

R30B21
University of Maryland, Baltimore
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	FY 02	FY 03	FY 04	FY 03 - 04	FY 03 - 04
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$153,139	\$153,573	\$141,678	-\$11,895	-7.7%
FY 2003 Cost Containment	0	-11,895	0	11,895	
Adjusted General Funds	\$153,139	\$141,678	\$141,678	\$0	0.0%
Other Unrestricted Funds	168,793	183,241	191,047	7,806	4.3%
Total Unrestricted Funds	321,932	324,920	332,725	7,806	2.4%
Restricted Funds	218,494	259,260	297,605	38,345	14.8%
Adjusted Grand Total	\$540,427	\$584,180	\$630,330	\$46,151	7.9%

- Fiscal 2003 general fund reductions at University of Maryland, Baltimore (UMB) total \$11.9 million, or 7.7%. The fiscal 2004 allowance provides no additional State support to UMB.
- Other unrestricted funds increase in fiscal 2004 primarily due to increased tuition and fee revenue, indirect cost recovery related to federal contracts and grants, and sales and services of educational activities.

Personnel Data

	FY 02	FY 03	FY 04	Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	
Regular Positions	3,587.09	3,619.72	3,653.84	34.12
Contractual FTEs	393.37	471.75	520.66	48.91
Total Personnel	3,980.46	4,091.47	4,174.50	83.03

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	53.71	1.47%
Positions Vacant as of 09/31/02	55.00	1.52%

- The fiscal 2003 figures do not reflect the elimination of 65.88 positions due to cost containment.
- The fiscal 2004 allowance provides for 100 new regular positions related to contract and grant activity.

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

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Analysis in Brief

Major Trends

Where Are They Now?: The institution is producing an increasing number of graduates from the baccalaureate nursing program, but fewer of them are working in Maryland, according to institution estimates. Estimates are based on surveys of graduates, but the surveys were done at different times of the year, making comparisons from year to year difficult. This measure provides just one illustration of the difficulty the institution has had assuring reliable performance measures and providing comparable data over time.

Research Activity Grows: Measures related to research show increases. Such measures include the number of contracts and grants, grants and contracts per full-time faculty member, and total research expenditures. Similar measures reported in the Maryland Higher Education Commission’s *Peer Performance Analysis* suggest that the institution is performing well compared to its peers.

Graduates of Professional Programs Obtain Licenses: The institution continues to report high licensure exam pass rates for dentistry, law, medicine, nursing, and pharmacy, but the UMB pass rate was below the average of its peers in nursing and law.

Recommended Actions

1. Concur with Governor’s allowance.

R30B21
University of Maryland, Baltimore
University System of Maryland

Operating Budget Analysis

Program Description

The University of Maryland, Baltimore (UMB) is located in downtown Baltimore. It houses a graduate school and professional Schools of Dentistry, Law, Medicine, Nursing, Pharmacy, and Social Work. It offers primarily graduate and professional degrees in health professions, applied health, biomedical science and technology, social work, and law. Only some percentage of its enrollment is in baccalaureate programs. The institution has two clinical partners – the University of Maryland Medical Systems (UMMS) and the Veterans Administration Medical Center – and one research partner, the University of Maryland Biotechnology Institute. UMB aims to:

- continue to evolve and maintain a competitive edge as a center of excellence in the life and health sciences, law, and social work; and
- conduct recognized research and scholarship in the life and health sciences, law, and social work that fosters social and economic development.

The institution also aims to demonstrate responsiveness to the State’s critical need for health and human services professionals by increasing access to professional careers. Most of the university’s programs are designed for full-time students. However, the Schools of Law, Nursing, and Social Work, and the Graduate School have a significant number of part-time students. The School of Nursing offers programs that enable nurses in educationally underserved areas to earn both undergraduate and graduate degrees in five outreach sites throughout the State.

UMB aims to provide public service to citizens in all sectors and geographic regions of Maryland, especially the community surrounding its urban campus. The institution provides legal and dental clinics and community outreach services, support to the Maryland Poison Control Center, and staff to its clinical partners, UMMS, and the Veterans Administration Medical Center.

The university has set a goal of increasing fundraising to deliver programs more effectively and encouraging entrepreneurial activities to foster economic development in the State. For example, it is involved in public-private partnerships with emerging biotechnology companies.

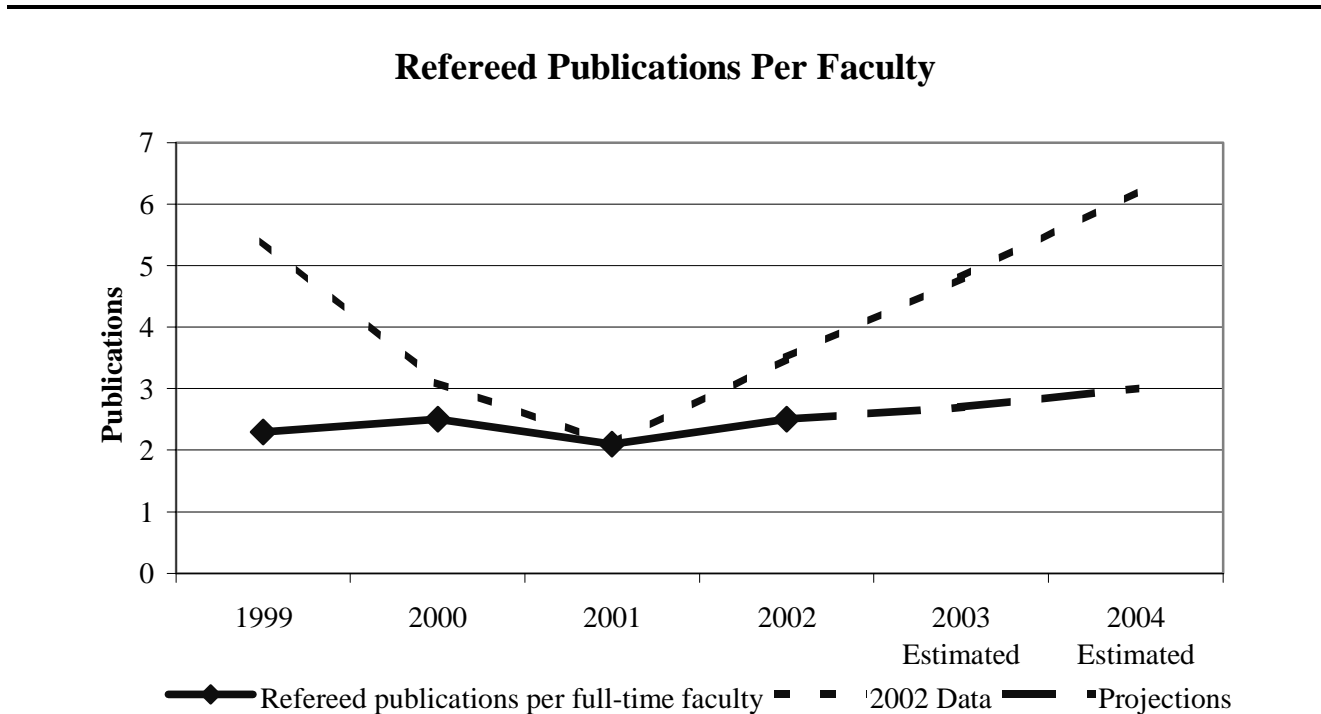
Performance Analysis: Managing for Results

The first goal of the institution is to continue to evolve and maintain a competitive edge as a center of excellence in the life and health sciences, law, and social work. To measure this goal, the institution reports national rankings, information on graduates, and the number of refereed publications per full-time

faculty member. On most of these measures, the institution shows favorable results. Evidence of improvement is lacking, in some cases because the institution’s results are quite high, e.g., rankings and employer satisfaction with graduates.

The institution has had difficulty assuring measures are reliable and providing comparable data over time. For example, the ranking for the pharmacy school is six years old, as 1997 was the last time rankings were published. Also, employer and graduate satisfaction survey instruments have changed, precluding any longitudinal view. In addition, the measure for number of refereed publications per full-time faculty relies on self-reports from faculty. The measure is based on survey results only and not adjusted for the actual number of faculty. After reporting sharp declines last year, the institution now believes that earlier data was incorrect. As shown in **Exhibit 1**, the decline in fiscal 2001 now appears far less dramatic, and the institution predicts increases in future.

Exhibit 1



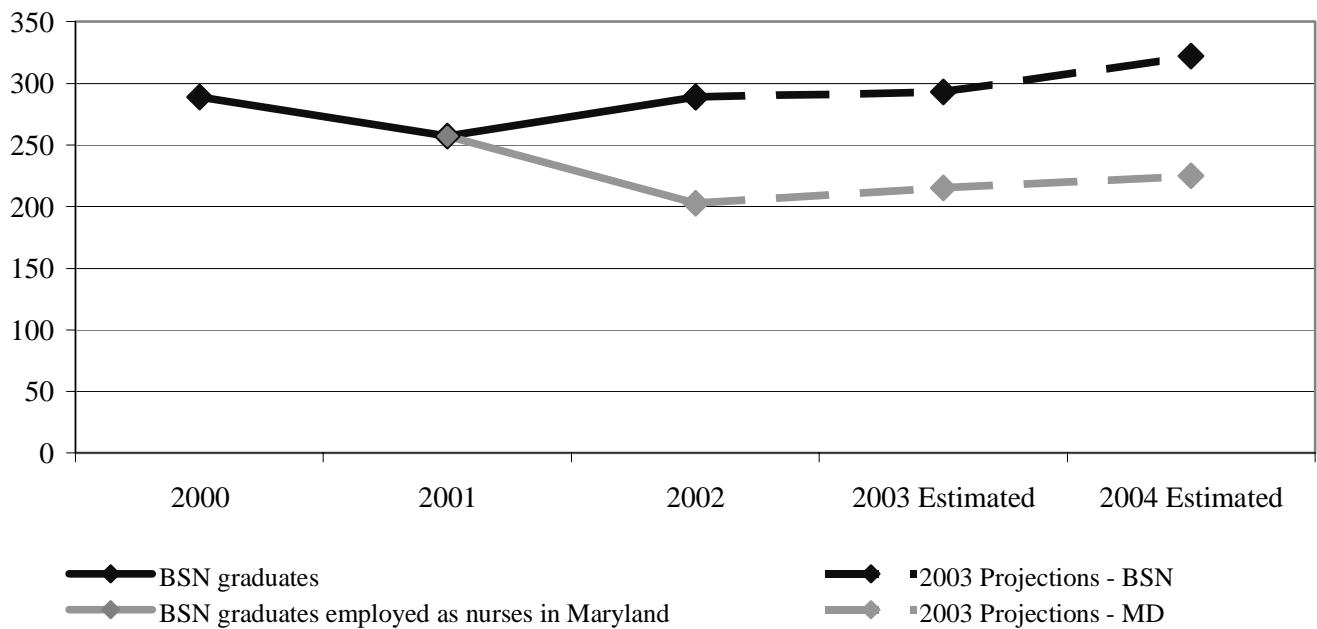
Notes: The number of refereed publications per full-time faculty is the number of refereed works, such as journal articles, book reviews, chapters of books, etc., authored or co-authored by faculty and published. The number of works is divided by the number of surveyed full-time faculty.

Source: Maryland State Budget, fiscal 2003 and 2004; University of Maryland, Baltimore

The institution has experienced actual declines in the number of graduates employed in Maryland, including the number of graduates from the baccalaureate nursing program employed as nurses in Maryland. **Exhibit 2** illustrates that the institution is producing an increasing number of graduates from the baccalaureate nursing program, but fewer of them are working as nurses in Maryland.

Exhibit 2

**Bachelor of Science in Nursing Program
Graduates and Graduates Employed in Maryland**

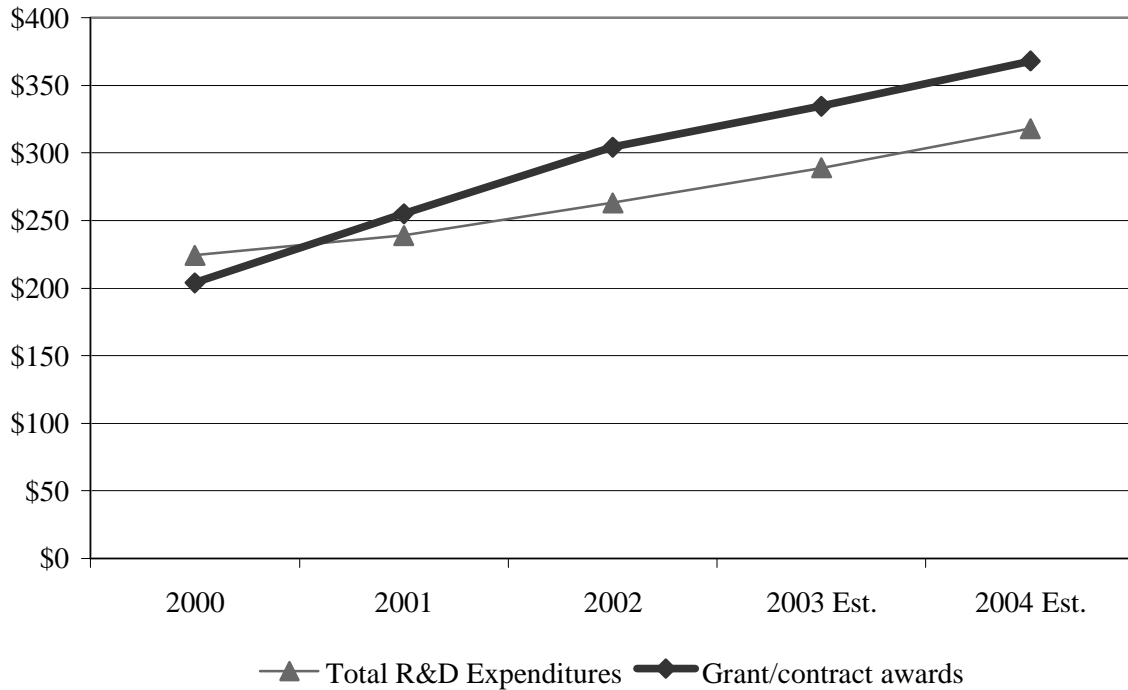


Source: Maryland State Budget, fiscal 2004

The institution’s second goal is to conduct recognized research and scholarship in the life and health sciences, law, and social work that fosters social and economic development. In this area, as shown in **Exhibit 3**, the number of grants and contracts, grants and contracts per full-time faculty, and total research expenditures are increasing. Similar measures reported in the Maryland Higher Education Commission’s (MHEC) *Peer Performance Analysis* suggest that UMB is performing well compared to its peers. UMB exceeds the average of its peers with regard to research and development (R&D) expenditures in medicine, R&D expenditures in medicine per full-time medical faculty, and growth in federal R&D expenditures in medicine.

Exhibit 3

Research Performance Measures
(\$ in Millions)



Notes: Total R&D expenditures = Total research and development expenditures from federal, State, industry, institutional, and other sources.
Grants/contract awards = Total unduplicated grants and contracts as reported to the Board of Regents Education Policy Committee.

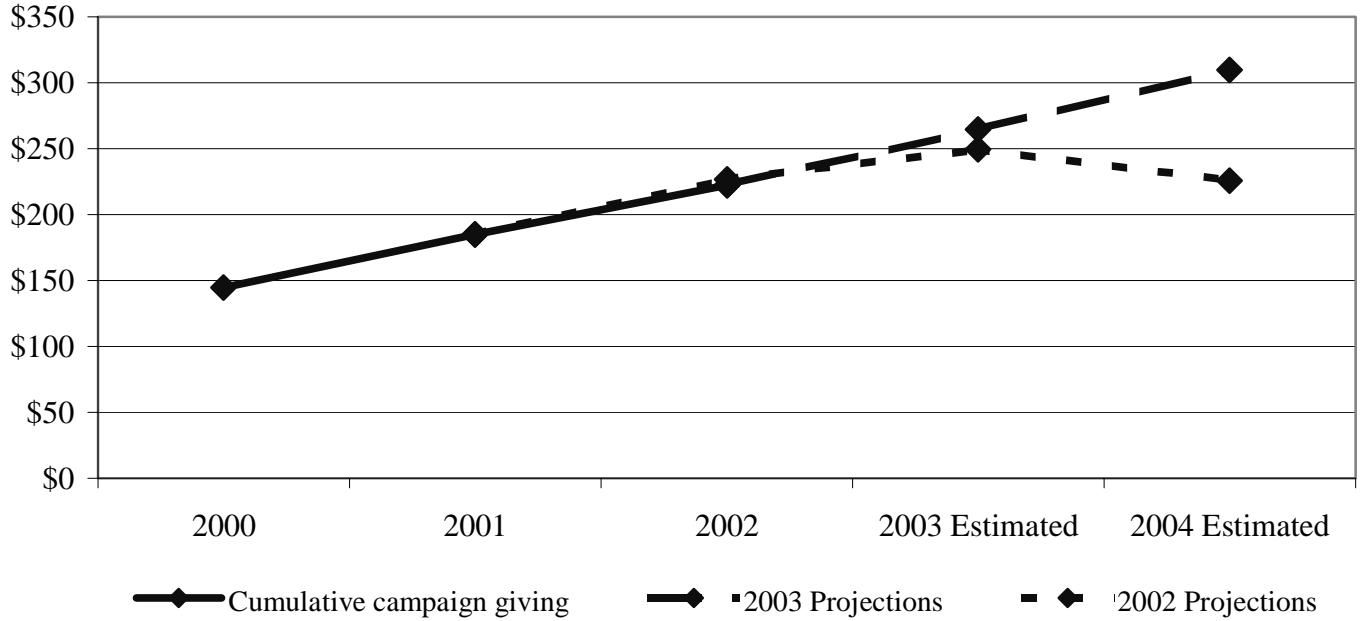
Source: Maryland State Budget, fiscal 2003 and 2004

Another goal of the institution is to encourage entrepreneurial activities to foster economic development in the State. To this end, the institution reports the number of new start-up companies established each year in Maryland based on university technologies, which continues to be about one or two per year.

With the University System of Maryland Campaign ending, last year, the institution set an interim goal for fiscal 2003 to exceed its campaign goal of \$173 million by 30%, or to reach \$226 million. As shown in **Exhibit 4**, the institution expects to reach almost \$265 million in fiscal 2003, having almost reached its fiscal 2003 goal in fiscal 2002 with \$222.7 million.

Exhibit 4

Cumulative Campaign Fundraising
(\$ in Millions)



Source: Maryland State Budget, fiscal 2003 and 2004

The institution continues to report high licensure exam pass rates for dentistry, law, medicine, nursing, and pharmacy, but the UMB pass rate was below the average of its peers in nursing and law. The mean score of UMB graduates on licensure exams exceeds the national mean in dentistry and social work.

Fiscal 2003 Actions

Grant from the Dedicated Purpose Fund

In the fiscal 2003 allowance, UMB budgeted use of \$6 million from the fund balance of the practice plan at the School of Medicine. (The practice plan is a non-state supported unrestricted fund revenue source that pays for the clinical activities of the faculty.) The institution budgeted the fund balance transfer based on analysis that expenditures were exceeding revenues in fiscal 2002 and would continue to do so in fiscal 2003. In addition, UMB testified during the 2002 legislative session that declining clinical revenues created a “structural deficit” of about \$5.2 million in fiscal 2003. This “structural deficit” remained, despite the institution’s planned use of fund balance.

To mitigate the effect of anticipated inadequate clinical revenues, the 2002 BRFA Budget Reconciliation and Financing Act (BRFA) provided a \$3 million grant to the institution from the Dedicated Purpose Fund. As the BRFA grant was intended to alleviate the “structural deficit” at the School of Medicine, it has been used for normal salary expenses.

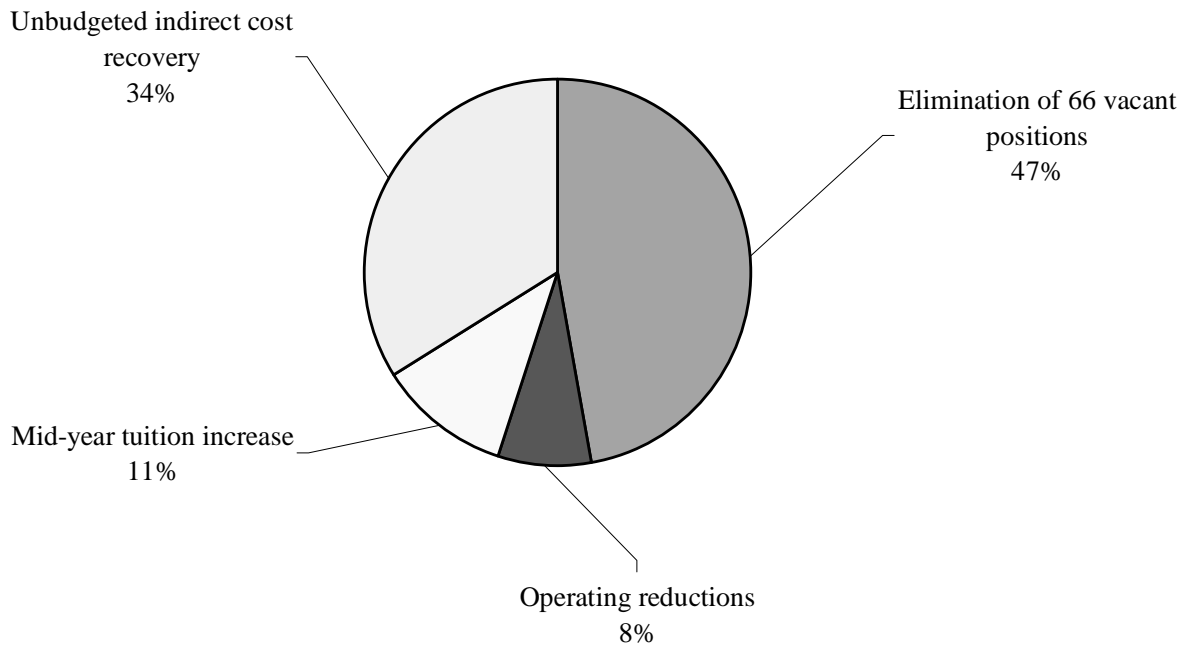
Contrary to expectations during the 2002 session, practice plan revenues and expenses at the close of fiscal 2002 were similar. Expecting this trend to continue, the institution eliminated through budget amendment the planned use of fund balance in fiscal 2003. While it now will retain those funds in its non-state supported fund balance, the institution has not indicated it intends to refund any portion of the State grant. **The Department of Legislative Services recommends that the President update the committees on the status of the “structural deficit” in fiscal 2003 related to clinical revenues and whether the State grant will still be needed to offset a revenue shortfall.**

Impact of Cost Containment

Through the combined cost containment proposals of the previous and current administrations, general fund support for UMB will decline \$11,894,529 in fiscal 2003. **Exhibit 5** illustrates the contribution of various strategies to address the reduction of general funds in fiscal 2003. Of the general fund reduction, 55% will be addressed with elimination of vacancies and operating savings, while new revenues will address 45% of the reduction.

Exhibit 5

Fiscal 2003 Cost Containment Measures
\$11,894,529



Source: University of Maryland, Baltimore

Governor's Proposed Budget

The allowance for fiscal 2004 continues at fiscal 2003 levels of general fund support, reflecting a reduction of \$11.9 million. (**Exhibit 6**)

Exhibit 6

**Governor's Proposed Budget
University of Maryland, Baltimore
(\$ in Thousands)**

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04</u> <u>% Change</u>
General Funds	\$153,139	\$153,573	\$141,678	-\$11,895	-7.7%
FY 2003 Cost Containment	0	-11,895	0	11,895	
Adjusted General Funds	\$153,139	\$141,678	\$141,678	\$0	0.0%
Other Unrestricted Funds	168,793	183,241	191,047	7,806	4.3%
Total Unrestricted Funds	321,932	324,920	332,725	7,806	2.4%
Restricted Funds	218,494	259,260	297,605	38,345	14.8%
Adjusted Grand Total	\$540,427	\$584,180	\$630,330	\$46,151	7.9%

Where It Goes:

Personnel Expenses

100 new contract and grant positions	\$16,875
49 new contractual positions	5,787
Other personnel adjustments	1,301

Other Changes

Contract and grant operating costs.....	14,129
Fiscal 2003 appropriation understates spending as mid-year tuition increase and indirect cost recovery is not included.....	5,342
New equipment, including Howard Hall.....	996
Auxiliary enterprises	507
Utilities	494
Academic revenue bond debt service	237
Increased scholarships and fellowships	201
Other operating expenses	282

Total **\$46,151**

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

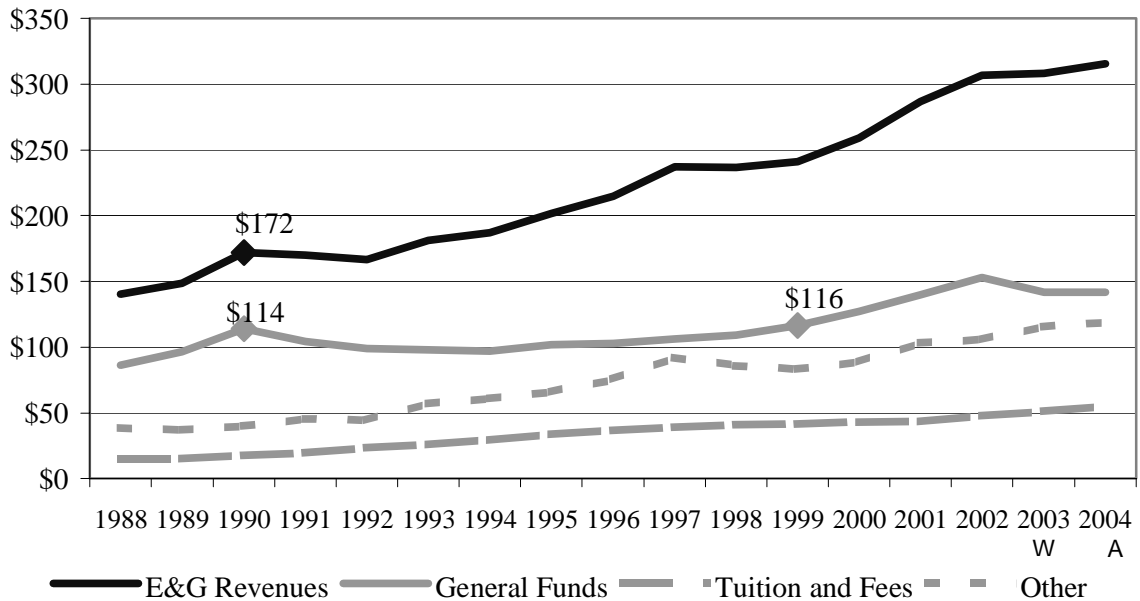
Other unrestricted funds increase 4.3%, primarily due to increased tuition and fee revenue and indirect cost recovery related to federal grants and contracts. Of the \$4.1 million in increased tuition and fee revenue, \$1.7 million is based on tuition and fee charges adopted by the Board of Regents in August 2002 and \$2.3 million based on higher charges not yet approved. In Exhibit 6, the figure for other unrestricted funds for fiscal 2003 reflects neither \$4.0 million in unbudgeted indirect cost recovery nor \$1.3 million from the mid-year tuition increase used to address cost containment. When the additional revenue is considered, growth in other unrestricted funds is 2.0%. Restricted funds increase almost 15%.

Education and General Funds

Exhibit 7 shows Education and General (E&G) revenues. E&G funds can be used to examine the primary, mission-related, operating revenues of an institution, excluding restricted funds over which the institution has little or no discretion. E&G funds also exclude auxiliary funds, used in noncore functions such as parking, conference center activities, and the student union revenues. As shown in Exhibit 7, the E&G funds at UMB have actually declined for one two-year period since 1988, from \$172 million in fiscal 1990 to \$167 million in fiscal 1992, a 3% decrease. E&G revenues rebounded in 1993 and have grown ever since. On average, E&G revenues have increased 4.4% per year since 1990.

Exhibit 7

Education and General Revenues
(\$ in Millions)



W = Working appropriation adjusted for cost containment; does not reflect mid-year tuition increase.

A = Allowance.

Source: Maryland State budgets, fiscal 1990 through 2004; University System of Maryland

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Exhibit 7 also shows general fund support for UMB since fiscal 1988. After a high of \$114 million in fiscal 1990, State support declined to a low of \$97 million in fiscal 1994 and did not rebound to pre-decline levels until fiscal 1999. On average State support for UMB has increased 1.6% per year since 1990.

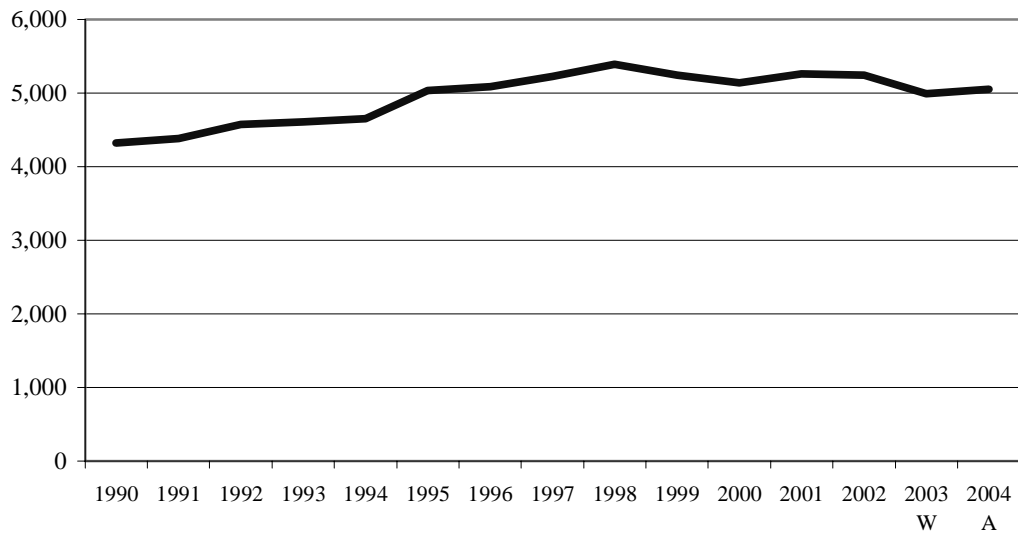
Unlike other four-year institutions, other revenues at UMB contribute more to E&G revenues than tuition and fees. The largest single source of other revenues is sales and services of educational activities. After fiscal 1992, the trend in E&G revenues is influenced primarily by the trend in other revenues. For example, E&G revenues appear to peak in fiscal 1997, despite fairly level general funds and tuition and fees, because other revenues, especially educational activities revenue, increase dramatically that year. Similarly in fiscal 1999, E&G revenues were flat; increases in general funds and tuition and fees barely offset the decline in other revenues due to a \$17 million transfer to fund balance. Other revenues have increased on average 8.1% per year since 1990.

The last portion of E&G revenue, tuition and fees, has increased steadily since 1988. In fiscal 2004 it will account for 17.5% of E&G revenues. Tuition and fee revenue has increased an average of 8.5% annually since fiscal 1990 and has never been flat or declined.

Full-time equivalent student (FTES) enrollment at UMB has increased, on average, 1.1% per year since 1990. As **Exhibit 8** illustrates, FTES enrollment at UMB peaked in fiscal 1998 and has declined in three of the six years since then. Since fiscal 1990, State support and tuition and fees, considered together, have increased on average 2.9% annually.

Exhibit 8

Full-time Equivalent Student Enrollment



W = Working appropriation adjusted for cost containment; does not reflect mid-year tuition increase.

A = Allowance.

Source: Maryland State budgets, fiscal 1992 through 2004; Department of Budget and Management

Tuition and Fees

The fiscal 2004 allowance for tuition and fee revenue is \$55.3 million, a \$4.1 million, or 8.0% increase, over fiscal 2003 (before the mid-year increase). Tuition and fees were expected to increase between 4% and 20% in fiscal 2004, depending on discipline and academic level. UMB has imposed a mid-year tuition increase of about 5%. The increase represents a range of per-student increases from \$125 for a resident undergraduate nursing student to \$700 for a nonresident medical student.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland, Baltimore (\$ in Thousands)

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$155,346	\$164,224	\$319,570	\$186,900	\$506,470
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	8,296	8,296	32,000	40,296
Reversions and Cancellations	-2,206	-3,727	-5,933	-406	-6,339
Actual Expenditures	\$153,139	\$168,793	\$321,932	\$218,494	\$540,427
Fiscal 2003					
Legislative Appropriation	\$153,573	\$178,669	\$332,242	\$216,000	\$548,242
Budget Amendments	0	4,572	4,572	43,260	47,832
Cost Containment	-11,895		-11,895		-11,895
Working Appropriation	\$141,678	\$183,241	\$324,920	\$259,260	\$584,180

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

Fiscal 2002

In fiscal 2002, UMB expended \$34.0 million more than its legislative appropriation because it added over \$40 million to its spending authority through budget amendments. Budget amendments added unrestricted funds from revolving funds and indirect cost recovery on grants and contracts. The unrestricted fund budget was reduced by \$2.2 million in general funds due to cost containment and hiring freeze savings. Budget amendments also added restricted funds from federal contracts and grants primarily, but also from State, local, and private contracts and grants, and physician services. UMB canceled \$3.7 million in unrestricted funds and \$405,577 in restricted funds due to overestimates of revolving fund activity and miscellaneous restricted funds.

Fiscal 2003

In fiscal 2003, general fund support to the institution was reduced \$11.9 million due to cost containment. Through budget amendment, the unrestricted fund budget increased \$4.6 million due to increases in tuition and fees, sales and services of educational activities, and indirect cost recovery. Increases in these areas were offset by declines in interest income, auxiliary revenues, and a transfer to fund balance. The increase in tuition and fee revenue is primarily the result of an increase in enrollment at the law school and a new technology fee.

Restricted funds increased in 2003 due to increases in federal, State, and private gifts and grants, as well as increased endowments, work study grants, and physician's services revenues. The change in restricted funds also reflects grants of \$3.1 million through MHEC from the State's Dedicated Purpose Fund. The grants were intended to provide for facilities renewal projects of \$310,000 and offset the institution's reported shortfall in clinical revenues (\$2.8 million).

**Object/Fund Difference Report
USM - University of Maryland, Baltimore**

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 – FY 04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	3587.09	3619.72	3653.84	34.12	0.9%
02 Contractual	393.37	471.75	520.66	48.91	10.4%
Total Positions	3980.46	4091.47	4174.50	83.03	2.0%
Objects					
01 Salaries and Wages	\$ 358,428,249	\$ 389,017,887	\$ 407,366,162	\$ 18,348,275	4.7%
02 Technical & Spec Fees	1,900,292	2,143,848	2,138,348	-5,500	-0.3%
03 Communication	3,946,931	4,311,685	4,394,935	83,250	1.9%
04 Travel	4,729,948	5,293,048	5,308,448	15,400	0.3%
06 Fuel & Utilities	12,574,476	13,228,437	13,722,269	493,832	3.7%
07 Motor Vehicles	1,467,144	1,399,599	1,387,813	-11,786	-0.8%
08 Contractual Services	82,392,533	98,178,134	111,407,006	13,228,872	13.5%
09 Supplies & Materials	31,473,255	36,179,623	36,481,454	301,831	0.8%
10 Equip - Replacement	611,259	696,476	667,020	-29,456	-4.2%
11 Equip - Additional	8,647,423	11,062,118	12,023,044	960,926	8.7%
12 Grants, Subsidies, Contr	16,558,104	18,123,082	18,314,535	191,453	1.1%
13 Fixed Charges	14,513,733	15,359,929	16,038,950	679,021	4.4%
14 Land & Structures	3,183,188	1,080,315	1,080,315	0	0%
Total Objects	\$ 540,426,535	\$ 596,074,181	\$ 630,330,299	\$ 34,256,118	5.7%
Funds					
40 Unrestricted Fund	\$ 321,932,112	\$ 336,814,181	\$ 332,725,299	-\$ 4,088,882	-1.2%
43 Restricted Fund	218,494,423	259,260,000	297,605,000	38,345,000	14.8%
Total Funds	\$ 540,426,535	\$ 596,074,181	\$ 630,330,299	\$ 34,256,118	5.7%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary
USM - University of Maryland, Baltimore

<u>Unit/Program</u>	<u>FY 02 Actual</u>	<u>FY 03 Legislative Appropriation</u>	<u>FY 03 Working Appropriation</u>	<u>FY 02 – FY 03 % Change</u>	<u>FY 04 Allowance</u>	<u>FY 03 – FY 04 % Change</u>
01 Instruction	\$ 167,245,053	\$ 165,383,900	\$ 178,348,274	6.6%	\$ 178,327,088	0%
02 Research	147,844,550	149,812,509	172,259,913	16.5%	199,725,792	15.9%
03 Public Service	30,392,613	30,107,808	35,050,000	15.3%	43,055,612	22.8%
04 Academic Support	34,305,441	37,889,024	37,483,176	9.3%	34,798,077	-7.2%
05 Student Services	2,953,447	2,989,197	2,823,730	-4.4%	2,820,959	-0.1%
06 Institutional Support	42,601,330	47,609,408	46,870,427	10.0%	45,315,431	-3.3%
07 Operation and Maintenance of Plant	44,896,871	45,394,137	45,586,034	1.5%	45,340,697	-0.5%
08 Auxiliary Enterprises	16,232,483	17,707,412	17,088,991	5.3%	17,688,955	3.5%
17 Scholarships and Fellowships	12,092,194	12,213,534	13,284,943	9.9%	13,485,491	1.5%
18 Hospitals	41,862,553	39,135,066	47,278,693	12.9%	49,772,197	5.3%
Total Expenditures	\$ 540,426,535	\$ 548,241,995	\$ 596,074,181	10.3%	\$ 630,330,299	5.7%
Unrestricted Fund	\$ 321,932,112	\$ 332,242,415	\$ 336,814,181	4.6%	\$ 332,725,299	-1.2%
Restricted Fund	218,494,423	215,999,580	259,260,000	18.7%	297,605,000	14.8%
Total Appropriations	\$ 540,426,535	\$ 548,241,995	\$ 596,074,181	10.3%	\$ 630,330,299	5.7%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.