

OFFICE OF THE CHANCELLOR

University System of Maryland Office

FY 2027 Operating Budget

Response to Department of Legislative Services Analysis

Senate Budget and Taxation Committee

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

February 12, 2026

House Appropriations Committee

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

February 18, 2026

Madame Chair, members of the subcommittee, thank you for this opportunity to testify on the FY 2027 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, together with assorted workgroups.

The Office develops and oversees the USM's \$7.9 billion operating budget, and its \$250 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 P20 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. Since its launch 23 years ago, E&E has generated \$1.7 billion in cost avoidance, cost savings, and revenue. In the past two years alone, it's yielded nearly \$130 million in efficiencies.

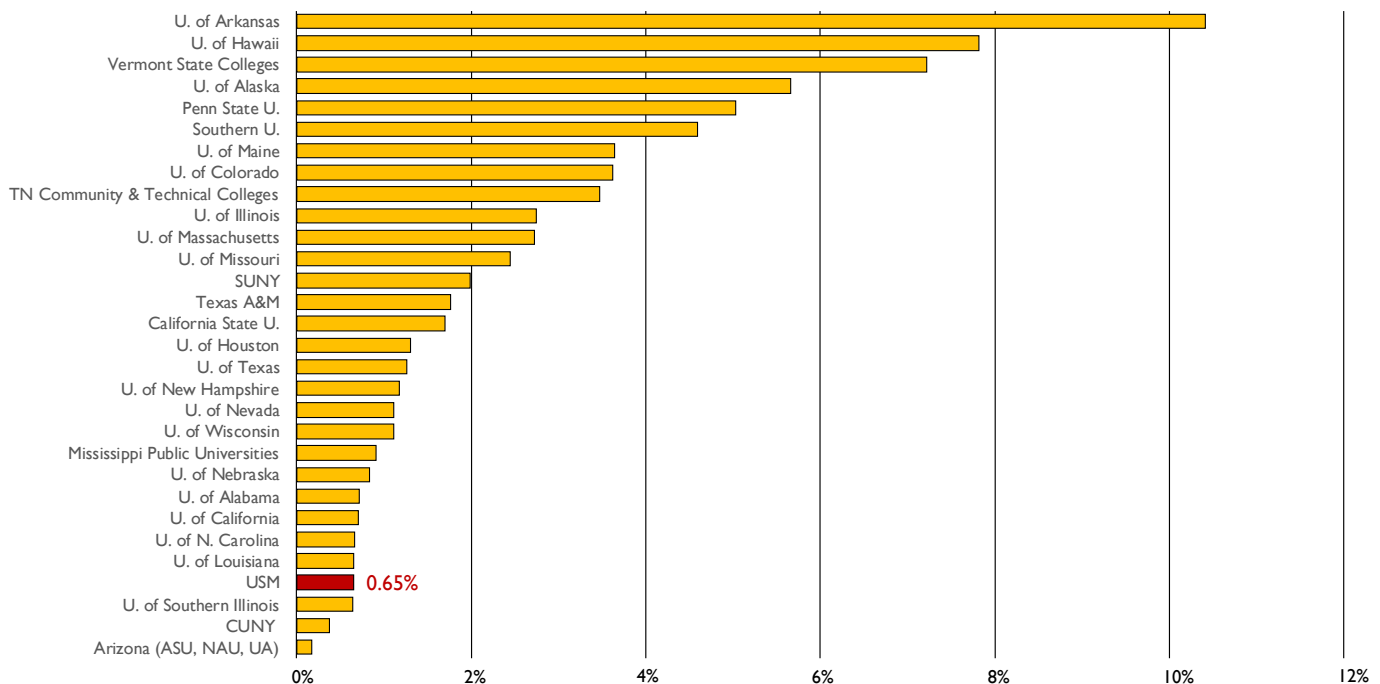
The USMO facilitates technology transfer, entrepreneurship, and workforce development across the System; manages the selection and evaluation of USM presidents; compiles the System's financial statements and coordinates the audit process; and develops and updates Board policies.

We offer 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.

Figure 1

**FY23 Institutional Support Expenditures as a Percentage of Total Operating Expenditures
(Minus Auxiliary & Hospitals)**



Source: National Center for Education Statistics, Integrated Postsecondary Education Data System

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% of the entire USM budget goes to administrative costs at the System Office, placing the USMO fourth out of 30 such systems in the country (*see Figure 1*).

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 innovation, leveraging resources, and forging partnerships—serves the learners and the citizens of *Maryland*.

SERVING MARYLAND LEARNERS

Maryland's signature strength is the heterogeneity of its learners. Proudly, it's the System's strength as well. Our students come from every single region of the state. They access the USM by different pathways, the pathways that best serve their needs. They mirror the state's rich diversity—in background and race and wealth.

This is important, not just because all Maryland students deserve access to the education we offer (they do), but because Maryland is made richer by the full participation of its citizens in our economic growth and social progress. It's important because today's students are tomorrow's leaders. And Maryland will thrive only if its leaders reflect the people they serve, only if our leaders can understand their different experiences and challenges, only if our leaders can convene groups across their differences to chart a better way forward.

If talent is universal, but opportunity is not, our job is to expand opportunity, to innovate how we attract, support, and graduate Maryland's learners—*all* of Maryland's learners—and continue shaping a state whose primary strength has always been its people. Following are just a few ways we're doing exactly that.

OPENING ACCESS THROUGH OUR REGIONAL CENTERS

The USM Office supports the management of the System's three regional higher education centers (RHECs)—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, defraying costs and centering convenience.

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.

But for all these similarities between our regional centers and our universities, there are key differences, too. On average, our RHEC students are older than traditional undergraduates, and their credit load is lighter, allowing most to hold down a job. This is by design: The centers are intended to help students with significant work and family obligations—students tethered to their communities—pursue a degree that might otherwise be out of reach.

Because our RHECs serve this place-based student population, they're uniquely able to engage local business and industry leaders with a vested interest in developing and employing their graduates. These tight partnerships certainly serve our students, who land good, local jobs upon graduation. But the benefit is reciprocal. When local students *stay* local, they contribute their wealth to the local economy and their service to the local community. They build and lead the sectors that spark regional growth and regional resilience. They invest themselves in home.

We understand the value our regional centers bring to Maryland and to Maryland students. And we continue to work closely with our RHECs to strengthen their partnerships across the System and with their stakeholders in a bid to foster growth and expand enrollment.

SMOOTHING TRANSFER PATHWAYS

The USM is home to more than 39,000 new transfer students this year—from community colleges and four-year colleges—a 39% climb over 10 years.

Today, new transfer students account for 29% of all USM undergraduates. For the past two decades, the USM has attracted 9,000–12,000 new transfers from Maryland community colleges each year. This group now accounts for 25% of all new transfers, as out-of-state transfers climb, particularly at the University of Maryland Global Campus. It's important to note that transfer students who've completed a program at a Maryland community college are among our most successful students, graduating at rates comparable to students who started in the USM.

We continue to improve our transfer pathways from Maryland's two-year schools. We're engaged across the state in the Maryland Transfer Intensive, run by the Aspen Institute and MHEC to build closer and more expansive partnerships across Maryland's universities and their main two-year feeder schools.

ARTSYS 2.0, our collaborative statewide transfer platform, is operational, with more than 200,000 course equivalencies and 600 program transfer guides helping students plan a smooth transfer to the four-year program of their choice. Last year, the platform's 26,000+ users engaged in more than 58,000 sessions. We continue to expand ARTSYS to meet student needs, with more program guides to come and new features to be added, including 2-year to 2-year course equivalencies.

We value the access that Maryland's community colleges provide, and we believe that programs like dual enrollment and Early College will help us reach more students and ultimately expand our two-year transfer pipeline as these students complete their community college studies and access a clear pathway into our universities.

EARLY COLLEGE

Early College remains a USM priority because it advances the primary goal that drives us: Ensuring that all Maryland students can access college and graduate with a high-value degree. We believe strongly that Early College is among the most effective ways to achieve this goal while addressing some of the state's most critical workforce needs.

Unlike dual enrollment, through which high school students access college courses, with or without a broad degree plan, Early College is a structured pathway into higher education, primarily targeting low-income students who might not have considered college an option for them. Early College reinforces access with wraparound support—intentional advising, tutoring, and clear course sequencing that builds confidence and breeds success. It's tightly aligned to career pathways and builds transferable college credits up to an associate degree.

Over the past year, the USM has taken a close look at where Maryland stands in the Early College landscape. In partnership with Empower Schools, a national leader in Early College, we completed a statewide analysis of access and participation.

What it shows is that Maryland is falling behind. We rank 43rd nationally in dual enrollment participation. Only 10% of Maryland's public high school students are taking college courses, compared with 16% across the nation. High school students make up just 0.4% of enrollment at Maryland's public universities, ranking us 49th out of 50 states. Clearly, we have an obligation to do better.

The USM remains fully committed to this work, and our universities are sustaining their Early College efforts. In partnership with Empower, they're focused on expanding high-quality, workforce-aligned pathways—particularly in education, health care, and cybersecurity—that *keep* Maryland students in Maryland.

Early College is a long-term investment in our students and our economy, and we look forward to continuing our work with the General Assembly to strengthen and grow these opportunities statewide.

PRISON EDUCATION

Universities within the USM have long been leaders in prison education programs. The University of Baltimore and Bowie State University have degree programs at the Jessup Correctional Institution, and this fall, Towson University will launch a program at the Maryland Correctional Training Center in Hagerstown.

Now the System as a whole is stepping up. A \$4.1 million grant, awarded last year by the Ascendium Education Group, supports our statewide vision for prison education. Under the grant, the USM will bring together groups from across the state—two- and four-year colleges, community organizations, the Maryland Department of Public Safety and Correctional Services, and legislative partners—to give incarcerated Marylanders and returning citizens greater access to higher education.

The money allows us to create the first of two regional hubs to support education initiatives across the state and provide \$400,000 each year in grants to colleges and universities, community partners, and others engaged in the collaborative work of developing and sustaining the initiative. A USM-hosted annual symposium will bring together people and organizations across Maryland and help us recruit still more stakeholders to the partnership. Two full-time staff positions will support this initiative statewide.

We're excited to convene Maryland colleges, agencies, and organizations in this important work. We're excited to learn from existing partnerships and launch new programs that engage incarcerated students, expanding their college and career opportunities and strengthening the communities they return to.

More than 90% of Marylanders incarcerated in state facilities will eventually be released—more than 7,000 people a year—and our universities have experience in working with returning citizens. They know that serving these learners—in prison and after release—helps them find fulfilling work. It inspires them to contribute meaningfully to their communities. It dramatically reduces their chances of reoffending.

Serving all Maryland learners means serving incarcerated Marylanders and those who want to complete their degree when they return to our communities. Together, we can ensure the state is made stronger once they do.

COMMUNITY-ENGAGED UNIVERSITIES

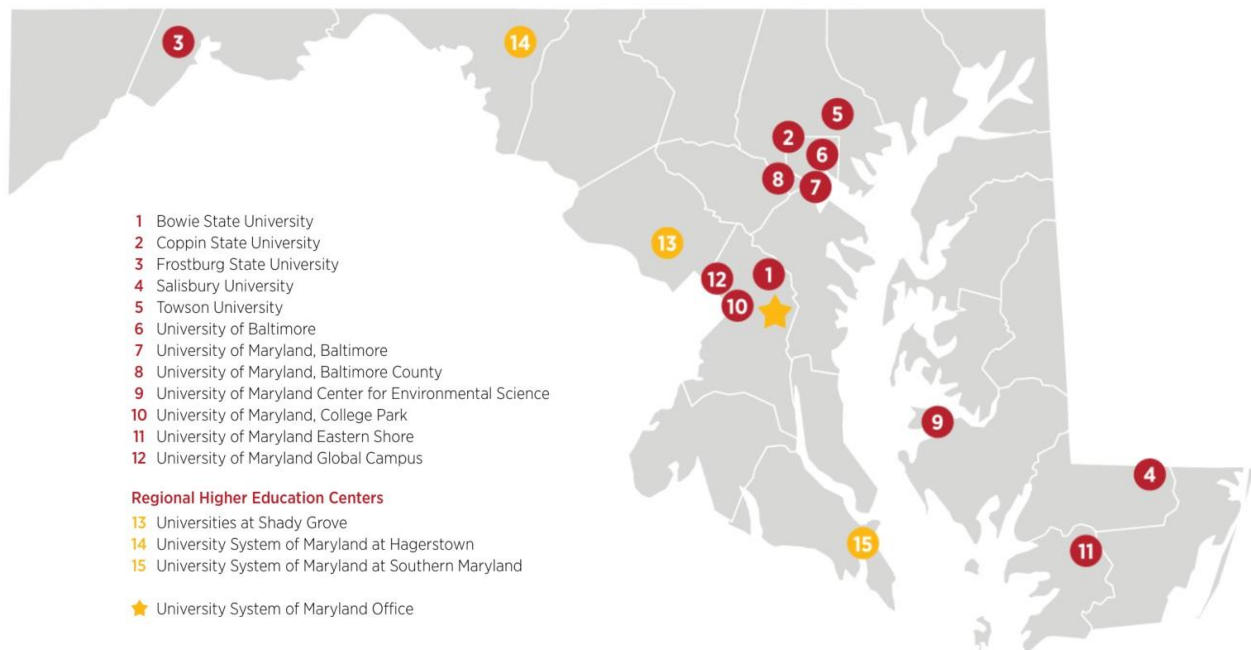
While the USM is proudly a student-centered System, the work we do benefits far more than our students alone. We serve communities across Maryland. We serve their citizens. With 12 universities and three regional centers spanning the state (*see Figure 2*)—plus dozens of laboratories, institutes, and extension centers—the impact we have on Maryland is broad and deep.

Civic education and engagement is a Systemwide priority. In our strategic plan, [Vision 2030](#), we commit to integrating civic education throughout our general education curricula and to supporting university-based practices that build a civic engagement infrastructure across the USM.

Last year, the USM Office provided grant funding to System universities pursuing Carnegie Elective Classification for Community Engagement. The application process demands a rigorous demonstration of a university's impact in its community and its commitment to preparing engaged citizens. Seven USM universities applied for the coveted designation. All seven received it: Salisbury University (renewed); Towson University (renewed); the University of Baltimore; the University of Maryland, Baltimore; the University of Maryland, Baltimore County (renewed); the University of Maryland, College Park; and the University of Maryland Eastern Shore.

Figure 2

Statewide presence for statewide impact.



The System's success is rare and remarkable: Our universities joined just 232 colleges across the country (public and private) in earning the designation this year, a credit to each university's institution-wide commitment to making meaningful and measurable change through community-engaged teaching, research, and service.

A foundational purpose of American higher education—especially *public* higher education—is to advance the public good: to use our knowledge, assets, and influence in service of enriching our communities; to educate our students for civic participation and civic leadership; to solve, with our neighbors, the greatest challenges we face—together. We're proud to do the important, day-to-day work of community partnership, and to graduate the citizens who can—and will—do the same.

ANSWERS TO DLS QUESTIONS

The chancellor should comment on factors impacting the transfer of community college students to institutions and efforts that the USM and institutions are taking to encourage and increase the number of community college students transferring to USM institutions.

For the past two decades, the USM has welcomed roughly 9,000 to 12,000 new transfer students from Maryland community colleges each year. With 9,398 of these transfer students last year, we're at the low end of our range. Still, that number reflects a 3.1% increase over two years. Our modest growth in two-year transfers comes following the post-pandemic enrollment recovery at Maryland community colleges themselves. Transfer students who enroll at the USM after completing a program at a Maryland community college are among our most successful students, graduating at rates comparable to students who started in the System.

We work on multiple fronts to engage transfer students and clear pathways to a four-year degree. We collaborate with community college advisors and transfer coordinators, making sure they understand the transfer opportunities, pathways, and supports available to their students. In December, we held our annual Maryland Transfer Partnership Conference, bringing together hundreds of two-year and four-year professionals in areas affecting transfer efforts and outcomes—admissions, enrollment, advising, financial aid, and more. The conference gives participants a forum to discuss challenges and opportunities and to deepen their collaboration with one another. Serving as conference host was the Universities at Shady Grove, a USM regional higher education center whose undergraduates are exclusively transfer students.

Two months earlier, we hosted the Maryland School Counselor Association to help high school counselors understand transfer pathways and how the statewide transfer platform, ARTSYS, can be a tool for smoother transfer and for dual enrollment. Meetings with MSDE explored these same themes.

Seven of our universities are engaged in the Maryland Transfer Intensive, launched last year by the Aspen Institute and MHEC to improve transfer outcomes. Co-chairing its Presidential Steering Committee is Mark Ginsberg, president of Towson University, home to nearly 1,500 new transfer students this year. It bears noting that the Aspen Institute selected Maryland for its first statewide transfer initiative because we already have a strong transfer foundation. The Intensive's regional partnerships are building clearer direct pathways, engaging administrators *and* faculty in the work to remove barriers that prevent efficient transfer.

We continue to expand and improve ARTSYS. A project involving 35 of Maryland's two- and four-year colleges (public and private), the platform features course equivalencies and program transfer guides helping students plan a smooth transfer to the four-year program of their choice. Last year, 26,000 unique users logged on to do exactly that. We're populating the platform with more program guides and new features so that more students can more easily find their four-year home and transfer without friction. ARTSYS can also help high school students with dual enrollment course selection.

And, in fact, the USM is investing a lot of work in building on dual enrollment and creating strong college pathways. With our partners in Southern Maryland, we're now in the initial stages of planning an Early College program in education. That program will model the tight collaboration needed to build explicit workforce-aligned pathways that bridge K12 schools, community colleges, and four-year universities—and deliver students into high-demand Maryland jobs. The promise of Early College isn't only putting more underserved students on a path to higher ed (though it is that, too). It's building an education pipeline that works across segments, without breaks or bottlenecks. And what that means for us is more students coming to the USM with community college credits or credentials, fully prepared to succeed.

The chancellor should comment on whether RHECs are shifting focus from undergraduate to graduate programs. In addition, the chancellor should discuss the enrollment challenges faced by RHECs and whether the academic and business model needs to be reconsidered given the changing demographics of potential students and the competition for fewer students.

Students at our regional higher education centers (RHECs) are seeking local, flexible access to a bachelor's or graduate degree that would likely otherwise be out of reach. Unlike comparatively younger, more mobile, and often wealthier students who can relocate to a residential campus, RHEC students tend to be tied to their home communities by family or work obligations or by financial constraints.

The average age range of the 2,058 undergraduates enrolled at our three regional centers is 26 to 30 years old. These students are more likely to be working adults than traditional undergraduates. Many of them have financial need, and many have some college but no credential (SCNC). As you know, this SCNC population is a key focus for the USM and for the state, as my Higher Education testimony indicated last week.

Among the RHECs' 1,377 *graduate* students, the average age range is 28 to 38 years old. Most graduate students are employed, many full time, and they're enrolled in programs that will help them advance in their careers.

While our regional centers serve a distinct student population, they also serve a distinct role within the System and within Maryland higher ed writ large. At the undergraduate level, RHECs function primarily as 2+2 pathways, in partnership with their local community colleges. As we work to grow our two-year transfer population—another priority for the System and for the state—our regional centers are essential. Through long and close collaboration with their local two-year colleges, they've developed smooth pathways that see RHEC students graduating at rates that meet or exceed their non-transfer peers. For instance, at the Universities at Shady Grove, 80% of students graduate within four years of transfer. This is a model ripe for growing, not contracting.

At both the undergraduate and graduate levels, the centers' academic program mix reflects their close ties to local and regional employers. Because our RHECs serve this place-based student population, they're uniquely able to engage local leaders with a vested interest in developing and employing their graduates. Programs are

prioritized by local workforce needs—needs informed by business, industry, and agency partners—and the centers not only meet current market demands with existing programs but nimbly deploy new ones in areas of emerging growth. These tight partnerships serve our students, who land good, local jobs upon graduation. So we believe this partnership model, and the centers themselves, represent not only a critical regional asset, but a best-practice approach.

In many other states, a single university operates a regional campus and can offer only the programs available at the main campus. In contrast, our regional centers offer 122 degree and certificate programs, drawing from the academic strengths of the entire USM. This Systemwide approach significantly expands access for our students and improves our agility in meeting regional needs.

Our RHECs aren't shifting their focus from undergraduate to graduate programs. Rather, they're maintaining a deliberate, workforce-aligned academic mix that reflects the needs of the regions they serve, supports employer partnerships, and meets students where they are—sometimes repeatedly—throughout their academic *and* professional careers.

RHEC ENROLLMENT AND OPPORTUNITIES

Enrollment declines at our regional centers didn't start with COVID, but were exacerbated by it, as they were at Maryland community colleges, where most RHEC undergraduates start their college careers. As the state's two-year colleges recover their steepest drops, we expect RHEC growth to follow.

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. The centers are working with their partner universities to expand the availability of in-person and hybrid programs and courses.

We believe it's premature to say that the RHEC model should fundamentally change. The model works precisely 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 regional centers are building out their degree programs, in collaboration with their partner universities.

Growing enrollment at our regional centers is a Systemwide priority, and I've engaged the RHEC directors, my team at the USM Office, and the USM presidents to innovate how we do this, how we strengthen the centers' role as an asset to the USM, to the state, and most especially, to our students. Because this model, unique to Maryland, offers us an extraordinary opportunity to reach the students we haven't, to develop a workforce responsive to local needs, and to strengthen the communities, and the regions, enriched by this talent.