

R30B25
University of Maryland Eastern Shore
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	\$23,564	\$23,639	\$22,693	-\$946	-4.0%
FY 2003 Cost Containment	0	-946	0	946	
Adjusted General Funds	\$23,564	\$22,693	\$22,693	\$0	0.0%
Other Unrestricted Funds	\$29,278	\$31,040	\$33,020	\$1,980	6.4%
Total Unrestricted Funds	\$52,842	\$53,733	\$55,713	\$1,980	3.7%
Restricted Funds	\$17,438	\$18,294	\$17,950	-\$344	-1.9%
Adjusted Grand Total	\$70,280	\$72,027	\$73,663	\$1,636	2.3%

- Cost containment reduced the fiscal 2003 working appropriation by \$946,000, or 4%.
- Other unrestricted funds increase \$1.9 million, or 6.4%.
- Restricted funds decrease \$344,000, or 1.9%.

Personnel Data

	FY 02	FY 03	FY 04	Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	
Regular Positions	661.77	677.77	663.77	-14.00
Contractual FTEs	35.63	35.63	35.63	0.00
Total Personnel	697.40	713.40	699.40	-14.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	12.61	1.90%
Positions Vacant as of 09/31/02	20.00	2.95%

- Six of the fourteen regular position abolitions are vacancies that will be abolished before the close of fiscal 2003 to achieve cost containment savings.

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

For further information contact: Jessica E. Jordan

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Number of Teaching Graduates Teaching in Maryland Expected to Increase: In fiscal 1999, half of the University of Maryland Eastern Shore’s (UMES) teacher education graduates found employment in Maryland schools, while 75% of the fiscal 2004 graduating class are expected to teach in Maryland.

Alternative Funding Increases 18%: Sponsored research grants and contracts and the Campaign for Maryland fundraising program have together increased UMES’ alternative funding 18% since fiscal 1999.

Recommended Actions

1. Concur with Governor’s allowance.

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University System of Maryland

Operating Budget Analysis

Program Description

The University of Maryland Eastern Shore (UMES) is the only research and doctoral degree-granting institution of the University System of Maryland (USM) on the Eastern Shore. Founded as a historically black, land-grant university, UMES promotes the philosophy of the land-grant tradition, which is to make educational opportunities available to all, regardless of race, gender, creed, or socio-economic status. The university emphasizes selected baccalaureate programs in the liberal arts and sciences and career fields with particular relevance to the Eastern Shore and its land-grant mandate, offering programs at the master's and doctoral levels. The distinctive academic emphases at UMES are agriculture, environmental and marine sciences, hospitality, technology, computer sciences, business, and allied health. Research priorities are aligned to serve the needs of the region and the State.

The students served by the university come from across the State of Maryland, over 30 other states, and over 50 foreign countries. More than 22% of the undergraduate enrollment comes from the tri-county area of Somerset, Wicomico, and Worcester counties. In keeping with the university's mission, UMES provides programs to other constituencies through inter-agency agreements and contracts with government and educational agencies, businesses, and industries.

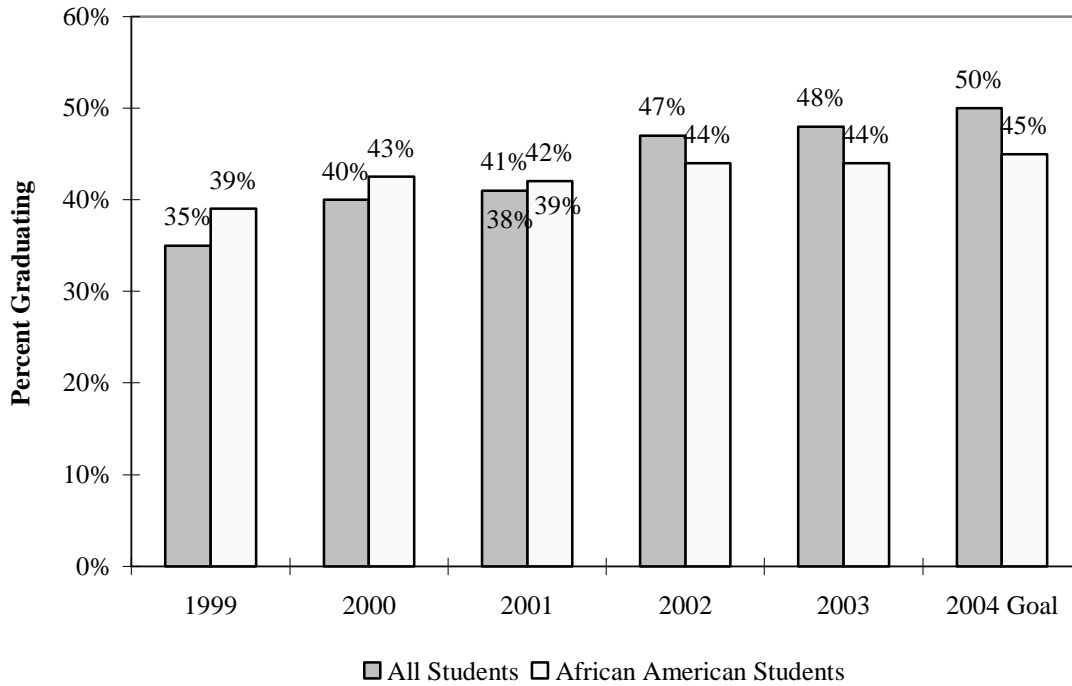
Performance Analysis: Managing for Results

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 UMES to its nationwide peer group.

Exhibit 1 shows the six-year graduation rates at UMES for all students and African American students, as well as the peer average for fiscal 2001. The six-year graduation rates since fiscal 1999 are increasing for both groups of students, 15 percentage points for all students and six percentage points for African American students, if UMES reaches its fiscal 2004 goals. UMES performs better than the peer averages for each group, despite the fact that the SAT scores for entering freshmen at UMES are lower than its peers.

Exhibit 1

**Six-year Graduation Rates
Fiscal 1999 through 2004**



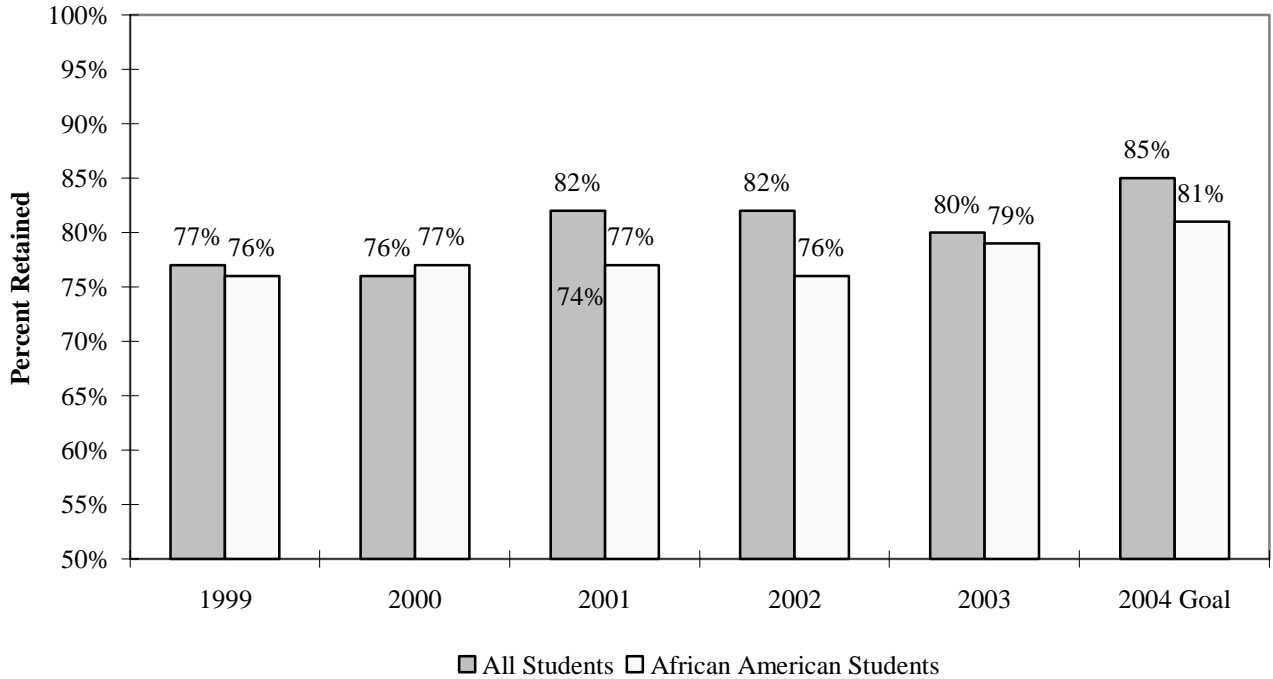
Note: The percentages within the 2001 column denote the peer averages for each group of students.

Source: University of Maryland Eastern Shore

Second-year retention rates for all students and African American students tend to fluctuate more than the six-year graduation rates but have increased slightly since fiscal 1999. **Exhibit 2** illustrates the changes in the second-year retention rate each year; by fiscal 2004 UMES hopes to retain 85% of all students and 81% of African American students, compared to 77% and 76% in fiscal 1999, respectively. UMES exceeded its peer average retention rate for all students in fiscal 2001 by eight percentage points.

Exhibit 2

**Second-year Retention Rates
Fiscal 1999 through 2004**



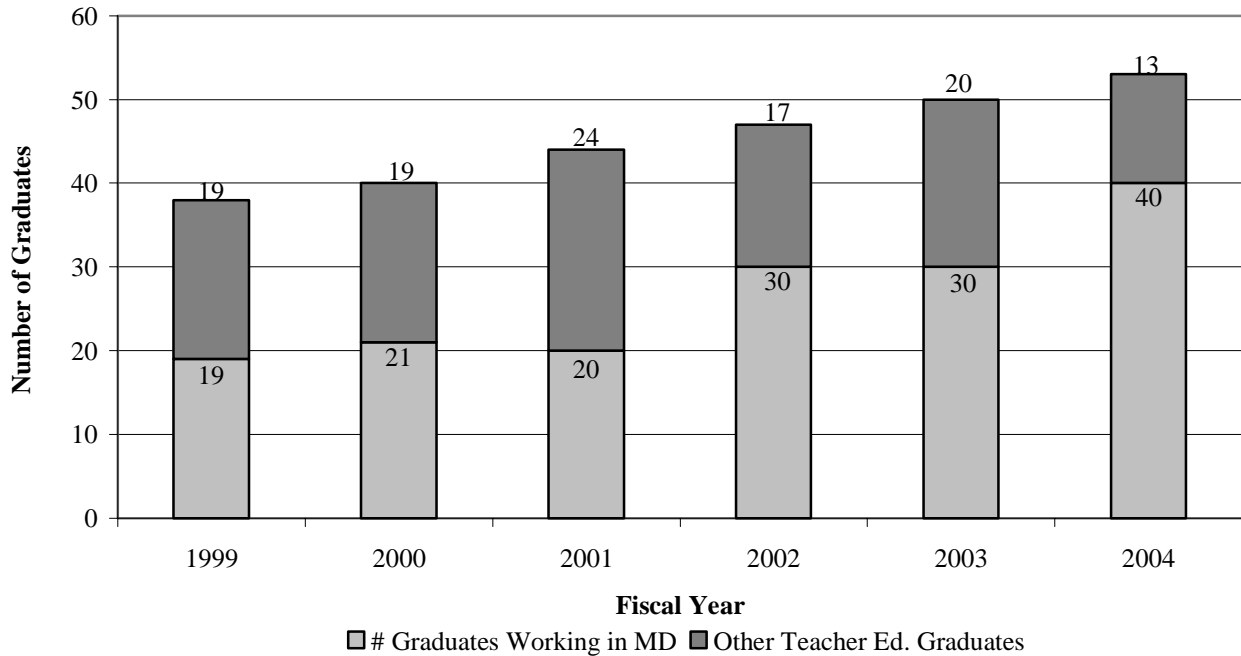
Note: The percentage in the 2001 column denotes the peer average for all students.

Source: University of Maryland Eastern Shore

Placing an increased emphasis on teacher training programs, UMES has increased both the number of graduates completing teacher training programs, as well as the percent graduating that work in Maryland schools. **Exhibit 3** compares the number of teacher education graduates each year to the number of those graduates employed in Maryland schools; in fiscal 1999 half of the graduates found work in Maryland, but the fiscal 2004 projections show about 75% of teacher education graduates working for the State. UMES has also increased the passing rate on the national teaching exam from 59% in fiscal 1999 to 84% in fiscal 2002.

Exhibit 3

Teacher Education Graduates Working in Maryland Schools



Source: University of Maryland Eastern Shore

The final performance measurements examine alternative fundraising at UMES through the Campaign for Maryland program and sponsored research grants and contracts. At UMES the goal for fiscal 2004 was to raise \$2 million, and the school is on track to achieve that amount, having raised \$1.5 million through fiscal 2002. The amount of sponsored research is projected to increase from \$9.3 million in fiscal 1999 to \$10.98 million in fiscal 2004, an 18% increase over five years.

Fiscal 2003 Actions

Impact of Cost Containment

The fiscal 2003 working appropriation includes a reduction totaling \$946,000 in general funds for cost containment that was taken in the following areas:

- imposing a hiring freeze and abolishing six full-time State supported positions (\$335,000);
- reducing contractual services for computing and consultants for the PeopleSoft implementation (\$100,000);

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- reducing the equipment budget in the academic support program (\$150,000); and
- reducing the planned expenditures for facility renewal on several building exteriors (\$31,000).

The remainder of the savings, \$330,000, or 35% of the cost containment reductions, will be offset by the mid-year tuition increase.

Governor’s Proposed Budget

The fiscal 2004 allowance totals \$73.6 million, an increase of \$1.6 million over the fiscal 2003 working appropriation after cost containment. While general funds do not increase from the fiscal 2003 working appropriation, other unrestricted funds increase \$1.9 million, or 6.4%. Other unrestricted funds account for 100% of the total increase. Restricted funds decrease \$344,000, or nearly 2% from fiscal 2003. (Exhibit 4)

Exhibit 4

**Governor's Proposed Budget
University of Maryland Eastern Shore
(\$ 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>
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Other Unrestricted Funds	\$29,278	\$31,040	\$33,020	\$1,980	6.4%
Total Unrestricted Funds	\$52,842	\$53,733	\$55,713	\$1,980	3.7%
Restricted Funds	\$17,438	\$18,294	\$17,950	-\$344	-1.9%
Adjusted Grand Total	\$70,280	\$72,027	\$73,663	\$1,636	2.3%

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Where It Goes:

Personnel Expenses

Personnel increases including health insurance partially offset by savings from position abolitions \$1,201

Other Changes

Fiscal 2003 mid-year tuition increases that are not reflected in the 2003 budget 330
Restoration of cost containment reductions to equipment replacement and the purchase of new agricultural and audio-visual equipment 128
Travel expenses (11% increase) 100
Fixed charges for bond payments and insurance costs 80
Buildings, additions, and other facility improvements 178
Decrease in motor vehicle costs, including maintenance and repair and the purchase of new vehicles -32
Other -349

Total **\$1,636**

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

Funding for Historically Black Institutions

Prior to the Office of Civil Rights (OCR) agreement that was signed in 2000 and first funded in fiscal 2003, the four historically black institutions (HBIs) in Maryland received State funding for various programs seeking to improve the higher educational experiences of African American students. **Exhibit 5** shows the general fund support without the HBI-specific (nonbase) funds and the total general funds available with them. In fiscal 1999, UMES received \$500,000 for the *Access and Success* program targeted at improving retention and graduation rates of African American students. Fiscal 2003 was the largest year of nonbase funding to date, attributable to the enhancement funds distributed under the OCR agreement. It is expected that OCR enhancement funds as well as *Access and Success* funds will continue to be distributed to the HBIs for the next four years. **The fiscal 2004 Maryland Higher Education Commission allowance provides \$6 million in OCR enhancement dollars for the HBIs. The President should discuss plans for the use of any money that it receives.**

Exhibit 5

**General Fund Support Including Funds Specific to Historically Black Institutions
Fiscal 1999 through 2003
(\$ in Thousands)**

	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02*</u>	<u>FY 03*</u>	<u>FY 04 Est.</u>	<u>Avg. Annual Change</u>
Base General Funds	\$18,542	\$20,488	\$22,474	\$23,564	\$22,693	\$22,693	4.1%
Access/Success	500	500	960	1,162	1,500	1,500	24.6%
Enhancement Funds	0	0	0	0	410	1,500**	n/a
IT Enhancements	0	0	0	0	400	0	n/a
Private Donation Incentive Grants	0	0	0	0	0	0	n/a
Nonbase Total	500	500	960	1,162	2,310	3,000	43.0%
Adjusted Total General Funds	\$19,042	\$20,988	\$23,434	\$24,726	\$25,003	\$25,693	6.2%

*Fiscal 2002 and 2003 base general funds reflect the actual and working appropriations after cost containment.

**Fiscal 2004 enhancement fund allocation is based on equal distribution of the \$6 million in the Governor’s Proposed budget. The fiscal 2004 allocation has not yet been determined.

Source: University of Maryland Eastern Shore; Department of Legislative Services

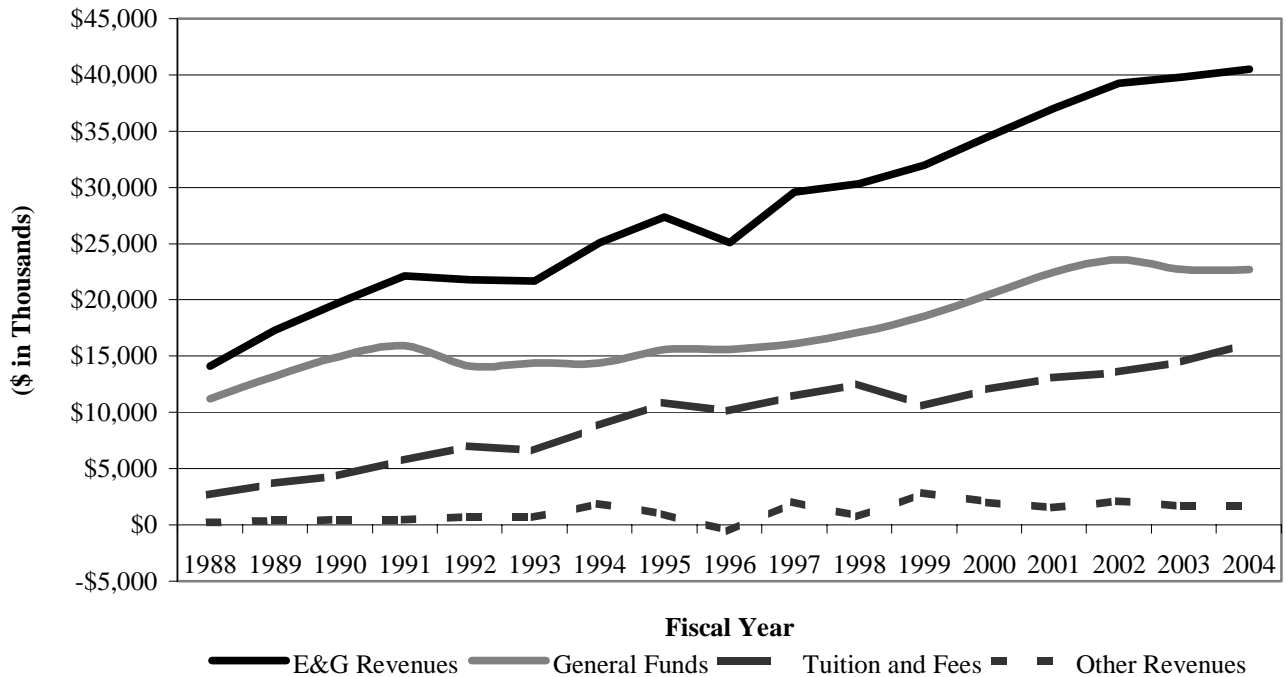
Educational and General Revenues

Exhibit 6 shows the Education and General (E&G) revenues, which are the primary, mission-related, operating revenues of an institution. E&G revenues exclude restricted funds, over which the university has little or no discretion, and auxiliary funds, used in noncore functions such as dining halls, dormitories, and athletics. As shown in Exhibit 6, the E&G funds at UMES declined a total of \$494,000 between fiscal 1991 and 1993 but gained back \$3.5 million, or seven times that amount, in fiscal 1994. E&G revenue declined \$2.2 million between fiscal 1995 and 1996 but increased double that amount in fiscal 1997. Therefore, after each period of decline, E&G revenues quickly rebounded.

Exhibit 6 also shows general fund support for UMES since fiscal 1988. General fund support declined \$1.8 million between fiscal 1991 and 1992, but has grown steadily ever since and reached the fiscal 1991 level again by fiscal 1996. General fund revenue has increased 3% each year on average through fiscal 2004; however, general fund support declined from fiscal 2002 to fiscal 2003 after cost containment, and remains flat-funded in fiscal 2004.

Exhibit 6

**Education and General Revenues
Fiscal 1998 through 2004 Allowance**



Source: University of Maryland Eastern Shore; Governor’s Budget Books, fiscal 1990 through 2003.

Tuition and Fees

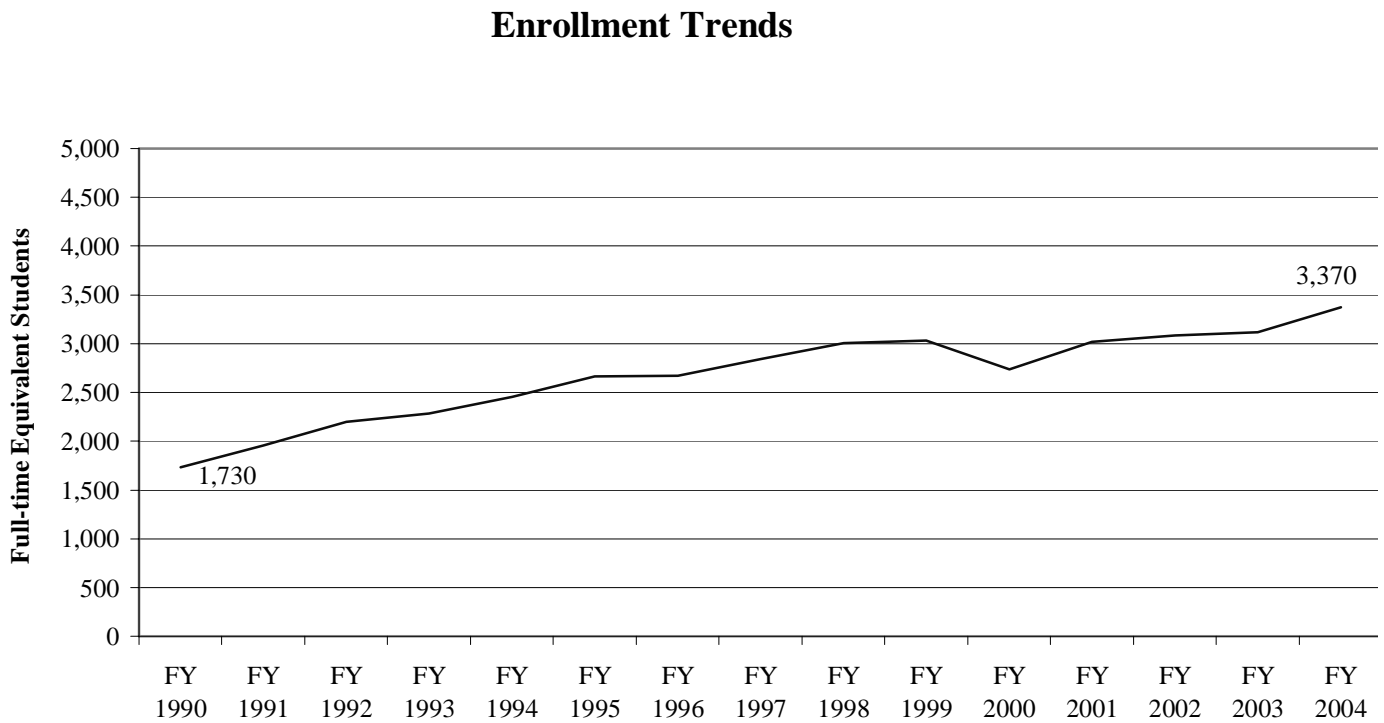
The other major portion of E&G revenue is tuition and fees. As depicted in Exhibit 7, tuition and fee revenue has increased an average of 9.7% annually since 1988, declining only twice, between fiscal 1995 and 1996, and fiscal 1998 and 1999, due to a small drop in enrollment in those years. Tuition and fee revenue is the primary reason E&G revenues continue to grow, despite slow general fund growth in the mid-1990s.

In fiscal 2004, tuition and fee revenue is expected to be \$16.2 million, an increase of \$1.5 million, or 11% over fiscal 2003 (before the mid-year tuition increase). This additional revenue is due to a 5% increase in the tuition rate for in-state students and a 6.3% increase in the tuition rate for full-time equivalent out-of-state students. UMES will also impose a 5% mid-year tuition increase in fiscal 2003 resulting in a \$76 increase for in-state and a \$189 increase for out-of-state students.

Enrollment Trends

Exhibit 7 shows the enrollment growth at UMES from fiscal 1990 through the 2004 estimate. Full-time equivalent student enrollment declined by 296 students, or 9.7%, between fiscal 1999 and 2000. Overall, enrollment has increased a total of 1,640 students, or 94.7%, since fiscal 1990, an average annual increase of 4.9%.

Exhibit 7



Source: University of Maryland Eastern Shore

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland Eastern Shore (\$ 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	\$23,564	\$26,558	\$50,122	\$15,322	\$65,444
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	5,222	5,222	3,306	8,528
Reversions and Cancellations	0	-2,502	-2,502	-1,190	-3,692
Actual Expenditures	\$23,564	\$29,278	\$52,842	\$17,438	\$70,280
Fiscal 2003					
Legislative Appropriation	\$23,639	\$28,939	\$52,578	\$16,510	\$69,088
Budget Amendments	0	2,100	2,100	1,784	3,885
Cost Containment	-946	0	-946	0	-946
Working Appropriation	\$22,693	\$31,040	\$53,733	\$18,294	\$72,027

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

Fiscal 2002

The unrestricted funds brought in through budget amendment totaled \$5.2 million. This revenue was due to higher than expected sales of auxiliary services, and increased revenue from tuition and fees. Restricted funds increased by \$3.3 million for federal and private grants and contracts.

The restricted fund reversion was due to federal grants and contracts that were not received. The unrestricted fund reversion was due to lower than expected revenues from auxiliary enterprises, primarily dormitories.

Fiscal 2003

UMES increased unrestricted revenues through budget amendment for the sales and services of auxiliary enterprises (\$1.3 million), increased student activities and other academic support areas (\$332,000), and increased revenues from the new technology fee (\$485,000). Restricted funds were increased to accommodate OCR enhancement funds (\$409,000) and increased grants and contracts.

**Object/Fund Difference Report
USM - University of Maryland Eastern Shore**

<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	661.77	677.77	663.77	-14.00	-2.1%
02 Contractual	35.63	35.63	35.63	0	0%
Total Positions	697.40	713.40	699.40	-14.00	-2.0%
Objects					
01 Salaries and Wages	\$ 40,680,929	\$ 41,857,233	\$ 42,723,067	\$ 865,834	2.1%
02 Technical & Spec Fees	195,280	288,642	288,642	0	0%
03 Communication	700,337	676,333	676,333	0	0%
04 Travel	1,059,213	935,291	1,035,291	100,000	10.7%
06 Fuel & Utilities	2,315,865	1,854,119	1,854,119	0	0%
07 Motor Vehicles	243,395	143,821	141,814	-2,007	-1.4%
08 Contractual Services	3,593,775	4,085,866	4,085,866	0	0%
09 Supplies & Materials	6,193,704	4,561,345	4,903,097	341,752	7.5%
10 Equip - Replacement	229,577	232,580	212,580	-20,000	-8.6%
11 Equip - Additional	3,386,986	3,950,502	3,128,899	-821,603	-20.8%
12 Grants, Subsidies, Contr	8,069,064	6,756,224	6,756,224	0	0%
13 Fixed Charges	2,265,179	6,533,456	6,613,233	79,777	1.2%
14 Land & Structures	1,346,980	1,096,980	1,244,097	147,117	13.4%
Total Objects	\$ 70,280,284	\$ 72,972,392	\$ 73,663,262	\$ 690,870	0.9%
Funds					
40 Unrestricted Fund	\$ 52,842,471	\$ 54,678,684	\$ 55,713,364	\$ 1,034,680	1.9%
43 Restricted Fund	17,437,813	18,293,708	17,949,898	-343,810	-1.9%
Total Funds	\$ 70,280,284	\$ 72,972,392	\$ 73,663,262	\$ 690,870	0.9%

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

Fiscal Summary
USM - University of Maryland Eastern Shore

<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	\$ 21,408,159	\$ 17,630,443	\$ 17,847,792	-16.6%	\$ 18,289,157	2.5%
02 Research	6,263,820	9,821,319	11,042,396	76.3%	11,173,533	1.2%
03 Public Service	460,783	662,756	661,894	43.6%	662,756	0.1%
04 Academic Support	4,216,913	5,053,763	6,030,824	43.0%	5,682,663	-5.8%
05 Student Services	2,387,659	2,185,660	2,354,862	-1.4%	2,397,612	1.8%
06 Institutional Support	8,318,578	7,106,132	7,139,181	-14.2%	6,972,000	-2.3%
07 Operation and Maintenance of Plant	7,690,476	6,737,217	6,702,586	-12.8%	6,939,748	3.5%
08 Auxiliary Enterprises	12,343,437	13,563,813	14,846,337	20.3%	15,199,273	2.4%
17 Scholarships and Fellowships	7,190,459	6,327,020	6,346,520	-11.7%	6,346,520	0%
Total Expenditures	\$ 70,280,284	\$ 69,088,123	\$ 72,972,392	3.8%	\$ 73,663,262	0.9%
Unrestricted Fund	\$ 52,842,471	\$ 52,578,456	\$ 54,678,684	3.5%	\$ 55,713,364	1.9%
Restricted Fund	17,437,813	16,509,667	18,293,708	4.9%	17,949,898	-1.9%
Total Appropriations	\$ 70,280,284	\$ 69,088,123	\$ 72,972,392	3.8%	\$ 73,663,262	0.9%

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