

University System of Maryland FY 2020 Budget Testimony

Chancellor Robert Caret



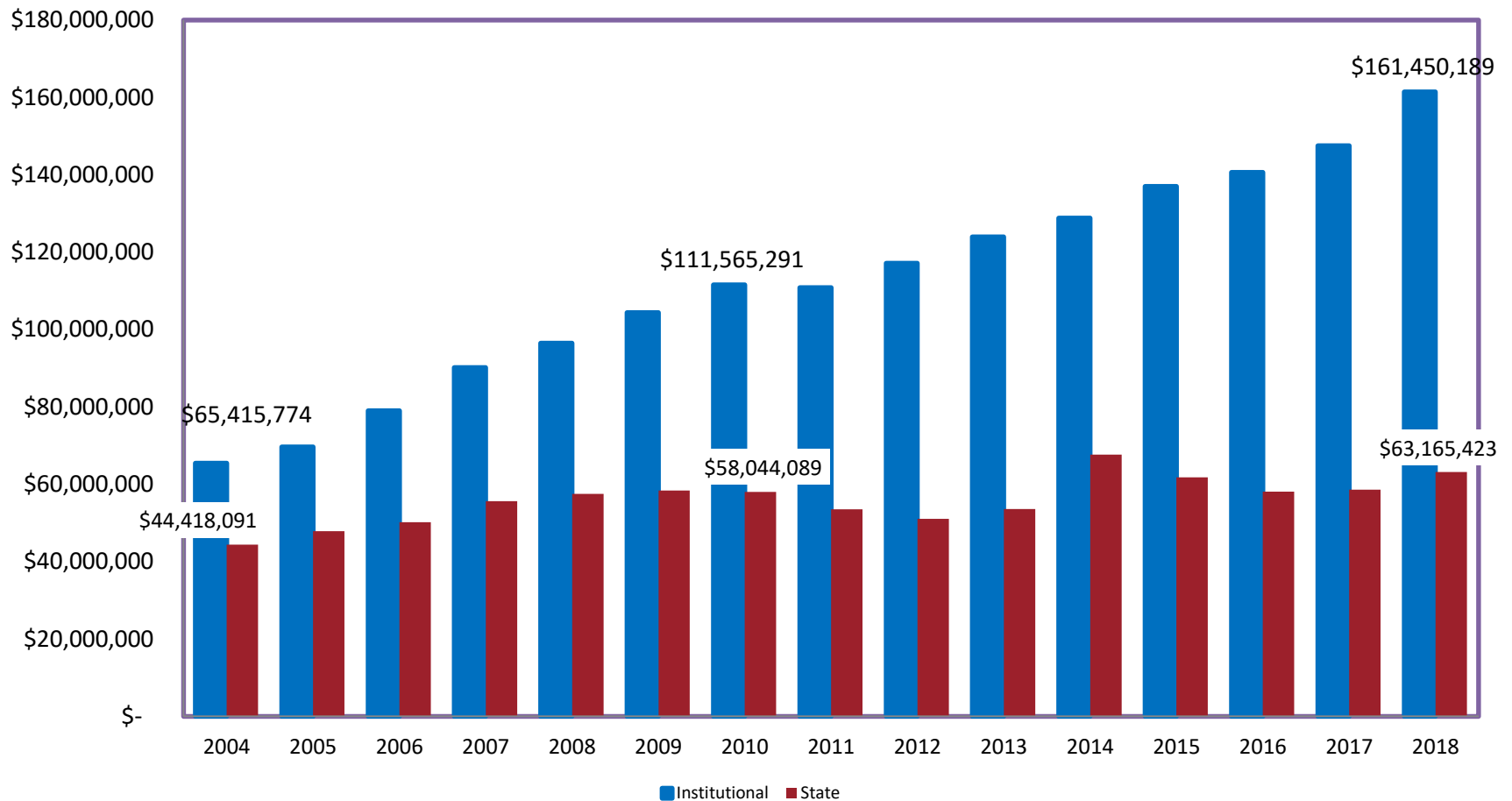
USM: FY 2020 Budget Overview

- Governor's Proposal:
 - \$1.5 billion / General Fund and Higher Education Investment Fund
 - An increase of \$110 million—or 8 percent—over the FY 2019 appropriation
- Will again enable the USM to limit our tuition increase:
 - 2 percent for in-state, undergraduate students
- Highlights of USM's Budget Increase:
 - \$78 million—**70 percent**—to statewide salary and fringe benefit increases
 - \$20 million to support year two of the USM's Workforce Development Initiative
 - 3-year plan to generate an additional 3,000 degrees/certificates per year
 - Targeting Maryland's key workforce needs (Cyber, Healthcare, Robotics, AI, etc.)
 - \$6 million to fund operating expenses for new USM facilities
 - \$6 million to honor commitments incorporated into SB 1052
 - UMBC & Towson / progress toward the state-established funding guidelines
 - University of Maryland Center for Economic and Entrepreneurship at UMCP
 - \$5 million to support faculty enhancements and student success at UMBC

USM: Who We Are

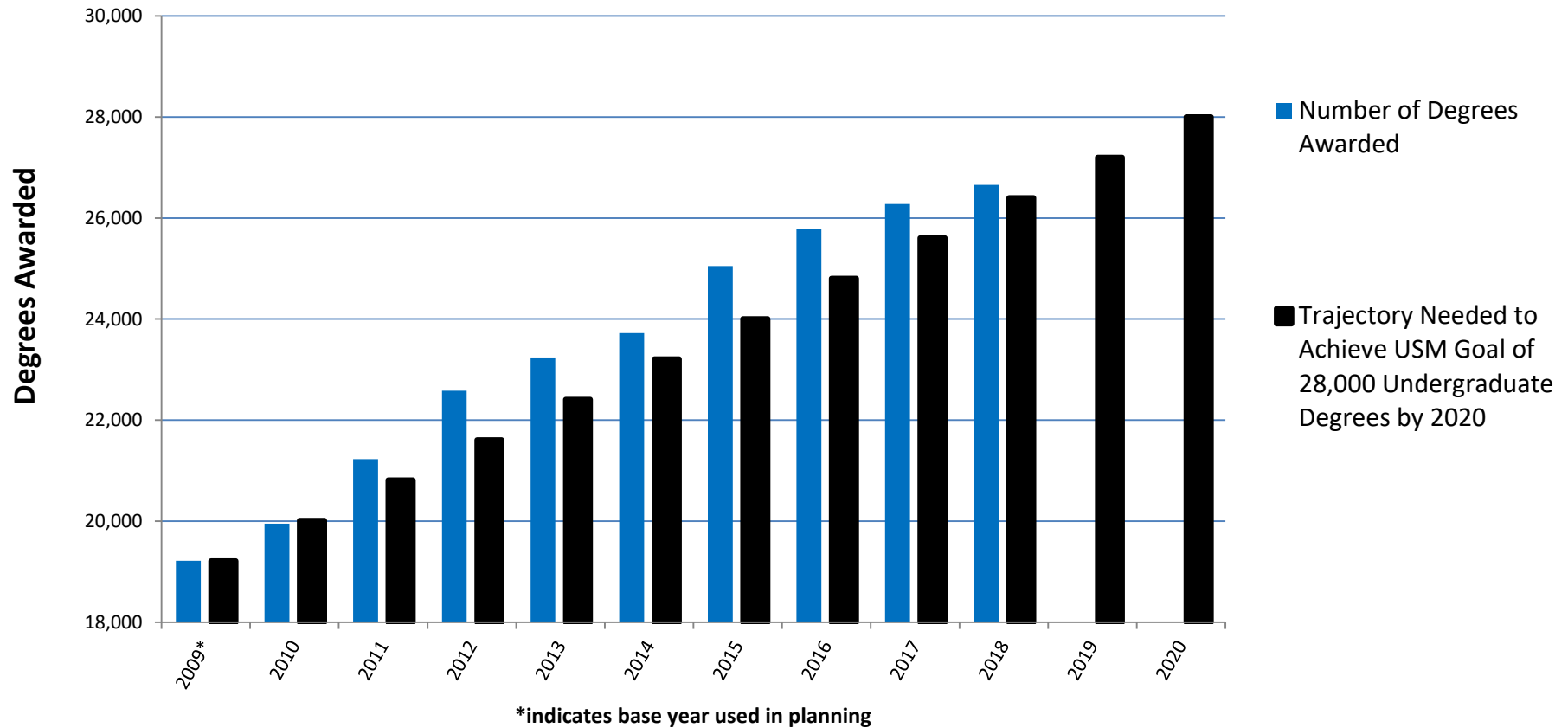
- 176,000 Students / 12 Institutions / 2 Regional Centers
 - USM's Average Second-Year Retention Rate: 86 Percent
 - USM's Average Six-Year Graduation Rate: 71 Percent (Record High)
 - Last year: More than 50,000 New Undergraduate Students at USM Institutions
 - 16,000 First-Time, Full-Time Freshmen
 - 37,000 New Transfer Students
 - 12,000 From Maryland Community Colleges
 - 25,000 From Colleges and Universities / Nationally and Worldwide
- 42,000 Degrees Awarded Every Year And Growing
 - Approximately 80 Percent of all Bachelor's Degrees Awarded in Maryland
 - Approximately 80 Percent of all STEM Degrees Awarded in Maryland
 - 80 Percent of Students from Maryland
 - Vast Majority Stay in the Area / More than 500,000 USM Alumni in Maryland
- More Than Two Million Hours Of Community Service Annually

USM Aid to Students Has Steadily Increased While State Aid Has Held Steady



Degree Production on Track

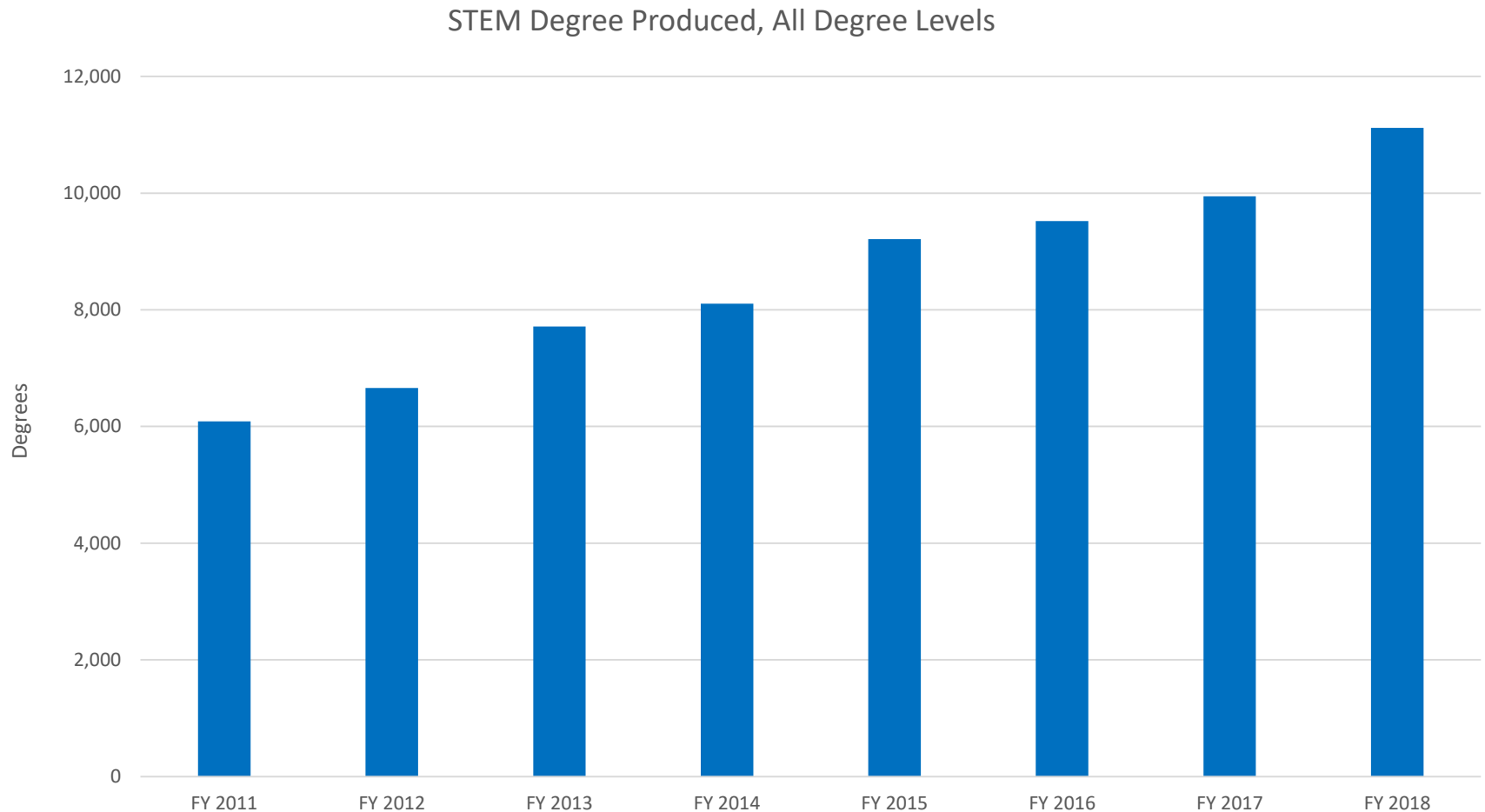
Annual Undergraduate Degrees Produced by USM



USM: What We Do

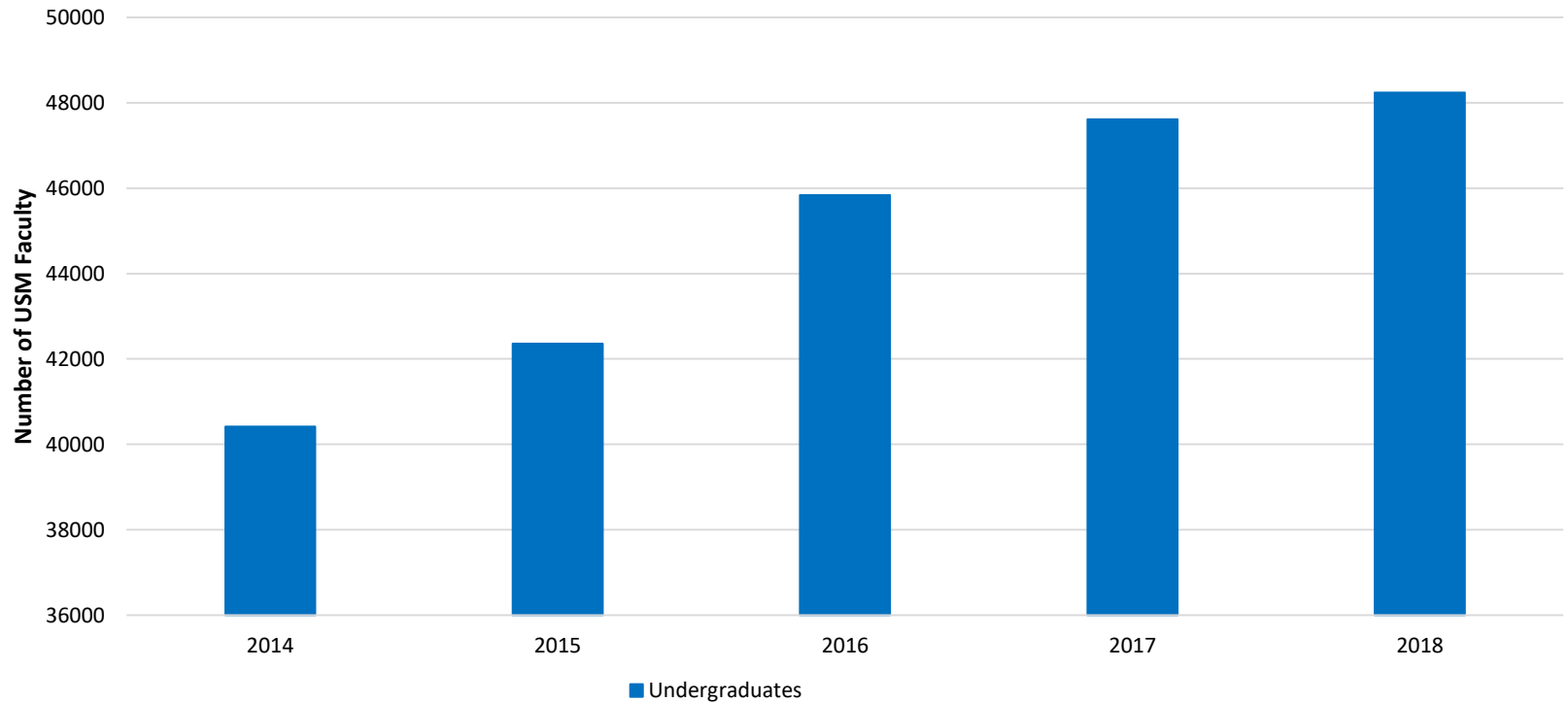
- Research, Innovation, Job Creation
 - More than \$1.4 Billion in External Grants and Contracts Annually
 - As a Single Entity, USM Ranks 9th in Federal R&D Funding Nationally
 - A Record \$400 Million in Private Philanthropy Last Year
 - Over \$2 Billion Raised During USM's Most Recent Federated Campaign
 - 92 Patents Issues to USM Last Year (The Most Ever in a Single Year)
 - 3 Research Parks Supporting 275 Tenants And 9,800 Jobs
 - 10 Business Incubator/Co-Working Facilities with 174 Corporate Tenants
 - 610 New Companies Created/Facilitated (Since 2011)
- Maryland Momentum Fund - USM as Equity Investor
 - 4 Investments Totaling \$1 Million / Matched by Over \$2 million
- Workforce Development
 - More than 11,000 STEM Degrees Annually
 - Almost 3,700 Healthcare Degrees Annually
 - 70 Percent of Teacher Candidates Graduating in Maryland / More than 2,000
 - USM-State Workforce Development Initiative
 - Multi-Year, \$33 Million Partnership / 3,000 New STEM Grads Per Year

USM STEM Production Up 82 Percent Since 2011



USM Is Increasing Student Diversity

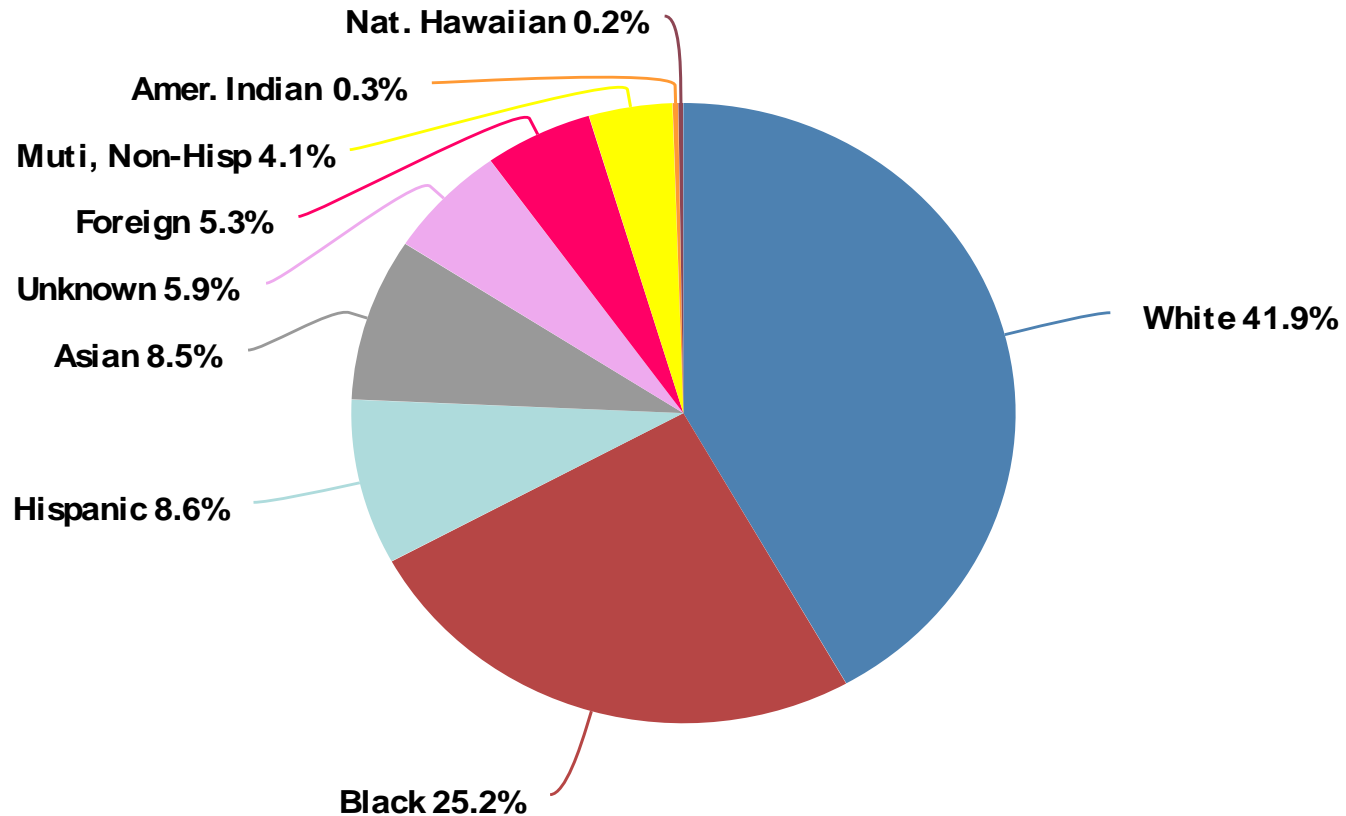
Undergraduate Enrollment of Underrepresented Minority Students



Underrepresented Minority includes the following races and ethnicities:
African-American/Black, Hispanic, American Indian, and Native Hawaiian.

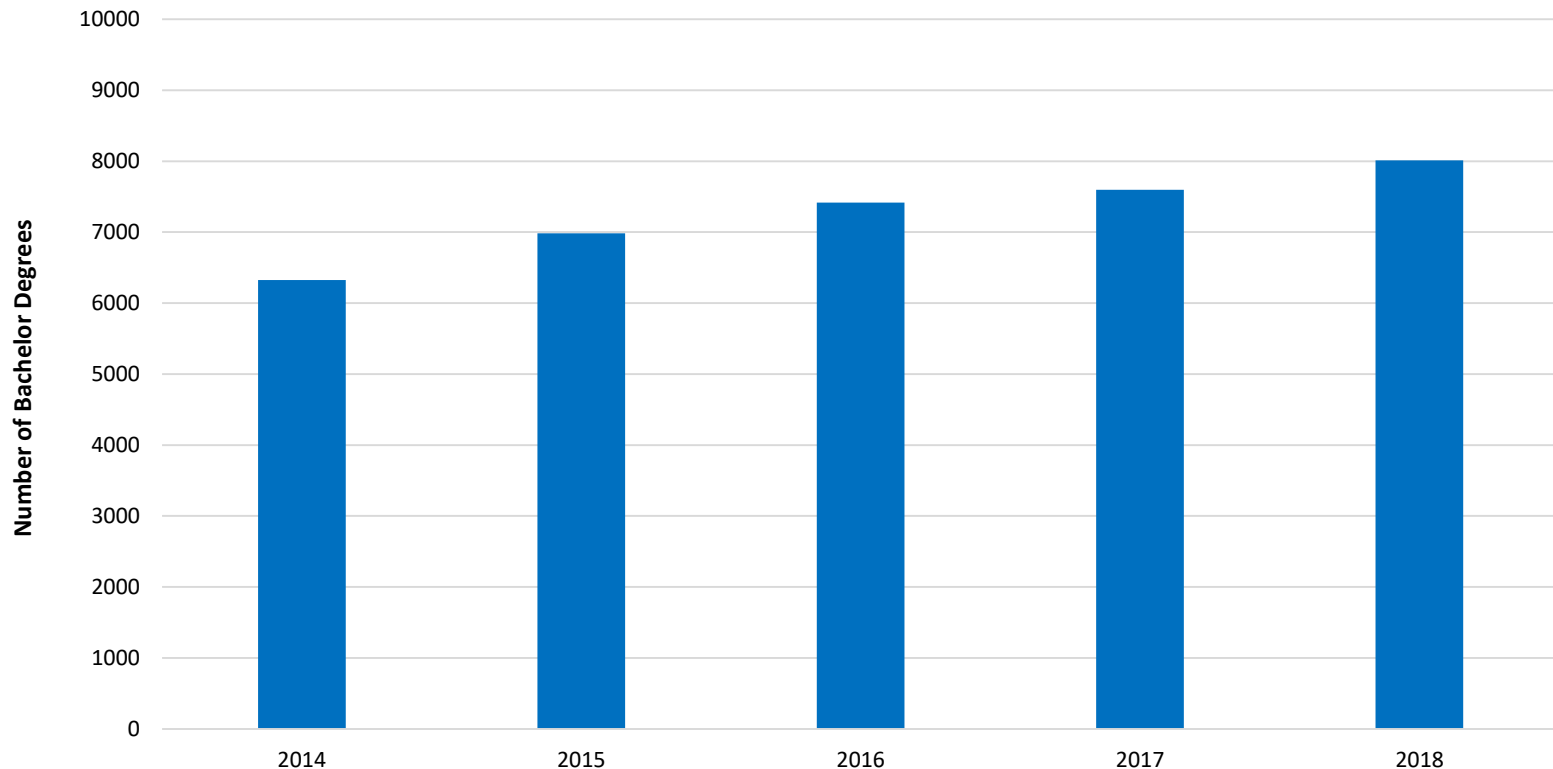
Ethnicity of Enrolled Students

University System of Maryland - Fall 2018



USM is Increasing Minority Student Success

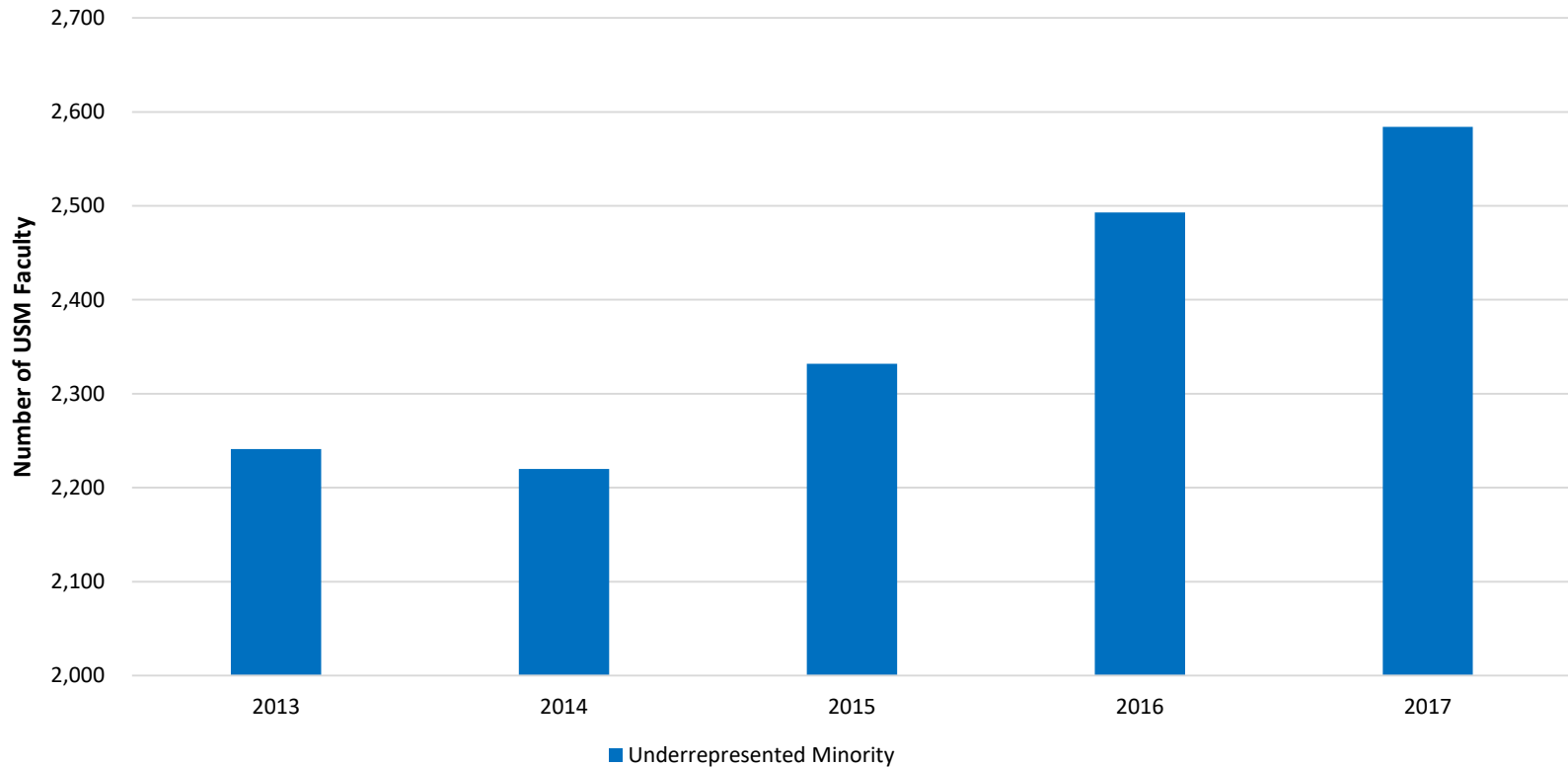
Baccalaureate Degrees Awarded to Underrepresented Minority Students



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USM Is Increasing Faculty Diversity

Minority Faculty Traditionally Underrepresented In Higher Education



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Monday, February 4, 2019
University System of Maryland FY 2020 Budget Testimony
Maryland Senate Budget and Taxation
Subcommittee on Education, Business and Administration
USM Chancellor Robert L. Caret

Chairman Ferguson and members of the Committee . . . thank you for the opportunity to testify on the Governor's FY 2020 budget recommendations for the University System of Maryland (USM). I want to thank all of you as well for the tremendous support you have shown to higher education and the USM over the years. I would also like to note how gratifying it is to see former USM Student Regent—and newly elected State Senator—Sarah Elfreth serving as a member of this committee.

Today I intend to keep my testimony brief, touching on just a few key points before turning to the questions and issues raised by the legislative analysts. My remarks will touch on four broad areas – the Governor's budget recommendations; USM's successes in providing accessible, affordable and excellent higher education options for Maryland students; our focus on helping develop the state's economy and workforce; and our commitment to ensuring that our institutions are more diverse and inclusive than ever before.

First—and most importantly—on behalf of the USM, I express my support for Governor Hogan's FY 2020 budget proposal.

In brief, the Governor has proposed state support for the USM of \$1.5 billion, coming from the General Fund and the Higher Education Investment Fund. This represents an increase of \$110 million—or 8 percent—over the revised FY 2019 appropriation. It should be noted, however, that the vast majority of this increase—\$78 million or 70 percent—is targeted to the statewide salary increase and fringe benefit increases going to every state employee in every state agency. The portion of the budget increase available to the USM for enhancements is significantly smaller. Nevertheless, the USM is very much in support of the Governor's budget and encourages its adoption.

I am pleased to point out that the funding provided by the Governor's budget will once again enable the USM to limit our tuition increase to a modest 2 percent for in-state, undergraduate students. It has become an accepted fact that access to affordable higher education is more important now than ever before. Working in conjunction with our partners here in Annapolis, the USM is doing our part to advance the causes of excellence and affordability, which I will further highlight shortly.

There are a few other specific components of the increase in State funds I want to highlight:

The budget provides **\$20 million in funding to support year two of the USM's Workforce Development Initiative**. This effort addresses critical workforce shortages that limit economic growth and hamper state revenues. The Workforce Development Initiative was kicked off last year as the Governor provided \$2 million in new funding, which was leveraged with \$8.7 million in internal USM resources, for a first-year impact of more than \$10 million.

As we gear up for year two, we are on track to deliver 2,000 additional educational credentials per year, including hundreds of new STEM and healthcare degrees and certificates. In FY 2021, the final installment of \$10 million will fully fund the program and complete the plan to generate an additional 3,000 degrees per year necessary to meet Maryland's growing workforce needs. The USM is targeting growth in key degree areas in order to make sure Maryland is able to better meet workforce needs in cybersecurity, healthcare, engineering, autonomous technology, robotics, artificial intelligence, and other critical and emerging fields.

Demand for jobs by companies in the STEM disciplines of science, technology, engineering, and mathematics and the demands in the healthcare industries continue to grow. The USM is especially focused on both the cybersecurity sector and the bioscience / health science sectors. Our success has been made possible by a strong partnership between state leaders in Annapolis and the USM. We are committed to maintaining this partnership and to helping Maryland achieve its goals. I will speak to this initiative in greater depth a little later in my testimony.

The budget also includes roughly **\$6 million to fund operating expenses for new USM facilities**. As you know, with the support of leadership in Annapolis, the USM has been able to add important new academic and research capacity across the system to help strengthen Maryland's leadership in the innovation economy. Many of these new facilities support our broader efforts by targeting the STEM disciplines and the health science sectors, including Towson University's (TU) Science Complex, the Interdisciplinary Life Sciences Building at the University of Maryland, Baltimore County (UMBC), and the Biomedical Sciences and Engineering Education Facility at the Universities at Shady Grove (USG).

The budget provides another **\$6 million to honor important commitments that were incorporated into SB 1052**—the University of Maryland Strategic Partnership Act of 2016. This includes \$2 million in support for both UMBC and Towson to continue their progress toward the state-established funding guidelines. It also includes \$2 million for the University of Maryland Center for Economic and Entrepreneurship (UMCEED) at the University of Maryland, College Park (UMCP). And, of course, the core elements of SB 1052—codifying, supporting, and expanding the strategic alliance between the UMCP and the University of Maryland, Baltimore (UMB)—continues to generate successful academic and research collaborations, spur technology commercialization, and support economic growth.

One last budget item I would like to highlight is the additional **\$5 million to support faculty enhancements and student success at UMBC**. This funding will mean additional instructional capacity in high-demand programs; enhanced student success initiatives aimed at increasing degree completion and shortening time-to-degree; greater research capacity; improved and expanded student support services; and campus-wide administrative and infrastructure improvements.

The bottom line is that this budget demonstrates—once again—Maryland's commitment to higher education. It also underscores Maryland's embrace of bipartisanship, which is becoming increasingly rare in legislative bodies across the country. The fact is, the USM has forged a genuine partnership with leaders in Annapolis. This has included Governors of both parties as well as with legislators in both houses and from both sides of the aisle. It has been this support—your support—that has allowed the USM to advance our mutual priorities of providing affordable, high-quality higher education, performing ground-breaking research, meeting key workforce needs, fostering economic growth, and elevating our quality of life.

Maryland's commitment to the USM is matched by the USM's commitment to Maryland. This brings me to my next point: What the USM *does for* Maryland and what the USM *means to* Maryland.

The USM has a profound impact that reaches every region of the state, providing a wealth of resources for the benefit of businesses, communities, and—most importantly—the students we serve.

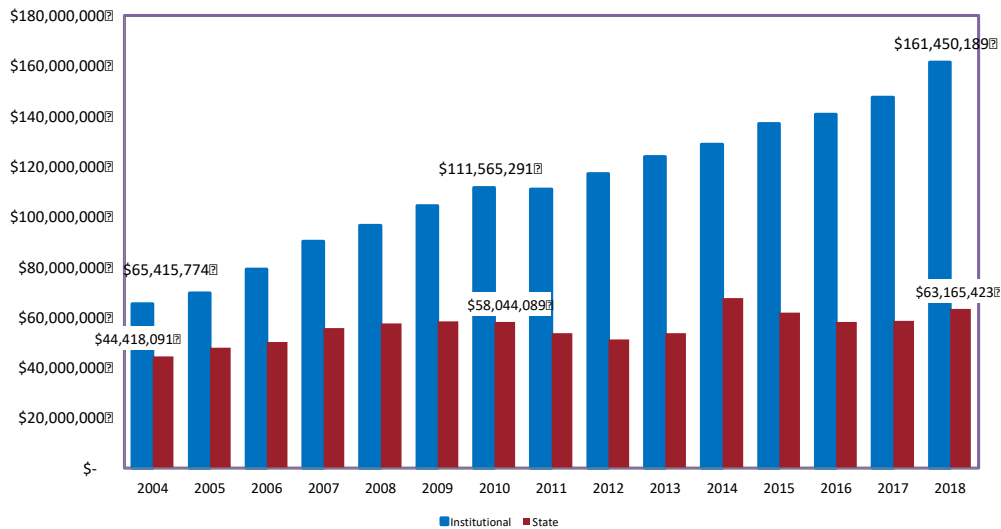
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In addition, the USM is committed to providing **affordable** access to quality higher education, with a steady focus on the ultimate goal of increased college completion. With your support, the USM has been aggressive in efforts to make tuition and fees more affordable. Not too long ago, the USM had the 6th highest tuition and fees in the nation. Today we are much closer to the middle of the pack, having dropped down to 21st.

In further support of affordability, overall undergraduate institutional financial aid—both merit-based and need-based—has increased almost 150 percent in recent years, with the need-based portion up about 200 percent. The USM's institutional commitment to increasing student aid is even more compelling when compared to similar state-based aid funding.

USM Aid to Students Has Steadily Increased While State Aid Has Held Steady

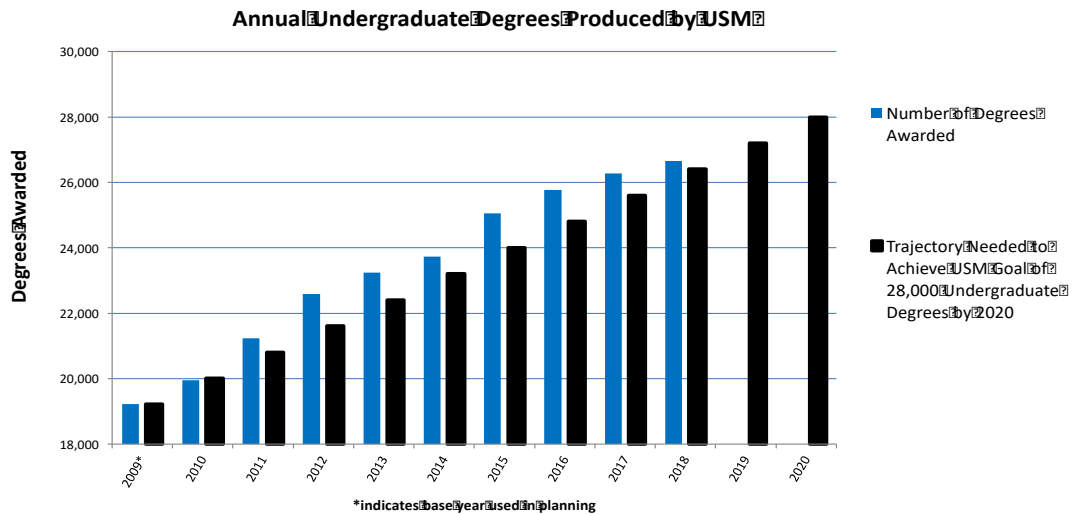


The overall effect of our efforts to keep tuition increases modest while ramping up financial aid has been significant, especially in terms of USM student debt. In fact, nearly 50 percent—almost *half*—of USM bachelor’s degree recipients graduate without debt.

And of the 50 percent of students with debt, the median total loan debt of the most recent graduates is approximately \$25,000. As I have occasionally noted in the past, this is “Ford Fusion debt,” not “Ferrari debt.” For these students, a college degree from a USM institution is a solid investment.

Our intense focus on affordability has helped the USM make significant progress helping Maryland achieve its goal of 55-percent degree completion by 2020. We are currently ahead of schedule and poised to meet that 2020 goal.

Degree Production on Track



The bottom line is that we believe the USM is an efficient, well-run organization. One of the keys to this success is the value we create from operating **as a system**. The combined impact of 12 institutions working together in support of ongoing operations, new initiatives, and innovative approaches makes a remarkable difference. Another key is your willingness to support our efforts. Let me give you a few examples.

Our Effectiveness & Efficiency (E&E) efforts targeting cost avoidance, cost savings, revenue enhancement, and strategic reallocation have accounted for nearly \$600 million dollars since 2004. Our exemplary stewardship also contributes to a systemwide bond rating—AA+ or Aa1 depending upon the rating agency—that saves the USM and our institutions millions of dollars annually compared to a less favorable rating.

Our two—soon to be three—regional education centers continue to expand, bringing in-demand degrees and programs to more Maryland students.

Our Academic Transformation efforts —directed by the Kirwan Center for Academic Innovation— lead the nation and are increasingly serving not just USM institutions, but postsecondary education across the state. A good example of this is the Maryland Open Source Textbook (M.O.S.T.) initiative, which involves all 2-year and 4-year institutions and has saved students approximately \$3.6 million in textbook costs over the last 4 years.

MPower has led directly to a stronger and more impactful relationship between UMCP and UMB, even as the two maintain their independent standings. Our developing B-Power initiative, led by the University of Baltimore in partnership with Coppin, aims to leverage USM resources to help improve educational outcomes for Baltimore City students.

All these efforts were enabled by our commitment to systemness. And, thanks in large part to this commitment to systemness, your investment in the USM generates even greater results for the state of Maryland.

The final area I would like to briefly highlight is what the funding in the Governor's proposed budget will enable the USM to do for our students and the state going forward.

The USM has "Dual Imperatives". One is providing affordable access to superior academic programs and educational opportunities. As I have outlined so far in my testimony, this budget will help the USM in our efforts to maintain affordability, improve access, and enhance quality.

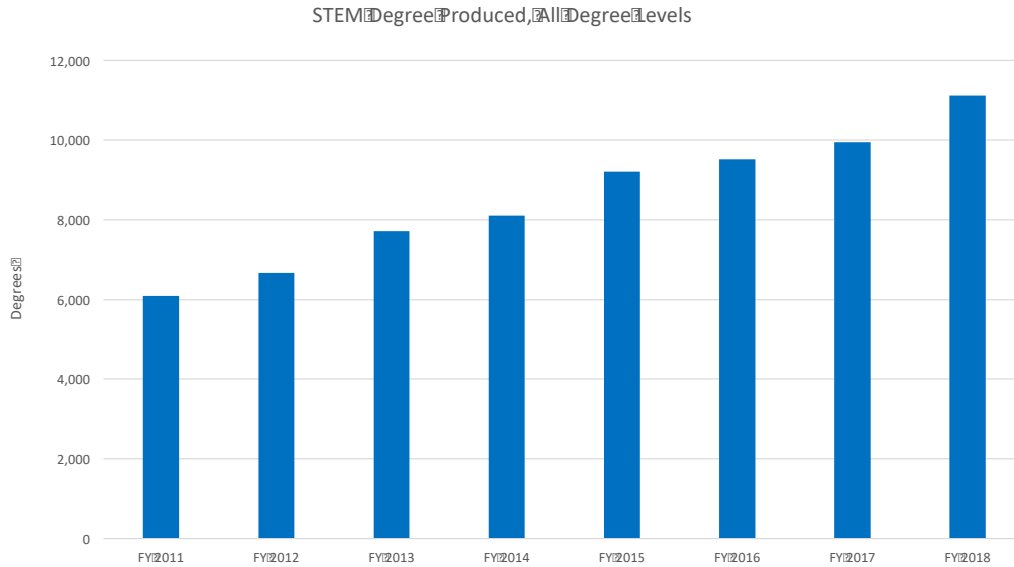
The other imperative is providing Maryland with a broad and significant economic impact. We do this through externally sponsored R&D funding of more than \$1.4 billion annually; we do this through technology transfer, commercialization, and new company formation; and we do this through direct investment in promising commercial opportunities arising from advances in research and intellectual property at USM campuses.

USM: What We Do

- Research, Innovation, Job Creation
 - More than \$1.4 Billion in External Grants and Contracts Annually
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 - USM-State Workforce Development Initiative
 - Multi-Year, \$33 Million Partnership / 3,000 New STEM Grads Per Year

Perhaps most importantly, we support Maryland's competitive leadership through increasing the number of degrees issued in high-need STEM fields. As you know, STEM education is a genuine priority in Maryland. The USM and state leaders have worked together to increase STEM degrees in recent years to position Maryland for a prosperous future.

USM STEM Production Up 82 Percent Since 2011



In addition to providing affordable, high-quality education to Maryland students, USM is increasing our focus on developing the state's economy and responding to critical workforce shortages. The need for skilled workers in several burgeoning fields – healthcare, sciences and engineering, and cybersecurity – continues to grow, globally and nationally, in our region and in our state. And while Maryland's economy is by most measures performing at a high level, employment and economic development opportunities in these high-paying fields are being left unmet.

With Northern Virginia announced as one of two locations for Amazon's H2Q, Maryland is poised to reap significant benefits. In a true win-win for the region: Maryland will benefit from Amazon while Amazon benefits from the talented workforce we help produce.

As I noted earlier, the Workforce Development Initiative—our 3-year, \$30 million workforce partnership to generate 3,000 new high-demand credentials per year—will help us compete on this front, as well as others.

The \$20 million Workforce Development Initiative funding in the Governor's budget will result in increased enrollment in critical targeted programs and aid in statewide economic development.

Some of the key elements of the FY 2020 Workforce Development Initiative funding include:

- \$1.8 million to UMB, the lead institution in the Statewide Physician Assistant Partnership.
- \$1 million divided between the University of Maryland Eastern Shore, Frostburg State University, and the University System of Maryland at Hagerstown, institutions that—along with UMB, are developing physician assistant programs to serve the entire state.
- \$4.2 million to UMCP, the most significant portion to support more computer science majors.
- \$500,000 to Bowie State University in support of cybersecurity and other efforts.
- \$500,000 to Coppin State University for data science and enterprise resource planning.
- \$1.6 million to Towson University to expand its nursing and teacher education efforts on the main campus, as well as health, cyber, and environmental science initiatives at TU Northeast.
- \$500,000 to the University of Baltimore, most of which will be used to develop Cybersecurity Management programs.
- \$800,000 to Salisbury University for expanding programs in information & decision science, social work, and community health
- \$1.5 million to UMBC to expand high demand STEM degree programs.
- And the expansion of a number of programs at USG, including UMB's dental program, a variety of UMCP engineering programs, Bowie's psychology program, computer science and engineering programs from UMBC, Salisbury's applied health, and others.

All-in-all, of the \$20 million in support, just under \$14 million is targeted directly to our campuses, just under \$5 million goes to USG, and \$1.25 million will go to USMH and the Southern Maryland Higher Education Center.

As I noted, the USM has increased STEM degree production by more than 80 percent since 2011. We have a strong hand, but we cannot rest. If we continue to make higher education a genuine priority, and continue to focus on our mutual priorities of college completion and economic competitiveness, we can position Maryland as an economic powerhouse and a leader in the global innovation economy.

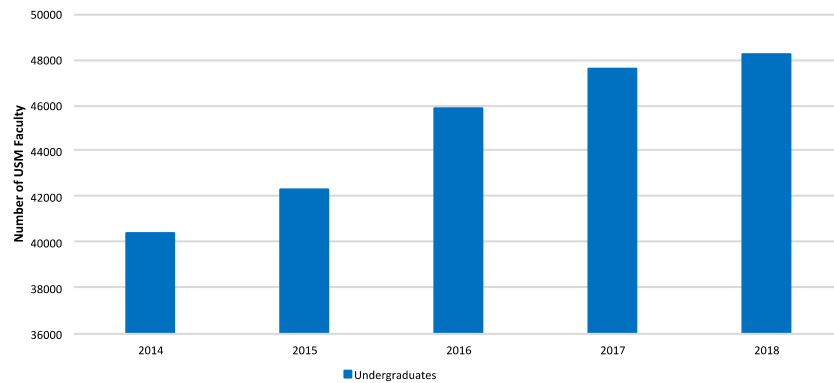
We look forward to working with the Governor and the General Assembly to continue serving the economic and educational needs of the people of Maryland.

Before turning to the issues raised by the legislative analysts, I want to take a moment to highlight progress we are making in support of our strategic goal to advance equity, diversity, and inclusion throughout the USM.

We adopted new targets to reflect the rich diversity of USM's students, staff, and faculty . . . and to ensure that all are more fully included, regardless of race or ethnicity, creed, national origin, gender, gender identity, economic circumstances, or disability. We set specific goals to increase the number of bachelor's degrees, and the number of STEM degrees, awarded to underrepresented minority students. And we pledged to work to increase the number of underrepresented minority students, staff, and faculty at USM institutions.

USM Is Increasing Student Diversity

Undergraduate Enrollment of Underrepresented Minority Students



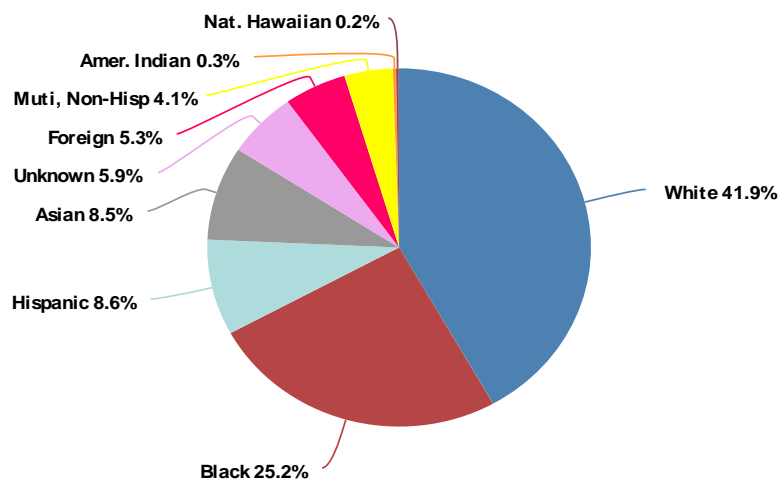
Underrepresented Minority includes the following races and ethnicities:
African-American/Black, Hispanic, American Indian, and Native Hawaiian.

Over the last five years, undergraduate students from underrepresented minority groups have increased in both total numbers—from just over 40,000 to more than 48,000—and as a proportion of the student population—from just over 32 percent to almost 36 percent. USM's total underrepresented minorities, both undergraduate and graduate, stands at 34.4 percent of the total student population.

When classes began this fall, USM's undergraduate population looked more diverse than ever before:

Ethnicity of Enrolled Students

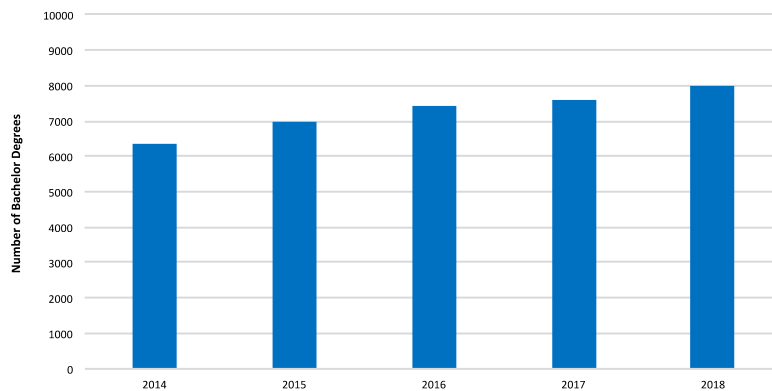
University System of Maryland - Fall 2018



USM Institutional Research Information System

Along with this increase in underrepresented minority enrollment, we are seeing a similar increase in the graduation rates for these populations. From 2014 to 2018, underrepresented minority enrollment increased by 19 percent and bachelor degrees awarded to underrepresented minority students rose 26 percent.

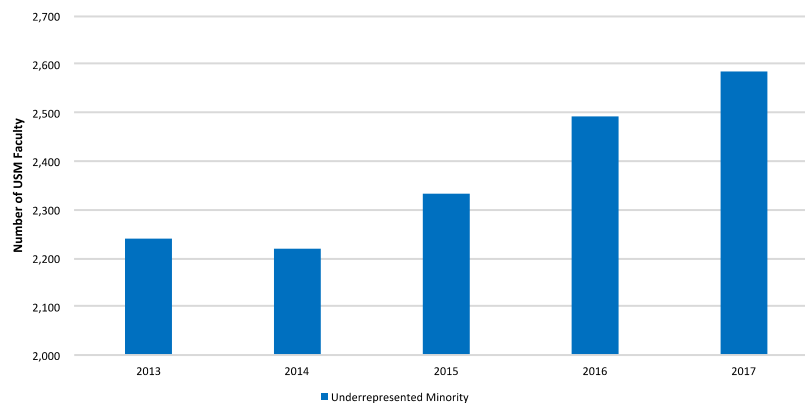
USM is Increasing Minority Student Success Baccalaureate Degrees Awarded to Underrepresented Minority Students



Underrepresented Minority includes the following races and ethnicities:
African-American/Black, Hispanic, American Indian, and Native Hawaiian.

And a similar trend can be seen in our efforts to diversify the faculty.

USM Is Increasing Faculty Diversity Minority Faculty Traditionally Underrepresented In Higher Education



Underrepresented Minority includes the following races and ethnicities:
African-American/Black, Hispanic, American Indian, and Native Hawaiian.

I must note, however, that while we have made progress, we still have considerable work to do, particularly with regard to faculty diversity.

To achieve that goal, we must come at it from every angle. We need to look at the “supply” side, and work to increase the number of minority candidates on the path toward university faculty positions. We must look at the “demand” side, and intensify, broaden, and expand recruitment and retention efforts for faculty. And we must recognize—and internalize—the importance of this goal and effort.

Just as the USM is committed to making higher education accessible and affordable, and just as we are committed to fueling Maryland’s economy and addressing key workforce development needs, so too are we committed to making our institutions more fully representative and inclusive.

Our momentum in all these areas—and others—has been growing stronger over the years. I am confident that with your support, our work together will continue to benefit Maryland in the years to come.

Turning to the recommendations made—and issues raised—by the Department of Legislative Services . . .

Recommendations

1. Reduce the University System of Maryland by \$10,000,000 (pages 20-23).

USM Response:

The USM opposes this recommendation.

USM respectfully disagrees with the analyst’s analysis Exhibit 14 on page 22. This analysis includes University of Maryland University College’s tuition revenue increase but does not include the expenses these revenues will offset. After adjusting the revenues and expenditures for UMUC, the USM would be in a **deficit** position of **minus (\$13M)** instead of the \$12.9 million plus shown in the analysis. Also, the analysis appears to assume that tuition and fee revenues are fungible and University College’s tuition revenue is available to fund other institution’s expenses and/or initiatives. This is not the case.

The USM urges the committees to reject the recommended reduction. This cut would put the Workforce Development Initiative and its related state economic benefit at risk. As the state’s public system of higher education, representing 12 institutions and several regional centers, the University System of Maryland (USM) is a major factor in supporting Maryland’s economic development needs. In short, we provide students the education they need to fill new and existing jobs. In doing so, we also grow Maryland’s tax base, generating new revenues to fund needs from infrastructure to health care.

FY 2020 represents year two of the initiative with \$20 million of funding provided in the Current Services Budget. With this funding, we are on track to deliver 2,000 STEM and healthcare degrees and certificates that are critical to the state’s economy. A reduction of this magnitude will put the System’s ability to accomplish the goals of the Workforce Development Initiative and related degree production at risk.

Demand for jobs by companies in the STEM disciplines of science, technology, engineering, and mathematics and the demands in the healthcare industries continue to grow. The USM is especially focused on both the cybersecurity sector and the bioscience / health science sectors. Our success has been made possible by a strong partnership between state leaders in Annapolis and the USM. We are committed to maintaining this partnership and to helping Maryland achieve its goals

This recommendation also puts at risk the \$5 million allocated to UMBC for faculty and student success initiatives. UMBC has been historically underfunded when compared to other research institutions (e.g. Morgan State University). UMBC ranks among the top 10 research campuses nationally in producing undergraduate computing degrees, along with Carnegie Mellon, University of Washington, Penn State, and George Mason. The undergraduate STEM enrollment increased 53 percent from FY 2008 to FY 2017 and Engineering & IT enrollment increased 61 percent during that time, creating significant pressure on course availability and time to degree.

Without this support:

- Required courses cannot be offered with enough frequency.
- Talented faculty and administrators leave for major salary increases at other institutions.
- Ability to raise external support through research grants and fundraising constrained by resources available to support this work.

The \$5 million increase targeted to UMBC for faculty and other student success initiatives is important not only to the campus but statewide economic development.

Background Context

University College:

The projections provided in UMUC's FY 2020 Allowance included a total increase of \$28.7 million of Tuition & Fee revenue primarily comprised of \$19.4 million of revenue associated with the National Marketing Campaign. These revenues will be directed in part to pay for the campaign and offset any institutional annual operational losses. The National Marketing campaign costs for FY 2020 are estimated at \$33.3 million, costs that are excluded from the analysis. The campaign costs will be funded by \$19.4 million in tuition revenue and \$13.9 million from fund balance.

Fund Balance:

It should be noted that the USM Fund Balance is an accumulation of individual universities operations that have been set aside for purposes of maintaining the bond rating as well as institutional initiatives that historically have not been funded by the state. These funds are not fungible across campuses and cannot be used to offset expenses at one university with funds from another university as the analysis appears to assume.

Included in the justification of the recommended reduction is the System's point in time reserves to debt ratio. The analysis does not include two key points:

- (1) A significant portion of the projected increase is related to USM institutions with deficit balances in state-supported fund balances making progress in eliminating those deficits.
- (2) a considerable part of the increase in unrestricted fund balances is attributable to self-support activities and balances. The implication of this DLS recommendation would be effectively mandating that self-support activities begin to finance and support state-supported activities. Mingling fund balance achieved through state support with fund balance achieved through self-support activities could lead to undesirable policy outcomes and USM would not recommend initiating such a change.

2. *Restrict Universities at Shady Grove (USG) by \$470,000. These funds may only be used to fund the development or expansion of academic programs at USG. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund (page 26).*

USM Response:

The USM opposes this recommendation to restrict funding at Shady Grove based on the information presented below.

- USM believes that these funds were used as originally intended: to support academic programs by providing student services that support the success of students.
- The \$470,000 is currently being used to pay for staff to provide student and academic services to students. If this funding is removed, these services will no longer be able to be offered.
- As per USM approval for USG's FY17 enhancement funding, USG uses the \$470,000 to provide services to:
 - Graduate students: USG began providing student services to all graduate students at USG in Fall 2017. Until that time, only those graduate programs that opted into student services were served. The Shady Grove Governing Council agreed for USG to provide student services to all graduate students. Although graduate students are charged student fees, the student fee revenue does not pay for all of the costs to hire staff and establish graduate student services and serve this distinct population.
 - STEM programs: Establish initial set of services to serve the STEM programs coming to USG. Staff was hired included coordinators in the Center for Recruitment and Transfer Access, Center for Academic Success, in the Priddy Library and the Office of Information Technology. These coordinators currently serve students and program directors in UMBC's new Bachelors of Translational Life Sciences and UMCP's Bachelors in Information Sciences beginning this past Fall 2018 and are preparing to serve the programs expected to be offered in Fall 2019 in the BSE.

3. *Reduce the appropriation made for the purpose of the Workforce Development Initiatives at the Southern Maryland Higher Education Center at the University System of Maryland Office by \$1,000,000. Since the funds would be used for administrative purposes and not to directly support the delivery of programs in fiscal 2020, the Department of Legislative Services (DLS) recommends reducing USMO's budget by \$1.0 million (pages 19-20).*

USM Response:

The USM opposes this recommendation.

The USM respectfully disagrees with the comment that the \$1,000,000 requested would be used for administrative purposes. **Of the \$1,000,000 requested, \$900,000 would be used to support educational programs.** More detail on the educational programs is outlined below. Only the remaining \$100,000 is earmarked for administrative purposes. Those funds will be used to underwrite the costs incurred by the University of Maryland, College Park (UMCP) for taking on the administrative management and oversight of all SMHEC operations—including IT services, facility management services, personnel and financial accounting, and, once the new building comes on line, research and technology transfer administration, etc. This role was specifically assigned to UMCP by the State of Maryland in the Southern Maryland-University System of Maryland Partnership Act of 2018. The administrative fee is simply designed to recognize and, where possible, offset a portion of the costs UMCP will bear as a result of fulfilling this assignment.

The 2018 study on the capital needs of the Southern Maryland Higher Education Center, documented the regional workforce and postsecondary education and training needs of the tri-county region through 2024. According to that study, by 2024 over 43,000 jobs in the Southern Maryland region will require a bachelor's degree or higher, including 41% of all "growth" jobs—those created as a result of additional economic activity or expansion rather than the replacement of existing workers. Workforce demand will be greatest in such fields as Engineering, Computer Science and Information Technology (2,566 jobs at the bachelor's level and above open between 2014 and 2024); Business Administration and Management (3,470 jobs open); K-12 Education, particularly Elementary and Secondary teachers, administrators and counselors (1,937 jobs open) and Health Care and Medical practitioners/technologists (981 jobs), and Engineering, Computer and Information Management (2,566). Responding to this demand is the central mission of the Southern Maryland Higher Education Center (SMHEC) and the reason the University System is partnering with SMHEC to create the USM's third higher education center. The \$1 million in workforce development initiative (WDI) funds designated to go to SMHEC by USM are designed to directly address those critical workforce needs.

Of the \$1 million in workforce development funding requested by the USM, \$590,000 of the total is earmarked for the direct support of new or expanded academic programs in areas such as mechanical engineering, nursing and health care, and social work/counseling (particularly those programs working with veterans and at-risk populations). This includes programs that are designed to build on the region's emerging focus on aviation and autonomous systems technology. An additional \$250,000 would go to underwrite faculty-led workshops and training programs designed to build and strengthen 2+2 programs, particularly in engineering, information technology, and health care, between the College of Southern Maryland and SMHEC. Finally, an additional \$85,000 of the total would be used to work directly with the business community in the region to identify and coordinate internship and externship opportunities in their businesses for SMHEC students, a critical need that was highlighted in a recent stakeholder workshop held by SMHEC's Board of Governors.

4. *Restrict \$1.0 million of the Universities at Shady Grove (USG) general fund appropriation budgeted in USMO until a report is submitted on how one-time funding of \$450,000 restricted in the fiscal 2018 budget to support new academic programming related to the Biomedical Sciences and Engineering Education Facility at USG will be spent (page 26).*

USM Response:

USM concurs with the DLS recommendation to restrict \$1.0 million of FY 2020 WDI funding until a USM report is submitted on how the \$450,000 of one-time funds will be used.

- USG believes that using the one-time funds to develop entrepreneurship and innovation initiatives to be offered in the BSE building does indeed support new academic programming at USG.
 - Entrepreneurship and innovation are identified as one of the many competencies essential for college graduates to be career ready and achieve success (Source: National Association of Colleges and Employers). Programmatic entrepreneurship and innovation opportunities are not currently offered campus wide by any of the academic partners.
 - With the opening of the BSE, there are multiple opportunities for students and faculty across the programs to collaborate in the product design laboratories. USG expects that establishing robust entrepreneurship and innovation initiatives campus-wide with its academic partners will promote and increase the use of the product design laboratories in the BSE building across all of its programs.
 - USG expects to use the funds to:
 - Develop entrepreneurship curriculum with academic partners
 - Develop upper level course redesign with academic partners
 - Foster cross-collaboration among/between programs and the institutions offering programs at USG.
 - Students that attend programs at USG are driven to obtain a job when they graduate. We believe it is one of the reasons that students persist at USG. We know that students engaged in activities that enhance their career-readiness will reinforce their engagement on the campus and encourage their persistence to degree. USG believes that providing this entrepreneurship and innovation CAMPUS-WIDE is another way to support student success.
 - USG has experience in initiating programing to support career-readiness. For example, USG currently developed and offers digital badges in Oral Communication and Leadership as part of the USM Kirwan Center for Academic Innovation digital badges program. Students across all programs/institutions participate in these digital badges curriculum.
5. *Requires the University of Maryland University College (UMUC) to report on the status of the advertising campaign identifying their internal performance measure targets and if the targets are being met (pages 35-38).*

USM Response:

USM concurs with this recommendation.

Issues & Comments requested:

1. *The Chancellor should comment on the contract used to pay for the investigation; including justification for the rates allowed to be charged by the commission members; if the contract was approved by BOR and the Board of Public Works (BPW); and who was responsible for contract monitoring (page 25).*

USM Response:

On August 14, Dr. Loh announced the creation of a four-member independent commission to investigate the culture of the football program at the University of Maryland, College Park. At that time, Dr. Loh publicly announced the appointment of three commission members -- Charlie Scheeler of the firm DLA Piper and retired federal judges Alex Williams and Ben Legg -- and stated that a fourth appointment was in the works.

The university had agreed an hourly rate of \$650 for each commission member.

On August 17, the Board of Regents voted unanimously to take control of the commission investigation, as well as the separate review being conducted by Dr. Rod Walters. We learned at that time that the university had also reached out to journalist and former UMCP athlete Bonnie Bernstein about joining the commission.

In the subsequent days, it was decided that we needed to broaden the expertise of the commission and subsequently confirmed Bernstein's appointment, and recruited four additional members.

- As Chief of Staff at Campbell Clinic Orthopedics, and Professor and Director of the Sports Medicine Fellowship program in the University of Tennessee-Campbell Clinic Department of Orthopedic Surgery & Biomedical Engineering, we believed that Dr. Fred Azar would add critical expertise in sports medicine.
- As President and CEO of the LEAD1 Association (which represents the athletic directors and programs of the Football Bowl Subdivision), we believed that former Congressman Tom McMillen would provide critical insight into the appropriate operation of college athletic programs.
- Former Washington Redskins quarterback Doug Williams was chosen for his experience as a former college football head coach at Morehouse College and Grambling State University.
- Finally, we believed that, as former Governor of Maryland and college football quarterback, Bob Ehrlich would provide important insight from both a leadership perspective and that of a former player.

We announced their appointments on August 24. In retaining the newest members of the commission, we used the rates that had already been established when it was initially formed by the university.

From the beginning, the boards' goal was to learn every fact possible and to implement all recommendations necessary to safeguard the physical and emotional well-being of student-athletes at UMCP and throughout the system.

The contract was reviewed by the Office of the Attorney General for form and sufficiency. As a routine matter, these types of vendor contracts are not voted on by the full Board of Regents. Instead, they are approved by the chair of the board and by the chancellor, which was done in this case. Because contracts related to intercollegiate athletics are exempted under USM Procurement Policies and Procedures, this contract did not require BPW approval.

The contract was monitored by the University System of Maryland Office. The board chair at the time, Jim Brady, served as the primary contact with the commission. But I want to be clear that it was very much his desire, and the board's intention, to enable the group to maintain its full independence and to do nothing to interfere in -- or to be perceived to interfering in -- in its work. In short, the commission was instructed to do whatever it determined necessary to complete the investigation.

Ultimately, the expenses incurred are in line with those of investigations of similar scope conducted at Big Ten and other NCAA Division I universities.

2. *The Chancellor should comment on support provided by the University System of Maryland Office (USMO) to those enrollment-challenged institutions to help stabilize and increase enrollment and factors contributing to the declining enrollments at USG and USMH and efforts to stabilize enrollment (page 9).*

USM Response:

Enrollment Challenged Institutions:

The institutions that face enrollment challenges are making enrollment plans to stabilize the enrollments. First, institutions are recognizing that drops in new student enrollment in prior years will decrease the enrollment in subsequent years as larger cohorts graduate. Next, working with USM, the institutions are analyzing the retention and new student numbers required to bring the institutions to a steady state. The USM shared enrollment pipeline projections as well as peer competitor data to help intuitions create recruitment plans. Some institutions have hired analytics firms to analyze effective financial aid strategies to increase student yield and tuition revenue. Other institutions have hired recruitment firms to increase demand.

The institutions are also analyzing enrollment trends within every department and program to identify areas where existing low enrollment programs might be consolidated or suspended. In some cases, instructional course load is shifted to make the instruction more efficient. Throughout these analyses, institutional may have identified new programmatic opportunities to attract new students and build on the existing faculty strengths in high demand fields.

Enrollment challenged campuses are implementing demonstrated strategies to improve retention rates, including more intrusive advising and additional support services. Campuses are also enhancing pathways for students to achieve bachelor's degrees more efficiently through 2+2 programs articulation agreements with community colleges.

Regional Centers:

The first year of funds for the Workforce Development Initiative was focused on regional centers. These funds were intended to attract universities to the regional center and develop the high demand workforce programs. The USM believes these programs will increase the enrollment at the regional centers.

Yes, in recent years the enrollment in graduate programs at USG decreased. As cited, institutions chose to move the program to other facilities or offer the program online. This enrollment decrease is not caused by decreased demand but was an unintended consequence of the business decisions made by the regional center and the institutions.

Universities at Shady Grove:

USMO concurs with the reasons offered in its report (pg. 8 & 9) for overall decline in enrollment at USG including declines in community college as well as decline in graduate programs from UMCP (Business and College of Education) as well as the movement of graduate students to enrolling in online programs.

USG continues to work with its partner universities to provide general recruiting and pathway building activities for all academic programs offered at USG from its nine partner institutions as well as centralized academic and student support services to retain students and advance their completion to degree. The success of these efforts is exemplified by the high transfer graduation rate for community college students at USG (FY 2014 cohort of 71%, 4-year graduation rate well above the USM graduation rate of 56%). We also rely on the efforts of the nine partner universities to drive enrollment.

USM has supported enrollment growth of existing programs at USG and establishment for new programs by providing enhancement funding established in FY 2017. Using these funds USG has supported the following programs from enrollment-challenged institutions that offer programs at USG:

- Existing programs:
 - UMES: USG is working with USM, UMES and USMH to develop the UMES Hospitality and Tourism Management program at USMH. USG is providing guidance and expertise based on “lessons learned” in establishing and maintaining the UMES HTM program at USG. This guidance ranges from the experience gained to recruit students to partner with employers to defining the student services needed by the program for the students to succeed. In addition, USG and USMH are looking for ways to effectively partner and efficiently use resources between the two locations for this program (e.g., “beaming” classes taught on location at USG to USMH).
 - Approximately \$265,000 of FY 2017 funds have been set aside for enrollment growth in UMES Hospitality and Tourism Management and Construction Management Technology existing programs at USG, pending UMES plans to grow these programs.
 - University of Baltimore: Simulation & Digital Entertainment: SD&E had experienced a decline in enrollment and is maintaining its headcount enrollment between 50 and 60. Approximately \$100,000 of enhancement funding was provided by USG to UB for the SDE program.
- New programs:
 - University of Baltimore: Established Fall 2017 programs included Masters in Justice Leadership Management and Masters in High Technology Crime. Approximately \$390,000 FY 2017 enhancement funds were provided to UB to establish these programs
 - Salisbury University: MS Applied Health Physiology (AHPH anticipated start date Fall 2019). Salisbury University has requested approximately \$145,000 funding to kick-off its MS in AHPH at USG in anticipation of receiving programmatic base-budget funding in the FY 2020 WDI.

USM Hagerstown:

USM leadership has been working with the Hagerstown Regional Center to increase enrollment, more recently with the Frostburg Physician Assistant program and UMES Hospitality program. Additionally, in FY 2020 Workforce Development Initiative funding was allocated for a Certificate in Manufacturing leadership. USMH is working with Frostburg to develop this much needed regional program.

In summary, the regional centers offer benefits to the region that are not exclusively captured in the enrollment generated from the courses offered onsite. Similar to any campus, the presence of the center draws in the surrounding community and may be utilized by more than enrolled students as it becomes imbedded in the community. Its operation provides information to prospective students about both regional center and campus programs. Some institutions recognize the value the facility offers beyond classroom space, and as new online programs are developed to serve the students in the region, institutions are requesting students have access to the facility and the services.

3. *The Chancellor should comment on if USM expects funding for WDI to continue after fiscal 2021, and if not, how will ongoing initiatives be supported (page 16).*

USM Response:

The Allowance includes \$20 million of base funding for the second year of the Workforce Development Initiative (WDI). These funds will be used to hire faculty and other on-going instructional related costs which are long-term commitments. Without ongoing state base funding, the USM will not be able to achieve the goals of 2,000 credentials.

4. *The Chancellor should comment on when USM will achieve the degree production outcome of an additional 2,002 degrees directly related to WDI (page 17).*

USM Response:

The increase in degrees and credentials will come over time. Many of the proposed programs are new and must go through MHEC and other approval processes. Other programs that are expansions will require the hiring and recruitment of both faculty and students.

There will be some enrollment growth overall as well as some programmatic enrollment shifts. What this means is some students that were originally denied an opportunity to study their preferred program because of space limitations will have the opportunity to pursue their program of choice.

We can expect degree increases sooner for programs that accept upper-level students (e.g., regional center programs) whereas there will be a longer period of time for degree increases for programs that are expanded or created to enroll first-time new freshmen students. Students will be enrolled, and degree/certificate programs can range from one to six years.

5. *The Chancellor should comment on why enhancement funds have not been used as intended, progress on developing a new financial model for USG, programs that will be offered in the BSE building in fall 2020, and the status on implementing changes to USG's administrative structure (page 27).*

USM Response:

Universities at Shady Grove Enhancement Funding Response as noted above in USM response to recommendation 2:

- USM believes that these funds were used as originally intended: to support academic programs by providing student services that support the success of students.
- The \$470,000 is currently being used to pay for staff to provide student and academic services to students. If this funding is removed, these services will no longer be able to be offered.
- As per USM approval for USG's FY17 enhancement funding, USG uses the \$470,000 to provide services to:
 - Graduate students: USG began providing student services to all graduate students at USG in Fall 2017. Until that time, only those graduate programs that opted into student services were served. The Shady Grove Governing Council agreed for USG to provide student services to all graduate students. Although graduate students are charged student fees, the student fee revenue does not pay for all of the costs to hire staff and establish graduate student services and serve this distinct population.
 - STEM programs: Establish initial set of services to serve the STEM programs coming to USG. Staff was hired included coordinators in the Center for Recruitment and Transfer Access, Center for Academic Success, in the Priddy Library and the Office of Information Technology. These coordinators currently serve students and program directors in UMBC's new Bachelors of Translational Life Sciences and UMCP's Bachelors in Information Sciences beginning this past Fall 2018 and are preparing to serve the programs expected to be offered in Fall 2019 in the BSE.

Programs offered in the BSE building in Fall 2020:

New programs to be offered in Fall 2020 designed for the BSE (from WDI Funding FY19 & FY20):

- UMCP:
 - BS Agricultural Science and Technology
 - BS Mechatronics
 - BS Bioengineering
- UMBC
 - BS Compute Science-Data Science
 - BS Translational Life Science Technologies: Bioinformatics:
 - BS General Engineering
- Salisbury University
 - MS Applied Health Physiology
- Bowie State University
 - MS Psychology with certificate in Addictions Counseling (may not be housed in the BSE)

Initial set of programs in the BSE that will begin offering programs in FY20:

- UMCP
 - BS Embedded Systems & Internet of Things
 - BS Information Science (funded from FY17 enhancement funding)
- UMBC:
 - Translational Life Science Technologies (funded from FY17 enhancement funding)
 - BS Computer Science-Cybersecurity
 - MPS Technical Management
 - MPS Data Science
- UMB
 - Dental Community Clinic & Advanced Education Program in General Dentistry
 - MS Dental Hygiene
 - Post-Baccalaureate Certificate in Oral Health Science

Regional Center Administrative Structure Study:

Chancellor Caret directed Sr. VCASA Boughman and VCAF Herbst to review governance structures and processes as well as the financial framework the System has used to support Regional Centers. The Regional Center concept is over 20 years old and the Chancellor asked the two vice chancellors to determine if any improvements should be made to either governance or financing to insure the continued stability and vitality of the Regional Centers, particularly since the System is bringing significantly more STEM programs to the Regional Centers. STEM programs are generally more expensive and require more coordination than non-STEM programs.

USG was chosen to study since it has the most history and is the larger of the two existing Regional Centers. The two vice chancellors formed a workgroup consisting initially of the three provosts from the three universities (UMB, UMBC and UMCP) that have the most interaction with USG. Recently a fourth provost, representing UB was added to insure smaller university perspective was included. The initial review was on high level governance. It was recommended, and the Provost Council and Presidents Council agreed, that this same workgroup should function as an Executive Steering Group for Shady Grove so as to allow more concentrated overview of USG. Currently, the System staff is working on a more detailed mapping of roles and responsibilities of the key entities within the Regional Center ecosystem. This roles and responsibilities map will be reviewed with the Provost and Presidents Councils as well as the USG Board of Advisors. The key entities identified so far are: Executive Steering Group, Managing Institution, System, Contributing Universities Regional Center Exec Director and Provosts Council.

Over the summer, a review of the financial framework for Regional Centers was begun. Again, USG was chosen due to its size and history. Currently, the financial approaches and processes of the contributing universities are being studied, with an emphasis on the same four universities as were chosen for the governance study. It is recognized that each contributing university handles its financial approach to Regional Centers differently, so each university is being studied. The goal is to determine what, if any changes to the financial framework and processes are necessary to insure continued financial health and stability of the Regional Centers.

6. *The President should comment on the \$5 million write-off of bad student debt, how old were the debts, and the impact this had on the budget (pages 28-29).*

USM Response:

President Schmoke response:

The University's \$5 million decline in academic expenditures from FY2018 (actuals) to FY2019 (adjusted) is associated with a one-time accounting correction that did not impact operational spending.

Although academic expenditures planned for FY2019 (adjusted) compared to FY2018 (actuals) show a \$5 million decline, comparing FY2019 (adjusted) to FY2017 (actuals), shows that planned academic expenditures in FY2019 (adjusted), are consistent with the typical spending level for UB. The FY2018 (actuals) academic expenditures were an anomaly, with higher expenditures reported in that year as a result of the one-time accounting correction. This accounting adjustment had no impact on the University's operating spending for academic support in FY2018 or FY2019, although it does appear as a \$5 million increase in FY2018 due to a one-time write-down of student accounts receivable and a corresponding expense charge to bad debt.

UB made the FY2018 accounting entry to adjust the receivable balance for student accounts in our financial statements and reports to the total amount that is supportable on a detailed, student-by-student basis. The adjustment applied to activity from FY2006 through FY2017. By reducing the receivable balance by \$5 million and recording an accompanying charge to bad debt expense in FY2018, UB improved the accuracy of its financial statements and reports. The University was able to achieve a positive operating margin despite the one-time accounting adjustment as a result of its ongoing budget management and cost containment practices.

7. *The President should comment on the ability to increase enrollment by 350 students considering the continuing decline in enrollment (pages 29-32).*

President Schmoke response:

The University is working toward an increase of approximately 350 new students by fall 2021, allowing for natural enrollment fluctuations to occur during that time. The path to achieve this enrollment goal is supported by the University's new strategic plan and campus-wide engagement.

For nearly a decade, UB experienced unprecedented enrollment growth driven by the University's previous strategic plan goal of 8,000 students. However, this goal was unsustainable given economic conditions and substantive shifts in the higher education marketplace and the University began to experience modest enrollment decline. This decline was further impacted by the nationwide trend among law schools receiving fewer student applications and reduced enrollments. Since UB's total enrollment represents all academic units, undergraduate, graduate, as well as law, the overall decline at UB also represents the reduced enrollments in the School of Law. The law school's enrollment has stabilized since fall 2016. In addition, graduate, freshman and transfer enrollment rates also have been impacted for various reasons, including growth in competition for transfer students and changing demographics.

Going forward, UB plans to achieve new enrollment following its current strategic plan, which revises student enrollment goals, prioritizes financial stability, and introduces innovative pathways for recruiting a more targeted student population. UB has undertaken numerous efforts to respond to preferences in the higher education market by focusing on relevant academic programs and vital student retention and support services. In UB's new strategic plan, the freshmen strategy includes the redesign of the first-year curriculum "Professional Pathways," which are focused on high-demand, workforce ready, career paths supported by dedicated career coaches, mentoring and personalized advising. In addition, the University's current efforts include: augmenting admission operations to strengthen community college partnerships for transfer students, developing accelerated pathways to access an extensive array of graduate programs, and introducing a new honors undergraduate program as a conduit to law school. In the School of Law, UB is developing a new program in state and local government law and preparing to launch a comprehensive strategy to grow online programs at the law school.

As UB continues to work toward implementation of its new plan and enrollment goals, the entire campus community is involved and focused on our future with a commitment to provide a quality experience for our students, solid academic programs, and meaningful solutions that impact key issues for our city and state.

8. *The President of BSU should comment on what else is being done to ensure that the nursing program meets accreditation standards and that the program meets MBON-required pass rate for the licensure exam (pages 33-35).*

USM Response:

President Breaux response:

We are encouraged by the most recent NCLEX-RN pass rate and remain committed to strengthening both the curriculum and the leadership in the Department of Nursing to ensure the long-term success of the program. We addressed the issue with students waiting too long after graduation to sit for the exam by stressing to them early in the program the importance of taking the exam sooner to improve their chances for success. We also require them to take a free review course and a practice exam so that we can assess their readiness. Of those students who graduated in May 2018 and took the exam, 100% of them passed on their first attempt. This is encouraging.

We have hired a certified nurse educator to serve as Interim Chair of the Department, and we have created an Assistant Chair position as recommended by the Maryland Board of Nursing. Both individuals are providing strong day-to-day oversight and leadership. We launched a national search for a permanent Department Chair and expect to complete that search in July 2019. We are finalizing the hiring of a new, full-time Assessment Coordinator for the Department and we have realigned the assessment process for the Nursing program with the Office of Planning, Analysis and Accountability to provide greater guidance for assessment, planning, implementation and monitoring of a systematic plan for evaluation, under the direction of the Provost and Chief Academic Officer. Finally, we have reduced the teaching load for the Undergraduate Program Coordinator to allow her to devote more time to supporting students. The faculty, staff and administrators in the Nursing program are all firmly committed to student success.