

R30B24
Towson University
University System of Maryland

Operating Budget Data

(\$ 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	\$68,062	\$68,279	\$62,464	-\$5,815	-8.5%
FY 2003 Cost Containment	0	-5,815	0	5,815	
Adjusted General Funds	68,062	62,464	62,464	0	
Other Unrestricted Funds	137,449	145,528	159,472	13,943	9.6%
Total Unrestricted Funds	205,511	207,993	221,936	13,943	6.7%
Restricted Funds	22,787	22,500	24,500	2,000	8.9%
Adjusted Grand Total	228,299	230,493	246,436	15,943	6.9%

- Cost containment reduced the fiscal 2003 working appropriation by \$5.8 million, or 8.5%.
- Other unrestricted funds increase \$13.9 million, or 9.6%.
- Restricted funds increase 8.9%, or \$2 million.

Personnel Data

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	1,647.50	1,630.50	1,628.50	-2.00
Contractual FTEs	846.00	814.70	854.70	40.00
Total Personnel	2,493.50	2,445.20	2,483.20	38.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	46.58	2.86%
Positions Vacant as of 09/31/02	82.00	5.03%

- The majority of the new contractual positions are for grants and contracts and are not State funded.

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

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Analysis in Brief

Major Trends

Towson Outperforms Peers on Graduation and Retention: For all categories of students – all students, Minority Students, and African American students – Towson University (TU) exceeds its peer average retention and graduation rates by at least ten percentage points.

Towson Exceeds Goal for Alternative Fundraising: The university exceeded its goal for Campaign for Maryland fundraising, raising \$10 million within the first two years of the program.

Recommended Actions

1. Concur with Governor's allowance.

Updates

University to Improve Contract Conditions for Affected Workers: In seeking effective cost reduction measures, the university contracted with Aramark for housekeeping services. The workers under this contract are not State employees and thus are compensated considerably less than the State average for similar work at other higher education institutions. The university has taken steps to rectify the situation and to establish better compensation in future contracts.

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Operating Budget Analysis

Program Description

Towson University (TU) is the largest comprehensive university within the University System of Maryland (USM) and in the Baltimore metropolitan region, serving over 17,000 students. The university serves traditional age, commuting and residential students from Maryland and the adjoining mid-Atlantic and northeastern states. Programs and services are oriented toward students who rank in the top one-third of high school graduates, as well as adult learners. Towson University is also a significant institution for graduate education, with headcount enrollment exceeding 3,000 graduate students.

TU offers a comprehensive range of baccalaureate programs in the liberal arts, fine arts, and sciences, and professional programs in business, education, computer and information sciences, and the health professions. The university is committed to strengthening its core liberal and fine arts and sciences disciplines, and to building a nationally prominent general education program for all undergraduate students. The university places an emphasis on and will continue to develop programs in areas responsive to the metropolitan community. The university will also continue to emphasize international, multi-cultural, ethnic, and women's studies curricula.

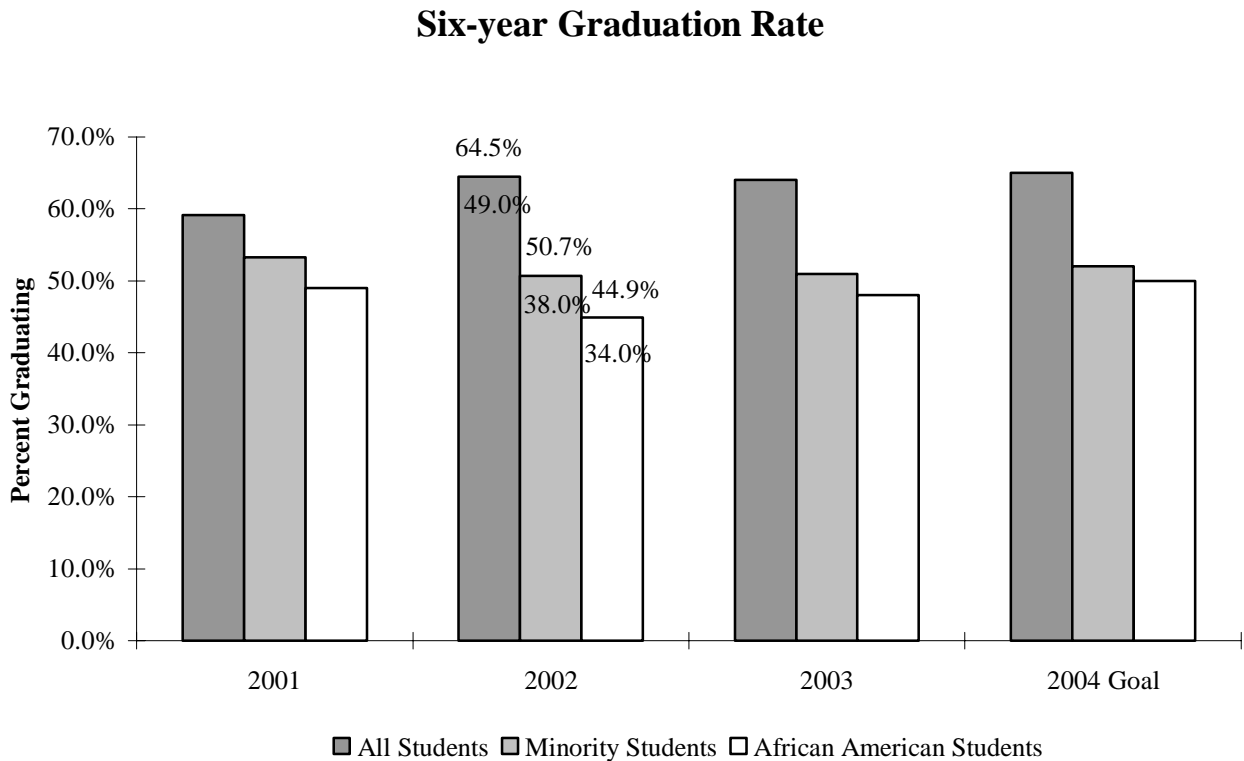
Post-baccalaureate certificates and master's programs, developed in response to community needs, focus on education, fine arts, the health professions, computer sciences and information systems, software design, and applied professional fields. Areas of emphasis include education, theater, human resources development, psychology, computer and information sciences, speech-language pathology, audiology, occupational therapy, and health administration. The university also offers programs at the Higher Education and Applied Technology (HEAT) Center in Harford County and the Southern Maryland Higher Education Center. The university continues to lead the State in the preparation and professional development of teachers.

Performance Analysis: Managing for Results

The performance measures for Maryland's four-year public colleges and universities focus on graduation and retention rates for all students and African American students. Due to the shortage of workers in critical fields such as nursing and teaching, higher education institutions are placing importance on tracking students graduating from and entering the workforce in those fields. The following discussion of performance measurements tracks progress over a period of years and compares Towson to its nationwide peer group.

Exhibit 1 shows the six-year graduation rates for all students, minority students, and African American students at Towson. In fiscal 2002, the last year for which data is available, Towson outperformed the peer averages for each group by at least ten percentage points. African American students graduate at a lower rate than all minority students, but the rate is expected to increase nearly five percentage points between fiscal 2002 and fiscal 2004. In fiscal 2004, the graduation rate for minority students is expected to be thirteen percentage points lower than for all students.

Exhibit 1



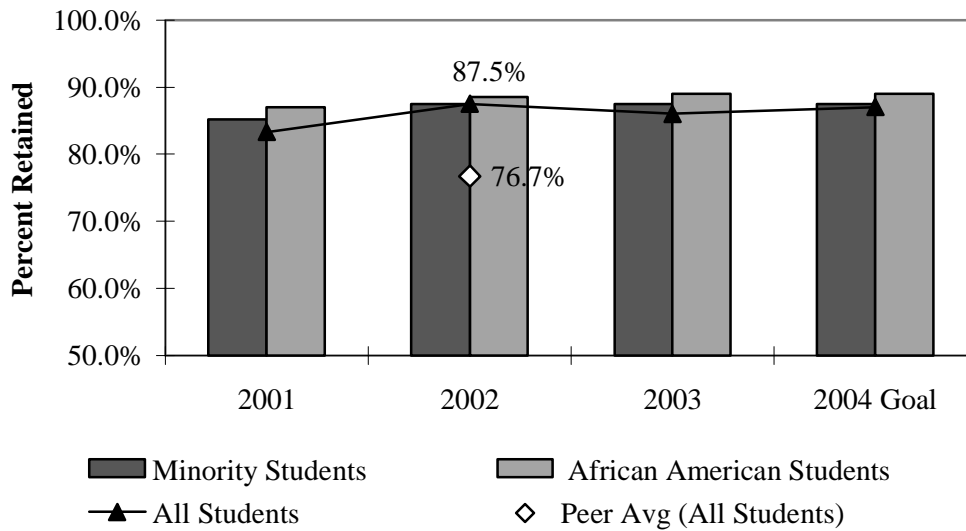
Note: The lower percentages in the 2002 column denote the peer averages for each group.

Source: Towson University

The second-year retention rate for all students, African American students, and minority students is shown in **Exhibit 2**. The line, representing all students, is considerably lower than the retention rate for minority students and African American students. African American students are retained at the highest rates; this trend is expected to continue, with the retention rate expected to reach almost 90% by fiscal 2004. Towson exceeds the peer average by nearly 11 percentage points in fiscal 2002.

Exhibit 2

Second-year Retention Rates

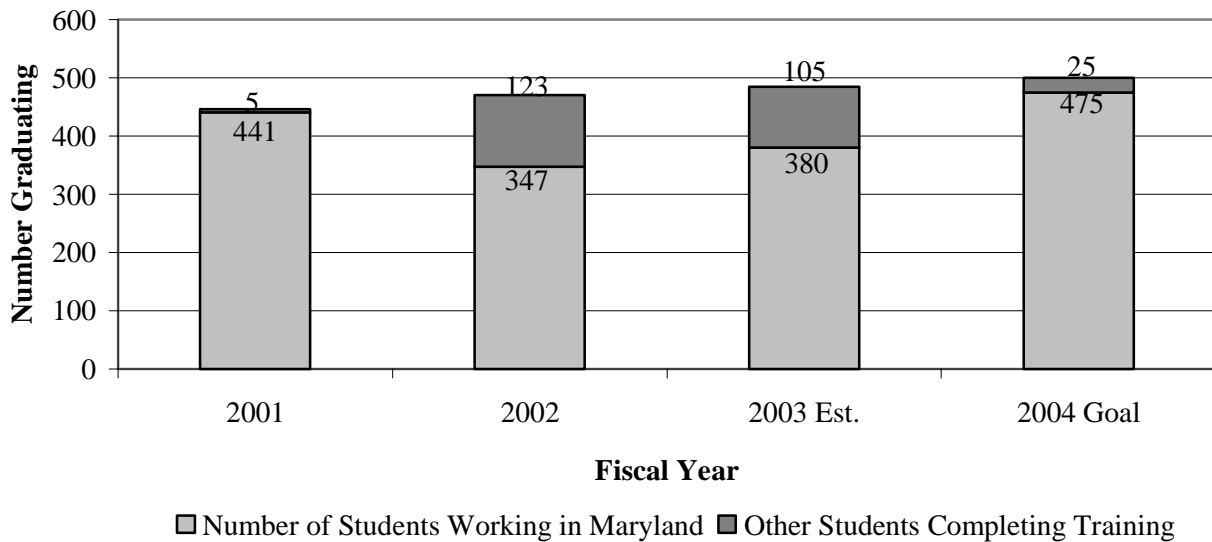


Source: Towson University

Towson produces the highest number of combined undergraduate and graduate teacher education graduates in the State. In fiscal 2001, 99% of TU’s teacher education graduates worked in Maryland schools. This number declined to 74% in fiscal 2002. However, in fiscal 2004, Towson is expecting that 95% of its graduates will work in the State. **Exhibit 3** compares the total number of teacher education graduates with those working for Maryland schools.

Exhibit 3

Teacher Education Graduates Employed in Maryland Schools



Source: Towson University

Finally, the need for alternative funding sources is especially important considering the State’s fiscal crisis. Towson participated in the Campaign for Maryland fundraising drive, and exceeded its goal, which was to raise \$6.4 million between fiscal 1999 and 2002. Towson exceeded this level by \$400,000 in fiscal 2001 and an additional \$3.2 million in fiscal 2002.

Fiscal 2003 Actions

Impact of Cost Containment

Cost containment actions taken by Governor Parris Glendening and proposed by Governor Robert Ehrlich reduce the fiscal 2003 general fund appropriation by a total of \$5.8 million, or 8.5%. Towson addressed the reductions through the following measures:

- Reducing personnel costs including the elimination of 15 current vacancies and maintaining the hiring freeze for all positions, including contingent employment (\$1.4 million);
- Curtailing travel expenses for the remainder of fiscal 2003 (\$350,000);
- Delaying the purchase of four new and twelve replacement vehicles (\$358,000);
- Canceling publications and advertising funds and delaying the installation of administrative software programs (\$600,000);

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- Delaying new equipment and desktop software (\$600,000); and
- Delaying facility maintenance programs for land and structures (\$650,000).

The remainder of the cost containment savings, \$1.7 million, or 29% will be supplemented through the mid-year tuition increase, which is expected to bring in \$1.8 million in revenue. The difference will be used for need-based financial aid.

Governor’s Proposed Budget

The fiscal 2004 allowance for Towson is \$246.5 million, a \$15.9 million or 6.9% increase over the fiscal 2003 working appropriation after cost containment. General funds are not increased from the fiscal 2003 working appropriation, but other unrestricted funds increase nearly 10% or \$13.9 million, making up 87% of the total increase. Restricted funds increase \$2 million or 8.9%, for a total of \$24.5 million.

Exhibit 4

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

	<u>FY 02 Actual</u>	<u>FY 03 Approp.</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Change</u>	<u>FY 03 - 04 % Change</u>
General Funds	\$68,062	\$68,279	\$62,464	-\$5,815	-8.5%
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Adjusted Grand Total	228,299	230,493	246,436	15,943	6.9%

Where It Goes:

Personnel Expenses

Salaries and wages..... \$5,143

Other Changes

Increase in scholarships and fellowships (14.7% increase)..... 2,949

Funds to support new non-State funded contractual employees..... 2,763

Revenue from mid-year tuition increase in fiscal 2003 not currently included in fiscal 2003 appropriations..... 1,700

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Increase in academic support	707
Additional federal, State, and local grants and contracts (28.6% increase)	2,344
Additional funds to support System-wide construction (ARB payments)	259
Travel increases to better reflect actual expenses	188
Reduction in motor vehicle costs (37.7% decrease)	-81
Other	-29
Total	\$15,943

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

Education and General Revenues

Exhibit 5 shows the Educational and General (E&G) revenues at Towson from fiscal 1988 through fiscal 2004. E&G funds are the primary, mission-related, operating revenues of an institution, excluding restricted funds over which the university has little or no discretion, and auxiliary funds, used in non-core functions such as dining halls, dormitories, and athletics. As shown in Exhibit 5, E&G funds declined \$2.5 million or 3%, between fiscal 1991 and 1992, but surpassed the fiscal 1991 levels by fiscal 1994. E&G funds have been growing steadily ever since, at an average annual increase of 5.4% per year.

Exhibit 5 also shows general fund support for Towson since 1988. General fund support declined approximately \$5 million between fiscal 1991 and 1993, and did not reach fiscal 1991 levels again until fiscal 1999. General fund support has increased an average of 1.5% annually. Fiscal 2004 is the first year general fund support will not increase since fiscal 1994.

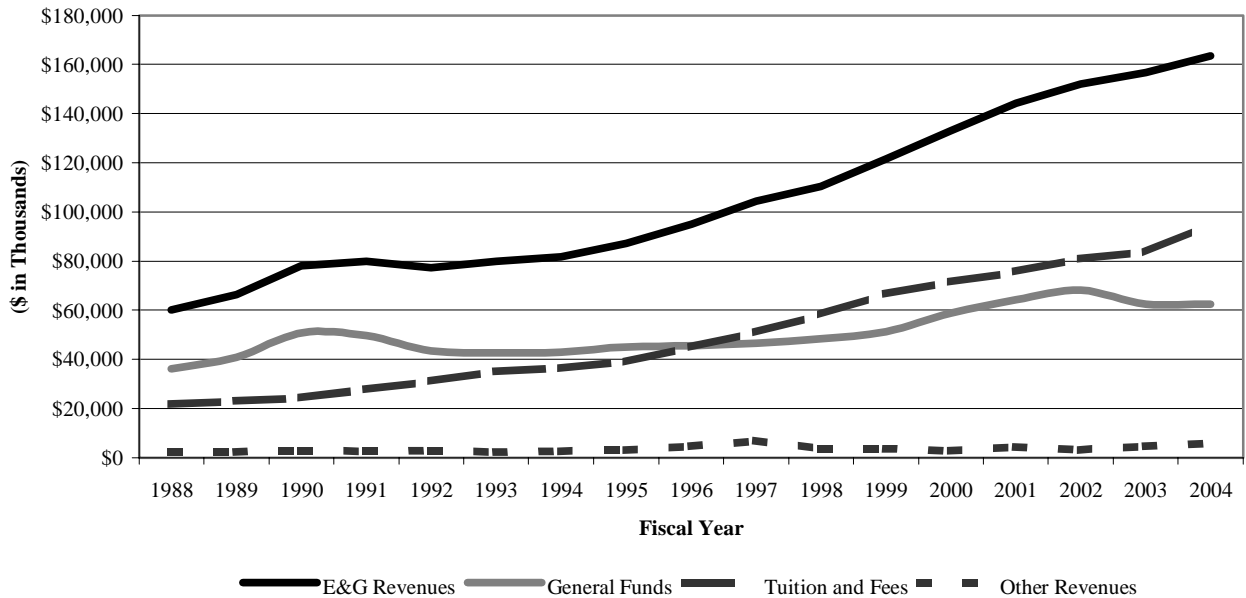
Tuition and Fees

Tuition and fees, the other major portion of E&G revenue, has increased steadily since fiscal 1988, an average of 10% annually. This is the primary reason E&G revenues increased during the 1990s.

The fiscal 2004 allowance includes \$95 million in tuition and fee revenue, an \$11 million or 13.7% increase over fiscal 2003 (before the mid-year tuition increase). In-state FTES tuition and fees are \$5,564, a 4.7% increase over fiscal 2003. For out-of-state FTES, tuition and fees increase 4.2%, to a total of \$13,300. Towson will adopt the 5% mid-year tuition increase which will result in a per person increase of \$95 for in-state students and \$279 for out-of-state students.

Exhibit 5

**Education and General Revenues
Fiscal 1988 through 2004 Allowance**



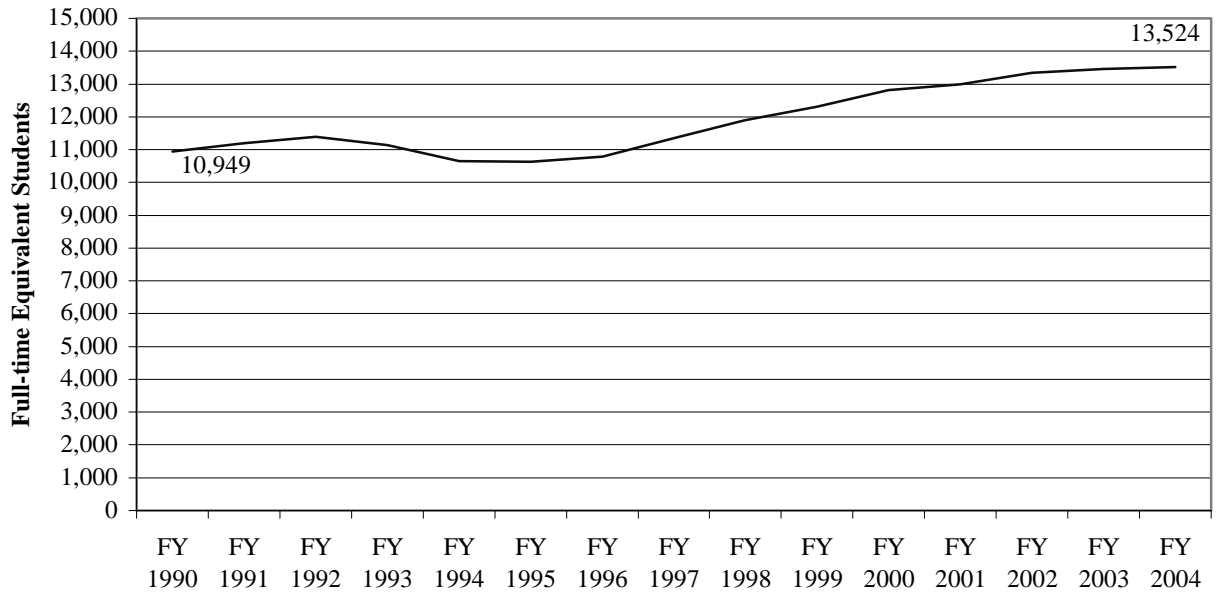
Source: Towson University

Enrollment Trends

In fiscal 2003 Towson’s total headcount increased by over 225 students, or 1.5%. The projected total student headcount for fiscal 2004 is 17,377 students. **Exhibit 6** shows the growth in enrollment for full-time equivalent students since fiscal 1990. Enrollment has grown an average of 1.5% per year and increased 23.5% since fiscal 1990 for a projected fiscal 2004 total of 13,524.

Exhibit 6

Enrollment Trends



Source: Towson University

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. University to Improve Contract Conditions for Affected Workers

In fiscal 1983, as a cost reduction measure, Towson procured a contract for housekeeping and has outsourced its housekeeping services since that time. Towson currently has a four-year contract with Aramark Corporation, of which two years remains. The employees performing these services are not State or university employees but negotiate their wages and benefits solely with Aramark.

It was brought to the university's attention that in comparison to employees performing the same work at other colleges and universities in Maryland (who are State employees), the benefits and wages for Towson's employees are well below average. The difference is because the employees at Towson are employed by Aramark rather than the university and, therefore, do not receive the same benefits and protections as State employees. The university was unaware of the difference when it procured the contract and has since asked Aramark to re-evaluate the terms of employment for these workers. However, the university holds no legal authority to require Aramark to better compensate its employees.

The university recognizes the importance that employees working at the university, either directly or indirectly, receive fair living wages and benefits for the work they perform. Unable to open contract negotiations on its current housekeeping contract, the university will take the following steps to ensure fair wages for employees of State contractors in the current procurement process for a new food services contract:

- The university will hire an independent group to conduct a market survey of wages in the relevant labor market.
- The university will then use this information to determine a fair and equitable wage for contract employees.
- During the negotiation phase, the university will make every effort to assure that the prospective contractor agrees to pay a fair base wage that will be increased annually based on the relevant cost-of-living index.

The food services contract will be finalized before July 1, 2003, at which time the effectiveness of this process will be determined. The university intends to make every effort in the future to ensure all of its employees are fairly compensated.

Current and Prior Year Budgets

Current and Prior Year Budgets Towson 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 2002					
Legislative Appropriation	\$68,062	\$135,054	\$203,116	\$18,500	\$221,616
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	11,778	11,778	6,000	17,778
Reversions and Cancellations	0	-9,383	-9,383	-1,713	-11,096
Actual Expenditures	\$68,062	\$137,449	\$205,511	\$22,787	\$228,299
Fiscal 2003					
Legislative Appropriation	\$68,279	\$145,529	\$213,808	\$22,500	\$236,308
Cost Containment	-5,815	0	-5,815	0	-5,815
Budget Amendments	0	0	0	0	0
Working Appropriation	\$62,464	\$145,529	\$207,993	\$22,500	\$230,493

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

Fiscal 2002

Towson brought in through budget amendments an additional \$11.8 million in current unrestricted funds in fiscal 2002. This addition was due to the following revenue increases: \$1.1 million in tuition and fees, \$0.8 million in State contract and grant activity, and \$9 million from university store and dining

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service sales, as well as the sale of educational activities.

The majority of the additional current restricted funds brought in through budget amendment in fiscal 2002 are due to a large increase in contracts and grants (\$4.2 million) and the sales and services of auxiliary activities (\$0.7 million).

Towson overestimated its current unrestricted fund expenditures by nearly \$9.4 million, for which spending authority was cancelled at the close of fiscal 2002. Similarly, the university only collected \$22.8 million in restricted fund revenues, \$1.7 million less than expected, causing the reversion of appropriation authority in that amount.

**Object/Fund Difference Report
Towson University**

<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	1647.50	1630.50	1628.50	-2.00	-0.1%
02 Contractual	846.00	814.70	854.70	40.00	4.9%
Total Positions	2493.50	2445.20	2483.20	38.00	1.6%
Objects					
01 Salaries and Wages	\$ 99,055,797	\$ 101,951,994	\$ 105,994,923	\$ 4,042,929	4.0%
02 Technical & Spec Fees	30,486,800	31,735,653	34,499,487	2,763,834	8.7%
03 Communication	2,268,493	3,903,378	4,003,378	100,000	2.6%
04 Travel	2,679,050	2,503,119	2,341,386	-161,733	-6.5%
06 Fuel & Utilities	4,906,494	5,149,330	5,291,517	142,187	2.8%
07 Motor Vehicles	556,710	1,163,229	724,274	-438,955	-37.7%
08 Contractual Services	26,925,374	24,613,570	25,333,773	720,203	2.9%
09 Supplies & Materials	15,409,956	15,220,750	15,530,322	309,572	2.0%
10 Equip - Replacement	3,573,714	2,593,192	2,973,192	380,000	14.7%
11 Equip - Additional	4,250,683	6,484,604	6,173,352	-311,252	-4.8%
12 Grants, Subsidies, Contr	22,176,345	21,183,835	24,208,236	3,024,401	14.3%
13 Fixed Charges	14,640,487	16,844,843	17,417,832	572,989	3.4%
14 Land & Structures	1,368,811	2,960,000	1,944,000	-1,016,000	-34.3%
Total Objects	\$ 228,298,714	\$ 236,307,497	\$ 246,435,672	\$ 10,128,175	4.3%
Funds					
40 Unrestricted Fund	\$ 205,511,314	\$ 213,807,497	\$ 221,935,672	\$ 8,128,175	3.8%
43 Restricted Fund	22,787,400	22,500,000	24,500,000	2,000,000	8.9%
Total Funds	\$ 228,298,714	\$ 236,307,497	\$ 246,435,672	\$ 10,128,175	4.3%

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

**Fiscal Summary
Towson University**

<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	\$ 58,425,744	\$ 58,597,771	\$ 59,463,408	1.8%	\$ 61,831,820	4.0%
02 Research	5,939,738	8,198,278	8,198,278	38.0%	10,542,165	28.6%
03 Public Service	11,872,877	9,947,287	9,938,566	-16.3%	11,131,191	12.0%
04 Academic Support	22,294,397	22,270,761	22,104,644	-0.9%	22,811,448	3.2%
05 Student Services	12,001,404	12,985,000	12,910,225	7.6%	12,575,097	-2.6%
06 Institutional Support	23,827,871	26,212,775	25,609,831	7.5%	24,750,490	-3.4%
07 Operation And Maintenance Of Plant	19,460,404	20,807,555	20,794,475	6.9%	21,283,220	2.4%
08 Auxiliary Enterprises	53,559,437	57,269,044	57,269,044	6.9%	58,541,814	2.2%
17 Scholarships And Fellowships	20,916,842	20,019,026	20,019,026	-4.3%	22,968,427	14.7%
Total Expenditures	\$ 228,298,714	\$ 236,307,497	\$ 236,307,497	3.5%	\$ 246,435,672	4.3%
Unrestricted Fund	\$ 205,511,314	\$ 213,807,497	\$ 213,807,497	4.0%	\$ 221,935,672	3.8%
Restricted Fund	22,787,400	22,500,000	22,500,000	-1.3%	24,500,000	8.9%
Total Appropriations	\$ 228,298,714	\$ 236,307,497	\$ 236,307,497	3.5%	\$ 246,435,672	4.3%

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