5.0 million, in fiscal 2025. Total funds in the fiscal 2025 allowance declines by 11.9%, or \$4.5 million, to \$33.0 million.

Exhibit 7
Proposed Budget
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>% Change</u> <u>Prior Year</u>
Expenditures					
Salaries and Wages	\$11,781	\$12,589	\$12,991	\$402	3.2%
Operating Expenses	19,637	24,842	19,983	-4,859	-19.6%
Total Operating Expenses	\$31,418	\$37,431	\$32,974	-\$4,457	-11.9%
State Supported Revenues					
General Funds	\$23,245	\$28,563	\$23,439	-\$5,124	-17.9%
Deficiency – HEIF Swap		-406			
HEIF	6,531	1,569	1,709	139	8.9%
Deficiency – HEIF Swap		406			
DPA Legislative Priorities (Restricted)	1,251				
Adjusted State Funds	\$31,027	\$30,132	\$25,147	-\$4,985	-16.5%
Adjustment – Fiscal 2024 General Salary Increases			\$557		
Total State Operating Funds	\$31,027	\$30,132	\$25,704	-\$4,428	-14.7%
Auxiliary	\$688	\$792	\$1,025		
Student Fees	1,709	1,641	1,706		
Other	4,818	3,363	3,895		
Transfer to/from Fund Balance	-8,564	-346	-356		
Total Unrestricted Funds	\$28,426	\$35,581	\$31,974	-\$3,607	-10.1%
Other Restricted State Funds	\$1,741	\$1,850	\$1,000		
Total Restricted Funds	\$2,992	\$1,850	\$1,000	-\$850	-45.9%
Total Funds	\$31,418	\$37,431	\$32,974	-\$4,457	-11.9%

DPA: Dedicated Purpose Account
HEIF: Higher Education Investment Fund

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 institution'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 in institution's budget.

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

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The fiscal 2025 allowance provides \$0.1 million for various statewide costs. The primary cause of the decrease in State funds is the one-time funding of \$5.0 million provided in fiscal 2024 as mandated by Chapter 623 for workforce development initiatives. In addition, the fiscal 2025 allowance decreases by \$0.2 million related to adjusting the turnover rate to 6.0%.

Personnel Data

	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Working</u>	<u>FY 25</u> <u>Allowance</u>	<u>FY 24-25</u> <u>Change</u>
Regular Positions	197.00	210.00	210.00	0.00
Contractual FTEs	<u>20.00</u>	<u>19.00</u>	<u>19.00</u>	<u>0.00</u>
Total Personnel	217.00	229.00	229.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	13.13	6.25%
Positions and Percentage Vacant as of 12/31/23	33.00	15.71%
Vacancies Above Turnover	19.87	

- The fiscal 2025 allowance does not provide for any new regular positions. However, USM institutions have personnel autonomy and may create or eliminate positions during the fiscal year. In fiscal 2024 year to date, USG added 5 State-supported positions of which 1 was a contractual full-time equivalent (FTE) that was converted to a regular position. USMO added 8 State-supported positions, which include 1 contractual FTE that was converted to a regular position.

Operating Budget Recommended Actions

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

**Appendix 1
USM RHEC
FTES Enrollment
Fiscal 2018-2023**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	Change 2023-2022	
							<u>FTES</u>	<u>%</u>
USG								
BSU	16.1	6.1	5.1	2.3	14.9	17.9	3.0	20.1%
SU	34.6	27.8	25.1	19.2	29.3	24.5	-4.8	-16.4%
TU	100.9	98.8	104.2	120.2	121.2	126.6	5.4	4.5%
UBalt	88.4	81.1	55.2	43.5	29.3	35.1	5.8	19.8%
UMB	567.7	544.5	604.9	772.5	791.1	758.5	-32.6	-4.1%
UMBC	365.6	363.8	371.9	391.5	377.3	351.3	-26.0	-6.9%
UMCP	630.0	597.3	590.0	683.2	650.7	578.6	-72.1	-11.1%
UMES	57.2	54.6	40.4	25.2	14.4	8.2	-6.2	-43.1%
UMGC	194.7	160.7	130.5	126.2	106.3	69.6	-36.7	-34.5%
Total	2,055.2	1,934.7	1,927.3	2,183.8	2,134.5	1,970.3	-164.2	-7.7%
USMH								
FSU	148.1	129.5	179.9	207.3	195.9	139.4	-56.5	-28.8%
CSU	1.5	0.8	-	-	-	-	-	-
SU	55.8	66.0	73.1	62.5	61.1	44.8	-16.3	-26.7%
TU	57.3	36.3	31.4	36.2	24.7	13.0	-11.7	-47.4%
UMES		-		1.8	1.5	-	-1.5	-100.0%
UMGC	10.3	5.4	2.1	3.1	4.4	0.90	-3.5	-79.5%
Total	273.0	238.0	286.5	310.9	287.6	198.1	-89.5	-31.1%
USMSM								
BSU	5.8	5.3	6.3	5.1	0.8	1.8	1.0	125.0%
SU	22.0	26.6	19.6	19.9	21.8	16.0	-5.8	-26.6%
TU	43.9	44.4	41.1	60.4	44.6	29.0	-15.6	-35.0%
UMGC	38.0	27.4	26.5	15.4	9.7	13.1	3.4	35.1%
UMCP	25.9	28.2	21.7	14.3	15.0	21.3	6.3	42.0%
Total	135.6	131.9	115.2	115.1	91.9	81.2	-10.7	-11.6%

Appendix 2
Object/Fund Difference Report
University System of Maryland Office

<u>Object/Fund</u>	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Working</u> <u>Appropriation</u>	<u>FY 25</u> <u>Allowance</u>	<u>FY 24 - FY 25</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	197.00	210.00	210.00	0.00	0%
02 Contractual	20.00	19.00	19.00	0.00	0%
Total Positions	217.00	229.00	229.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 32,172,533	\$ 33,843,072	\$ 35,546,414	\$ 1,703,342	5.0%
02 Technical and Special Fees	212,219	82,693	72,072	-10,621	-12.8%
03 Communication	419,976	692,473	706,991	14,518	2.1%
04 Travel	260,514	303,562	359,569	56,007	18.4%
06 Fuel and Utilities	1,517,248	1,826,000	1,751,000	-75,000	-4.1%
07 Motor Vehicles	7,361	24,140	8,553	-15,587	-64.6%
08 Contractual Services	9,617,484	11,449,290	14,185,804	2,736,514	23.9%
09 Supplies and Materials	845,248	2,812,496	831,349	-1,981,147	-70.4%
10 Equipment – Replacement	0	262,028	0	-262,028	-100.0%
11 Equipment – Additional	127,276	88,112	57,192	-30,920	-35.1%
12 Grants, Subsidies, and Contributions	6,383,711	14,150,449	12,980,204	-1,170,245	-8.3%
13 Fixed Charges	299,793,816	6,902,585	7,438,142	535,557	7.8%
14 Land and Structures	2,842,314	18,799,303	699,984	-18,099,319	-96.3%
Total Objects	\$ 354,199,700	\$ 91,236,203	\$ 74,637,274	-\$ 16,598,929	-18.2%
Funds					
40 Unrestricted Fund	\$ 58,586,155	\$ 69,824,203	\$ 71,637,274	\$ 1,813,071	2.6%
43 Restricted Fund	295,613,545	21,412,000	3,000,000	-18,412,000	-86.0%
Total Funds	\$ 354,199,700	\$ 91,236,203	\$ 74,637,274	-\$ 16,598,929	-18.2%

Note: The fiscal 2024 appropriation does not include deficiencies. The fiscal 2025 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management. Includes USG.

Appendix 3
Fiscal Summary
University System of Maryland Office

<u>Program/Unit</u>	<u>FY 23</u> <u>Actual</u>	<u>FY 24</u> <u>Wrk Approp</u>	<u>FY 25</u> <u>Allowance</u>	<u>Change</u>	<u>FY 24 - FY 25</u> <u>% Change</u>
04 Academic Support (USMO)	\$ 6,304,580	\$ 7,912,174	\$ 7,959,151	\$ 46,977	0.6%
06 Institutional Support (USMO)	316,477,051	45,892,690	33,703,629	-12,189,061	-26.6%
01 Instruction (USG)	515,670	0	0	0	0%
03 Public Service (USG)	273,932	0	0	0	0%
04 Academic Support (USG)	11,809,352	37,431,339	13,988,293	-23,443,046	-62.6%
05 Student Services (USG)	4,053,521	0	3,130,449	3,130,449	0%
06 Institutional Support (USG)	13,147,551	0	14,223,786	14,223,786	0%
08 Auxiliary Enterprise (USG)	676,024	0	631,966	631,966	0%
17 Scholarships and Fellowships (USG)	942,019	0	1,000,000	1,000,000	0%
Total Expenditures	\$ 354,199,700	\$ 91,236,203	\$ 74,637,274	-\$ 16,598,929	-18.2%
Unrestricted Fund	\$ 58,586,155	\$ 69,824,203	\$ 71,637,274	\$ 1,813,071	2.6%
Restricted Fund	295,613,545	21,412,000	3,000,000	-18,412,000	-86.0%
Total Appropriations	\$ 354,199,700	\$ 91,236,203	\$ 74,637,274	-\$ 16,598,929	-18.2%

Note: The fiscal 2024 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2025 allowance does not include contingent reductions or cost-of-living adjustments.