

R30B31
University of Maryland, Baltimore County
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	\$75,818	\$76,059	\$70,168	-\$5,891	-7.7%
FY 2003 Cost Containment	0	-5,891	0	5,891	
Adjusted General Funds	\$75,818	\$70,168	\$70,168	\$0	0.0%
Other Unrestricted Funds	117,722	123,356	132,531	9,175	7.4%
Total Unrestricted Funds	193,539	193,524	202,700	9,175	4.7%
Restricted Funds	72,161	80,936	82,501	1,565	1.9%
Adjusted Grand Total	\$265,701	\$274,460	\$285,200	\$10,740	3.9%

- Fiscal 2003 general fund reductions at the University of Maryland, Baltimore County (UMBC) total \$5.9 million, or 7.7%. The fiscal 2004 allowance provides for no increase in State support to UMBC.
- Other unrestricted funds increase 7.4%, or \$9.2 million, primarily due to tuition and fees and auxiliary enterprises.

Personnel Data

	FY 02	FY 03	FY 04	Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	
Regular Positions	1,749.03	1,716.58	1,766.67	50.09
Contractual FTEs	543.97	612.27	629.22	16.95
Total Personnel	2,293.00	2,328.85	2,395.89	67.04

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	80.91	4.58%
Positions Vacant as of 09/31/02	39.50	2.30%

- There are no positions eliminated at UMBC due to cost containment.
- The allowance adds 50 new regular positions in fiscal 2004, 10 of which are State-supported, as well as 17 new contractual research faculty and scientists.

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

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Analysis in Brief

Major Trends

Research Expenditures Increase but Still Lag Peers: UMBC's total research and development (R&D) expenditures and R&D expenditures per full-time faculty both improved in fiscal 2002, but the institution is still considerably behind its peers on both measures. UMBC's five-year average annual growth in federal R&D expenditures, however, was almost six times greater than the growth rate of its peers.

Retention and Graduation Rates Better for African American Students: The second-year retention rate and six-year graduation rate for African American students is better than the respective rates for all students. Compared to its peers, UMBC's retention rate for all students is about the same, its graduation rate for all students is slightly lower, and its graduation rate for African American students is 26% better.

Recommended Actions

1. Concur with Governor's allowance.

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Operating Budget Analysis

Program Description

The University of Maryland Baltimore County (UMBC) is a mid-sized research and doctoral-level university serving the greater Baltimore region. UMBC offers a complement of focused master's and doctoral programs closely linked to a moderate range of undergraduate programs in the arts, sciences, and engineering. The institution encourages undergraduate participation in research projects. UMBC also seeks to transfer benefits of faculty research to the public and industry through its research park, business incubator, and technology transfer programs. UMBC aspires to be the best public research university of its size in the nation, distinguished by a deep commitment to the educational experience of its undergraduates.

The majority of UMBC students come from the greater Baltimore region, but the institution is enrolling an increasing number of students from other areas of Maryland, other states, and foreign countries. The campus pays special attention to the needs of nontraditional, evening, and part-time students. Well-qualified students are recruited through special scholarship initiatives such as the Humanities Scholarship Program and the Meyerhoff Scholarship Program for talented high school graduates, many of them African American, interested in science and engineering.

The institution has adopted the six goals of the University System of Maryland:

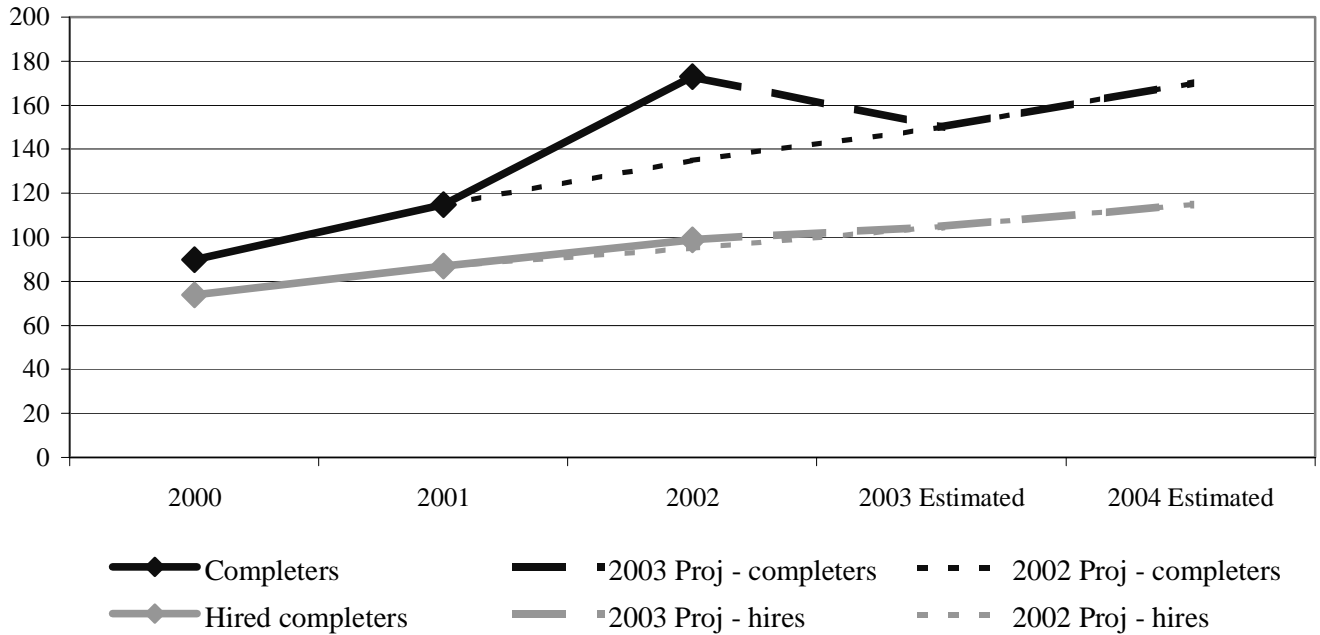
- Create and maintain a well-educated workforce;
- Promote economic development;
- Increase access for economically disadvantaged and minority students;
- Achieve and sustain national eminence in providing quality education, research, and public service;
- Increase revenue from non-state sources; and
- Maximize the efficient and effective use of State resources.

Performance Analysis: Managing for Results

Related to its goal of creating and maintaining a well-educated workforce, UMBC reports the number of students that complete its teacher preparation program, as well as those who meet all teacher education requirements and are employed in Maryland public schools. **Exhibit 1** illustrates that the number of students completing the teacher preparation program increased sharply in fiscal 2002. The increase is due to the first cohort of post-baccalaureate students completing the Urban Teacher Education program.

Exhibit 1

**Teacher Preparation
Program Completion and Employment in Maryland Public Schools**



Source: Maryland State Budget, fiscal 2003 and 2004

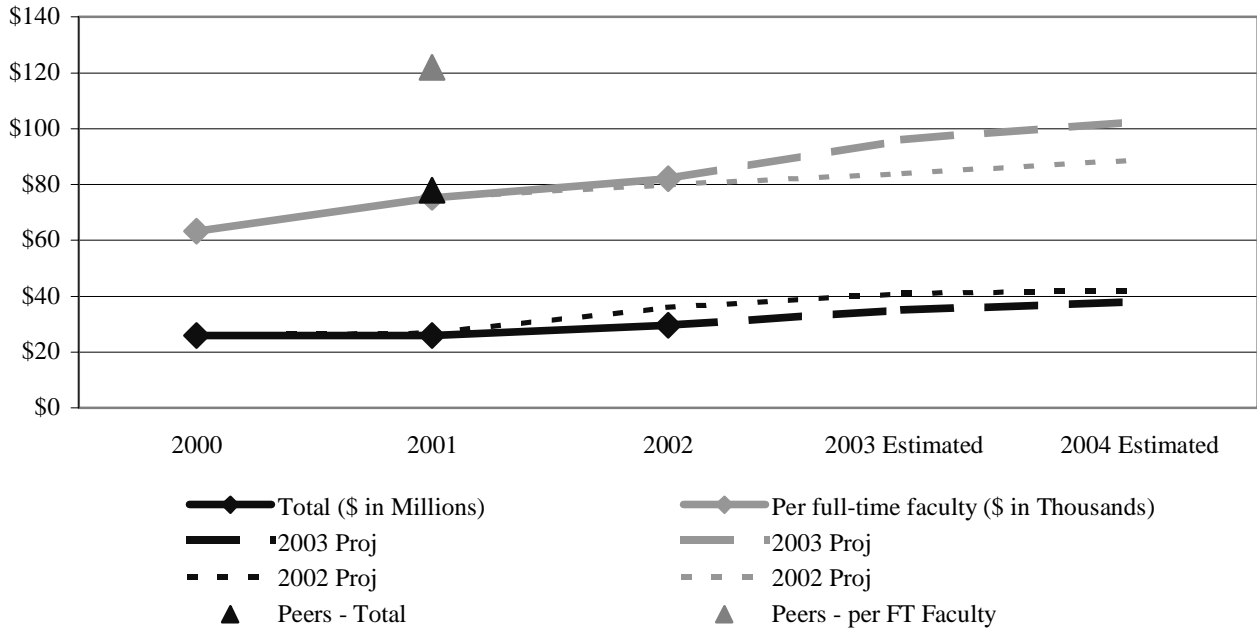
Fiscal 2003 will be the first year of data that reflects the institution’s new requirement that students pass the PRAXIS exams before they are considered a program completer. Although the effect of the Urban Teacher Education program is not a one-time event, its effect will be mitigated by the new higher standard for completion. As a result, the institution did not revise its 2003 and 2004 estimates for completers.

The measure of students who meet all teacher education requirements and are employed in Maryland public schools is based on a survey of graduates from the previous year. Consequently, fiscal 2002 data reflects the outcomes of the fiscal 2001 graduating cohort. **The Department of Legislative Services recommends that the President comment on whether the institution expects to exceed the current fiscal 2003 estimate for this measure, given the increase in completers in fiscal 2002.**

Last year, UMBC first met the requirements of the Carnegie classification system to be designated a Research – Intensive institution. Consistent with this classification and related to its goal of national eminence, the institution reports data about its research and development (R&D) expenditures. As shown in **Exhibit 2**, R&D expenditures continue to increase.

Exhibit 2

Research and Development Expenditures



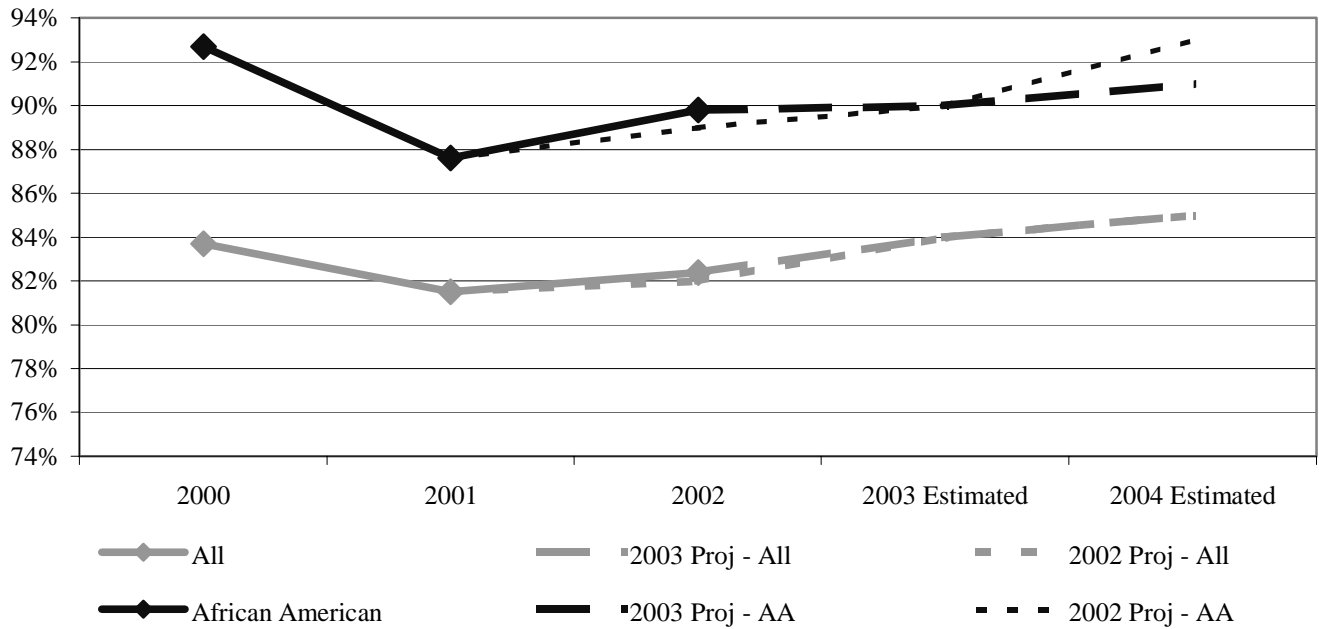
Source: Maryland State Budget, fiscal 2003 and 2004

Unfortunately, both UMBC’s total R&D expenditures and R&D per full-time faculty were considerably lower in fiscal 2001 than comparable expenditures at peer institutions; UMBC’s five-year average annual growth in federal R&D expenditures, however, was almost six times greater than the growth rate of its peers.

Among research institutions of its size, UMBC aims to be distinguished by a deep commitment to the educational experience of its undergraduates. It has demonstrated particular success in nurturing African American students. **Exhibit 3** illustrates that the second-year retention rate of African American students is higher than that of all students. After declines in 2001, the retention rates for both all students and African American students improved in fiscal 2002. Although peer data does not appear in Exhibit 3, the *Peer Performance Report* of the Maryland Higher Education Commission (MHEC) indicates that the retention rate for all students at UMBC is slightly higher than that of its peers (83% v. 82%).

Exhibit 3

**Second-year Retention Rate
All Students and African American Students**



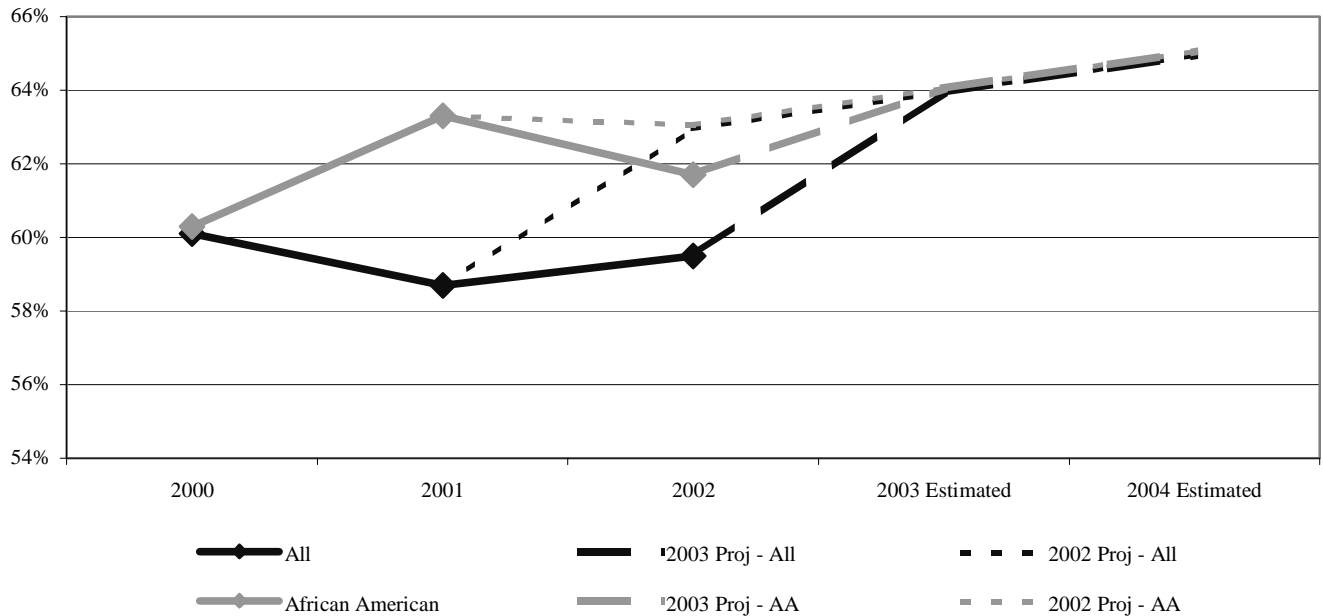
Source: Maryland State Budget, fiscal 2003 and 2004

Similar to retention rates, the six-year graduation rates demonstrate greater success for the institution among African American students. **Exhibit 4** shows that although the graduation rate of African American students declined in fiscal 2002 from 63.3% to 61.7%, it remains higher than the rate of all students of 59.5%. The rate for both groups was below the previous year’s estimate. According to the institution, the decline in fiscal 2002 is directly related to a decline in the retention rate five years ago.

According to MHEC’s *Peer Performance Report*, UMBC’s graduation rate for all students is slightly lower than that of its peers (54% v. 59%). In contrast, UMBC’s rate for African American students far exceeds that of its peers (58% v. 46%). The rates in the *Peer Performance Report* are lower than what is shown in Exhibit 4, because Exhibit 4 data includes students who transfer from UMBC and go on to graduate from another Maryland institution.

Exhibit 4

**Six-year Graduation Rate
All Students and African American Students**

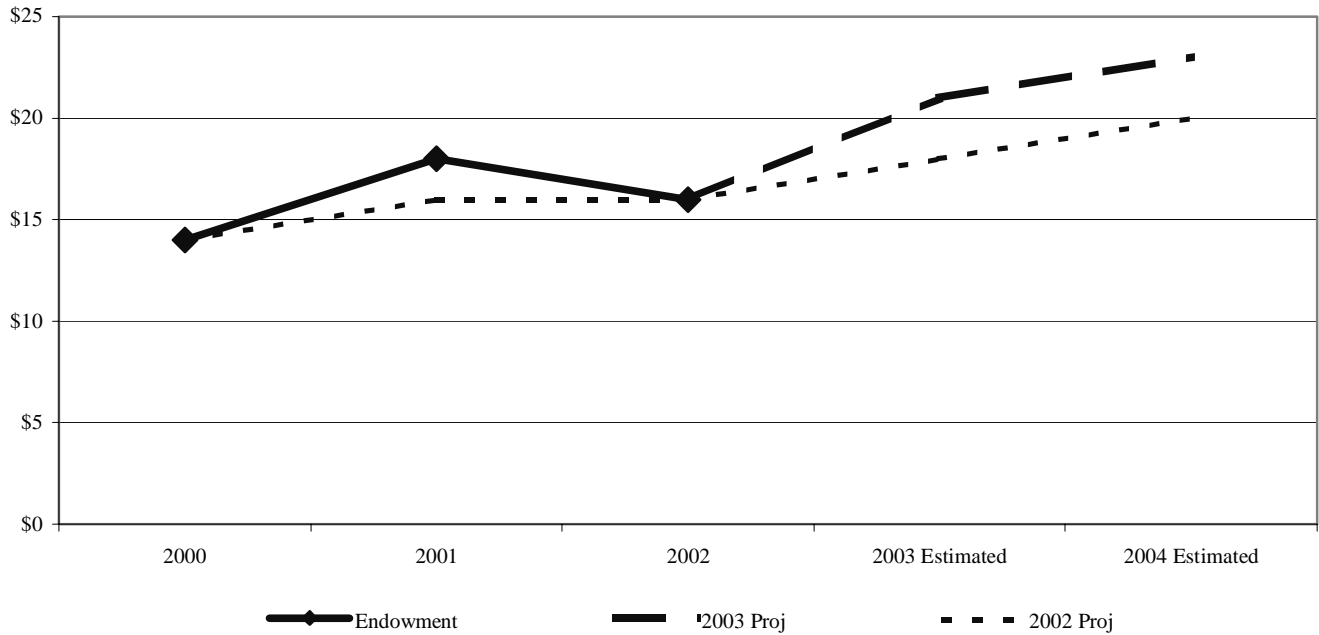


Source: Maryland State Budget, fiscal 2003 and 2004

Consistent with its goal of increasing revenue from alternative sources, UMBC aims to increase its endowment to \$20 million by fiscal 2004. **Exhibit 5** shows that based on current estimates, the institution will reach its goal a year early. This may not be possible unless the economy improves, as the decline in fiscal 2002 is solely attributable to the decline in the value of investments. According to the institution, UMBC added funds to the endowment through pledge payments and new gifts, but market erosion more than offset increased giving.

Exhibit 5

**Endowment
(\$ in Millions)**



Source: Maryland State Budget, fiscal 2003 and 2004

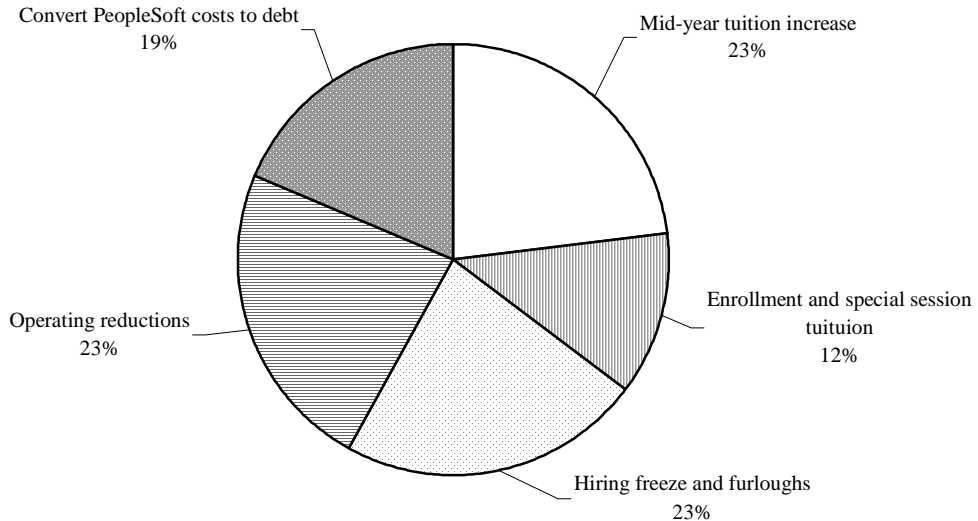
Fiscal 2003 Actions

Impact of Cost Containment

Through the combined cost containment proposals of the current and previous administrations, general fund support for UMBC will decline \$5,890,928 in fiscal 2003. **Exhibit 6** illustrates the contribution of various strategies to address the reduction of general funds in fiscal 2003. The institution will use increased tuition and fee revenue to address 35% of the general fund reduction. Personnel savings and operating reductions account for 46%. One-time cash savings from using debt financing for capital consulting costs related to the institution's PeopleSoft implementation account for about 19% of the general fund reduction.

Exhibit 6

Fiscal 2003 Cost Containment Measures
\$5,890,928



Source: University of Maryland, Baltimore County

Governor's Proposed Budget

The allowance for fiscal 2004 continues fiscal 2003 levels of general fund support. (**Exhibit 7**)

Other unrestricted funds increase 7.4%, primarily due to increased tuition and fee and auxiliary enterprise revenue. In Exhibit 7, the figure for other unrestricted funds in fiscal 2003 does not reflect tuition and fee revenue of \$1.4 million due to the mid-year tuition increase and \$722,127 related to increased enrollment and special sessions. When the additional revenue is considered, growth in other unrestricted funds is 5.7%.

Restricted funds increase almost 2%, due to increased federally sponsored research.

The allowance provides for 50 new regular positions, including 10 State-supported positions in Instruction, Student Services, and Plant Operations and Maintenance. Forty non-State supported positions are added in Research and Auxiliary enterprises.

Exhibit 7

**Governor's Proposed Budget
University of Maryland, Baltimore County
(\$ 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	\$75,818	\$76,059	\$70,168	-\$5,891	-7.7%
FY 2003 Cost Containment	0	-5,891	0	5,891	
Adjusted General Funds	\$75,818	\$70,168	\$70,168	\$0	0.0%
Other Unrestricted Funds	117,722	123,356	132,531	9,175	7.4%
Total Unrestricted Funds	193,539	193,524	202,700	9,175	4.7%
Restricted Funds	72,161	80,936	82,501	1,565	1.9%
Adjusted Grand Total	\$265,701	\$274,460	\$285,200	\$10,740	3.9%

Where It Goes:

Personnel Expenses

New non-auxiliary positions	\$2,124
Health insurance	1,627
Auxiliary personnel increases, including 12 new regular positions	591

Other Changes

Fiscal 2003 appropriation understates spending as mid-year tuition increase and other revenue adjustments are not included	2,081
Increased scholarships and fellowships	1,327
Increased auxiliary activities	1,327
Operating costs for new Public Policy Institute and Information Technology and Engineering building	980
Contract and grant operating costs.....	581
Academic Revenue Bond debt service	213
Utilities inflation.....	200
Other savings.....	-311

Total	\$10,740
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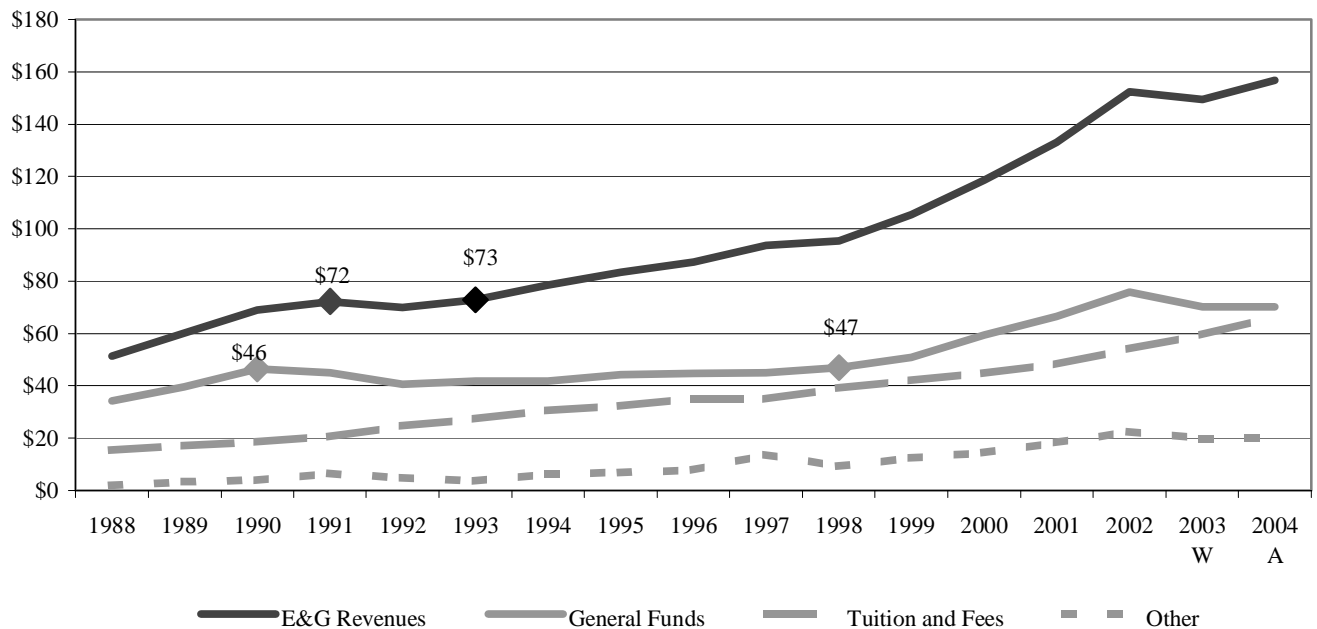
Note: Numbers may not sum to total due to rounding.

Education and General Revenues

Exhibit 8 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 dining halls, athletics, and dormitories. As shown in Exhibit 8, the E&G revenues at UMBC declined from \$72 million in fiscal 1991 to \$70 million in fiscal 1992, a 3% decrease. After rebounding to 1991 levels in 1993, E&G revenues have grown steadily until the effects of cost containment in fiscal 2003. (The decline in E&G in fiscal 2003 is overstated by the amount of revenue generated by the mid-year tuition increase, increased enrollment, and any other revenues included in the institution’s closing budget amendment.) On average, E&G revenues have increased 6% per year since 1990.

Exhibit 8

**Education and General Revenues
Fiscal 1998 through 2004 Allowance
(\$ 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

R30B31 – USM - University of Maryland, Baltimore County

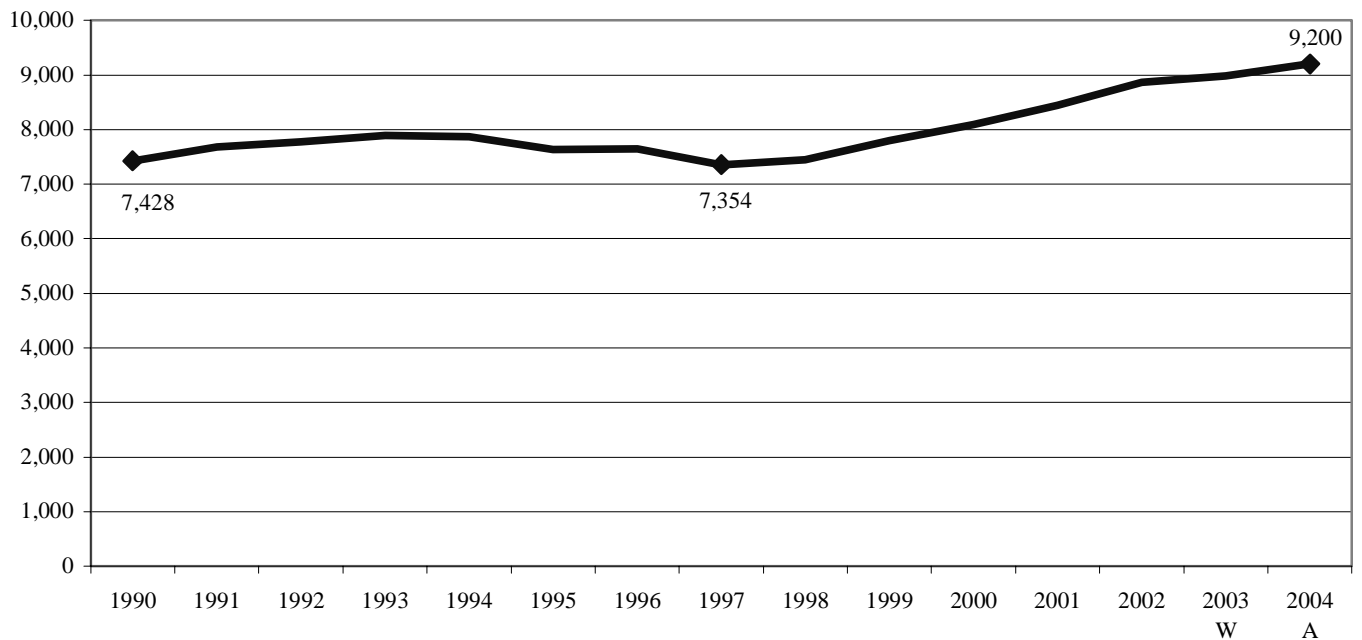
Exhibit 8 also shows general fund support for UMBC since 1988. From 1990 to 1992, State support declined \$5.8 million, or 12.5% and did not rebound to pre-decline levels until fiscal 1998. General fund support declined from fiscal 2002 to 2003 due to cost containment. On average State support for UMBC has increased 3% per year since 1990.

The other major portion of E&G revenue, tuition and fees, has increased steadily since 1988 and is the primary reason E&G revenues increased during the mid-1990s. Tuition and fee revenue has increased an average of 9.5% annually since 1990.

Full-time equivalent student enrollment at UMBC has shown steady growth since fiscal 1997. As **Exhibit 9** illustrates, enrollment has increased, on average, 1.5% per year since 1990. Also, since 1990, State support and tuition and fees, considered together, have increased on average 5.5% annually.

Exhibit 9

Full-time Equivalent Student Enrollment



W = Working appropriation.
A = Allowance.

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

Tuition and Fees

UMBC students, both residents and nonresidents, will experience a mid-year tuition increase of 5%, generating additional tuition revenue of \$1.4 million in fiscal 2003. The increase for the spring 2003 semester will be \$115 for residents and \$270 for nonresidents.

Given Board of Regents' action to date related to the fall 2003, tuition and fees for in-state and out-of-state students were expected to increase about 4% compared to fall 2002, to \$6,616 for in-state students and \$13,048 for out-of-state students. The board has indicated it will annualize the January 2003 mid-year tuition increase and may approve a third increase in tuition for fall 2003. The fiscal 2004 allowance for tuition and fee revenue is \$66.6 million, an increase of \$7.1 million, or 11.9% increase over fiscal 2003, not including revenue from the 2003 mid-year tuition increase.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland, Baltimore County (\$ 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	\$76,910	\$109,465	\$186,375	\$74,656	\$261,030
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	9,813	9,813	1,659	11,472
Reversions and Cancellations	-1,092	-1,556	-2,649	-4,154	-6,803
Actual Expenditures	\$75,818	\$117,722	\$193,539	\$72,161	\$265,700
Fiscal 2003					
Legislative Appropriation	76,059	120,091	196,150	79,429	275,579
Budget Amendments	0	3,266	3,266	1,506	4,772
Cost Containment	-5,891		-5,891		-5,891
Working Appropriation	\$70,168	\$123,356	\$193,524	\$80,936	\$274,460

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

Fiscal 2002

In fiscal 2002, UMBC expended \$4.7 million more than its legislative appropriation. The institution added about \$11.5 million to its spending authority through budget amendments. Budget amendments added unrestricted funds from auxiliary revenues and auxiliary fund balance (\$7.6 million) and higher than expected tuition and fees (\$1.8 million), and other (\$0.4 million). Budget amendments also added restricted funds of \$1.7 million from State and federal financial aid. The unrestricted fund budget was reduced by \$1,092,265 in general funds due to cost containment and hiring freeze savings. UMBC canceled approximately \$1.6 million in unrestricted funds and \$4.2 million in restricted funds due to earlier overestimates of expenditure activity.

Fiscal 2003

In fiscal 2003 general fund support to the institution declined by \$5.9 million due to cost containment. Through budget amendment, UMBC has added \$3.3 million in unrestricted funds, consisting of fee revenue from the new technology fee (\$1.1 million), auxiliary revenue (\$574,946), federal indirect cost recovery (\$1 million), and other income (\$608,000). Also through budget amendment, the institution has added restricted funds related to increased contract and grant activity.

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

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1749.03	1716.58	1766.67	50.09	2.9%
02 Contractual	543.97	612.27	629.22	16.95	2.8%
Total Positions	2293.00	2328.85	2395.89	67.04	2.9%
Objects					
01 Salaries and Wages	\$ 145,475,453	\$ 152,438,696	\$ 155,444,119	\$ 3,005,423	2.0%
02 Technical & Spec Fees	360,412	419,471	434,471	15,000	3.6%
03 Communication	1,367,663	2,137,588	2,098,301	-39,287	-1.8%
04 Travel	3,210,784	3,478,844	3,308,403	-170,441	-4.9%
06 Fuel & Utilities	6,485,378	7,158,150	7,991,071	832,921	11.6%
07 Motor Vehicles	376,317	726,928	717,031	-9,897	-1.4%
08 Contractual Services	35,912,441	37,215,142	37,188,278	-26,864	-0.1%
09 Supplies & Materials	15,784,435	18,225,824	17,632,326	-593,498	-3.3%
10 Equip – Replacement	149,763	527,955	581,475	53,520	10.1%
11 Equip – Additional	4,206,734	6,529,211	6,329,705	-199,506	-3.1%
12 Grants, Subsidies, Contr	29,105,676	31,916,038	32,755,025	838,987	2.6%
13 Fixed Charges	14,992,756	17,318,452	18,190,009	871,557	5.0%
14 Land & Structures	8,272,769	2,258,845	2,530,054	271,209	12.0%
Total Objects	\$ 265,700,581	\$ 280,351,144	\$ 285,200,268	\$ 4,849,124	1.7%
Funds					
40 Unrestricted Fund	\$ 193,539,285	\$ 199,415,410	\$ 202,699,538	\$ 3,284,128	1.6%
43 Restricted Fund	72,161,296	80,935,734	82,500,730	1,564,996	1.9%
Total Funds	\$ 265,700,581	\$ 280,351,144	\$ 285,200,268	\$ 4,849,124	1.7%

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

Fiscal Summary
USM - University of Maryland, Baltimore County

<u>Unit/Program</u>	<u>FY 02 Actual</u>	<u>FY 03 Legislative Appropriation</u>	<u>FY 03 Working Appropriation</u>	<u>FY 02 - 03 % Change</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 % Change</u>
01 Instruction	\$ 67,414,505	\$ 68,553,165	\$ 71,440,224	6.0%	\$ 72,306,552	1.2%
02 Research	32,662,921	34,559,481	32,536,763	-0.4%	34,200,211	5.1%
03 Public Service	30,854,833	33,420,506	37,465,853	21.4%	37,470,082	0%
04 Academic Support	15,529,734	15,226,016	15,806,231	1.8%	15,577,440	-1.4%
05 Student Services	9,000,467	9,397,038	9,645,748	7.2%	10,063,444	4.3%
06 Institutional Support	23,058,955	23,706,823	24,818,685	7.6%	23,064,145	-7.1%
07 Operation and Maintenance of Plant	18,607,162	21,497,883	18,244,024	-2.0%	19,300,874	5.8%
08 Auxiliary Enterprises	42,972,958	42,283,623	42,858,569	-0.3%	44,776,625	4.5%
17 Scholarships and Fellowships	25,599,046	26,934,594	27,535,047	7.6%	28,440,895	3.3%
Total Expenditures	\$ 265,700,581	\$ 275,579,129	\$ 280,351,144	5.5%	\$ 285,200,268	1.7%
Unrestricted Fund	\$ 193,539,285	\$ 196,149,767	\$ 199,415,410	3.0%	\$ 202,699,538	1.6%
Restricted Fund	72,161,296	79,429,362	80,935,734	12.2%	82,500,730	1.9%
Total Appropriations	\$ 265,700,581	\$ 275,579,129	\$ 280,351,144	5.5%	\$ 285,200,268	1.7%

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