

R30B30
University of Maryland University College
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	\$16,928	\$16,982	\$15,552	-\$1,430	-8.4%
FY 2003 Cost Containment	0	-1,430	0	1,430	
Adjusted General Funds	\$16,928	\$15,552	\$15,552	\$0	0.0%
Other Unrestricted Funds	\$145,948	\$161,978	\$180,696	\$18,718	11.6%
Total Unrestricted Funds	\$162,876	\$177,530	\$196,248	\$18,718	10.5%
Restricted Funds	\$10,885	\$12,500	\$12,500	\$0	0.0%
Adjusted Grand Total	\$173,761	\$190,030	\$208,748	\$18,718	9.8%

- Cost containment reduced the fiscal 2003 general funds by \$1.4 million, or 8.4%.
- Other unrestricted funds increase 11.6%, or \$18.7 million, accounting for 100% of the total fiscal 2004 increase.
- Restricted funds remain the same as the fiscal 2003 working appropriation.

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	704.30	719.80	744.80	25.00
Contractual FTEs	588.75	629.90	684.15	54.25
Total Personnel	1,293.05	1,349.70	1,428.95	79.25

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	16.68	2.24%
Positions Vacant as of 09/31/02	58.00	8.06%

- The 25 new regular positions are State-supported and will staff the student and financial aid support program due to increased online enrollment.
- Both State and non-State supported new contractual positions are requested; the majority of the positions will be faculty charged with instruction.

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

Analysis in Brief

Major Trends

Online and Distance Education Enrollment Grows Exponentially: Online enrollments will grow a total of 495% over fiscal 1999 if University of Maryland University College (UMUC) reaches its fiscal 2004 goal. Off-campus, or distance education, enrollments are expected to increase 141% in fiscal 2004 over fiscal 1999.

UMUC Maintains Diversity Despite Increased Enrollment: The ratio of minority and African American students to all students is not expected to change in fiscal 2003 and 2004, despite the large increases in total enrollment.

Recommended Actions

1. Concur with Governor's allowance.

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Operating Budget Analysis

Program Description

University of Maryland University College (UMUC) provides educational programs and services responsive to the career and personal goals of adults, most of whom have job or family commitments and wish to study part-time. UMUC specializes in providing access to public higher education for Maryland's adult learners through traditional and innovative instruction and delivery of undergraduate and graduate degree programs, noncredit professional development programs, and conference services.

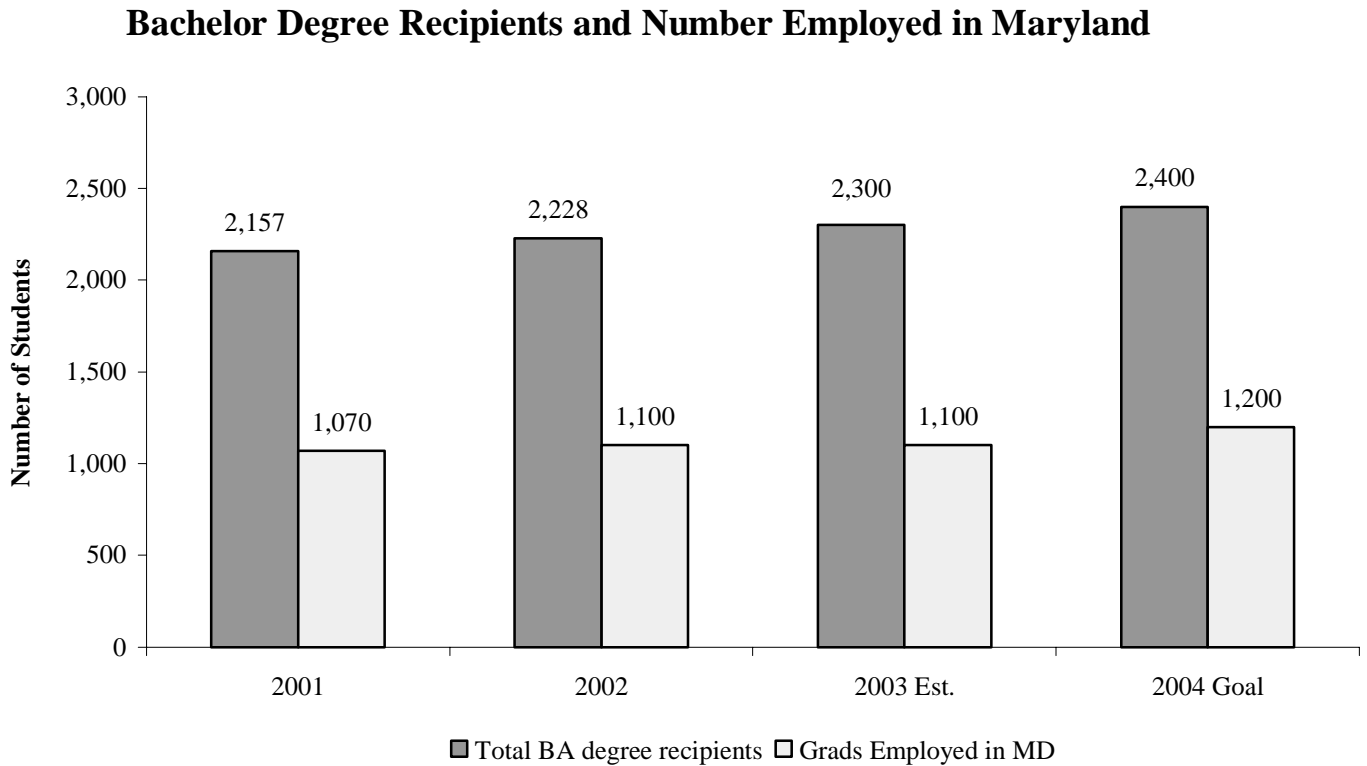
UMUC conducts courses at more than 20 locations throughout the State and in the Washington metropolitan area and offers special programs in other states. Online education programs have been offered since 1995. Overseas, UMUC offers degree programs for U.S. service-members and their families, U.S. citizens, and international students. Academic program emphasis includes bachelor of arts and bachelor of science degree programs with 21 majors and 36 minors. However, the most extensive offerings are in business and management and computer studies. Master's degrees are offered in management and technology areas that, like the bachelor's degree concentrations, represent fields in which there is a present or anticipated demand for trained professionals. UMUC also offers a noncredit professional development program that emphasizes management and executive development. The university has a major role in renewing and upgrading the experienced workforce.

Performance Analysis: Managing for Results

Due to the unique, professionally-oriented and part-time adult students that comprise the majority of UMUC's enrollees, the performance measures focus on the socio-economic and racial diversity of the student population as well as enrollment trends in online and distance education programs. The performance data is based on stateside enrollment and does not include military students.

The first performance measurements, shown in **Exhibit 1**, are the number of bachelor degree recipients and the number of graduates employed in Maryland. While these two measurements do not compare the same entering class of students, the growth in the number of bachelor degree recipients could translate to a growth in the number of graduates employed in Maryland. The number of graduates employed in Maryland increased by 30 people from fiscal 2001 to 2002 and is expected to increase by 100 graduates in fiscal 2004.

Exhibit 1



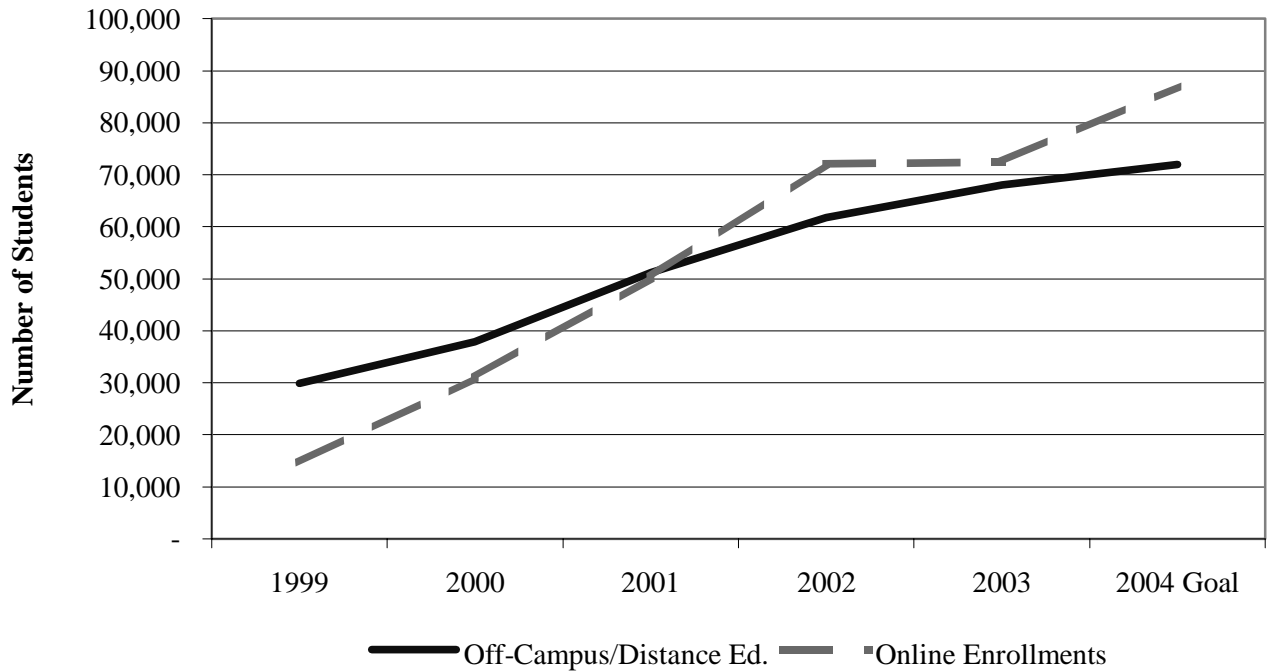
Source: University of Maryland University College

Exhibit 2 shows the number of off-campus/distance education enrollments as well as the number of online enrollments. The off-campus/distance education measurement is for students enrolled in at least one course at one of UMUC’s 20 locations throughout Maryland. The online enrollments are the number of people enrolled in at least one online course, from anywhere in the United States.

As Exhibit 2 shows, online enrollments numbered 14,615 in fiscal 1999 and are expected to increase to 87,000 in fiscal 2004. This would be an overall increase of 495%, or 72,385 students. Distance education enrollments have also increased dramatically with 42,103 more students expected in fiscal 2004 than in fiscal 1999. This is a 141% overall increase, or an average annual change of 19%.

Exhibit 2

Off-campus and Online Enrollments



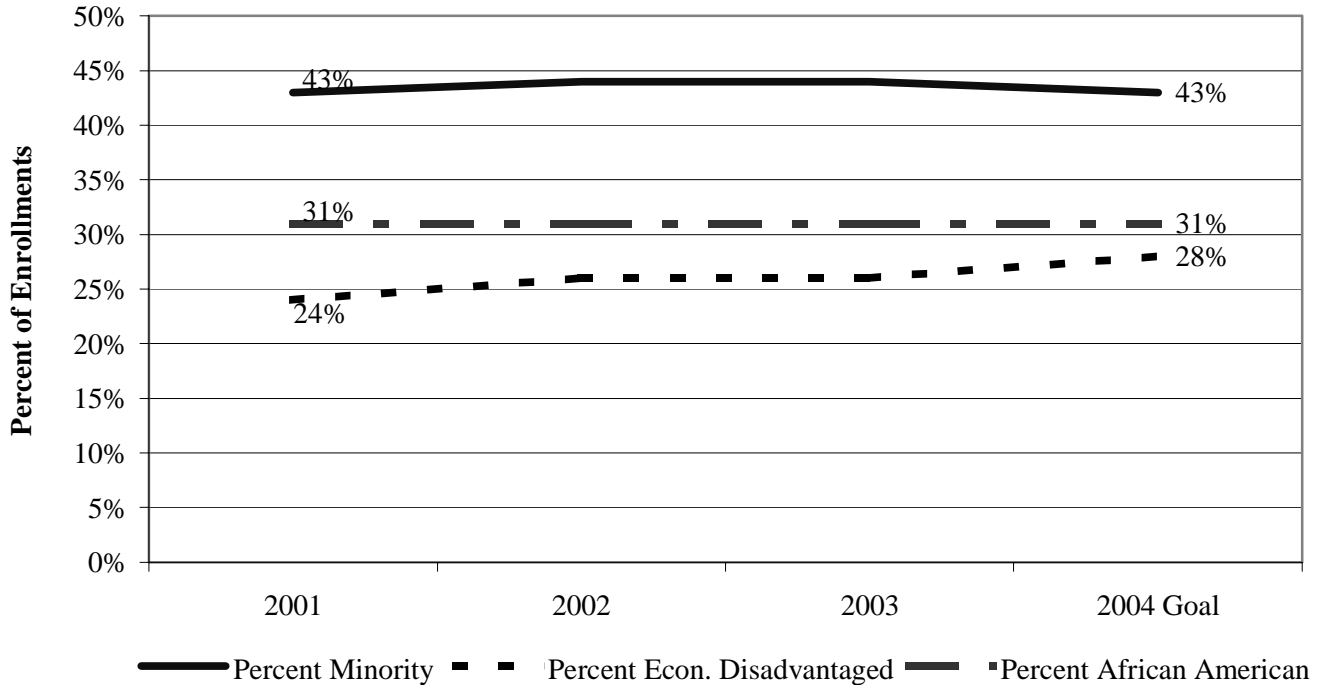
Source: University of Maryland University College

Diversity in enrollment is shown in **Exhibit 3**. The percent of minority students is expected to be the same in fiscal 2004 as fiscal 2001, at 43%. The percent of African Americans enrolled is expected to increase four percentage points from fiscal 2001 to 2004. The percent of students from economically disadvantaged backgrounds is expected to remain the same over the four-year period at 31%.

This exhibit shows that the exponential increase in both online and distance education enrollment has not had a negative effect on the diversity of the student population.

Exhibit 3

Diversity in Enrollment



Source: University of Maryland University College

Fiscal 2003 Actions

Impact of Cost Containment

Fiscal 2003 cost containment reduced UMUC’s general fund appropriation by \$1.4 million, or 8.4%. Savings of \$1.25 million were achieved by delaying contractual services in the following areas: technology upgrades and purchases, building renovation projects scheduled for fiscal 2003, and consulting and marketing. The remaining \$175,000 will be saved by reducing the equipment budget in institutional support.

Governor’s Proposed Budget

The fiscal 2004 allowance for UMUC totals \$208.7 million, an increase of 9.8%, or \$18.7 million. Other unrestricted funds increase 11.6%, or \$18.7 million, over fiscal 2003 for a total of \$180.7 million. General funds are funded at the same level as fiscal 2003 after cost containment reductions, \$15.6 million. The restricted fund allowance, \$12.5 million, is the same as in fiscal 2003. **Exhibit 4** shows the changes in the Governor’s proposed budget.

Exhibit 4

**Governor's Proposed Budget
University of Maryland University College
(\$ 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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Restricted Funds	\$10,885	\$12,500	\$12,500	\$0	0.0%
Adjusted Grand Total	\$173,761	\$190,030	\$208,748	\$18,718	9.8%

Where It Goes:

Personnel Expenses

Funds to support new regular positions \$825

Other Changes

Online educational tools (WebTycho, architecture, information technology updates, and faculty media labs) 5,123

Expansion of student services to accommodate enrollment growth (includes PeopleSoft implementation, online library, new scholarship programs, student record storage, increased marketing, and regional site expansion)..... 9,785

Reductions to adjust for one-time expenditures in fiscal 2003 -289

Expansion of the teacher education and professional development schools 1,726

Funds to support new contractual positions..... 2,135

Other..... -587

Total **\$18,718**

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

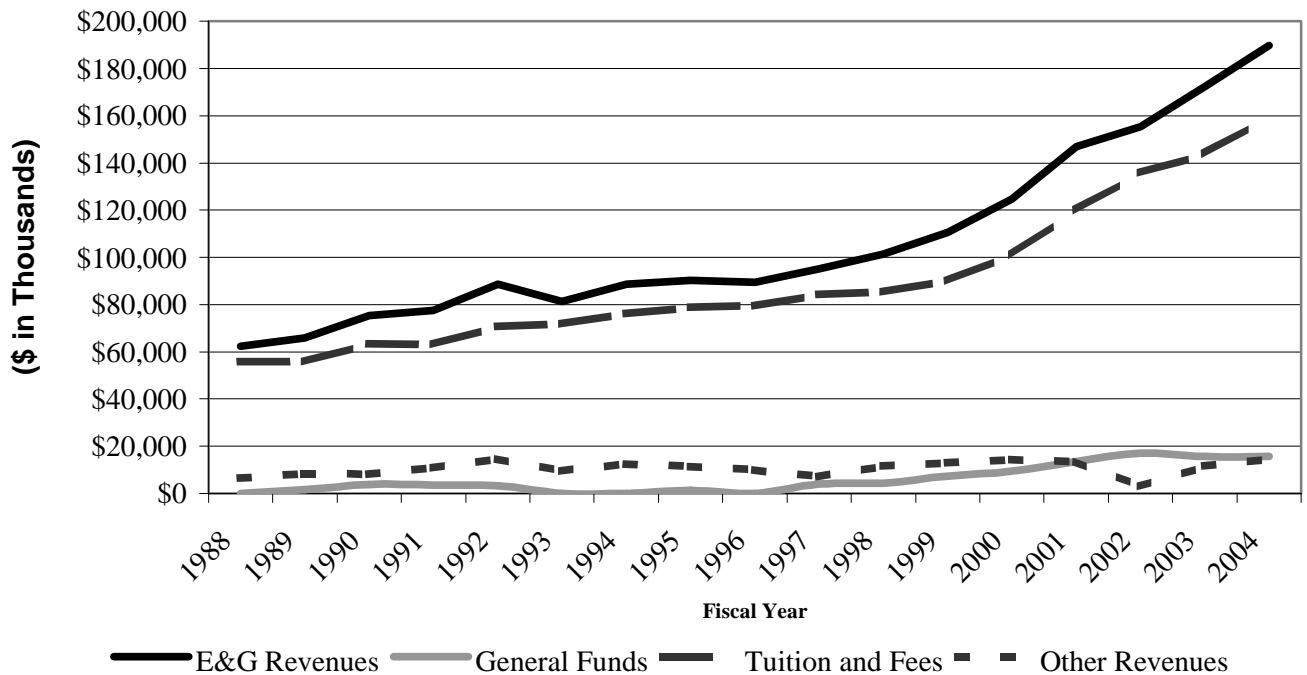
Education and General Revenues

Exhibit 5 shows the Education and General (E&G) revenues at UMUC from fiscal 1988 through fiscal 2004. E&G revenues are the primary, mission-related, operating expenses of the institution, excluding restricted funds, over which the university has little or no discretion, and auxiliary funds, which

comprise noncore functions such as dining halls, dormitories, and athletics. As shown in Exhibit 5, E&G revenues declined once, by \$7.3 million, between fiscal 1992 and 1993, but regained the loss in fiscal 1994. E&G revenues have grown an average of 6.8% per year, with the sharpest increases beginning in fiscal 1997.

Exhibit 5

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



Source: University of Maryland University College; Governor’s Budget Books fiscal 1990 through 2003

Exhibit 5 also shows general fund support for UMUC since fiscal 1988. Until the early 1990s, UMUC’s enrollments were largely students receiving training paid for by their employers, and the State determined that distance education should be self-supporting. When the economy turned downward in the early 1990s and adult students began returning to school, the State modified its stance and provided UMUC with general fund support for three main areas – financial aid, tuition moderation, and student services.

UMUC received general funds from fiscal 1989 through 1992 and 1995 but received no funding in fiscal years 1993 through 1994 and 1996. Beginning in fiscal 1997, UMUC began receiving general funds regularly. UMUC is the only USM institution for which general funds make up a very small portion of E&G revenues. Since fiscal 1997, general fund support has made up an average of 7.4% of E&G revenues, increasing to as much as 10.8% in fiscal 2002; the general fund proportion declines in fiscal 2003 and 2004 as other revenues increase. The average annual increase in general fund support is 10.5%.

Tuition and Fees

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The largest portion of E&G revenue for UMUC is tuition and fee revenue. Tuition and fee revenue at UMUC has driven the increases in E&G revenue and has always been higher than general fund support, the only institution for which this is true. Shown in Exhibit 5, tuition and fee revenue has grown an average of 6.8% per year since 1988, due largely to enrollment increases.

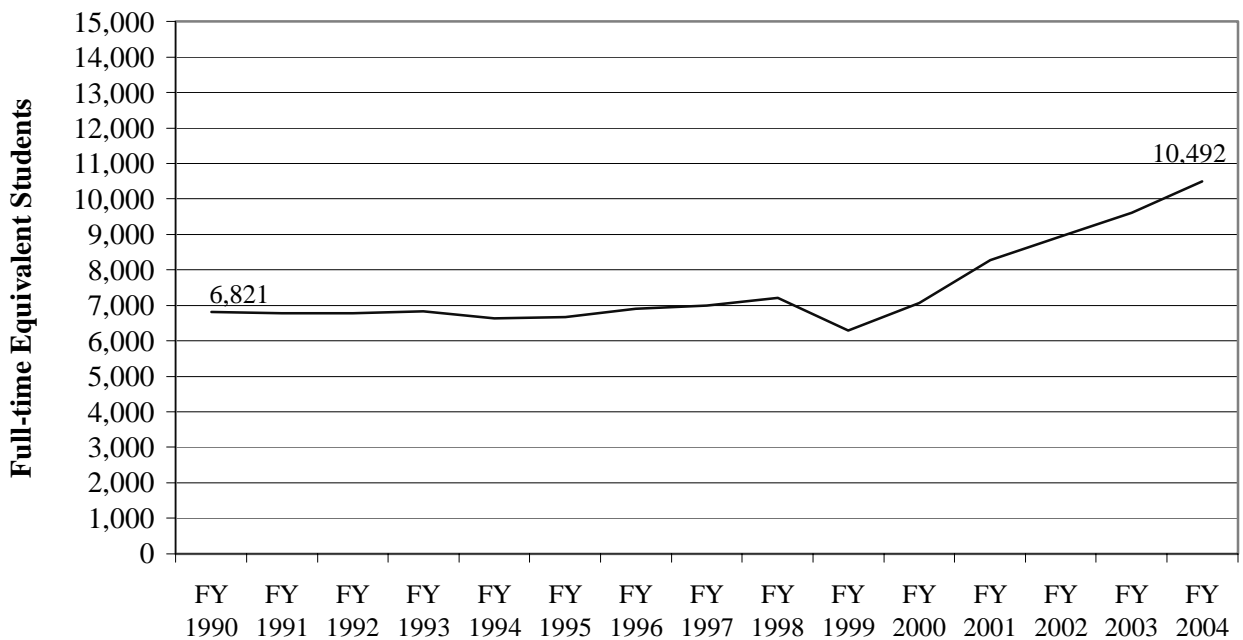
In fiscal 2004, tuition and fee revenue is expected to be \$159.7 million, an increase of \$15.8 million, or 11%, over fiscal 2003. For residents, fiscal 2004 tuition and fees per credit hour will rise 3.8%, to \$214. For out-of-state students, the cost of a credit hour will rise 3.9%, to \$399.

Full-Time Equivalent Student (FTES) Enrollment

Exhibit 6 shows the enrollment of FTES since fiscal 1990. Only 10% of UMUC’s enrollees are full-time students. There is an increase of 3,671 FTES, or 53.8%, since fiscal 1990. Since the decrease in FTES enrollment between fiscal 1998 and 1999, enrollment has continued to increase, averaging 3.1% per year. Much of the enrollment growth is driven by online and distance education enrollments, although it is more accurate to look at the shift in how courses are delivered, or total headcount, rather than FTES. Students may enroll in both online and distance education courses at the same time, and not all new online enrollments are necessarily new students. At UMUC, 89% of all students are undergraduate, and 79% are Maryland residents.

Exhibit 6

Enrollment Trends



Source: Department of Budget and Management

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland University College (\$ 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	\$16,928	\$147,794	\$164,722	\$12,500	\$177,222
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	6,761	6,761	0	6,761
Reversions and Cancellations	0	-8,607	-8,607	-1,615	-10,222
Actual Expenditures	\$16,928	\$145,948	\$162,876	\$10,885	\$173,761
Fiscal 2003					
Legislative Appropriation	\$16,982	\$167,504	\$184,486	\$12,500	\$196,986
Budget Amendments	0	-5,526	-5,526	0	-5,526
Cost Containment	-1,430	0	-1,430	0	-1,430
Working Appropriation	\$15,552	\$161,978	\$177,530	\$12,500	\$190,030

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

Fiscal 2002

UMUC reverted \$8.6 million in appropriation authority for unrestricted funds as they began building up reserves for multiyear investments in technology projects. These projects will include enhancements to course platform, Webtycho, implementation of the PeopleSoft applications, and the creation of a worldwide integrated data network.

The increase of \$6.7 million through budget amendments is due to an increase in enrollment revenues (\$11.1 million), which is offset by decreases in the following areas: the sale of educational and auxiliary services (\$1.2 million), investment income and miscellaneous sources (\$1.3 million), and a transfer to the university's fund balance (\$1.9 million).

\$8.6 million in spending authority was reverted in fiscal 2002 due to savings from a hiring freeze and from technology projects that were slowed down late in the year.

Fiscal 2003

The decrease of \$5.5 million in unrestricted funds through budget amendment is for a transfer to the university's fund balance (\$4.7 million) and the alignment of various other revenue projections with actual revenues generated.

**Object/Fund Difference Report
USM - University of Maryland University College**

<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	704.30	719.80	744.80	25.00	3.5%
02 Contractual	588.75	629.90	684.15	54.25	8.6%
Total Positions	1293.05	1349.70	1428.95	79.25	5.9%
Objects					
01 Salaries and Wages	\$ 103,402,722	\$ 112,275,158	\$ 116,165,037	\$ 3,889,879	3.5%
02 Technical & Spec Fees	1,447,502	1,518,552	1,518,552	0	0%
03 Communication	4,778,861	4,908,504	4,908,503	-1	0%
04 Travel	2,849,869	3,205,115	3,505,115	300,000	9.4%
06 Fuel & Utilities	689,042	615,175	723,415	108,240	17.6%
07 Motor Vehicles	195,494	114,462	90,128	-24,334	-21.3%
08 Contractual Services	29,814,602	41,338,272	51,911,930	10,573,658	25.6%
09 Supplies & Materials	8,950,743	8,385,724	8,375,262	-10,462	-0.1%
10 Equip - Replacement	790,142	649,242	622,892	-26,350	-4.1%
11 Equip - Additional	2,509,828	3,127,040	2,821,646	-305,394	-9.8%
12 Grants, Subsidies, Contr	10,688,335	9,607,531	10,485,531	878,000	9.1%
13 Fixed Charges	2,727,085	3,677,654	4,781,803	1,104,149	30.0%
14 Land & Structures	4,916,550	2,038,000	2,838,000	800,000	39.3%
Total Objects	\$ 173,760,775	\$ 191,460,429	\$ 208,747,814	\$ 17,287,385	9.0%
Funds					
40 Unrestricted Fund	\$ 162,875,754	\$ 178,960,429	\$ 196,247,814	\$ 17,287,385	9.7%
43 Restricted Fund	10,885,021	12,500,000	12,500,000	0	0%
Total Funds	\$ 173,760,775	\$ 191,460,429	\$ 208,747,814	\$ 17,287,385	9.0%

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

Fiscal Summary
USM - University of Maryland University College

<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	\$ 58,860,617	\$ 66,798,568	\$ 65,714,226	11.6%	\$ 70,606,366	7.4%
02 Research	615,551	731,858	734,300	19.3%	730,309	-0.5%
03 Public Service	7,774,684	8,422,343	8,867,307	14.1%	10,417,746	17.5%
04 Academic Support	20,807,013	27,234,938	25,652,547	23.3%	30,717,022	19.7%
05 Student Services	24,471,280	26,634,580	23,356,214	-4.6%	24,035,391	2.9%
06 Institutional Support	34,076,381	42,618,015	45,661,288	34.0%	48,571,672	6.4%
07 Operation And Maintenance Of Plant	11,953,644	9,522,651	7,670,374	-35.8%	9,865,135	28.6%
08 Auxiliary Enterprises	6,394,601	6,802,518	5,983,631	-6.4%	5,983,631	0%
17 Scholarships And Fellowships	8,807,004	8,220,950	7,820,542	-11.2%	7,820,542	0%
Total Expenditures	\$ 173,760,775	\$ 196,986,421	\$ 191,460,429	10.2%	\$ 208,747,814	9.0%
Unrestricted Fund	\$ 162,875,754	\$ 184,486,421	\$ 178,960,429	9.9%	\$ 196,247,814	9.7%
Restricted Fund	10,885,021	12,500,000	12,500,000	14.8%	12,500,000	0%
Total Appropriations	\$ 173,760,775	\$ 196,986,421	\$ 191,460,429	10.2%	\$ 208,747,814	9.0%

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