

OFFICE OF THE CHANCELLOR

University System of Maryland

FY 2026 Operating Budget

Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee

*Education, Business and Administration
Subcommittee**Nancy J. King, Chair*

January 31, 2025

House Appropriations Committee

*Education and Economic Development
Subcommittee**Stephanie M. Smith, Chair*

February 3, 2025

Members of the subcommittee, I appreciate this opportunity to testify in support of Gov. Moore's FY 2026 budget proposal for the University System of Maryland (USM).

I thank you for the generosity you've shown to higher education and to the USM over the years. You've been consistent—and consistently bipartisan—in your support of our shared priorities: education and innovation that develop our workforce, strengthen our economy, invigorate our communities, and improve our quality of life. Our mutual commitment to access, affordability, and excellence has served Maryland and her citizens well.

As I enter my sixth year as chancellor, I'm more encouraged than ever by the vital role the System plays in the state, and by the progress our universities have made with your abiding and generous investment.

Today, even as Maryland faces a serious budget shortfall, our partnership endures. The USM has been, and will continue to be, part of the solution in addressing the state's deficit. Our people understand the challenges guiding budgetary decisions. They understand that we're not alone in making tough choices, and that we must do our part.

For these reasons, we support Gov. Moore's budget proposal and look forward to working with the administration for the good of Maryland.

Before turning to the question raised by Ms. Baker and her team, I'll touch on two broad areas: the governor's budget recommendations and the USM's impact across Maryland.



FY26 Budget Overview / Top Line

Governor's Proposal: **\$2.2B** / General Fund and HEIF
\$105.5M decrease (–4.9%) over FY25

USM universities will address the reduction by cutting costs
Expand Effectiveness & Efficiency efforts

Reaffirm our commitment to mutual priorities
Access | Affordability | Quality

The governor has proposed \$2.2 billion in state support for the USM, coming from the General Fund and the Higher Education Investment Fund. This is a decrease of \$105.5 million (–4.9%) over last year's budget.

To address this funding reduction, the USM will take a targeted approach to cuts. We are committed to reducing costs while still offering the same high-quality, affordable education that Marylanders expect from us. We're working closely with our universities to identify areas where we can realize savings while protecting our priorities; maintaining our tri-part mission of education, research, and service; and minimizing impacts on our students.

As many of you know, cutting costs is nothing new for the USM: The Effectiveness & Efficiency initiative we launched 22 years ago has yielded \$1.6 billion in cost avoidance, cost savings, and revenue generation. In the last two years alone, E&E has yielded nearly \$170 million in efficiencies. And in light of the state's fiscal challenges, we're intensifying our efforts on this front.

In no way am I suggesting that these efforts will be easy or their impact painless. The majority of our budget is spent on our employees; therefore, many of our cost-cutting actions will affect them. We cannot take anything off the table: hiring freezes, position eliminations, furloughs, layoffs.

We'll also reduce operational costs, as our universities forgo expenditures on things like equipment, supplies, contractual vendor services, and technology modernization. Facility renewal efforts will be

reduced and maintenance deferred. And we'll likely have to make some modest cuts to student support services, including financial aid.

We are, proudly, a people-serving business. Cuts to programs, services, and support do, in fact, affect our people. There's very little we can cut that *wouldn't* have a credible impact on our students and employees.

Still, as we address this shortfall, we'll sustain our focus on keeping Maryland public higher education exceptional—and affordable. Maryland's short- and long-term strength depends on keeping college within reach of all Marylanders. It depends, too, on maintaining our commitment to excellence, for access to anything less is of little value to our students and to the state.

A final point: Over the same 20+ years that the USM achieved \$1.6 billion in efficiencies, we *also* grew the number of students we serve and the number of degrees we award. We *also* became more affordable—much more affordable—for in-state students. We *also* awarded students more university aid. We *also* saw our research revenues rise.

We excel, even in times of challenge. We will again.



FY26 Budget Overview | Key Elements

- \$27.5M | Make Maryland the “Capital of Quantum”**
Catalyze \$1B in public-private investment
- \$5.5M | Operating costs associated with new USM facilities**
Support STEM & health professions and key workforce needs Systemwide
- \$1M | Coppin State University**
Support 6 important CSU capital projects
- \$250K | University of Maryland Eastern Shore**
Increase state-federal match for our 1890 land-grant university


Despite this era of austerity, there are aspects of the governor's budget proposal that will strengthen our ability to meet the needs of our students.

While not part of the USM's budget, I acknowledge and endorse Gov. Moore's growth agenda, especially the \$27.5 million investment he intends to make in quantum computing. This joint venture uniting the state, the University of Maryland, and quantum leader IonQ could catalyze \$1 billion in private investment. Without question, the partnership will fuel economic growth. But more than that, it will center Maryland in revolutionizing the many and diverse sectors that quantum computing touches: cybersecurity, energy, drug development, precision medicine, manufacturing, financial modeling, and more.

The governor's proposal also provides funding for the operation of new campus facilities across the System, many of which support education and R&D in STEM, the health professions, and other key areas driving workforce need and economic growth.

Included in the proposed budget is a one-time expenditure of \$1 million for Coppin State University. The money would enable the university to engage professional design firms to execute six important capital projects. These buildings are critical to Coppin's ability to provide its students with modern facilities and its community with vital services.

The budget also includes \$250,000 in additional funding for the University of Maryland Eastern Shore as part of a federal/state partnership addressing decades of chronic underfunding of land-grant HBCUs.



Supporting Our HBCUs

Year 4 Settlement Funding (total add'l funding)

- Bowie State—**\$16.3M** (\$64.9M)
- UMES—**\$9.0M** (\$32.7M)
- Coppin State—**\$9.0M** (\$33.1M)

Settlement Funding Activities

- New & expanded academic programs
- Scholarships & financial aid
- Student success initiatives—e.g., coaching, tutoring
- Marketing & communications

In fact, the governor's budget proposal continues Maryland's historic support for the System's three HBCUs—more than \$34 million in new funding for Bowie State, Coppin State, and UMES. It's the

fourth installment of the 10-year, \$577 million HBCU settlement approved in 2021. With this year's funding, the three universities will have received more than \$130 million in added funding.

While all three universities are engaged in expanding academic programs, growing scholarships and student aid, and enhancing student support services, each university is tailoring its priority efforts to its unique needs and opportunities.

It's gratifying to see the promise of the HBCU settlement bear fruit—to see our historically Black universities growing stronger and more nimble; providing affordable access to students historically underserved by the American academy; creating innovative, in-demand degree programs; and competing in one of the nation's richest, most dynamic higher education landscapes. With the talent of their people and the support of our state, our HBCUs will continue to rise—in reputation and impact.

Even in this time of fiscal challenge, the governor's budget proposal reflects Maryland's enduring commitment to the USM. Without question, that commitment is matched by our commitment to Maryland.



Prioritizing Access & Affordability

Affordable tuition for in-state undergraduates

26 states are more expensive than MD for in-state tuition & fees

MD in-state costs are **below** nat'l avg & **well below** neighboring states

\$243M in **total university aid** awarded to undergrads last year

\$101M awarded in **need-based aid**

59% of degree recipients graduated last year with **NO student loan debt**

54% of USM students are from **minority groups**

39%, from **underrepresented minority groups**

Underrepresented students: **↑34%** over 10 years

ACCESS & AFFORDABILITY

Our foundational commitment is one of access and affordability: putting a college education within reach of any Marylander who wants one. I understand Gov. Moore's position that a four-year degree isn't required for a successful life—a fulfilling life. Without reservation, I agree. And I wholeheartedly

support programs that put success into the hands of those who choose a different path. But the USM's years-long focus on K12 preparation and college affordability is precisely because we believe that access-for-all is our most essential mission. Our purpose at the USM remains to structure and sustain a system of public higher education that's accessible to all who *choose* college, for whatever reason they choose it.

And more students are, in fact, choosing it—choosing *us*. Our enrollment grew for the second year in a row, to nearly 171,000 students. Our undergraduate enrollment is the fourth-highest in USM history, and back to pre-pandemic levels. We enrolled our second-largest class of first-time, full-time students. And, together, our HBCUs have their largest freshman class in 16 years. Our graduate enrollment grew as well, by nearly 5%.

We're proud of growth in our pathway programs, as well. In 2018, 179 students were dually enrolled at a Maryland high school and at the USM. This year, that number is up to 743. These dually enrolled students are taking 3,344 credits, up from 726 credits six years ago.



Contributing to this growth is the affordability of the education we offer. That affordability depends on two factors: 1) Keeping tuition prices down; and 2) closing the cost-income gap for students with financial need.

Twenty years ago, Maryland's public universities were among the most expensive in the nation for in-state undergraduates. Today, 26 states are more expensive than Maryland. Our in-state undergraduates pay less than the U.S. average in tuition and fees and *far* less than students in our neighboring states. This success is a direct credit to the generous support we receive year after year from the state. I'm deeply grateful for it.

For students who still need financial help—more than 27,000 last year—our universities awarded \$101 million in aid. That's in addition to federal and state aid, and it's a pool of money that has nearly *doubled* over the last 10 years.

The impact of these twin affordability efforts is profound: Fully half of USM undergraduates earn their degree without any student loan debt whatsoever.

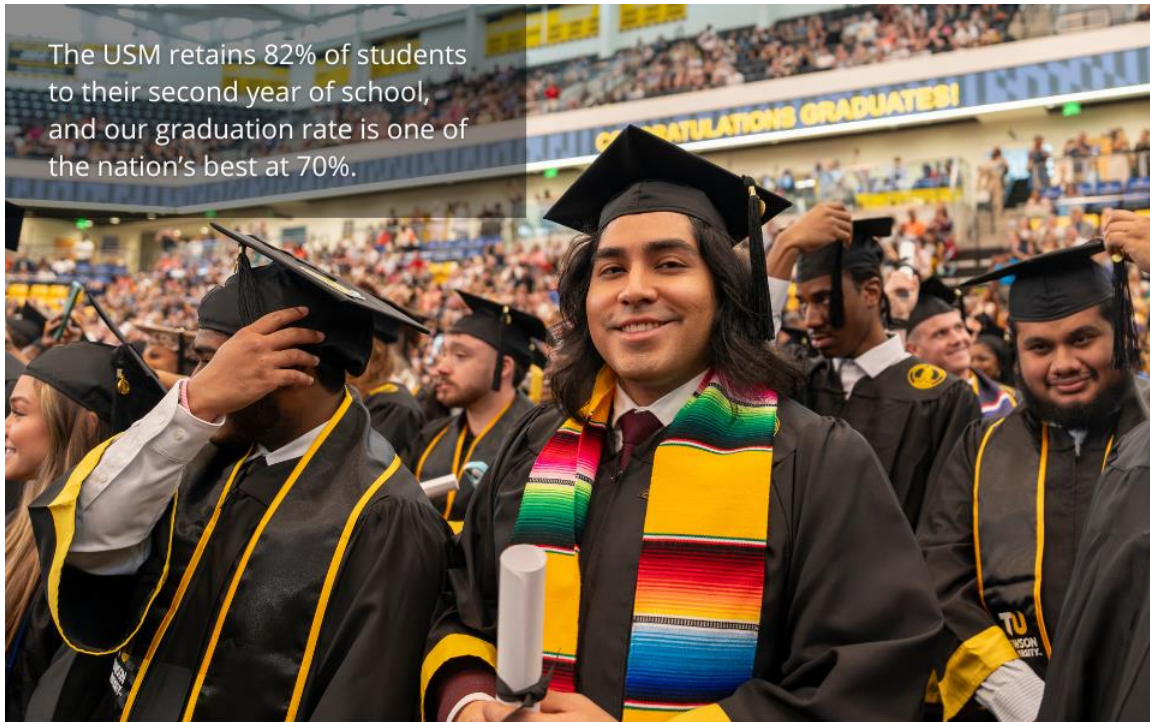


DEGREE ATTAINMENT

It's important to keep in mind that our growing enrollment isn't merely a factor of our success in recruiting students to our universities, but our success in *keeping* them there—on the path to their degree.

Across the USM, we retain 82% of students to their second year; the national average among U.S. public universities is 78%. Our six-year graduation rate is still one of the country's best at 70%; the national average is 67%.

This success in retention and completion explains, in part, why the number of degrees we award has climbed 15% over the past decade—to 42,200+ last year. Eight in every 10 bachelor’s degrees awarded in Maryland are earned by USM students. And 80% of our undergraduates are Maryland residents. That means many of them *stay* in Maryland following graduation, contributing their wealth to our economy and their service to our communities.




All of this together—our expansive reach across the state, the climb in degrees we award, our commitment to serving *Maryland* students—is a significant reason why Maryland ranks in the top 5 states for bachelor’s degree holders and advanced degree holders. It’s a significant reason why we’re a top 5 state in the science & tech workforce, and why we have one of the nation’s highest household incomes and lowest poverty rates.

One can trace a straight line through these metrics—from education attainment, to innovation, to income. Higher education drives Maryland prosperity. The University System drives Maryland prosperity.

RESEARCH & DEVELOPMENT

Another way we drive this prosperity is through the research we produce and the products and technologies we commercialize from it. This R&D enterprise makes Maryland one of the most dynamic states for science and technology innovation.



Fueling Maryland's Economy

- 170,831 students** enrolled
 - 80%** of all students are MD residents
- 42,222 degrees** awarded
 - 80%** of all bachelor's degrees conferred in MD
- Meeting critical **workforce needs**
 - 13,000 STEM** degrees
 - 3,700 health care** degrees
 - 2,400 teaching** degrees & certificates
- \$1.65B** in external **grants & contracts**
 - ↑29%** over 5 years

The combined R&D expenditures of our two biggest research universities—the University of Maryland, College Park and the University of Maryland, Baltimore—rank them 11th among all U.S. public universities. Altogether, the USM expended \$1.6 billion last year in research and sponsored programs, up 29% in the past five years.

Every day, these grants and contracts are translated into innovations that make Maryland citizens healthier and happier; that make our world more secure and more sustainable. In fact, the USM ranks 15th among the country's academic institutions in U.S. utility patents issued.

But our research creates more than new inventions: It creates jobs, companies, entire industries. Last year, USM venture support helped launch 182 Maryland startups. In our research parks alone, 9,000 people work for 200 companies, bringing to market innovations that improve our health, protect the environment, keep us safe, and connect our world.

CHANGING THE WORLD, FOR GOOD

Maryland wouldn't be Maryland without a strong and thriving USM. Our students become the citizens, colleagues, neighbors, and leaders who shape the state's future. Our research solves some of the greatest challenges we face right now, and those coming quickly behind them. Our engagement in communities across the state makes them stronger, more vibrant, more resilient.

We do this work for the good of Maryland. We do it to change the world—for good.



DLS QUESTION

I'll turn now to the question posed by the Department of Legislative Services.

The Chancellor should comment on actions institutions will take to reduce their operating budgets in order to offset the reduction in State funding.

I'll reiterate here that the cut we're sustaining will be difficult for our universities, for the faculty and staff they employ, and for the students they educate. We're in the business of serving people, and there's very little we can cut that won't have a real and significant impact on them.

Earlier in my testimony, I referenced our Effectiveness and Efficiency efforts, which have netted \$1.6 billion over 20+ years in cost avoidance, cost savings, and revenue generation. Without question, this is a success story. At the same time, it means that we're *already* lean—that we've *already* made the cuts that one could reasonably call “painless.” It means that more difficult decisions lie ahead.

And while we're committed to protecting our people and our academic excellence, the fact remains that a 5% budget cut will impact how we carry out our mission.

WORKFORCE IMPACT

We spend 60% of our operating budget on personnel; therefore, personnel will have to be a large part of our response. We estimate that budget reductions will affect approximately 400 positions, through a combination of eliminating vacant positions and potentially reducing contingent and part-time positions. Altogether, we'll achieve a cost saving of **\$45 million** (40% of our cut) through workforce actions.

These cuts come with significant consequences. The universities that are planning to leave faculty positions unfilled are concerned that it will sharply increase faculty-to-student ratios, and will affect students' ability to graduate on time. They're concerned, as well, about their capacity to graduate a workforce that can meet the state's most urgent needs, especially those in STEM, health care, and teaching.

Many of our universities will be compelled to eliminate student-facing staff positions in advising, counseling, mental health services, career services, and academic support. This is difficult for our universities across the board, but especially for those enrolling mostly low-income, first-generation, and other underserved students. These support services are a lifeline to our learners, and inhibiting access to them through staffing cuts could cause more students—more of our most vulnerable students—to drop out.

OPERATING IMPACT

A savings of **\$55 million** (50% of our cut) will be achieved through additional operating efficiencies and further cost-cutting measures—e.g., contractual services, supplies and materials, fixed charges, and travel expenses.

Included in these expenses is student aid. Some universities will have to cut the number of Maryland students receiving need-based grants, or reduce the amount of money these students get. As one of our HBCUs puts it: While a few thousand dollars per student might seem small, for many of them, it's the difference between retention and withdrawal.

In addition, our universities use need- and merit-based aid to attract high-achieving students. It's an essential recruiting tool. Without funding for this aid, our universities will likely lose talented students to other highly acclaimed universities, many out of state.

FACILITIES IMPACT

We'll cover the remaining **\$11 million** (10% of our cut) by reducing deferred maintenance expenses. This reduction will enlarge the deferred maintenance backlog and potentially increase costs in future years, as our campus buildings age.

Our universities share that cuts to deferred maintenance will impair our ability to keep critical building systems functioning and infrastructure intact, which will increasingly disrupt student learning and compromise building and campus safety. Several note that failing HVAC systems, electrical systems, and sewer lines are causing significant problems already and, in one case, funds had to be diverted from campus programs to address the most urgent building maintenance needs.

HBCU IMPACT

All of our universities will have to make difficult budgetary decisions—there are no easy answers to a cut of this size. Acutely affected are our three historically underfunded HBCUs. Planned cuts to student services, financial aid, fundraising, and enrollment marketing threaten to stall their progress on efforts advanced through the HBCU settlement funds.

PROTECTING OUR PEOPLE

Protecting our people means holding as a last resort actions that will harm them individually and in the aggregate. For our employees, this means that we will exhaust every personnel action possible before reducing our existing workforce. For our students, it means we will prioritize our affordability—as we always have—and consider tuition increases *only* if our aggressive cost-cutting measures come up short.

These efforts will not be easy or their impact painless. But we are committed to keeping Maryland public higher education exceptional and affordable, and helping every one of our students achieve the degree, and the dream, that first brought them to the University System of Maryland.