

RB.29
Salisbury University
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	FY 01	FY 02	FY 03		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$28,100	\$29,783	\$31,182	\$1,399	4.7%
Other Unrestricted Funds	48,382	48,700	52,656	3,956	8.1%
Total Unrestricted Funds	76,482	78,483	83,838	5,355	6.8%
Restricted Funds	<u>5,318</u>	<u>3,658</u>	<u>4,805</u>	<u>1,147</u>	<u>31.4%</u>
Total Funds	\$81,800	\$82,141	\$88,643	\$6,502	7.9%

- The fiscal 2003 allowance places the university at 79% of its funding guideline, a decrease from 90% in the fiscal 2002 working appropriation.

Personnel Data

	FY 01	FY 02	FY 03	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	730.50	\$805.5	880.50	75.00
Contractual FTEs	<u>339.50</u>	<u>255.53</u>	<u>222.53</u>	<u>(33.00)</u>
Total Personnel	1,070.00	1,061.03	1,103.03	42.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 03	42.09	4.78%
Positions Vacant as of 12/31/01	39.00	4.84%

- The university received five additional regular positions over the legislative appropriation in fiscal 2002 under the University System of Maryland's position flexibility policy.
- Fifty of the seventy-five new positions in fiscal 2003 are contractual conversions.

Note: Numbers may not sum to total due to rounding.

For further information contact: Brent Johnson

Phone: (410) 946-5530

Analysis in Brief

Issues

Funding Guideline Peer Performance Results: The Maryland Higher Education Commission has released an analysis of the university's performance in comparison to its performance peers. **The President should comment on the findings of this analysis.**

Recommended Actions

1. Concur with Governor's allowance.

RB.29
Salisbury University
University System of Maryland

Operating Budget Analysis

Program Description

Salisbury University (SU) provides a traditional liberal arts and sciences curriculum, as well as undergraduate and graduate, pre-professional, and professional programs for teachers, administrators, and business leaders on Maryland's Eastern Shore. SU organizes all of its teaching, research, and service activities around seven mission goals: development of critical thinking skills, comprehensive general education, conscientious citizenship, preparation for careers and advanced study, graduate education, pursuit of total health, and service to the community.

Although Salisbury emphasizes undergraduate education, it is a major provider of graduate education to teachers in the Delmarva region. Baccalaureate and master's degree programs build upon the arts and sciences and the professional fields of business, education, and nursing. Salisbury students are predominantly traditional high school graduates, many of whom come from the nine counties on the Eastern Shore of Maryland. The university engages in a variety of cooperative efforts across the University System of Maryland (USM), including dual-degree programs with the University of Maryland Eastern Shore (UMES) and the University of Maryland, College Park's College of Engineering, and a joint-degree program with the University of Baltimore Law School.

Fiscal 2002 Budget Actions

Cost Containment

The fiscal 2002 working appropriation includes a reduction of \$141,330 in general funds for cost containment that was taken in the following areas:

- academic and administrative equipment purchases (\$63,000);
- external service contracts (\$33,330);
- travel (\$15,000);
- student recruitment costs (\$15,000); and
- hiring replacement contractual employees (\$15,000).

SU has targeted eleven positions to achieve its hiring freeze savings of \$283,657. Five of the frozen positions became vacant within the current fiscal year. The anticipated hiring freeze savings are not reflected in the fiscal 2002 working appropriation.

Governor's Proposed Budget

The fiscal 2003 allowance for the university is \$88.6 million, an increase of \$6.5 million, or 7.9%, over the fiscal 2002 working appropriation. General funds increase \$1.4 million, or 4.7% over fiscal 2002. Other unrestricted funds increase by \$4.0 million, or 8.1%. Restricted funds increase by 31.4% due to an increase in State and local grants and contracts. **Exhibit 1** illustrates the major changes in SU's fiscal 2003 budget.

Exhibit 1

**Governor's Proposed Budget
Salisbury University
(\$ in Thousands)**

How Much It Grows:	General Fund	Other Unrestricted Fund	Unrestricted Fund	Restricted Fund	Total
2002 Working Appropriation	\$29,783	\$48,700	\$78,483	\$3,658	\$82,141
2003 Governor's Allowance	31,182	52,656	83,838	4,805	88,643
Amount Change	\$1,399	\$3,956	\$5,355	\$1,147	\$6,502
Percent Change	4.7%	8.1%	6.8%	31.4%	7.9%
Where It Goes:					
Personnel Expenses					
Support ongoing personnel expenses					\$2,518
New positions less savings in contractual payroll from conversions					1,310
Other changes					
Increase in supplies and materials expenses under auxiliary enterprises					1,463
Increase in contractual services under research program					728
Population/workload increase due to projected increase in FTE students					145
PeopleSoft implementation and other changes					118
Debt service increase					107
Other changes					113
Total					\$6,502

Note: Numbers may not sum to total due to rounding.

As shown in **Exhibit 2**, SU's fiscal 2003 allowance includes an increase of 75 new positions. The total salary cost for the 75 new positions is almost \$2.2 million. Fifty of the new positions are part of a second year conversion of contractual positions. The university converted 70 contractual positions in fiscal 2002. The net \$840,000 decrease in technical and special fees is attributable to these conversions. The remaining positions consist of 15 additional faculty to teach core courses to students (31% of the total new position cost) and 10 positions to address staffing shortfalls in several administrative areas. Other changes in the allowance include an increase in the cost of auxiliary supplies and materials related to a rate change for resale items and workload increases due to projected increases in the student population.

Exhibit 2

New Positions in Fiscal 2003

<u>Program</u>	<u>New Positions</u>
Instruction	Associate Professor (15) Office Clerk (2)
Academic Support	IT Education Specialist (2) IT Personal Computer Support (2) Audio Visual Specialist (1) Secretary (1) Administrative Assistant (1)
Student Services	Health Care Provider (1) Counseling Psychologist (1) Coordinator (1) Student Advisor (1)
Institutional Support	Environmental Health and Safety Specialist (1) Office Assistant (1) Office Clerk (1) Account Clerk (1) Accounting Clerk (1) Secretary (1) Police Communications Operator (1) Program Management Specialist (1) IT Data Entry Operator (1) IT Personal Computer Support (1)
Plant Operations	Facilities Planner (1) Housekeeper (13) Maintenance Mechanic (1)
Auxiliary Enterprises	Assistant Athletic Trainer (1) Program Specialist (1) Housekeeper (10) Office Assistant (2) Driver (1) Office Clerk (4) Accounting Clerk (1) Prep Cook (1) Merchandiser (1)

Source: University System of Maryland

Tuition and Fees

Tuition and fee revenue in fiscal 2003 is budgeted at \$29 million, representing 34.6% of the university's total fiscal 2003 unrestricted fund revenue. In-state undergraduate tuition and fees increase by 4%. **Exhibit 3** shows the increases in undergraduate tuition and fees. The USM Board of Regents is considering an additional 1.5% tuition increase for fiscal 2003 over the increase adopted in August 2001. If this rate is adopted, the fiscal 2003 in-state tuition rate for SU would change to \$3,396. The proposed 1.5% increase is already reflected in the estimated tuition and fee revenue in fiscal 2003.

Exhibit 3

**Undergraduate Tuition and Fees Increase
Salisbury University
Fiscal 2001 through 2003**

<u>Full-Time Undergraduate Student</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>\$ Change</u>	<u>% Change</u>
In-state Tuition	\$3,216	\$3,346	\$130	4.0%
Out-of-state Tuition	8,672	9,030	358	4.1%
Auxiliary Fees:				
Athletic	350	366	16	4.6%
Facilities Use	648	668	20	3.1%
Student Union Operation	198	200	2	1.0%
Student Activity Fee	74	76	2	2.7%
Total Auxiliary Fees	\$1,270	\$1,310	\$40	3.2%
Total In-state Cost	\$4,486	\$4,656	\$170	3.8%
Total Out-of-state Cost	\$9,942	\$10,340	\$398	4.0%

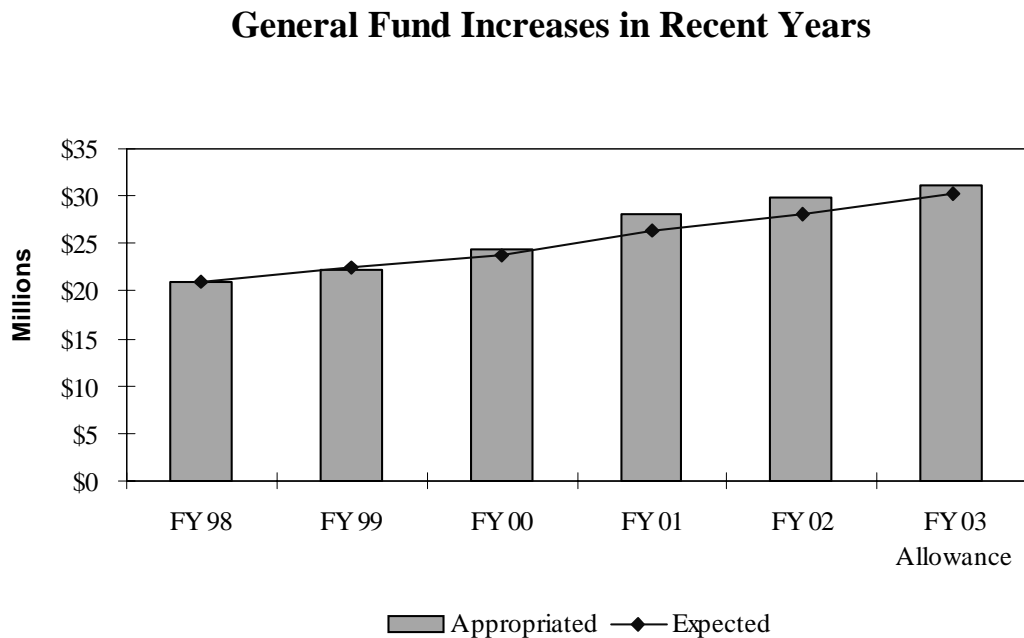
Source: University System of Maryland

Performance Analysis: Managing for Results

General Fund Increases in Recent Years

Like higher education in general, SU has enjoyed a substantial increase in State support over the past few years including an 10.4% increase in fiscal 2000 and a 14.8% increase in fiscal 2001. **Exhibit 4** compares general fund appropriations to what might be expected, considering enrollment growth and assuming 4% inflation per year.

Exhibit 4



Note: Fiscal 2002 does not include anticipated hiring freeze savings.

Enrollment and Employment

As shown in **Exhibit 5**, SU has experienced a substantial increase in student enrollment and the number of university employees since fiscal 1998. The increase in personnel from fiscal 1998 through 2002 does not exceed the rate for student headcount or full-time equivalent (FTE) students.

Exhibit 5

**Increases in Student Enrollment and University Employees
Fiscal 1998 through 2002**

	<u>FY 1998</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>% Change FY 1998 - 2002</u>
Headcount Enrollment	5,866	6,421	6,826	16.4%
FTE Students	4,914	5,482	5,654	15.1%
FTE Employees*	964	1,070	1,061	10.1%

*FTE employee numbers are rounded and include contractual employees.

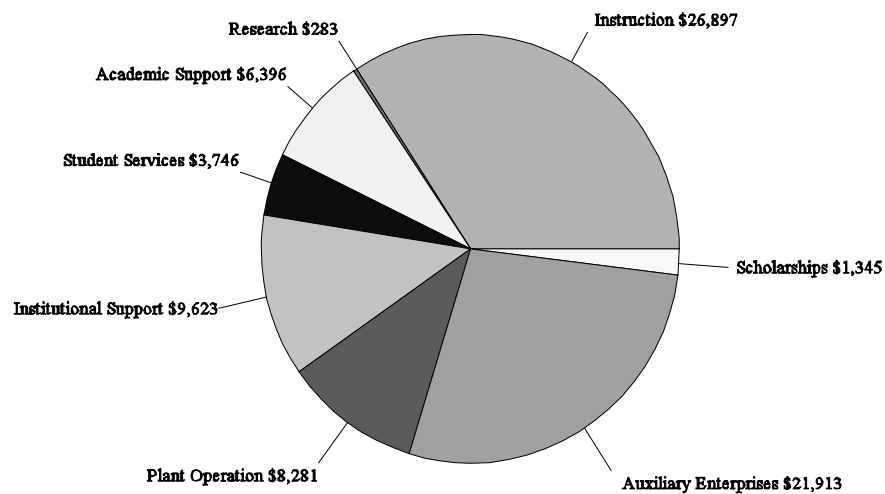
Source: Governor's Budget Books

Trends in Expenditures

As shown in **Exhibit 6**, Instruction, followed by Auxiliary Enterprises, makes up most of the unrestricted fund expenditures in the working fiscal 2002 appropriation.

Exhibit 6

**Unrestricted Fund Expenditures by Program
Fiscal 2002
(\$ in Thousands)**



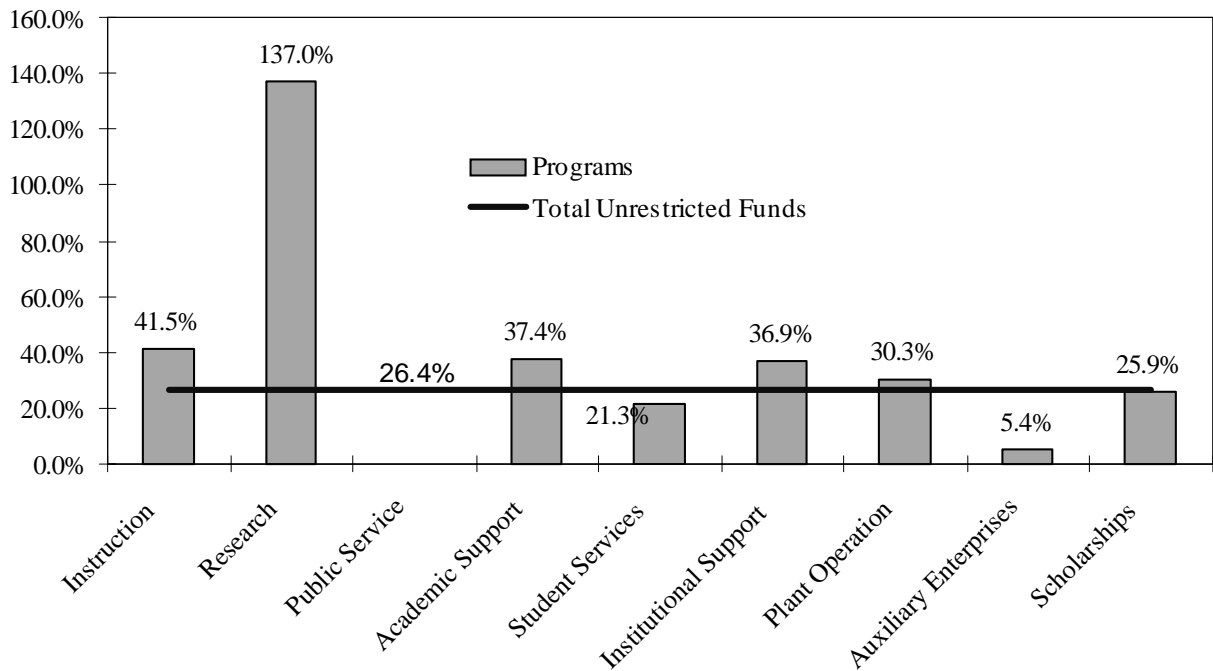
Source: Governor's Budget Books

RB.29 - USM - Salisbury University

Exhibit 7 illustrates the growth in total unrestricted fund expenditures from fiscal 1998 to 2002. Total unrestricted fund expenditures grew by 26.4%. State appropriations made up approximately 34% of SU's unrestricted fund revenue in fiscal 1998 and 38% of the unrestricted fund revenue in fiscal 2002. Increases by program are most significant in the Research and Instruction programs. SU's unrestricted fund expenditure investment in its Research program is not as significant since this program is almost entirely funded by restricted funds. The university's investment in Instruction since fiscal 1998 is notable because the first goal of SU's Managing for Results (MFR) statement is "to provide quality undergraduate/graduate education." SU has also significantly increased its investment in Academic Support. This program includes library services, information technology support for undergraduate and graduate education, and academic administration. SU's investment in the Scholarships Program closely follows the total increase in unrestricted fund expenditures since fiscal 1998.

Exhibit 7

**Unrestricted Fund Expenditures by Program
Fiscal 1998 to 2002**



Source: Governor's Budget Books

Performance

Exhibit 8 shows some of the university's performance indicators in the context of the university's MFR goals.

Exhibit 8

**Program Measurement Data
Salisbury University
Fiscal 1999 through 2003**

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Actual 2001</u>	<u>Est. 2002</u>	<u>Est. 2003</u>	<u>Ann. Chg. 99-01</u>	<u>Ann. Chg. 01-03</u>
Full-time Equivalent Students (FTES)	5,049	5,133	5,090	5,482	5,654	5,847	4.2%	3.3%
Goal 1. Provide quality undergraduate/graduate education.								
Licensure/exam pass rates:								
Nursing (90% by 2004)	87%	91%	90%	90%	89%	89%	1.7%	-0.6%
Teaching (98% by 2004)	96%	96%	96%	96%	96%	97%	0.0%	0.5%
Satisfaction with preparation for employment	92%	93%	93%	93%	93%	93%	0.5%	0.0%
Goal 2. Prepare graduates to become productive members of society and the workforce.								
Number of graduates in teacher education*	233	197	n/a	229	240	250	-0.9%	4.5%
Employer satisfaction with SU graduates	n/a	n/a	n/a	98%	98%	98%	n/a	0.0%
Goal 3. Promote educational, economic, cultural, and social development in the State and the region.								
% economically disadvantaged students (55% by 2004)	n/a	53	n/a	51	52	52	n/a	1.0%
Goal 4. Broaden access to and diversity of higher education.								
% minority (headcount)	11	12	12	12	12	12	4.4%	0.0%
Goal 5. Increase revenue from alternate sources and maximize the efficient use of State resources.								
Private/State/federal dollar awards for grants and sponsored research (millions)	\$2.37	\$3.22	n/a	\$5.07	\$4.50	\$4.50	46.3%	-5.8%

RB.29 - USM - Salisbury University

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Actual 2001</u>	<u>Est. 2002</u>	<u>Est. 2003</u>	<u>Ann. Chg. 99-01</u>	<u>Ann. Chg. 01-03</u>
Goal 6. Improve retention and graduation rates.								
Second-year retention rate (87% by 2004)*	85%	84%	n/a	84%	85%	85%	-0.6%	0.6%
African American second-year retention rate*	69%	78%	n/a	66%	70%	72%	-2.2%	4.4%
Six-year graduation rate*	69%	66%	n/a	71%	68%	69%	1.4%	-1.4%

* The actual year rate for this indicator was a five-year average in last year's submission.

Source: Governor's Budget Book, 2001 Performance Accountability Report

As indicated on the exhibit, FTE student enrollment growth has steadily increased between fiscal 1999 and 2001. The university is expecting similar increases in fiscal 2002 and 2003. Under the first goal of providing quality undergraduate and graduate education, student satisfaction with preparation for employment is included as an outcome measure. SU is very close to its goal of 94% by 2004. SU's performance relative to this goal is notable since the university has allocated a significant percentage of unrestricted fund expenditures between fiscal 1998 and 2002 in the Instruction program. The passing rates on the nursing and teaching licensure exams are also used to measure the quality of SU's education programs. SU has maintained a 96% teaching exam passing rate between fiscal 1999 and 2001. The nursing exam passing rate has increased in fiscal 2001 over 1999. SU is close to its goal of 90% by fiscal 2004.

One of the measures under the goal to promote educational, economic, cultural, and social development in the State and region, is the percentage of economically disadvantaged students attending SU. This percentage had a slight drop in fiscal 2001 from 2000. SU's goal is to increase the percentage to 55% by 2004. The use of this indicator also reflects the State Plan for Postsecondary Education of "providing affordable and equitable access for every qualified Maryland resident."

The percentage of minorities in the undergraduate student body is included under SU's goal to broaden access to and diversity of higher education. SU has only experienced a slight increase for this indicator in fiscal 2001. The goal for this indicator is 13% by 2004. The President of SU has implemented an initiative to improve diversity on campus that includes allocating funds to the admissions office to increase outreach efforts to area high schools and community colleges to recruit more African American and Hispanic students. Some of SU's minority enrollment is attributable to students from nearby University of Maryland Eastern Shore (UMES), a historically black institution, enrolled in joint SU-UMES programs.

SU has achieved an 84% retention rate for all students in fiscal 2001, a slight decrease from fiscal 1999, but still in range of the targeted 87% rate by fiscal 2004. The retention rate for African American freshmen dropped in fiscal 2001 compared to fiscal 1999, despite a substantial increase in fiscal 2000. SU is projecting a turnaround in fiscal 2002 and 2003 for this indicator. SU has shown improvement in the six-year graduation for all students in fiscal 2001.

Issues

1. Funding Guideline Peer Performance Results

In January 2001, the Maryland Higher Education Commission (MHEC) submitted its funding guidelines peer performance analysis for USM institutions and Morgan State University (MSU). Analysis of peer performance is part of the operating funding guidelines model which was designed to inform the budget process by providing both a funding standard and a basis for comparison between higher education institutions. Participating institutions chose a group of "funding peers" based on similarities in mission, size, program mix, enrollment composition, and other defining characteristics. With the exception of the University of Maryland, College Park; University of Maryland, Baltimore; and MSU, the institutions designated 10 of the selected funding peer institutions as "performance peers." SU selected its performance peers based on size, program mix, and mission. In future years, SU could be eligible for enhanced guideline funding if its performance meets or exceeds the performance of its peers. Based on the analysis, SU exceeds the average of its performance peers on almost all of the indicators. They include the following:

- percentage minority of all undergraduates;
- percentage African American of all undergraduates;
- average (four-year) second-year retention rate;
- six-year graduation rate;
- six-year graduation rate for all minorities;
- six-year graduation rate for African Americans;
- passing rate on PRAXIS II (teacher) exam (data only available from two peers);
- passing rate in nursing licensing exam;
- alumni giving rate;
- ratio of FTE students to FTE faculty (lower than peers); and
- employers' satisfaction with graduates (North Carolina peers only).

RB.29 - USM - Salisbury University

SU scores below its peer average in the percentage of faculty with terminal degrees. SU is also below its peer average for the total State appropriation per FTE students (\$4,305 versus \$6,002). The analysis points out that SU is more selective than its peer institutions because of the university's acceptance rate of 57% compared to 75% peer average. SU also has the highest average high school grade point average of first-time entering freshmen. These factors along with SU's high Scholastic Aptitude Test rankings may contribute to the university exceeding peer performance for the second-year retention rate and six-year graduation rate. **The President should comment on MHEC's analysis of SU's performance versus its peers and whether the university needs to reevaluate its peers in the future because SU appears to be more selective than its peer institutions.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

**Current and Prior Year Budgets
Salisbury University
(\$ in Thousands)**

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2001					
Legislative Appropriation	\$28,100	\$43,955	\$72,055	\$3,739	\$75,794
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	4,600	4,600	1,600	6,200
Reversions and Cancellations	0	(173)	(173)	(21)	(194)
Actual Expenditures	\$28,100	\$48,382	\$76,482	\$5,318	\$81,800
Fiscal 2002					
Legislative Appropriation	\$29,925	\$45,708	\$75,633	\$3,657	\$79,290
Budget Amendments	0	2,991	2,991	0	2,991
Cost Containment	(141)	0	(141)	0	(141)
Working Appropriation	\$29,784	\$48,699	\$78,483	\$3,657	\$82,140

Note: Numbers may not sum to total due to rounding.

Fiscal 2001 Budget Amendments

The \$4.6 million increase in unrestricted funds in fiscal 2001 is attributable to increases in tuition and fee revenue and auxiliary sales and services due to additional enrollment growth. Approximately \$1.3 million in additional State contract and grant activity and additional federal financial aid increased restricted funds.

Fiscal 2002 Budget Amendments

The working appropriation includes a general fund reduction for cost containment. A proposed USM budget amendment increases unrestricted funds by almost \$3 million because of an increase in tuition and fee revenue attributed to additional FTE students.

RB.29 - USM - Salisbury University

Appendix 2

Object/Fund Difference Report
USM - Salisbury University

Object/Fund	FY02		FY03 Allowance	FY02 - FY03 Amount Change	Percent Change
	FY01 Actual	Working Appropriation			
Positions					
01 Regular	730.50	805.50	880.50	75.00	9.3%
02 Contractual	339.50	255.53	222.53	(33.00)	(12.9%)
Total Positions	1070.00	1061.03	1103.03	42.00	4.0%
Objects					
01 Salaries and Wages	\$ 38,619,735	\$ 44,241,337	\$ 48,910,313	\$ 4,668,976	10.6%
02 Technical & Spec Fees	11,825,134	8,737,732	7,896,317	(841,415)	(9.6%)
03 Communication	485,849	645,552	674,454	28,902	4.5%
04 Travel	857,692	688,012	732,647	44,635	6.5%
06 Fuel & Utilities	2,189,388	2,116,065	2,208,955	92,890	4.4%
07 Motor Vehicles	357,205	391,826	402,655	10,829	2.8%
08 Contractual Services	6,392,331	4,222,718	5,121,770	899,052	21.3%
09 Supplies & Materials	7,225,425	6,685,351	8,226,231	1,540,880	23.0%
10 Equip - Replacement	80,144	914,047	941,295	27,248	3.0%
11 Equip - Additional	2,548,944	2,438,523	2,522,513	83,990	3.4%
12 Grants, Subsidies, Contr	3,411,986	3,311,399	3,575,345	263,946	8.0%
13 Fixed Charges	6,260,705	6,679,058	6,629,277	(49,781)	(0.7%)
14 Land & Structures	1,545,774	1,069,000	801,000	(268,000)	(25.1%)
Total Objects	\$ 81,800,312	\$ 82,140,620	\$ 88,642,772	\$ 6,502,152	7.9%
Funds					
40 Unrestricted Fund	\$ 76,482,101	\$ 78,483,038	\$ 83,837,772	\$ 5,354,734	6.8%
43 Restricted Fund	5,318,211	3,657,582	4,805,000	1,147,418	31.4%
Total Funds	\$ 81,800,312	\$ 82,140,620	\$ 88,642,772	\$ 6,502,152	7.9%

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary
USM - Salisbury University

<u>Unit/Program</u>	<u>FY01 Actual</u>	<u>FY02 Legislative Appropriation</u>	<u>FY02 Working Appropriation</u>	<u>FY01 - FY02 % Change</u>	<u>FY03 Allowance</u>	<u>FY02 - FY03 % Change</u>
01 Instruction	\$ 23,657,846	\$ 24,401,170	\$ 26,897,441	13.7%	\$ 28,341,245	5.4%
02 Research	3,512,229	2,005,197	2,058,597	(41.4%)	2,876,732	39.7%
04 Academic Support	6,062,445	6,771,253	6,396,253	5.5%	6,955,694	8.7%
05 Student Services	4,036,246	3,995,543	3,915,543	(3.0%)	4,369,591	11.6%
06 Institutional Support	9,918,635	10,016,415	9,622,708	(3.0%)	10,808,171	12.3%
07 Operation And Maintenance Of Plant	8,730,886	7,827,401	8,280,670	(5.2%)	8,541,058	3.1%
08 Auxiliary Enterprises	22,772,969	21,351,330	21,913,329	(3.8%)	23,435,776	6.9%
17 Scholarships And Fellowships	3,109,056	2,922,234	3,056,079	(1.7%)	3,314,505	8.5%
Total Expenditures	\$ 81,800,312	\$ 79,290,543	\$ 82,140,620	0.4%	\$ 88,642,772	7.9%
Unrestricted Fund	\$ 76,482,101	\$ 75,632,961	\$ 78,483,038	2.6%	\$ 83,837,772	6.8%
Restricted Fund	5,318,211	3,657,582	3,657,582	(31.2%)	4,805,000	31.4%
Total Appropriations	\$ 81,800,312	\$ 79,290,543	\$ 82,140,620	0.4%	\$ 88,642,772	7.9%