

MARYLAND HOUSE APPROPRIATIONS
SUBCOMMITTEE ON EDUCATION AND ECONOMIC DEVELOPMENT
HEARING ON UNIVERSITY SYSTEM OF MARYLAND
BUDGET FOR FISCAL YEAR 2007
FEBRUARY 1, 2006

Testimony of USM Chancellor William E. Kirwan

Mr. Chairman and members of the Committee, thank you for this opportunity to testify on the Governor's budget recommendations for the University System of Maryland.

I want to begin by thanking Governor Ehrlich for continuing the reinvestment in the University System that began with last year's budget increase. My staff and I have had many productive discussions with the Governor, members of the Administration, and the General Assembly. Given the state's many needs, we are extraordinarily pleased with the Governor's Budget and consider it an important step as we continue our recovery efforts.

I also want to thank the members of this committee and the Maryland General Assembly for recognizing the importance of funding for the University System of Maryland. For many of you, your support goes back decades. When the State faced difficult fiscal circumstances that led to reductions in our budget, you held the line – you didn't cut our budget. When we came to the Governor and General Assembly and said we need additional flexibility in our operations, you came through for us – the Governor sponsored our legislation and you passed it unanimously. Your actions raised the issue of USM funding to a higher level of consideration, both throughout state government and in the public consciousness. Your leadership and support are very much appreciated.

Since my return to Maryland, I have talked about the need to develop a partnership between the Governor, the General Assembly and the University System of Maryland to meet our mutual goals of quality, access and affordability. I believe that this budget is an opportunity to solidify that partnership.

I would like to briefly cover three areas.

First, I will offer some general context regarding the Administration's budget recommendations.

Second, I will discuss what the budget enables us to do in terms of the USM's three primary goals: Quality, Access, and Affordability. Again, these are not simply USM's priorities; they are statewide priorities. They are goals shared by elected officials, business leaders, community leaders, and—most of all—parents and students across Maryland.

Third, I will respond to the legislative analyst's comments.

Let me begin, however, by noting that overall the Governor's proposal represents an extraordinary investment . . . not just in higher education or the university system, but in the future of Maryland as well.



Securing the Future

FY 2007 – An extraordinary investment

- Will enable the USM to plan for continued:
 - Increases in enrollment capacity
 - Moderation of resident tuition increases
 - Increases need-based financial aid
 - Enhancement of quality and workforce initiatives

Turning now to the specific budget recommendation

BUDGET PROPOSAL

As David noted, the “bottom line” of the Governor’s recommendation is a 12.5% general fund increase for USM, from \$807.1 million to almost \$910 million.



FY 2007 Budget

• General fund increase	\$101.3M
– Mandatory cost funding	\$61.5M
– Programmatic enhancements	16.5M
– Enrollment funding	14.9M
– Additional HBCU funding	9.8M
– Budget adjustments	(1.4M)

The single most important impact of this proposed increase in state support is that it enables us to **fully fund** the costs of our increase in enrollment. By meeting enrollment demand as well as mandatory cost increases, this budget allows us to keep in-state, undergraduate tuition increases modest throughout the System. Full-time, in-state tuition rate increases are being held

to no greater than 4.5%, the lowest increase in 5 years, with two institutions keeping increases well below that threshold (University of Maryland Eastern Shore at 4% and Coppin State University at 3%).

I also want to stress the fact that the impact of the budget increase is magnified by the effect of our on-going Effectiveness & Efficiency (E&E) initiative. While efforts within USM to act as cost-conscious, cost-effective stewards of our funds—regardless of the source—is not new, I am nevertheless impressed by the over-arching commitment that exists throughout USM to identify both cost avoidance and cost savings measures.

As you know, when first announcing the proposed budget increases the Governor specifically cited our E&E efforts as evidence of how seriously we take our obligation to be accountable for how we allocate our funding. Likewise, you and your colleges in the Legislature have made it clear that it was vital for the USM to do all within our power to be cost-conscious. In fact, we have documented more than \$40 million dollars of cost containment and cost reduction actions over the past two years.

The Board of Regents, the System Office, and the administration, faculty, staff and students from our institutions have ALL worked together to meet this challenge. I am proud of our efforts and am gratified that they have been recognized and rewarded. Rest assured, we will continue to find smart and innovative ways to save money while enhancing both access and quality.

Turning now to what the overall USM budget enables us to do. . .



Benefits of the General Fund Increase

- **Affordability**
 - Enables tuition stabilization
 - Budget provides for greater need-based financial aid
- **Access**
 - Enables USM to support enrollment growth
 - Targets enrollment at comprehensive institutions
 - Expands enrollment at Regional Centers
- **Quality**
 - Funds UMCP initiative (e.g., School of Public Health, Bioengineering)
 - Strengthens academic programs in high demand and workforce shortage areas
 - Provides resources to retain best faculty and staff
 - Includes priority funding for the HBCU's

In terms of Affordability, the proposed budget allows us to keep tuition increases modest. It also enables us to provide additional funding for need-based financial aid. In keeping with the efforts of our Financial Aid Task Force and the Governor's commitment to increase

investments in need-based aid, we, in fact, intend to make Maryland a model for balancing need-based and merit-based aid.

In terms of Access, the budget enables USM to provide support for enrollment growth of over 3,386 FTE students, target enrollment at comprehensive institutions, and expand academic programs at our regional education centers at Shady Grove and Hagerstown. As I mentioned earlier, this budget contains—for the first time that I am aware of—funding **specifically** targeted for the growth in enrollment that will occur at the institutions specifically designated as growth institutions by the Board. This is a feature that we believe makes access a priority, and we hope it will be a recurring aspect in future budgets.

Finally, **in terms of Quality**, this budget supports the “Flagship” initiative at College Park, provides funding to enhance our historically black institutions, helps USM meet critical workforce needs in healthcare, teacher education, and technology, strengthens our position of educational and research leadership in the knowledge economy, and enables us to keep our most talented, productive and sought-after faculty members.

One other aspect of this proposed budget I want to note . . . the improvements and investments it enables us to make will, in turn, increase the fundraising capability of our member institutions. As you know, we are undertaking a \$1.5 billion-plus private philanthropy campaign. The “seed money” for our efforts provided by the budget will enable us to aggressively pursue this goal.

At this point, I will conclude my testimony by responding to the recommendations made and the issues raised by the legislative analyst. First, however, I want to echo Chairman Nevins’ statement that the USM is proud of the partnership we have formed with the elected leadership in Annapolis. Together we have worked cooperatively to identify challenges, establish priorities, and set a course to strengthen higher education in Maryland. I again thank you and look forward to continuing this partnership.

Turning now to the issues raised by the legislative analyst . . .

LEGISLATIVE ANALYST RECCOMENDATIONS & ISSUES

Analysis - Governor’s Proposed Budget

The analysis correctly states that the FY 2007 general fund allowance increases by \$101.3 million, or 12.5%, over the FY 2006 budget. The analysis also correctly states that certain programmatic initiatives that are important to the State (nanotechnology, the WellMobile, UMBC School of Aging) are funded through the budgets of other State agencies. For the second year in a row, however, the analysis includes an accounting of the COLA funds that USM employees will receive after the General Assembly makes a decision on the Statewide issue of employee compensation.

While we have not reviewed the analyses of every other State agency, we are puzzled by the inclusion of these funds in our agency budget analysis for the second straight year. To our knowledge, COLA funds are not discussed in the individual budget analyses of State agencies. The issue is addressed in the personnel decisions of the General Assembly for all State agencies

at one time. It is unclear why the discussion is pertinent in our budget analysis, but not in the individual analyses of every other State agency that receives the funds in the same manner in which they are received by USM.

The analysis concludes that there is \$43.7 million available to USM for “enhancements and enrollment growth,” and uses that figure to justify a revenue reduction of \$18.9 million. This number ignores the costs associated with enrollment growth in the proposed budget and overstates the amount available for “enhancements.” As the Committee knows, there are costs associated with enrolling additional students – student services such as counseling and library services; additional faculty; technology costs, etc. The analysis ignores this cost – estimated at \$35.3 million in FY 2007 across USM institutions.

The analysis also compares USM’s plans for accepting additional students to the MHEC projections for enrollment growth. As this Committee knows, MHEC’s projections attempt to balance enrollment demand with the availability of resources to accommodate enrollment demand. As mentioned earlier in my testimony, this budget is unique in that it specifically targets funds for enrollment growth. This removes a major impediment to increasing access, and actually provides an incentive for an institution to provide additional opportunities for students. It is expected that the enrollment goal would be higher than the MHEC projection if funds are specifically provided for growth.

Issues and Recommendations

Issue 1/Recommendation 1 & 2 – \$18.9 Million Cut in Revenues

The analysis recommends “freezing undergraduate tuition rates at fiscal 2006 levels. Freezing tuition rates will reduce USM revenues by \$18.9 million.” The analysis concludes that USM will “still have \$24.8 million to fund enhancements and enrollment growth.”

First, I want to unequivocally state that the Board, the Presidents and I are all very concerned about affordability. As you see in this budget, additional resources are being committed to need-based financial aid and institutions are re-focusing their efforts on reducing student debt pursuant to the recommendations of the Financial Aid Task Force chaired by Treasurer Nancy Kopp. In addition, the Governor’s proposed MHEC budget doubles the amount the State spent on need-based aid 4 years ago.

I want to be very clear that adopting this recommendation is the equivalent of cutting the USM budget by \$18.9 million. The analysis clearly sets up the choices available to USM in managing a cut of \$18.9 million – admit fewer qualified students, or refrain from making investments in institutional quality for the fifth year in a row. As you can see from the attached pie chart, the vast majority of our general funds, and our tuition revenue, will be spent to meet our mandatory costs. We must pay our basic bills – employee costs, energy, health care costs, facilities renewal, etc. – before investing in enrollment growth or academic enhancements.

This is the first budget in many years that will allow us to make the improvements that you have encouraged, indeed required, us to make. This is the first budget in many years that will allow us to take additional students without sacrificing academic quality. Any reduction in general fund revenue, or tuition revenue, will have the following effect:

1 – **We will not be able to accommodate the number of students we think is necessary to meet the needs of the State.** Resources will be spent to accommodate a smaller number of students than projected, and will be directed towards protecting the quality of education provided to our students. Reduced aggregate enrollment will be most severely felt by large numbers of high school graduates who are clearly admissible to our institutions and disproportionately the first in their family to seek to attend college. Maryland's high SAT "take rate" supports the contention that access to opportunity is an expectation for Maryland individuals and families.

2 – **Quality of the academic enterprise will suffer.** Six of the eleven degree-granting institutions are experiencing mandatory cost increases that exceed the general funds they receive in this budget. These institutions are relying on tuition revenue to cover a portion of the mandatory costs, so programmatic improvements can be made. If tuition revenue is reduced, general funds will have to be directed towards mandatory costs. The impact of this recommendation is particularly difficult for College Park, which has mandatory cost increases that exceed the allocated general funds by \$6.9 million; College Park would lose \$5-6 million in tuition revenue if this recommended cut is adopted.

It is important to look at the past 5 budgets together before making a decision on this year's budget. We all know the fiscal problems the State has encountered over the past few years. I, and in fact all of you, have been concerned about the impact of the economy-necessitated budget cuts on the quality of the institutions we have all worked so hard to create. This is the first budget in 5 years that actually allows for extensive programmatic improvements and is the first time we have surpassed the State's historic high-point for funding in FY 2002.

USM does not intend to revisit the past or complain about prior budgets. But it is inadvisable to examine this budget without looking at the budgets that preceded it. A few items are worth noting:

1 – As we discussed several years ago, our approach in managing difficult budget times was not to unduly rely on tuition increases. Only 19% of our fiscal problem in the first year, and only 29% of the problem the second year, was resolved by increasing tuition.

2 – Tuition increases in Maryland have not been out of line with increases in other States, even though Maryland experienced a larger decrease in State appropriations. (National figures from the *Chronicle of Higher Education* reporting on data from the College Board)

FY 2003 - 9.6% nationally; 10.2% in Maryland
FY 2004 – 14.1% nationally; 13.4% in Maryland
FY 2005 – 10.5% nationally; 9.3% in Maryland
FY 2006 – 7% nationally; 5.8% in Maryland

3 – Higher education spending in Maryland is not growing at a rate disproportionate to the region. On January 18, 2006, you received a briefing from the Southern Regional Education Board. The presenters noted that, for the period of 2001-2004, public 4-year higher education institutions in Maryland were below the regional average in total revenue growth (State appropriations and tuition and fee revenue), below the regional average in tuition revenue increases, below the regional average in per FTES funding, and below the regional average in State appropriations.

4 – USM institutions, employees, and students have done their part to address the funding gap created by the State’s difficult fiscal condition. During the early days of the budget crisis, USM eliminated over 300 positions, including layoffs of existing workers, and required furlough days. For the past two years, the Governor and the General Assembly have been aware of the Board’s re-engineering process – the Effectiveness & Efficiency initiative. This initiative has required institutions to find efficiencies to mitigate the increase in mandatory costs, and is adapting the academic model to accommodate more students. In FY 2004, the State used \$29 million of USM’s fund balance to help address the overall fiscal problem. The FY 2007 budget – for the second year in a row – required institutions to find efficiencies to reduce mandatory costs by \$18 million, in order to dedicated State and tuition resources to programmatic initiatives. This recommendation requires institutions to absorb another \$18.9 million, or sacrifice enrollment growth and academic improvement.

The Board and the Presidents are focused on affordability issues. We have taken numerous steps to keep those increases as modest as possible. Artificially capping tuition this year is not going to address the long-term policy issue of affordability and access – what it will do is provide fewer opportunities for students to attend USM institutions, delay academic improvements that have been foregone for the past 5 years, and impede our ability to meet the goals the State has set for us.

Issue 2/Recommendation 3 – Effectiveness & Efficiency Initiative

We have been reporting to the Governor and General Assembly on the progress of our E&E initiative. We are currently formulating our workplan for “E&E 2”, which we will be pleased to share with you at the appropriate time. We are proud of our efforts and have no problem reporting to you on our progress.

Issue 3/Recommendation 4 – Faculty Workload

We will supply the requested report.

Issue 4 – Personnel

The budget provides support for 588 new positions. The analysis points out that the composition of our workforce has changed. Instructional support does “fulfill the institutions’ core mission” and as such comprises, by far, the largest percentage of our employees (almost a third of the workforce).

The Board and I would share the concern about the growth in research positions (and marginal decline in percentage share of instructional positions) if the growth in the research enterprise were doing damage to the core mission of instruction – but it isn’t. In fact, a vibrant research enterprise enhances the instructional opportunities for students, and fulfills another mission the State has required of us – economic and workforce development.

It is also clear that instruction is not being sacrificed for research or any other function. As can be seen in Exhibit 19 of the analysis, on the State-supported side of our budget more than half of the new positions are in instruction (208). Only 24 are research positions. The bulk of the growth in research positions in this budget (as has been the case in the budgets in the period

cited by the analysis) is funded by auxiliary revenue and grants. This is the type of growth the General Assembly should be supportive of – positions funded through non-State resources that enhance the economic development opportunities of the State.

Information USM submitted during last year’s budget demonstrated a clear trend – for the period of FY 2002-2005, USM State-funded positions decreased by 317, while non-State supported positions increased by 567. During that time, the percentage of State-supported positions dedicated to instruction increased.

Issue 5 – Facilities Maintenance

The analysis states that the new facilities renewal policy “does not account for variances among institutions such as the age and condition of the buildings on campus. However, factors such as “age” and “condition” of facilities are some of the measures that help define the existing “backlog” of facilities renewal (FR) need for a particular institution. Over the years, some “FR” priorities have been deferred for lack of funds. As a result, a backlog grows. Thus, the USM policy specifically addresses the maintenance problem in two different ways:

1. Identify the backlog of major renovation needs that we are working to pare down to a manageable size primarily through spending on major renovation and replacement in the **capital** budget. The policy requires 50% of the capital budget (or \$70 million annually, adjusted for inflation) be used for this purpose. The appropriation of funding for renewal projects in the capital budget varies depending on the specific needs of each institution. Thus, institutions requiring more intense investment in existing facilities are appropriated a higher proportion of the budget until those needs are adequately addressed.
2. Adopt an annual **operating budget** spending formula (with help from the Academic Revenue Bond-funded “FR” line item in our capital budget) based on 2% of the replacement value (RV) of campus buildings. This is intended to estimate emerging renovation needs related to building systems that exhaust their useful life and try to keep the backlog from growing. This minimum spending target will, initially, be the same for all institutions. Once reached, the progress of each institution (and the minimum target itself) can be reevaluated.

Issue 6 – Capital Campaign

As the analysis notes, USM is kicking off a new capital campaign, with a goal of raising \$1.7 billion. A total of \$3.3 million has been budgeted for this effort. The campaign is very important, as it helps to raise non-State funds for scholarships, academic programs, facilities, etc. that relieve some pressure on State general funds. If Recommendation 1 is adopted, and tuition revenues are limited, funding for the capital campaign will most likely have to be redirected to cover mandatory costs.

Such a result would be unfortunate. As the analysis points out, there are many challenges to a successful campaign. For whatever reason, the undergraduate alumni giving rate in Maryland trails behind other institutions. The general fund allocation for fundraising will help USM institutions build the infrastructure to tackle this challenge. This is particularly important at some of our smaller institutions and the HBCUs.

The State has taken steps in the past to use State funds to enhance the capital campaign effort. For several years, State general funds were used in the Private Donation Incentive Program to match private donations. While that program ended prematurely because of the State's economic condition, it established the precedence of the importance of the fundraising function to the State. USM believes that the strategy of providing funds to build the fundraising infrastructure is an equally sound, if not preferable, public policy.

The General Assembly can be assured that the funds will be well-spent. Many of our institutions, despite the alumni-giving challenges described above, raise private funds more efficiently than their peers. Building and improving fundraising capacity at every institution will help us meet our collective goal.

Other Comments and Analysis

Analysis - Teacher Enrollment

First, it is important to note that while the trend in the number of students enrolling in teacher training programs is down, the trend in the number of teachers produced by USM institutions is up. The past year witnessed a 9.7% increase in the number of students reported by USM institutions as completing teacher training programs at their institutions (baccalaureate and post-baccalaureate combined) and that number is projected by the institutions to increase by an additional 13% over the next two fiscal years. A significant portion of this increase is expected to be due to growth in the post-baccalaureate teacher training programs, such as the alternative certification programs and/or Master's in Teaching program (the number of degrees reported by institutions as awarded under these programs increased by approximately 18% between FY 2003 and FY 2005 and are projected to increase by a like amount by FY 2007). This area will continue to be a special focus of USM institutions and will allow us to continue to boost teacher production in the future.

Second, as the analysis correctly notes, USM has experienced a decrease in overall enrollment in teacher education programs over the past two years. However, due to changes in the way USM institutions define and report their overall teacher enrollments for FY 2004 through FY 2007, the size of that decrease is significantly smaller than that indicated in the chart. As part of the review and revise process for the new five-year accountability reporting cycle, which began this year, Towson, Bowie, and Coppin revamped the way in which their undergraduate and post-baccalaureate teacher education students were counted and reported. Those changes, which revised how the baseline enrollment data are collected by USM in order to exclude pre-majors and students in master's level programs not directly linked to certification, were designed to provide a more accurate map of the teacher enrollment pipeline. However, the changes also make comparison to past years' MFR data (FY 01-FY 03) difficult.

For instance, in FY 2003, Towson reported 2,521 students majoring in its teacher education programs, at both the undergraduate and post-baccalaureate level. For the new report cycle that began this year, TU revised its definition to include only those students who had completed all qualifying course work, passed PRAXIS, and been accepted into its teacher education programs. The result was that the number of majors reported by Towson for FY 2003 dropped from the 2,521 reported in last year's MFR to 1,468 reported to the System for the same period this year. Bowie and Coppin likewise revised their definition of post-baccalaureate

teacher education students to include only those students enrolled in their Masters in Teaching programs (rather than all education-related master's programs). These revisions in the definition used by institutions account for all but about 2 percent of the decrease shown between FY 2003 and FY 2004 on the chart (or about 1,552 students). Based on the revised definitions and baseline data, USM has experienced a decline of about 310 students enrolled in its teacher education programs (or about 5% of total teacher education enrollment) since FY 2002.

The reasons for this decline vary by institution and situation. As is obvious from the national teacher production numbers, many institutions have difficulty recruiting students into careers in a profession that suffers historically from low pay, high stress, and significant retention issues. At the same time, the national movement to raise quality standards for teacher training programs, including efforts to toughen entrance requirements, has made it difficult for many institutions to attract large numbers of new students into their programs. More specific to the situation of our institutions and our State, a number of our institutions have reported factors that have contributed to a decline in enrollments. These have included termination of the Hope Scholarship, difficulties in developing professional development school (PDS) partnerships in rural areas, delays in securing needed education facilities, and the continued effort to restructure enrollments and curricula to better meet the state's education needs, particularly in areas of significant teacher shortages (i.e., math, science, special education, foreign languages, etc.).

However, USM and its institutions remain very committed to increasing the number of new teachers produced in Maryland and over the past several years we have undertaken numerous initiatives to advance this goal. For example, since 2003 USM has been working with MHEC and the community colleges to enable potential new teachers to enter undergraduate teacher training programs through an Associate of Arts in teaching program (AAT). Working in conjunction with the K-16 Leadership Council, MHEC, MACC, and other members of the postsecondary community, USM and its partners have developed 5 new AAT degree programs in strategic shortage areas: physics, mathematics, chemistry, Spanish, early childhood education and elementary education. In addition, AATs in Special Education and English are currently under development and should be ready for MHEC approval by the spring. These programs are designed to expand the flow of qualified undergraduates into teacher education programs by facilitating the transfer of lower division students wanting to become teachers into upper division university programs. Although it is still too early to determine the impact of these programs, their potential for attracting students is considered strong.

In addition to the AAT, USM institutions also are seeking to increase the number of students training for teaching careers through innovative baccalaureate-level and post-baccalaureate-level certification strategies. For instance, UMCP's College of Education has been developing what it calls its "Multiple Pathways to Teacher Certification Project," since 2002. This initiative is designed to offer students several routes into education. As a result of experience with the program, UMCP is currently proposing refinements so that the array of options for secondary education will include "(a) a minor in education that can be taken by any Arts & Sciences student; (b) coordinated dual Arts & Sciences and Education undergraduate majors; (c) an integrated 5-year program composed of a bachelor's in the discipline and a master's with teaching certification in education; and (d) post baccalaureate teaching certification that does not require a 'graduate' degree. All of these changes, helped by support from MHEC's new professional development school initiative, will allow our institutions to expand outreach and recruitment activities, and, we believe, allow us to reverse the decline in teacher education enrollments beginning as early as FY 2007.

And finally, we must note that teacher quality and quantity is also affected by teacher retention, and USM has had two federal grants that address teacher retention in hard-to-staff schools in Prince George's County and Baltimore City. The federal grants supported mentor teacher programs. For the 5-year period ending in academic year 2004-2005, retention of new teachers served by mentor teachers increased from 51% to 78%. A second federally funded partnership project between USM and Baltimore City is supporting "Education Academy" high schools, designed to recruit interested high school students into teaching as a career.

Analysis - Nurses

As noted in the analysis, after growing by over 44% over the past four years, undergraduate nursing enrollments at USM experienced a "leveling off" between FY 2004 and FY 2005, which is projected to continue into FY 2006. Our analysis of the data indicates that much of this leveling off is related to a reconfiguration of one of UMB's baccalaureate level nursing programs. According to UMB, the institution is phasing out its "Accelerated BSN," its second largest undergraduate program, in favor of an "Accelerated Master's" program, which is designed to speed the entry of qualified students into graduate-level nurse training and help address the need in the field for nurses with advanced training and leadership skills. As this two-year programmatic phase-in at UMB is completed and BSN enrollments are expanded at other USM institutions we believe that the overall undergraduate enrollments in nursing will again begin to climb after FY 2006 and increase steadily through FY 2007 and beyond.

USM is also expanding our nursing programs at the Hagerstown Regional Education Center, including the launching of Towson's BSN program at the Center. Expansion of all USM nursing programs depends on increasing the pool of nursing faculty. To that end, UMB has proposed a new Doctor of Nursing Practice to provide the necessary education for MSNs in order to produce faculty.

Analysis – Retention and Graduation

As the analysis notes, the academic success rate of USM's African-American students, at least in terms of retention and graduation rates, continues to lag behind the success of USM students as a whole. Although USM has experienced a three percentage point increase in African-American, six-year graduation rates over the past five years, the second-year retention rate for these students has decreased four points. This comes at a time when the second-year retention rate for all USM students has remained level, and the six-year graduation rate for all students has increased by six points. As a result of this uneven level of performance growth among the two population groups, the existing gap in retention and graduation performance between USM African-American students and all students has actually widened over the past five years. To some degree, these aggregated, System-wide numbers obscure the fact that progress in narrowing the gap has been made at a number of institutions. For instance, in FY 2005 Frostburg, Salisbury and Towson all made progress in closing the graduation rate gap between all students and African-American students, while Bowie actually reversed its gap and UMBC went from having an equal graduation rate for both groups in FY 2004 to having the African-American student graduation rate surpass that for all students in FY 2005.

However, USM, as a public system of higher education, remains committed to reducing the gap at all of its institutions. To help do this, USM has undertaken a number of strategies over the past four years that we believe will, with time, boost the academic achievement of USM African-American and minority students, and will begin to reduce the gaps in performance level that currently exist between USM population groups. For example, USM institutions continue to implement and monitor strategies and activities advocated under USM's System-wide Minority Achievement Plan, as well as the individual plans for minority achievement developed at each institution.

Strategies highlighted in the USM plan that our institutions have implemented, or are working to implement, and which appear to be particularly effective include the following:

1. Making the institution more responsive to the needs of minority students or African-American students through modifying or diversifying the curriculum, examining and improving "campus climate," exposing students to more career choices, setting high expectations, etc.;
2. Providing more financial aid and merit awards;
3. Identifying and developing ways to provide academic support without making students feel isolated or "singled out" for special treatment;
4. Iteratively developing, refining, and implementing assessment instruments that are unique to the campus's student population and its concerns;
5. Implementing retention and graduation programs that have early-warning reporting procedures and that respond to the needs of all students rather than one racial or ethnic group (these appear to more be more valued by students in the programs and are more successful at retention); and
6. Forming and strengthening partnerships with area high-schools through early start programs and summer bridge programs.

Contributing to these programmatic outreach and advising strategies are USM's efforts to moderate tuition increases, and thus reduce the financial burden on all students, particularly those with financial hardship. Improved levels of state support, combined with USM's Effectiveness and Efficiency efforts, have been key to this effort over the past two years. In addition, the Board of Regents has committed to increasing the amount of need-based financial aid going to students, particularly those with the greatest need for assistance, and is seeking to reduce student debt burdens overall. This effort, too, has been aided by the support of the Governor and General Assembly for increasing the level of financial aid available to students in Maryland, and it is part of USM's combined effort to increase access to and success at USM institutions for all USM students.

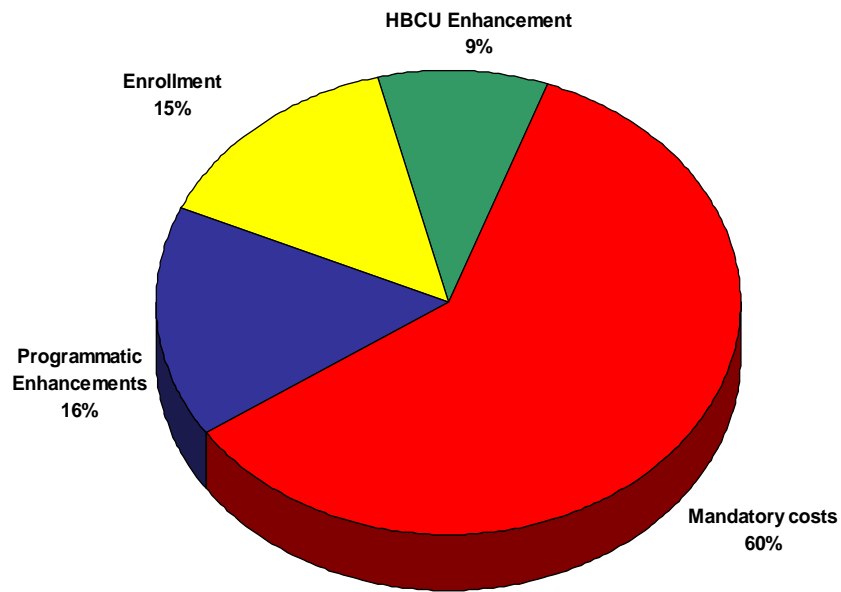
Such tuition and aid-related efforts, we believe, are particularly important to improving student academic success since the cumulative impact of a struggling economy and rapid increases in tuition and fees have forced many of our students over the past four years, especially those with fewer financial resources and academic support systems, to drop out, transfer to lower cost institutions, and/or extend their stay in school. This belief is supported to some degree by MHEC graduation and retention data, which showed that last year, for the first time in six years, the percentage of USM African-American students who were reported by MHEC to have either dropped out, enrolled in a 2-year institution, enrolled in another four-year institution, or delayed graduation and stayed in school increased over the previous year from 52.1% to 52.8%. By comparison, the percentage of all USM students either dropping out, enrolling in a 2-year

institution, enrolling in another 4-year institution, or delaying graduation and staying in school actually decreased, going from 37.1% in Fall 2003 to 36.0% in Fall 2004.

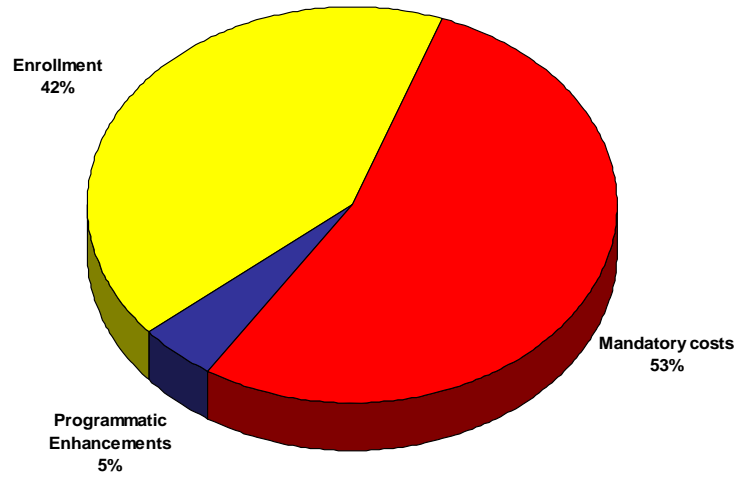
Obviously, the fruits of the efforts described above take time to develop. However, we believe that the improvement we saw this year in the African-American students second-year retention rate (which outpaced the FY 2005 performance retention rate for all USM students), combined with the gain in African-American student graduation rates we have witnessed over the past four years are evidence that the programmatic, policy-related, and financial changes we have put in place are beginning to take hold and will eventually begin to narrow the retention and graduation performance gap currently existing between African-American and all USM students.

University System of Maryland

FY 2007 General Funds



FY 2007 State Supported Tuition



FY 2007 General Funds & Tuition

