



University System of Maryland
FY 2024 Operating Budget

Testimony & Response to Department of Legislative Services Analysis
USM Chancellor Jay A. Perman

Maryland Senate Budget and Taxation

Senator Guy Guzzone, Chair
*Subcommittee on Education,
Business and Administration*
Senator Nancy J. King, Chair
February 3, 2023

Maryland House Appropriations

Delegate Benjamin S. Barnes, Chair
*Education and Economic
Development Subcommittee*
Delegate Stephanie Smith, Chair
February 6, 2023

Members of the subcommittee, I begin today with some words of thanks. First, I thank you for this opportunity to testify in support of Gov. Moore's FY 2024 budget proposal for the University System of Maryland (USM). As I've noted before, Maryland's budget is a statement of our values. Approving this budget will once again make it clear that Maryland values public higher education. The budget as submitted advances our mutual priorities of education, discovery and innovation, workforce development, economic growth, strong communities, and an unparalleled quality of life.

I also thank you for the tremendous support you and your colleagues have shown to higher education and to the USM over the years. For more than a dozen years—first, as president of the University of Maryland, Baltimore (UMB), and now as chancellor—I've seen first-hand the very real impact of your consistent, and consistently bipartisan, investment. This was especially true last year, when previous cuts to our budget were restored, making us whole, and significant enhancement dollars supported student aid and other priorities.

Finally, as we gather again in person this session, after years apart, I'd be remiss not to thank you for the incredible leadership you displayed through unprecedented challenges.

Obviously, the pandemic isn't over. And we shouldn't expect to return to a pre-pandemic environment any time soon, if ever. Right now, the USM is recovering from pandemic-driven enrollment drops. So, before moving to the governor's budget and the issues raised by Sara Baker and her team, I want to take a moment to update you on the USM's enrollment numbers.

USM ENROLLMENT

Overall, System enrollment this year is 162,600, down 1 percent compared to last year. While this may not *sound* like good news, it is. It's the smallest drop we've seen since the pandemic started. And it's our ninth straight year enrolling more than 162,000 students across the USM.

In a related piece of good news, our second-year retention rate is 83 percent, meaning more than eight in 10 full-time freshmen return for their sophomore year. Meanwhile, our six-year graduation rate is 71 percent, and our four-year rate is 53 percent; the latter is a record high for the System. Both graduation rates are well above national averages for public colleges.

These high retention and graduation rates mean something very important: More students are spending less time and money in pursuit of their degree. We're doing a better job of keeping students in school and graduating them on time. And while high graduation rates ultimately push enrollment numbers down, we're committed to this path. We're committed to shrinking students' time-to-degree—now averaging just 4.1 years.

There are other positive developments on the enrollment front. Applications are up year-over-year across the USM. For the second straight year, we saw an increase in first-time, full-time students; in fact, our first-time freshman cohort is up 10 percent over FY20. The System's HBCUs, which I'll address in more detail later, are seeing growth. And many of Maryland's community colleges are reporting an increase in first-time enrollment—good news given the number of transfer students we get from these schools.

We anticipate that as we recover from COVID's impact and implement more strategies to attract students, enrollment will grow by roughly 10,000 students over the next 10 years.

THE VALUE OF A COLLEGE DEGREE

This growth is important. I know it's popular right now to say that a college degree isn't needed to succeed. And I might surprise you by agreeing. But while a college degree isn't *necessary* for success, it does make it much easier. Data show that education influences everything: how long you live, how much you earn, how happy you'll be, whether you vote and volunteer and work for change.

Starting with earnings, the latest data show that high school graduates over their lifetimes can expect to earn \$1.6 million. Meanwhile, for those with a bachelor's degree, lifetime earnings climb to \$2.8 million. Of course, field of study matters: Lifetime earnings range from \$2 million for an education degree, to \$2.8 million for social sciences, to \$3 million for business, to \$3.6 million for math and computer science, to \$3.8 million for engineering.

As reported by *Forbes*, the College Board found that, by age 33, the typical college graduate who enrolls at age 18 and graduates in four years "can expect to earn enough compared to a high

school graduate to make up for being out of the labor force for four years and for borrowing the costs of full tuition, fees, books, and supplies—without any grant aid.”


But the value of college doesn’t lay entirely in employment or earnings. College graduates make better choices. They’re more likely than others to exercise and less likely to smoke. College enhances civic engagement. Graduates are more likely to vote and to work for community causes. Education builds empathy and reduces crime. Every year of education attainment—achieved as a statewide average—correlates with an 11 percent drop in crime. For vulnerable women, education reduces gender-based violence, reduces maternal death, reduces early marriage.

College matters. And at the USM, we want it to matter for all Marylanders—because it *benefits* all Marylanders.

FY2024 BUDGET

Turning now to the budget, I once again convey the USM’s support for the governor’s FY24 proposal.

In brief, the governor has proposed \$2.1 billion in state support to the USM, coming from the General Fund and the Higher Education Investment Fund. This is an increase of \$204.6 million—10.8 percent—over the USM’s FY23 appropriation.



FY24 Budget Overview / Top Line

Governor’s Proposal: **\$2.1B** / General Fund and HEIF
\$205M increase—10.8%—over FY23 adjusted budget
Includes **\$189M** for COLA & merit increases, fringe benefits
Will enable the USM to limit tuition increase
Anticipated 2% increase for in-state undergraduates

Included in the budget proposal is nearly \$189 million to cover recent COLA and merit increases, as well as the climbing cost of fringe benefits, for our USM employees. On this point, I want to acknowledge the incredible work of those who serve the System and our students. I’ve been with the USM long enough to remember years when Maryland’s budget was constrained, and

our employees had to forgo merit increases, skip COLAs, even take furlough days. And yet throughout, they sustained their excellence, which is what makes *our* excellence—the System’s excellence—possible. Our faculty and staff are the heart of our success, and I’m grateful their service is acknowledged and rewarded.

Overall, this budget shows significant support for the USM. Perhaps most importantly, it allows us to limit our tuition increase next year to an anticipated 2 percent for in-state undergraduates. Working closely with our legislative and state partners, we’re making higher education sustainably affordable for Maryland students and their families. I’ll have more to say later on the issues of access and affordability.

But first, there are a few other components of the budget that I want to highlight.

The governor’s proposed budget includes more than \$21 million to support legislatively mandated USM activities as well as other USM initiatives. This includes support for the Institute for Public Leadership at the University of Maryland, College Park (UMCP) and workforce development funding for the Universities at Shady Grove (USG).

As you may know, the USM and Montgomery County have established the Institute for Intelligent and Immersive Computing, which joins the health sciences research at UMB and the University of Maryland Medical Center to the computing research at UMCP in a bid to revolutionize human health and well-being. It also opens up hands-on training and workforce opportunities to USG students—research and experiential learning, internships, fellowships, and job placement. Because *that’s* how you keep these highly talented graduates right here in Maryland, where we need their expertise.


The governor’s budget includes an allocation of \$5 million to MHEC to support the work of the USM and Maryland’s community colleges in strengthening pathways for transfer students and supporting their success. For several years, the System has spearheaded initiatives to build and maintain an infrastructure that enables “frictionless” transfer of community college students into a four-year institution—saving them time, credits, and money—and to lay in resources that promote retention and graduation.

Similarly, \$4.8 million in the Maryland Energy Administration’s budget goes to green initiatives on USM campuses. The System has long been a leader in statewide sustainability efforts, shrinking our carbon footprint and growing our renewable energy use. But the rising costs of commodities and renewable energy credits are a threat to this progress. Additional state support will help us meet the requirements outlined in the Climate Solutions Now Act.

HISTORICALLY BLACK INSTITUTIONS

The budget proposal includes \$36.2 million in new funding for the USM's three historically Black institutions: Bowie State University (BSU), Coppin State University (CSU), and the University of Maryland Eastern Shore (UMES). The funding comprises the second installment of the 10-year, \$577 million HBCU settlement approved in 2021. The three universities received more than \$22 million last year.

The additional funding supports our HBCUs as they continue to raise their profile and amplify their impact. Each university is basing its priorities on its unique needs and circumstances, and each is at a different stage in the implementation process.

**HBCU Settlement**
Total Settlement Funding Through Year 2

- Bowie State University—\$28.8M
- University of Maryland Eastern Shore—\$15.1M
- Coppin State University—\$14.7M

Settlement Funding Activities

- New & expanded academic programs
- Scholarships & financial aid
- Student success initiatives—e.g., coaching, tutoring
- Marketing & communications
- Intensified faculty & staff recruitment
- Research & entrepreneurial activities

Coppin State is focused on growing enrollment and nurturing student success. CSU intends to improve low-productivity academic programs and create high-demand offerings. Together with more funding for student scholarships and aid, academic coaching will be offered across all programs, especially those with high drop/fail/withdraw/incomplete rates. These efforts will be supported by recruiting competitive faculty and staff, and developing new infrastructure.

UMES is emphasizing affordability by offering additional scholarships for undergraduate and graduate students. Funds have also been laid in for advisors and tutors; faculty and staff recruitment; and marketing efforts. UMES has already begun expanding existing academic programs and developing new ones, in both traditional and online formats.

Bowie State used the first year of additional funding to launch four high market-demand programs: Cyber Operations Engineering; Software Engineering; Data Science; and Philosophy, Politics, and Economics. New funding will be used to expand existing degree and certificate

programs, develop online programs, recruit faculty to shrink the student-to-professor ratio, and increase evidence-based academic support services.

As I said when the settlement was first announced, this funding is a critical component in strengthening affordable access to an HBCU education; creating dynamic, high-quality degree programs that attract the best and brightest students; and keeping the institutions competitive in Maryland's rich higher education landscape. As the decade unfolds, I know these universities will continue to rise—in reputation and impact. I look forward to watching them do just that.

NEED-BASED FINANCIAL AID

The bottom line is that the governor's FY24 budget proposal demonstrates Maryland's commitment to the USM and to higher education. We enthusiastically support the proposal and encourage its adoption.

At the USM, we're committed to removing barriers that prevent Marylanders from accessing college and persisting to a degree. USM universities supported students in financial need last year with \$64 million in aid. Need-based aid has climbed 50 percent over a decade ago, as has the number of students receiving it. Our intent is to ensure that lower income students are held harmless by tuition increases.

Still, there is significant unmet need among Maryland students who are attending—or who wish to attend—college. This need is especially acute among lower income, first-generation, and underrepresented minority students. And thousands of these students just miss the Pell Grant eligibility mark—some by only tens or hundreds of dollars—which denies them this federal lifeline.

Initiatives supporting access to an affordable, *debt-free* education are important to us. For every \$1 million increase in need-based aid, we can eliminate debt for 112 Maryland students. Sustained support would essentially eliminate cumulative debt long-term. While we welcome state partnership in this effort, we're ready and able to spend our own money in pursuit of this goal.

ACCESS, AFFORDABILITY & DIVERSITY

As I've noted, I'm grateful that the USM is a funding priority in Annapolis. And as chancellor, I assure you that Maryland's commitment to the USM is matched by the USM's commitment to Maryland.

An Accessible & Affordable USM

Modest tuition increase planned for in-state undergrads next year

Maryland ranks **25th** for public in-state tuition & fees

Public in-state costs are **below** nat'l avg

\$190M in total institutional aid awarded to undergrads in FY22

\$64M awarded in **need-based aid** in FY22

Half of all USM undergrads graduate **with NO student loan debt**

Half of USM undergrads are from minority groups

Underrepresented students: **↑20%** since 2012

Underrepresented faculty: **↑30%** since 2012

This commitment is perhaps best illustrated by our efforts to put a USM education within reach of any Marylander who wants one.

With your support, we have been aggressive in making our tuition and fees more affordable. A decade or so ago, among public universities nationwide, the USM had one of the highest costs of education for in-state students. Today, Maryland ranks 25th among all states in terms of price, and our cost for resident students is below the national average. We've paired that effort with another I mentioned earlier: increasing financial aid. In all, our universities distributed \$190 million in scholarships and aid to more than 45,000 students last year.

**USM UNIVERSITIES GAVE
OUT \$64 MILLION IN
NEED-BASED AID IN 2022,
UP 50% IN 10 YEARS.**

**HALF OF UNDERGRADS
GRADUATE DEBT-FREE.**



The impact of these twin efforts is profound: Today, fully half of all USM undergraduates earn their diploma without accruing any tuition debt.

Affordability, however, is only one piece of our promise to make a USM education accessible to all Marylanders. Another is making sure the students we serve reflect Maryland's full diversity. Systemwide, enrollment among underrepresented minority students has climbed 20 percent over the last decade. One-quarter of our students identify as Black, and more than half identify as non-white.

I'll note here that underrepresented minority *faculty* Systemwide has climbed 30 percent over 10 years. This is particularly important as we redress a fundamental problem in U.S. higher education—a professoriate that's overwhelmingly white. We must do a better job of building a faculty that looks like the students they teach.



POWERING MARYLAND'S PROSPERITY

Maryland wouldn't be Maryland without the USM. It wouldn't be as strong, as prosperous, as inclusive, as innovative. Our graduates populate Maryland's workforce. They lead Maryland's industries. They shape Maryland's priorities and power Maryland's economy.

Among all 50 states, Maryland ranks No. 1 in education attainment among its working-age population. The USM shares credit for that. We parlay our education strength into economic power by constantly adapting and expanding our programs to meet the state's workforce needs.

Last year, we awarded nearly 43,000 degrees, almost 40 percent of them in STEM and health care disciplines. (Health care degrees alone have climbed 77 percent in a decade.) We produced 1,500 teachers last year—teachers now filling classroom vacancies in high-need disciplines, high-need regions, and high-need schools.

Strengthening Maryland

162,600 students enrolled

80% of undergrads are from MD

42,950 degrees awarded

80% of all bachelor's degrees conferred in MD

Meeting critical **workforce needs**

12,000+ STEM degrees—incl. 7,000 in cyber, comp sci, IT

4,000+ health care degrees—incl. 1,300 in nursing

1,500+ teaching degrees

\$1.6B in external grants & contracts

Over the last decade, the number of bachelor's degrees we award has climbed 25 percent. Last year, they hit an all-time high of 28,400. Eight in every 10 bachelor's degrees conferred in Maryland are awarded by the USM, and because 80 percent of our undergraduates are in-state residents, many *stay* in Maryland following graduation, contributing their wealth to our economy and their service to our communities.



**THE USM AWARDS
NEARLY 9 IN EVERY 10
COMPUTER SCIENCE
DEGREES EARNED IN
MARYLAND.**

But it's not just our workforce that fuels Maryland's economic growth. The research produced and commercialized here makes Maryland one of the most dynamic states for science and technology innovation. The USM won \$1.6 billion last year for research and other activities. Every day, those grants and contracts are translated into products and practices that make Maryland citizens healthier and happier; that make our world safer and more sustainable.



**TOGETHER, THE UNIVERSITY
OF MARYLAND, BALTIMORE
AND THE UNIVERSITY OF
MARYLAND, COLLEGE PARK
RANK 10TH AMONG ALL
U.S. PUBLIC UNIVERSITIES
IN R&D EXPENDITURES.**

The USM's research enterprise ranks among the most powerful in U.S. higher education. Taken as a single entity, UMCP and UMB are 17th in R&D expenditures among all U.S. universities—and 10th among all public universities. The USM is among the top 20 patent-earning institutions in the world, with 134 patents issued Systemwide in 2021.

But our research produces more than innovation. It produces jobs. Our research parks are home to nearly 250 companies and more than 9,000 employees. In the last five years, 93 startups have launched based on the intellectual property of our universities. And at the USM, we support our own ideas. Through the Maryland Momentum Fund, we've invested in 28 System-affiliated companies.



**OUR UNIVERSITY
RESEARCH PARKS
HOUSE 250 COMPANIES
EMPLOYING
9,000+ PEOPLE.**

CENTERING OUR STUDENTS

Before turning to your questions and those raised by Ms. Baker, I'll close with an observation: Last June, the USM Board of Regents approved our new strategic plan—*Vision 2030: From*

Excellence to Preeminence. The plan maps our path forward in service of our students and the state.

Without going into detail, there is one key element I want to stress: In the plan, we say that students are our center—that everything we do is grounded in giving them the programs, the experiences, the opportunities, and the outcomes that they want, need, and deserve. Because in securing *their* success, we secure Maryland’s future strength and prosperity and vitality.

We’re serving a new generation of learners—with different needs, different ambitions, and different definitions of success. But *all* of them can find a home in the USM. That’s what our strategic plan guarantees. We’ve begun an implementation plan, and I look forward to updating you on the progress we make in strengthening Maryland and serving its people.

DEPARTMENT OF LEGISLATIVE SERVICES QUESTIONS

- 1. The Chancellor should comment on efforts that institutions are taking to retain all students and effort to reach out to those who have stopped out to return and earn their degree.**

The USM’s second-year retention rate among first-time, full-time students is 83 percent, above the national average of 82 percent for public four-year colleges. Our third-year retention rate is 76 percent, and our fourth-year rate is 70 percent.

Among our universities’ retention priorities are comprehensive student services: academic support (e.g., tutoring, coaching, living-learning communities), intensive advising services, and financial aid.

ACADEMIC SUPPORT

My executive team and I meet quarterly with leaders at four of our enrollment-challenged universities to ensure that retention strategies are in place and are producing results. Additionally, all three of our HBCUs have identified retention as a key priority in their action plans for the new state and federal money received in the past two years.

Many of our universities practice “intrusive” advising—proactive, intensive advising strategies—to retain students, especially as they begin college, when attrition is highest. For instance, software allows faculty to alert advisors when a student misses a class or an assignment, or struggles with course material. When a student’s persistent performance or behavior trips an indicator, interventions can be applied earlier than they would be otherwise. In addition, data analytics are used Systemwide to inform advising and tutoring practices.

FINANCIAL SUPPORT

Last year, our institutions distributed \$64 million to students in financial need. Need-based aid has climbed 50 percent in the last decade, as has the number of students receiving it. In all, our universities distributed \$190 million in scholarships and aid.

To reduce “melt” between school years, our financial aid offices are making offers of aid to returning students earlier in the academic year, allowing them to better plan their college careers.

It’s important to note that retention rises when institutional aid is offered. Retention rates improve 8–10 percent for students who receive aid in their first year compared with those who don’t. And graduation rates improve 20–30 percent for students who have ever received institutional aid vs. those who haven’t.

REENGAGING STUDENTS WHO STOP OUT

All of our universities have developed near-completer programs through which they reach out to students who have stopped out of their education and make it easy for them to re-enroll. In fact, eight of our universities attended a meeting with MHEC just last week to determine how to better align MHEC’s near-completer efforts with those on our campuses.

For instance, UMBC’s Finish Line program waives re-enrollers’ application fees, streamlines course registration, connects prospective students with financial aid services, and assigns an advisor who helps them navigate college after a short—or long—time away. UMBC even created a track within the Individualized Study Program, allowing re-enrollers to shape their degree based on prior study.

WRAPAROUND SUPPORT

Without question, the pandemic took a toll on the USM’s retention rates. That’s because it took a toll on our students—on their health; on their academic, financial, and emotional well-being. These pressures converged on students—especially vulnerable students—ill-equipped to manage major disruptions to their lives and college studies. The effect of these disruptions is long-term.

We’re countering retention dips by exploring *why* students withdraw, and devising new tactics pinpointed to their needs to reengage them in higher education and smooth their path to a degree. Of course, targeted support isn’t a strategy we employ only *after* students stop out of their education. We use it to prevent them from stopping out at all. You’ll find more information in my answer to Question 4.

2. The Chancellor should comment on efforts of the University System of Maryland Office (USMO) and BOR to assist those institutions experiencing continuous decline in enrollment to stabilize enrollment and maintain financial stability.

The USM Board of Regents convenes an Enrollment Workgroup regularly to review enrollment trends, issues, and challenges; develop actionable plans to address those challenges; and advance the enrollment goals in the System's strategic plan, *Vision 2030*.

Through this Enrollment Workgroup—and through USMO and university collaboration—each USM institution now has a cabinet-level position dedicated to enrollment management. Additionally, my senior staff and I meet quarterly with the presidents of enrollment-challenged universities so that they can brief us on progress and projections, and we can discuss best enrollment and retention practices, as tailored to their unique needs and student populations.

3. The Chancellor should comment on efforts to bolster enrollment at USMSM.

As with other USM institutions, USMSM has seen an enrollment decline, particularly acute after the pandemic. The four non-USM institutions that were grandfathered in when the System took over the center in 2019—Johns Hopkins University, Notre Dame of Maryland University, Florida Tech, and Webster University—pivoted to online-only education during the pandemic. These universities have since withdrawn from USMSM and are teaching their programs fully online.

USMSM leadership is approaching enrollment growth in several ways.

- a. Working with university partners to offer new programs in fall 2023:
 - BS in Computer Science—Bowie State University (BSU); approved
 - Upper-level certificates in Cyber and Cloud Computing—BSU; pending MHEC approval
 - Master's in Special Education—BSU, pending MHEC approval
 - Master's in Nursing—BSU, pending MHEC approval
 - Master's in Human Resources Development—BSU; approved
 - In process: BS in Data Science—Coppin State University
 - Under discussion: Executive Master's in Public Policy—University of Maryland, Baltimore

USMSM meets regularly with USM provosts to discuss opportunities for growth in several high-need areas, and ways that the center's Workforce Development Initiative funds can offset costs of offering these programs on-site or as hybrid/hyflex options.

- b. Working with tri-county school districts, the College of Southern Maryland (CSM), and other entities to develop a more robust student pipeline:
- Recruiting events for CSM students and local high school juniors and seniors
 - Coordinated marketing effort ensuring consistency among USMSM, CSM, and partner schools
 - Outreach to CSM students majoring in USMSM-offered programs
 - Regular meetings with CSM advisors and leaders to raise awareness and align messaging
 - Alignment of USMSM pipeline priorities and potential funding opportunities with those of CSM, the Tri-County Council, and Southern Maryland's three local school systems; this effort is in keeping with the bachelor's completion awareness components of the Blueprint for Maryland's Future
 - Collaboration with The Patuxent Partnership¹ and the Southern Maryland Navy Alliance to support internships for baccalaureate students through funding for SMNA 2030. This effort begins with Computer Science (offered through BSU).
 - Effort with the Pax River Strategic Education Office to identify changing knowledge needs at the base, and consequent opportunities for short-term certificates, new program(s), professional development, or modified curricula
 - Partnership with UMCP to identify funding opportunities to support students in high-need programs—e.g., the NSF ExLENT grant would enable CSM and USMSM electrical engineering students to be part of a heavily mentored micro-electronics program, part of which would be offered onsite at USMSM

As USMSM offers fewer graduate programs and more undergraduate completion programs aligned with CSM, its challenges become more complicated and, of course, require additional resources, despite what we see—at least temporarily—as declining enrollment. Enrollment will not grow if we lack focused and resourced efforts to make that happen and to differentiate USMSM.

- Students at the baccalaureate vs. graduate level want services on campus that are simply not available: mental health services, clubs and recreation, student life activities.
- With the addition of the SMART building, USMSM's footprint has grown, and of particular concern is that the campus has no security except in the evening.
- It's impossible with current staffing to advance the priorities identified for USMSM: develop internships or other work-based learning programs with local business and industry; recruit local students through CSM (as partner schools do not explicitly

¹ A nonprofit focused on strengthening STEM pipelines to support NAS Pax River

recruit for the regional centers); reach underserved populations and make financial, health, and support services accessible on campus to these students.

- Current staffing consists of an executive director, business manager, facilities manager, executive assistant, temporary full-time IT coordinator, and five contingent staff.

4. The Chancellor should comment on efforts by institutions to reach out to these students to encourage them to return to college and earn a degree.

As the analysis highlights, our universities have seen a small drop in third-year retention rates from 2019 to 2021. By first understanding why students withdraw, new tactics are being used to reach them.

Consultants looking at retention at one of our universities found that, not surprisingly, life often gets in the way of a degree. Money, lost learning, health, caregiving and other responsibilities were always challenges, but they intensified when the pandemic hit. Interestingly, these consultants found, as well, that it's often relatively small hurdles—e.g., owing a back bill; wanting to change majors but not knowing how—that pushed students out of higher education.

Universities have taken a broad approach to retention based on this feedback: new advising models dedicated to probationary and transfer students; one-on-one counseling to help students plan their academic track and discuss their financial concerns; new online programs to get these students to a bachelor's degree; expanded availability of mental health services; stocking food pantries and expanding their hours to serve students facing food insecurity.

We're also awarding scholarships sooner to help students plan their college path, and removing impediments by revising academic processes and policies related to readmitted students.

It bears noting that while the pandemic brought challenges, it also brought opportunities. Technology has made more flexible not only the delivery of courses, but the delivery of services. Many services may now be accessed online so that students can find help in their moment of need and at the point of care. For example, the University of Baltimore provides all academic support services virtually and on campus, and has a 24/7 virtual Student Assistance Program.

5. The Chancellor should comment on how the USM intends to use the remaining \$65.9 million in State funding.

This funding is allocated for fringe benefit increases and statewide adjustments based on the DBM summary provided to us. These are mandatory costs due to rate hikes in health insurance and other benefits provided to state employees.

6. UMGC should address the effectiveness of the new marketing strategy.

As shown in Exhibit 15, UMGC continues to market to a national audience using a conservative and deliberate approach, employing multiple channels to gauge effectiveness and awareness of the UMGC brand at the national level.

In conjunction with this strategy, UMGC is preparing to launch a regional strategy in four direct marketing areas, leveraging existing brand awareness and student populations in those markets to attract out-of-state students.

As shown in Exhibit 5, UMGC has seen an increase in enrollments in fall 2022, and these results are continuing into spring 2023.

7. UMGC should discuss its financial outlook and how it can compete with private universities.

UMGC has made significant cost reductions over the last two fiscal years, anticipating market competitiveness as other institutions enter the online space, thereby increasing competition for online enrollments. These efforts have allowed UMGC to operate within the approved financial benchmarks as promulgated by the USM and the Board of Regents.

As we work to increase state support to defray the UMGC cost of the Community College Completion Scholarship and underfunded COLA/merit increases, UMGC will continue to implement cost-saving measures, while optimizing internal operations to improve enrollment and retention. This will ensure UMGC remains competitive both in the DMV and in national markets.