



University System of Maryland Office  
FY 2025 Operating Budget

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

House Appropriations Committee  
Education and Economic Development  
Subcommittee  
Stephanie M. Smith, Chair  
February 7, 2024

Senate Budget & Taxation Committee  
Education, Business and Administration  
Subcommittee  
Nancy J. King, Chair  
February 9, 2024

Members of the subcommittee, thank you for this opportunity to testify on the FY 2025 budget for the University System of Maryland (USM) Office. I thank you again for your support of the USM as a whole, and I'm proud of the close relationship we've forged to advance our mutual priorities.

The USM Office (USMO) is the "corporate office" of the University System. As such, we manage the primary organizational leadership functions, beginning with our core academic mission and financial stewardship. The Office also serves as staff to the Board of Regents and its seven standing committees—Education Policy and Student Life and Safety; Finance; Audit; Economic Development and Technology Commercialization; Advancement; Governance and Compensation; and Intercollegiate Athletics and Student-Athlete Health and Welfare—together with assorted workgroups.

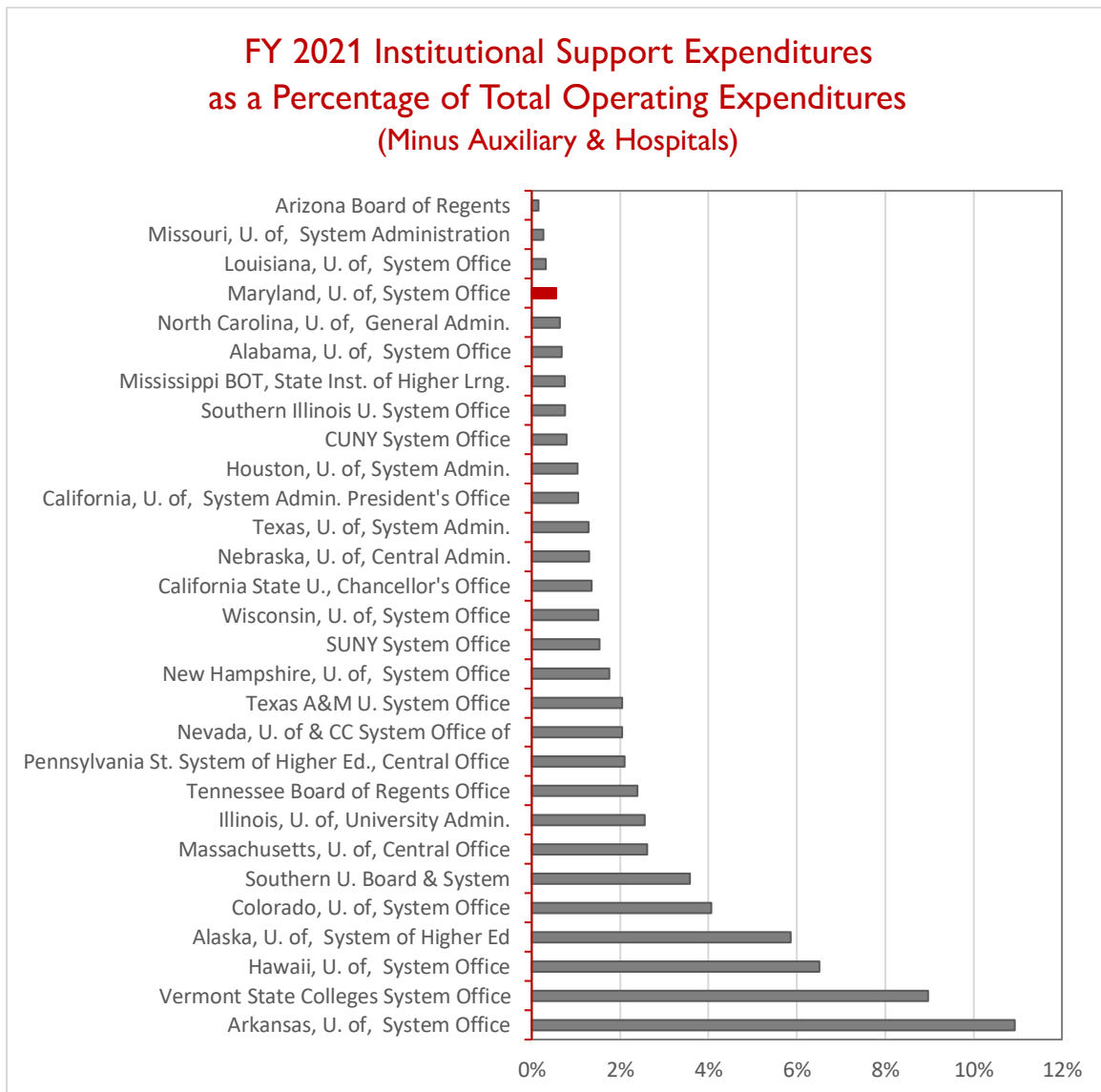
The Office develops and oversees the USM's \$7.1 billion operating budget, and its \$300 million capital program for academic and auxiliary facilities. We conduct Systemwide strategic and financial planning, and manage a USM-issued capital debt portfolio in excess of \$1 billion. Our efforts help maintain a favorable AA+ (or equivalent) bond rating, saving the USM and our universities millions of dollars every year when compared with a less favorable rating.

We coordinate academic program planning and program reviews for the System's 12 universities; manage the System's relationship with Maryland's community colleges and support articulation and pathway programs; and manage the USM's P-20 pipeline activities and pursue grants to support them. Through our William E. Kirwan Center for Academic Innovation, we develop and exploit emerging technologies and learning science to improve education outcomes.

The USM Office also provides leadership at the state and national levels on major issues facing higher education, and we're the System's primary interface with state government. We convene leadership groups across the USM to study and share best practices in all areas of university activities.

Through our Effectiveness & Efficiency initiatives, the USMO coordinates activities to achieve cost savings and improve performance Systemwide. We facilitate technology transfer, entrepreneurship, and workforce development across the System; manage the selection and evaluation of USM presidents; compile the System's financial statements and coordinate the audit process; and develop and update Board policies.

The USMO offers our universities technical expertise and negotiation support in leveraging private investment and initiating public/private development projects, and we advise the Board and our universities on the most beneficial real property transactions.



We educate our stakeholders and the public about the University System's value to the state and the many constituencies we serve. And we strengthen a culture of philanthropy by providing fundraising leadership, professional development, Board and volunteer training, database management, and program analysis to USM and non-USM institutions.

The USM Office does all of this as one of the leanest operations in the country. According to the most recent data, well below 1 percent of the entire USM budget goes to administrative costs at the System Office, placing the USMO fourth out of 29 such systems in the country.

At the same time, what we're able to accomplish with this funding is impressive. Let me expand on just a few ways our work as a *System*—modeling collaboration, leveraging resources, forging partnerships, and exploiting economies of scale—improves our universities, strengthens the state, and serves the needs of its citizens.

## OPENING ACCESS THROUGH OUR REGIONAL CENTERS

The USM Office supports the management of the System's three regional higher education centers: the Universities at Shady Grove, the USM at Hagerstown, and the USM at Southern Maryland. These centers allow students to enroll in a USM university but take their classes near their home, advancing our work to provide a convenient, accessible, and affordable college education to all Marylanders.

Students at our regional centers are taught by faculty shared with the partner university. They take the same courses—with the same curriculum—as students enrolled at the partner university, and receive their degree from that same university. The centers maintain close relationships with the community colleges where their students start their education, and collaborate extensively with local business and civic leaders to drive regional growth and prosperity.

The centers allow thousands of students each year—many with significant work and family obligations—to pursue a degree that would otherwise be out of reach. They also provide students across the USM physical spaces and resources that help them study, work, and learn—individually and in groups—and they serve as a convening place for their communities, where leaders and residents gather to develop and celebrate programs important to the region.

## FUELING ECONOMIC GROWTH

The USM's core missions fuel Maryland's strength and prosperity. As a System, we won \$1.8 billion in external funds last year for research, training, and service projects, a 15 percent climb over the year before. The System has an annual statewide economic impact of \$10.4 billion, and an employment impact of 57,505 jobs, contributing \$548 million every year in combined state and local tax revenues.

A significant component of our economic impact is the discovery, invention, and innovation taking place on our campuses. Our research parks are home to nearly 200 companies, employing more than 9,000 people. In the last five years, 89 startups have launched based on our

universities' intellectual property, and 313 USM technologies have been licensed or optioned by our industry partners. And at the USM, we invest in our own ideas: Our Maryland Momentum Fund—supporting early-stage ventures spun out of our universities—now has a portfolio of 28 Maryland-based companies.

## STRENGTHENING THE P–20 PIPELINE

To meet Maryland's education and workforce needs, the USM sustains partnerships with school districts throughout the state, with community colleges, with government agencies, and with private entities. These partnerships, focused squarely on student access and success, are designed to improve college and career readiness for all students.

The USM manages the Maryland Education Enterprise Consortium, a coordinated procurement and contracting process that saves the state's P–20 schools tens of millions of dollars a year on technology products and services. The USM also hosts the Maryland Center for Computing Education (MCCE). Over the past five years, more than 1,400 educators representing every public school system in the state, plus independent and charter schools, participated in MCCE's computer science professional development programs. And the share of Maryland high schools offering computer science courses has grown steadily—to 98 percent in 2022, the highest in the nation.

## SMOOTHING THE TRANSFER PROCESS

The USM is creating greater transparency for transferring students and strengthening articulation and pathway partnerships that smooth the transfer process. Today, transfer students account for nearly 30 percent of all USM undergraduates, and 25 percent of all those who started at a USM university last fall transferred from an in-state community college. These students are not only plentiful; they're successful: USM students who began at a Maryland community college are more likely to graduate within six years than all students at public universities nationwide.

To ensure that transfer students continue to find an accessible home within the USM, we collaborate with community colleges to align course content and learning outcomes. For instance, our provosts meet regularly with provosts across Maryland higher education to address transfer issues, and faculty within a dozen academic disciplines work to align a number of courses—including high-volume community college courses—so that they transfer into the System as directly equivalent to an existing course, which saves transferring students significant time and money.

Additionally, we're leading the development of a new statewide transfer platform that helps community college students understand which courses they should take to *prepare* for transfer and how the credits and grades they've earned *will* transfer to their chosen university.

## STEWARDSHIP OUR RESOURCES

With the implementation of the USM's Effectiveness and Efficiency (E&E) initiative more than a decade ago, we've established the System as a national model for responsible cost-cutting and

cost-containment in higher education. To date, this systematic reengineering of our academic and administrative processes—and its follow-up, E&E 2.0—has yielded more than \$1.5 billion in savings, cost avoidance, and revenue generation.

To nurture private philanthropy, the USM Office of Advancement supports our universities in fundraising campaigns, helps build long-term fundraising capacity and engagement, and promotes a culture of giving across the USM. Additionally, the office oversees the USM's new \$150 million quasi-endowment, whose income is projected to grow the need-based financial aid we offer students by \$6.4 million a year.

## ACHIEVING OUR VISION

The USM is now more than 18 months into the execution of our strategic plan—Vision 2030: From Excellence to Preeminence. In everything we do, we're guided by its priorities: Academic Excellence and Innovation; Access, Affordability, and Achievement; Workforce and Economic Development; Research; and Diversity, Equity, and Inclusion. In close partnership with our universities, the USM Office has established benchmarks against which we measure and report our progress.

In securing the strategic plan's success, we secure Maryland's strength, for the plan places students at the very center of our work—students who will one day lead Maryland toward greater equity, opportunity, and prosperity.

I'll turn now to the issue raised by the Department of Legislative Services.

**The chancellor should comment on the continuing enrollment decline at the USM's RHECs and whether the academic and business model should be reconsidered given the changing demographics of potential students and the competition for fewer students.**

## USM REGIONAL HIGHER EDUCATION CENTERS

The USM's regional higher education centers (RHECs) are the Universities at Shady Grove (USG) in Montgomery County, the USM at Southern Maryland (USMSM) in St. Mary's County, and the USM at Hagerstown (USMH) in Washington County. They cater to students who work while attending school, and in many ways, the centers are perhaps closer to the needs of the future learner—even the contemporary learner—than traditional universities.

USG's executive director, Dr. Anne Khademian, calls this learner the "fluid student." The fluid student needs to continue learning throughout life, with on- and off-ramps to higher education at different points in their career lifecycle. That means the fluid student is not residential and not necessarily full-time. The future is increasingly *now* for fluid students, especially at our RHECs.

The RHECs are geographically located so that their competition is primarily with online programs.

- The working adult seeking a bachelor's or master's program won't find another option close by in Southern or Western Maryland, especially for professional programs. (St. Mary's College of Maryland in Southern Maryland serves primarily traditional age, residential students enrolled in a liberal arts program.)
- Maryland residents in the DC metro area will find USG a much more economical choice than a Washington, DC, or Northern Virginia school.
- USMH offers a regional tuition rate to attract nearby out-of-state students who have no close four-year institution in their home state.

It bears noting that USMH and USMSM serve students in rural areas—precisely where legislators have been asking for more recruitment. We know that many of these students don't want to leave their region—and their region certainly doesn't want them to leave.

USMH is unique among the RHECs in that it has a dual mission: to provide education access in an underserved Maryland region; and to revitalize downtown Hagerstown. Since USMH's inception, there's been a great deal of investment in the region, including development of the Hagerstown Cultural Trail, renovation of the Maryland Theatre, construction of the Barbara Ingram School for the Arts, and construction of the Atlantic League Baseball stadium. These investments in downtown Hagerstown—and the growth still underway—coincide with USMH's location in the city.

Part of USMSM's mission is to support research led by the University of Maryland Clark School of Engineering—R&D that's essential to meeting Southern Maryland's workforce and economic development needs. It has since emerged as a leader in autonomous technologies research, in collaboration with its U.S. Navy partners, who serve as the region's primary employers.

USG is critical to Montgomery County's ability to sustain and grow its economy—a vibrant economy that fuels the state's prosperity. The center's strategic plan, its first, was developed in close collaboration with community stakeholders, including Montgomery County leaders in business, education, and economic development. Of the 15,000 graduates who have earned a degree at USG, 88 percent are working in the region or attending graduate school in their intended field. This success is notable in its own right, but also for the fact that USG's students are among the most diverse in the state. The majority-minority student population includes many new Americans.

## **THE RHEC ADVANTAGE FOR UNDERSERVED STUDENTS**

The average age of students at our regional centers is just above 26 years old. Their average credit load is 9.71 credit hours per semester, allowing most students to hold down a job. (Even those who take a full-time credit load often work.)

This population is similar to that served by Maryland's community colleges and, indeed, our RHEC students are predominantly transfer students from those colleges. It stands to reason, then, that enrollment declines at our regional centers are similar to those at the state's two-year

colleges. (Our RHECs do have some graduate enrollment, which has remained relatively stable.) As community college enrollment recovers, we also expect some recovery at our regional centers.

The economic advantages of our RHECs make them desirable to students. Each of the centers raises funds for student scholarships, and students can use scholarship awards offered by the center *and* by their home university. USG awarded \$1.3 million in scholarships last year, and USMH raised more than \$90,000 at its primary scholarship fundraiser. USMSM doesn't yet have the infrastructure for a robust advancement program, an area of high need for the center and its students.

Because the centers are non-residential, students don't pay room and board, and the RHEC locations make the commute manageable for most students. This is especially important for the students our RHECs primarily serve: working students with low to moderate incomes. Our regional centers also provide no-cost library and support services to students who are enrolled in online programs offered by a partner university but who live closer to the RHEC.

## RHEC ENROLLMENT AND OPPORTUNITIES

Enrollment declines at the RHECs didn't start with the COVID crisis, but were exacerbated by it. The pandemic-induced move to online course delivery made it harder, in some cases, to attribute online enrollments to the regional center, even if that's where the student had been attending school. The USM is working with the centers to ensure that their enrollment is accurately noted, even if the program has online components.

Post-pandemic, not all of the programs and courses that moved online have returned to in-person delivery, and not all students who once preferred in-person programs are still seeking fully in-person courses. USMSM was particularly hard hit with programs moving entirely online, and then staying online even with the resumption of in-person classes. The RHECs are working with their partner universities to expand the availability of in-person and hybrid programs and courses.

For underserved students, RHECs have a critical role in making bachelor's degrees available within commuting distance. Thirty-five percent of job postings in Charles County and in the Hagerstown region of Washington County require a bachelor's degree; however, young adults (under age 26) in these regions have education attainment levels significantly below that. That said, Washington County has seen growth in bachelor's degree attainment since USMH was opened, and our newest regional center, USMSM, is adding bachelor's programs to address this shortage. Meanwhile, USG provides the only public four-year degree programs in densely populated Montgomery County, where there's above-average demand for a highly educated workforce.

With their partners, our RHECs identify regional workforce shortages and offer programs to close them—e.g., business, health care, education, social work. They regularly partner with regional companies, hospitals, school systems, and governments to fill their workforce needs, and offer programs of high demand that lead to stable employment in the region. USMSM notes that many

of these programs are *not* offered online, and were it not for the regional center, students would have no option but to leave the area or opt out of higher education altogether.

While the RHECs are innovating their offerings and operations to serve the needs of today's students, they remain committed to student success. Graduation rates at USMH and USG meet or exceed those of our traditional universities. Indeed, 77 percent of students who transfer to USG graduate within four years, compared with 69 percent of transfer students across the USM. (USMSM is too new to the System to provide a comparable analysis.)

With fewer resources at their disposal, RHECs work to retain students and guide them toward careers. USG's innovative career preparation strategies are a key part of its student services.

Given the strong academic performance of our RHEC students, it would be premature to say that the overall academic model should change.

## THE NEXT-GENERATION RHEC MODEL

The RHEC model works because it provides accessible, affordable education for nontraditional students. However, the needs, priorities, and expectations of these students are changing, as are the talent needs of Maryland's economy. A next-generation model that embraces these changes and builds on the current RHEC structure can effectively address both challenges.

Our regional centers are looking to broaden their revenue and programming opportunities. Each center is examining how it can serve its community better with a different mix of programming, some of which can help diversify its revenue streams. This might include professional certifications or micro-credentials aimed at working professionals—those with some college and those with degrees already in hand. Certainly, our RHECs are building out their degree programs, in collaboration with their partner universities.

Does the RHEC model still work? Yes, it does. But it needs to evolve to meet the changing needs and priorities of our students and of Maryland's workforce, and to strengthen its role as an asset to the USM and to the state. The RHEC model, barely 20 years old, remains unique to Maryland, and offers us an extraordinary opportunity to reach nontraditional students who reflect the underrepresented populations we've pledged to serve.

We need a next-generation RHEC model that:

- Centers the student experience and supports a nontraditional student journey;
- Better integrates the planning, content, and delivery of academic programs with changes in the economy and the demand for talent;
- Yields meaningful employment and great careers;
- Is data informed (for planning and evaluation);
- Brings USM partners together to develop creative pathways that deliver on our promise of access;
- Is supported by a sustainable fiscal model.



Tens of thousands of Marylanders have completed their degrees in a way that wouldn't have been possible without our RHECs. They help us retain students in underserved areas of our state, where they contribute to economic growth, and they help us move students from some college to a full degree.

As the needs of students in the region change, so do our regional centers. And we need to sustain our work in capturing data and building infrastructure that help us predict these changes so that we can be responsive in real-time. These are ongoing areas of focus for the USM and our RHECs.

But we know, without doubt, that our regional centers are a big part of what makes Maryland higher education a U.S. leader and a model for the work that advances the state's foundational promise: that we will leave *no one* behind.