

R30B25
University of Maryland Eastern Shore
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Instruction	\$21,408	\$21,619	\$16,930	-\$4,478	\$17,149	\$219
Research/Public Service	6,725	8,815	12,093	5,368	12,233	140
Administration/Operations	22,614	24,606	23,270	656	24,473	1,203
Auxiliary Enterprises	12,343	12,797	16,619	4,276	16,703	84
Scholarships & Fellowships	7,190	7,914	6,676	-514	6,765	89
Adjusted Grand Total	\$70,280	\$75,751	\$75,588	\$5,308	\$77,323	\$1,735
 General Funds	 23,564	 22,694	 21,433	 -2,131	 21,433	 0
Other Unrestricted Funds	29,278	30,956	35,311	6,033	36,941	1,630
Total Unrestricted Funds	52,842	53,650	56,744	3,902	58,374	1,630
Restricted Funds	17,438	22,101	18,844	1,406	18,949	105
Adjusted Grand Total	\$70,280	\$75,751	\$75,588	\$5,308	\$77,323	\$1,735
 Annual % Change		7.8%	-0.2%		2.3%	

- Cost containment in fiscal 2003 and 2004 reduced general funds \$2.1 million (9%).
- General funds do not change between fiscal 2004 and 2005, but other unrestricted funds increase \$1.6 million.
- Total operating funds including restricted funds increase 2.3% in fiscal 2005.

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

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Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	661.8	671.8	663.8	2	663.8	0.0
Contractual FTEs	35.6	35.6	33.6	-2	33.6	0.0
Total Personnel	697.4	707.4	697.4	0	697.4	0.0

Vacancy Data: Regular Positions

Turnover Expectancy	16.26	2.45%
Positions Vacant as of 12/31/03	19.00	2.90%

- The University of Maryland, Eastern Shore (UMES) gained 10 regular positions in fiscal 2003, but 8 of these were reduced in fiscal 2004 for a net increase of 2 positions.
- There are no position changes in fiscal 2005.

Analysis in Brief

Major Trends

Teacher Education Students and Graduates Decline: Between fiscal 2002 and 2003, the number of students enrolled in teacher programs decreased by 166%. The number graduating and working in Maryland also decreased accordingly.

IT Enrollments and Graduates Fluctuate: Information Technology (IT) enrollments and graduates increased in fiscal 2003 but are expected to decrease in fiscal 2004 and 2005.

Issues

Personnel Composition: Filled full-time equivalent positions were reduced by 46 between fiscal 2002 and 2004. Instruction was the only program that gained positions.

Faculty Salaries Compared to Peer Institutions: Full professors at UMES receive lower average salaries in comparison to their peers than either assistant or associate professors.

Faculty Workload: Faculty workload was within the Board of Regents approved range in fiscal 1999 and 2000 but has since declined to levels that suggest faculty workload could be increased to achieve efficiencies.

Teacher Accreditation Program Placed on Probation: The teacher education program was placed on probation in fiscal 2004. **The President should comment on the reasons for the probationary period and steps UMES is taking to ensure full accreditation is awarded when the term of probation is over.**

Recommended Actions

1. Concur with Governor's allowance.

R30B25 – USM – University of Maryland Eastern Shore

Analysis of the FY 2005 Maryland Executive Budget, 2004

R30B25
University of Maryland Eastern Shore
University System of Maryland

Operating Budget Analysis

Program Description

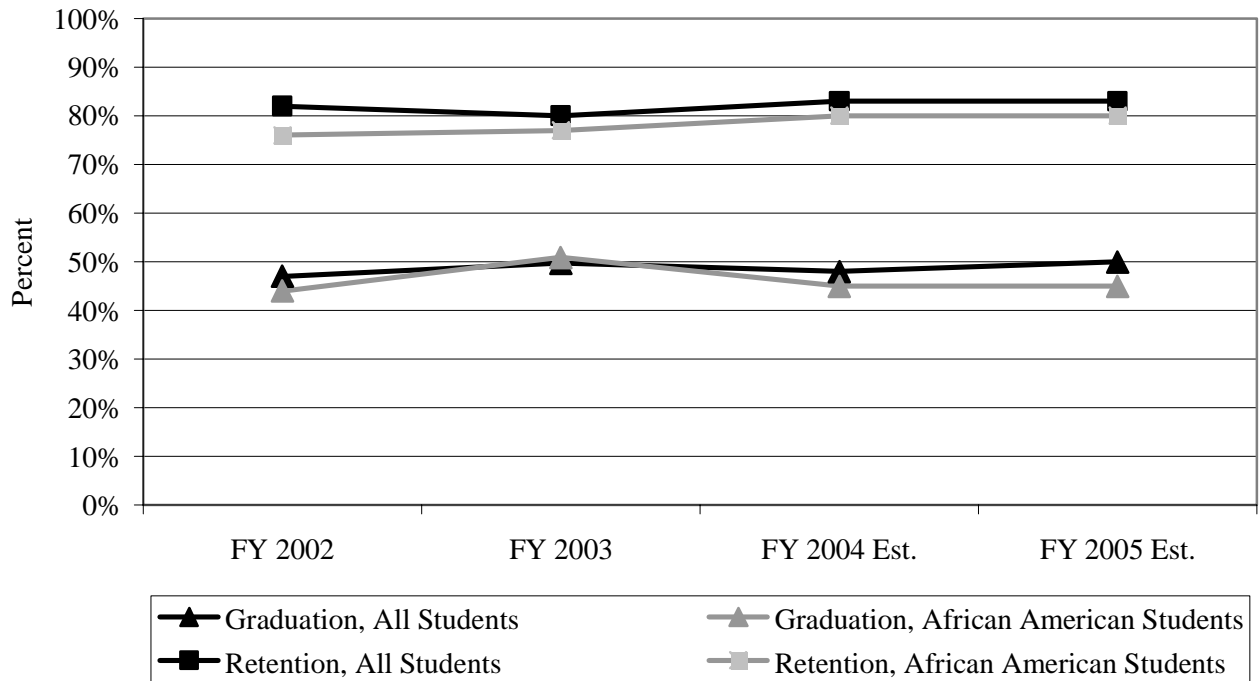
The University of Maryland Eastern Shore (UMES) is the only research and doctoral degree-granting institution of the University System of Maryland (USM) on the Eastern Shore. Founded as a historically black, land-grant university, UMES promotes the philosophy of the land-grant tradition, which is to 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 Managing for Results data focuses on graduation and retention rates since UMES serves a large number of first generation college-goers. **Exhibit 1** shows the graduation and retention rates for all students and African American students. Graduation rates increased slightly in fiscal 2003 for all students and African American students, but the retention rate for all students decreased. Retention rates for both categories are expected to remain steady in fiscal 2004 and 2005 at the 2003 level. The graduation and retention rates of African American students remain a few percentage points behind all students. **The President should comment on the impact of Access to Success funds on graduation and retention rates and how they are used to improve these measures.**

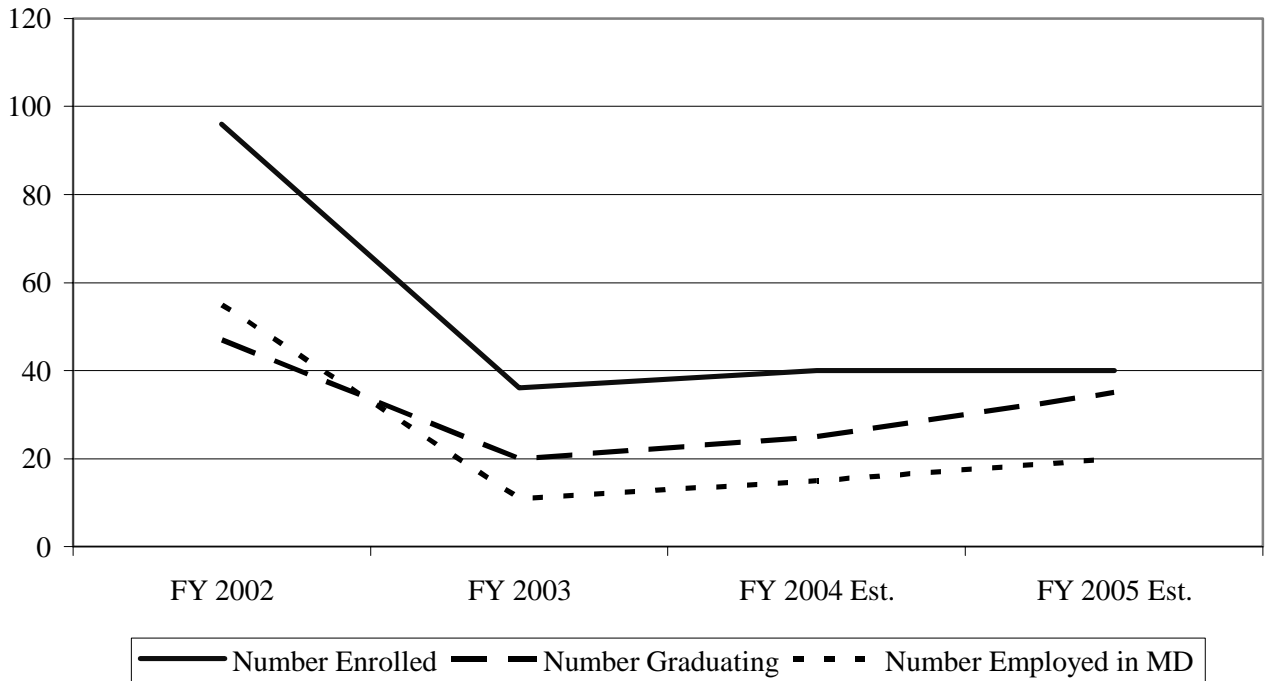
Exhibit 1
Six-year Graduation and Second-year Retention Rates



Source: University of Maryland, Eastern Shore

The need for teachers in Maryland is still a focus of higher education, and UMES is working to increase its output of teachers and the number employed in Maryland public schools. **Exhibit 2** shows the number of teachers enrolled each year, the number that complete all teacher education programs, and the number employed in Maryland. The number enrolled in teacher education programs decreased 166% between fiscal 2002 and 2003. The number graduating and employed in Maryland also followed this trend, and only small increases are expected in fiscal 2004 and 2005. **The President should comment on the sharp decline in these numbers in fiscal 2003.**

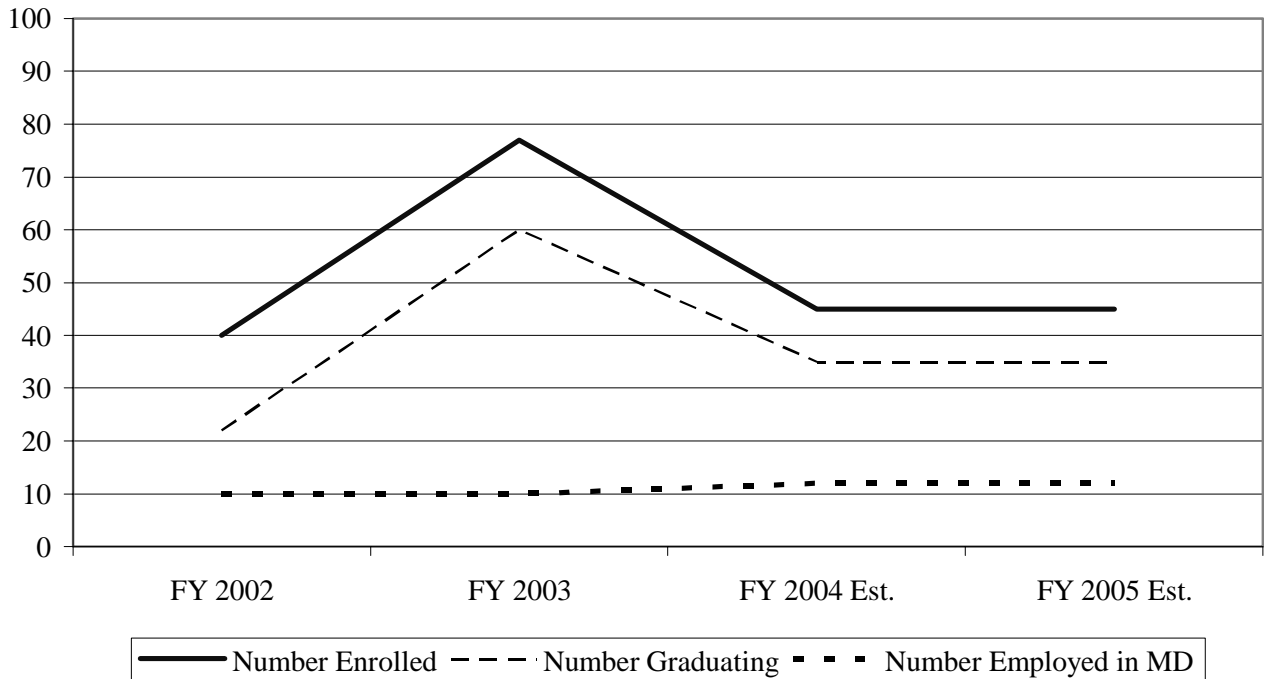
Exhibit 2
Teacher Education Students and Graduates



Source: University of Maryland, Eastern Shore

UMES has also focused on its information technology (IT) programs in the past several years, recording the same data for these programs as for teachers: number of undergraduates enrolled, number graduating each year, and the number employed in IT fields in Maryland. **Exhibit 3** shows the increase in the number that were enrolled and graduated in fiscal 2003 from these programs. UMES is not expecting the same success in the number of enrollments or graduates in fiscal 2004 and 2005. Despite the higher graduating and enrollment numbers in fiscal 2003, there was not an increase in the number working in Maryland. **The President should comment on why the number working in IT fields in the State does not increase with the number graduating.**

Exhibit 3
Number of Information Technology Students and Graduates



Source: University of Maryland, Eastern Shore

Fiscal 2004 Actions

Impact of Cost Containment

The Board of Public Works action reduced general funds \$913,845 (4.1%) in fiscal 2004. This percentage decrease is consistent with the reductions to the four historically black institutions. UMES reported a total of \$824,000 in additional tuition and fee revenue in the May and June *Joint Chairmen's Report* responses, a portion of which is due to increased tuition rates as a result of cost containment.

Current Unrestricted Funds, Fiscal 2002 – 2004

The current unrestricted fund changes between fiscal 2002 and 2004 are shown in **Exhibit 4**. Education and general expenditures decreased a net of \$374,000. The largest reduction was \$1

R30B25 – USM – University of Maryland Eastern Shore

million in institutional support. Instruction, student services, and plant operations and maintenance decreased as well. Scholarships and fellowships increase nearly 36%.

General funds and other unrestricted revenues decreased during this time period. The transfers to the university's fund balance also decreased greatly in fiscal 2004. Access and Success funds were available in fiscal 2002 and OCR enhancement funds in addition to the Access/Success funds were available to the historically black institutions in fiscal 2004. UMES received \$850,763 in enhancement funds in fiscal 2004 that it will use for technology infrastructure and academic program enhancement. Including HBI-specific funds and auxiliary funds, UMES' budget grew 9.5% over this two-year period. **The President should comment on the impact of the decrease in education and general expenditures from fiscal 2002 to 2004.**

**Exhibit 4
Budget Changes for Current Unrestricted Funds by Program**

	<u>FY 2002</u>	<u>FY 2004 Working</u>	<u>FY 02-04 \$ Change</u>	<u>FY 02-04 % Change</u>
<u>Expenditures</u>				
Instruction	\$15,437	\$15,037	-\$400	-2.6%
Research	1,110	1,250	140	12.6%
Public Service	0	0	0	0.0%
Academic Support	3,977	4,700	723	18.2%
Student Services	2,074	1,951	-123	-5.9%
Institutional Support	7,922	6,885	-1,037	-13.1%
Operation and Maintenance of Plant	7,690	7,196	-494	-6.4%
Scholarships and Fellowships	2,289	3,106	817	35.7%
Subtotal Education and General	\$40,499	\$40,125	-\$374	-0.9%
Auxiliary Enterprises	12,343	16,619	4,276	34.6%
Total	\$52,842	\$56,744	\$3,902	7.4%
Funds Specific to HBIs*	1,125	2,351	1,226	109%
Adjusted Total	\$53,967	\$59,095	5,128	9.5%
<u>Revenues</u>				
Tuition and Fees	\$13,591	\$16,978	\$3,387	24.9%
General Funds	23,564	21,433	-2,131	-9.0%
Other	3,362	1,713	-1,649	-49.0%
Subtotal	\$40,517	\$40,124	-\$393	-0.9%
Auxiliary Enterprises	13,566	16,868	3,302	24.3%
Transfers (to) from fund balance	-1,241	-248	993	-80.0%
Total	\$52,842	\$56,744	\$3,902	7.4%
Funds Specific to HBIs*	1,125	2,351	1,226	109%
Adjusted Total	\$53,967	\$59,095	\$5,128	9.5%

*Funds for Access/Success program and OCR enhancement funds.
HBI = Historically Black Institution

Source: Governor's Budget Books, fiscal 2004 and 2005

Governor's Proposed Budget

The fiscal 2005 allowance is shown in **Exhibit 5**. Education and general spending increases in every program for a total of \$1.5 million over fiscal 2004. The largest increase was in operations and maintenance of the plant, accounting for 54% of the total education and general spending increase.

R30B25 – USM – University of Maryland Eastern Shore

These increases are due to debt service payments, construction management fees, and fuel and utility costs. Instruction and institutional support increase nearly equal amounts. **The President should comment on an 11.7% increase in plant operations and maintenance when the total budget grows only 3.9%.**

Tuition and fee revenue increases 9.1% over fiscal 2004 and auxiliary revenues increase modestly. Enhancement funds and Access and Success funds are also available in the fiscal 2005 allowance. Including these funds allows UMES' budget to grow 3.9%.

Exhibit 5
Current Unrestricted Funds
University of Maryland Eastern Shore

<u>Expenditures</u>	<u>FY 2004</u> <u>Working</u>	<u>FY 2005</u> <u>Allowance</u>	<u>FY 04-05</u> <u>\$ Change</u>	<u>FY 04-05</u> <u>% Change</u>
Instruction	\$15,037	\$15,257	\$220	1.5%
Research	1,250	1,284	34	2.7%
Public Service	0	0	0	0.0%
Academic Support	4,700	4,782	82	1.7%
Student Services	1,951	1,987	36	1.8%
Institutional Support	6,885	7,131	246	3.6%
Operation and Maintenance of Plant	7,196	8,036	840	11.7%
Scholarships and Fellowships	3,106	3,194	88	2.8%
Subtotal Education and General	\$40,125	\$41,671	\$1,546	3.9%
Auxiliary Enterprises	16,619	16,703	84	0.5%
Total	\$56,744	\$58,374	\$1,630	2.9%
Total Funds Specific to HBIs	2,351	3,000	649	27.6%
Adjusted Total	\$59,095	\$61,374	\$2,279	3.9%
 <u>Revenues</u>				
Tuition and Fees	\$16,978	\$18,525	\$1,547	9.1%
General Funds	21,433	21,433	0	0.0%
Other	1,713	1,713	0	0.0%
Subtotal	\$40,124	\$41,671	\$1,547	3.9%
Auxiliary Enterprises	16,868	17,338	470	2.8%
Transfers (to) from fund balance	-248	-635	-387	156.0%
Total	\$56,744	\$58,374	\$1,630	2.9%
Funds specific to HBIs*	2,351	3,000	649	27.6%
Adjusted Total	\$59,095	\$61,374	\$2,279	3.9%

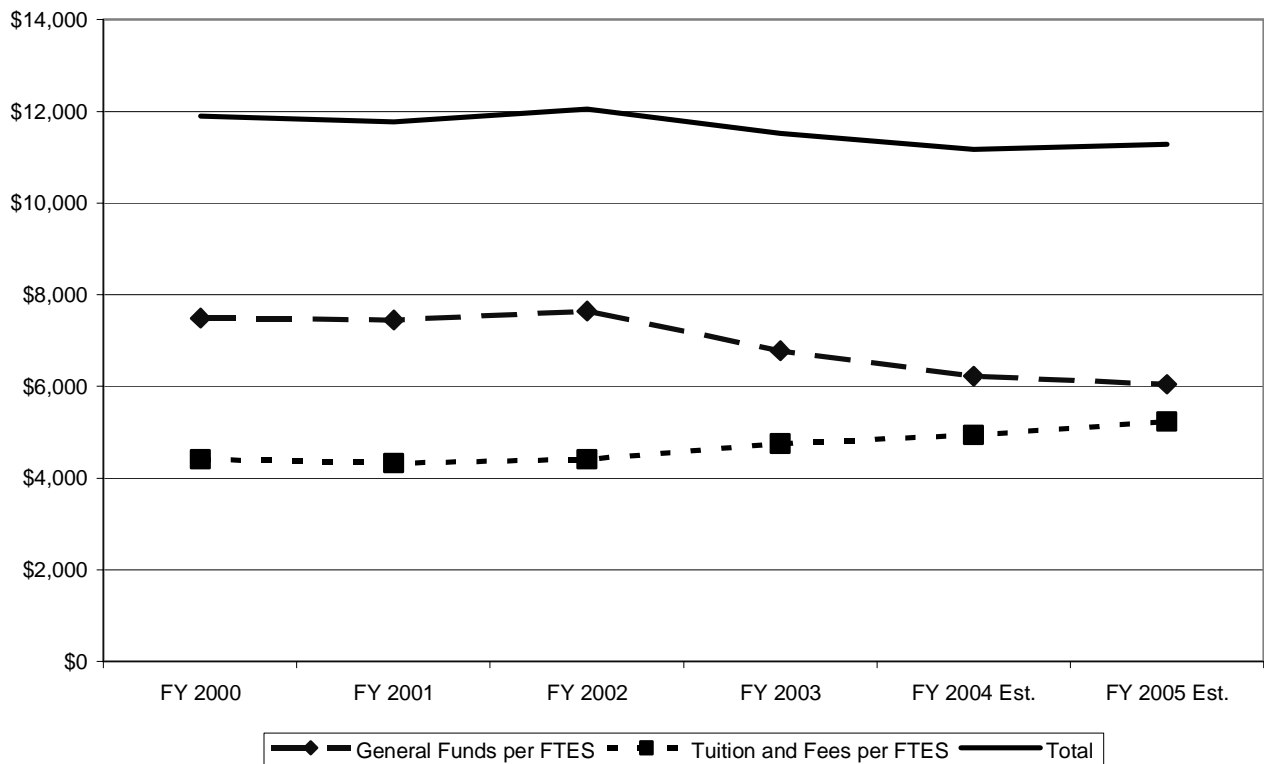
* Assumes funds for Access/Success and OCR enhancements are allocated evenly among eligible institutions in fiscal 2005.

Source: Governor's Budget Books, Fiscal 2005

Tuition and Fee and General Fund Revenues

Exhibit 6 shows tuition and fee and general fund revenues per full-time equivalent student (FTES) from fiscal 2000 through 2005. Like the other HBIs, UMES' tuition and fee revenue has not exceeded general fund revenues yet, but likely would if general funds do not increase in the next several years. The tuition and fee revenue in the Governor's allowance does not include revenue due to enrollment growth, so it is probably understated in this exhibit. Between fiscal 2004 and 2005, FTES enrollment is expected to increase 102 students, 2.9%.

Exhibit 6
General Fund and Tuition and Fee Revenues Per FTES



Source: Governor's Budget Books, Fiscal 2003 through 2005; University of Maryland Eastern Shore

Issues

1. Personnel Composition

In the 2003 *Joint Chairmen's Report*, the committees stated that their intent for higher education was for USM institutions to seek cost saving measures and efficiencies rather than passing costs on to students through tuition and fee increases. In this light, DLS reviewed data related to the number and composition of USM personnel, among other budget issues.

UMES lost 46 filled positions between fiscal 2002 and 2004, more than any USM institution. The only program that gained positions was instruction. Plant operations and maintenance lost 24 positions, while institutional support and research were both reduced by 9 positions. The percentages that each program comprise of the whole is in line with the total USM position composition.

Exhibit 7
Personnel by Budget Program
University of Maryland Eastern Shore
Fiscal 2002 and 2004

<u>Budget Program</u>	FY 2002		FY 2004	
	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>
Instruction	195.20	32.3%	197.28	35.4%
Research	58.56	9.7%	49.73	8.9%
Public Service	1.00	0.2%	0.49	0.1%
Academic Support	64.50	10.7%	64.25	11.5%
Student Services	36.50	6.0%	33.90	6.1%
Institutional Support	88.00	14.6%	79.60	14.3%
Operations and Maintenance of Plant	86.00	14.2%	62.00	11.1%
Auxiliary Enterprises	74.00	12.3%	70.00	12.6%
Scholarships and Fellowships	0.00	0.0%	0.00	0.0%
Total	603.76	100.0%	557.25	100.0%

Note: Data are for filled regular positions only.

Source: University System of Maryland

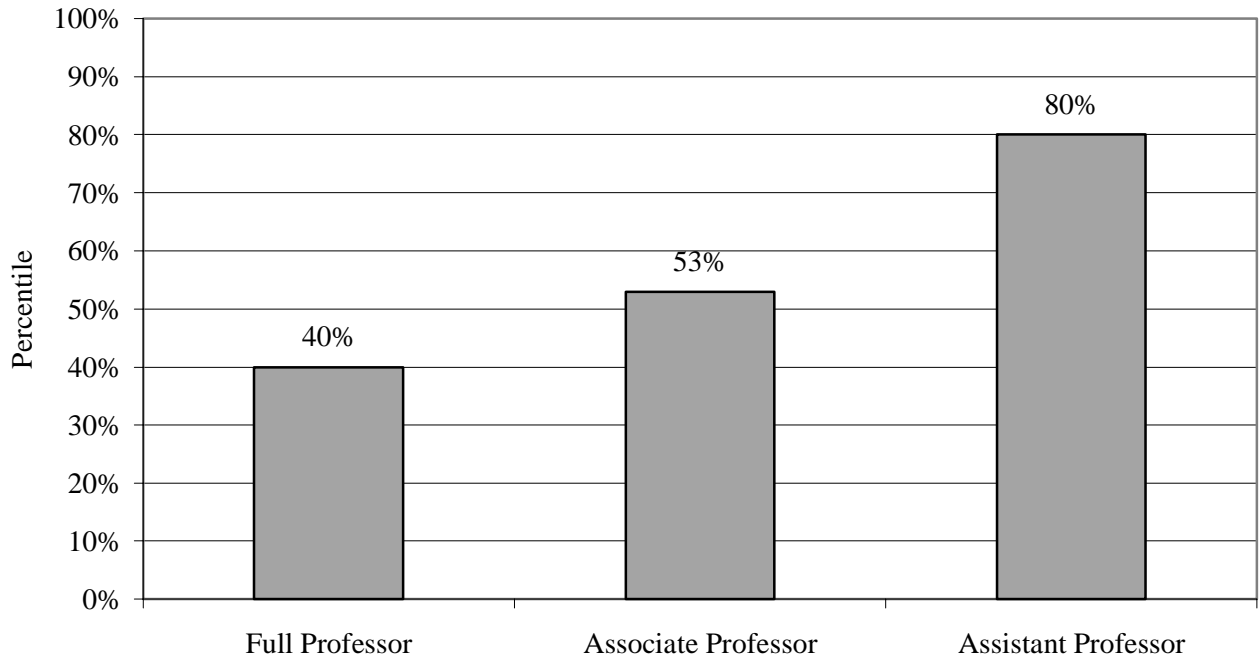
2. Faculty Salaries Compared to Peer Institutions

Faculty salary levels are another factor to consider in measuring efficiency. The data in **Exhibit 8** are from the American Association of University Professors 2002 – 2003 faculty compensation survey. For this analysis, UMES was compared to its funding peer institutions in other states. Peer-based funding guidelines are used by the Maryland Higher Education Commission (MHEC) to assess the resources and performance of the USM and Morgan State University. Comparisons with peers are intended to show how competitive Maryland institutions are on a national scale. For most Maryland institutions, funding at 100% of the MHEC guideline level is designed to enable them to be at the seventy-fifth percentile in terms of total resources available.

Salary percentile rankings may be affected by a number of factors, including the number of promotions occurring at an institution, a faculty member's time in service, the length of time served at a particular salary classification, and whether the faculty is in a high-demand, high-paying discipline in the larger marketplace.

The salaries of full professors at UMES are only higher than 40% of UMES' peers. However, the salaries of assistant professors and associate professors are much higher relative to peers, suggesting that full professor positions may not be as competitive at UMES. **The President should comment on the ability of UMES to attract and retain full professors and whether the more competitive salaries for assistant professors are a recruiting strategy.**

Exhibit 8
Faculty Salaries Compared to Peer Institutions



Source: American Association of University Professors, Fiscal 2003

3. Faculty Workload

Faculty workload is another area to explore for potential efficiencies. As determined by the Board of Regents, the standard instructional workload for tenured and tenure-track faculty at the comprehensive universities and the historically black institutions is seven to eight course units annually. A course unit is equivalent to one three-credit course. Depending upon rank, faculty members are expected to balance a standard instruction load with other responsibilities outside the classroom including course preparation, research, service, and administration.

The Board of Regents' approved range of courseloads is between 7.0 and 8.0 for comprehensive institutions. In fiscal 1999 UMES was at the high end with an average of 7.8 courses per professor. The USM average at that time for comprehensive institutions was 7.0. However, in fiscal 2000 and 2001 the average at UMES dropped to 7.4 and in fiscal 2002 dropped below the Board of Regents' range to 5.7. UMES reports that faculty workload increased to an average of 7.6 courses per professor in fiscal 2003. **The President should provide an explanation for the decline in**

workload in fiscal 2002 and the steps UMES took to increase faculty workload to within the Board of Regents' standards in fiscal 2003.

Exhibit 9
Course Units Taught by FTE Tenured and Tenure-track Faculty

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
UMES	7.8	7.4	7.4	5.7	7.6
University System of Maryland	7.0	7.1	7.4	7.0	7.0

Source: University System of Maryland

4. Teacher Program Accreditation Placed on Probation

UMES' teacher education program's accredited status was placed on probation in fiscal 2004. **The President should comment on the reasons for the probationary period and steps UMES is taking to ensure full accreditation is awarded when the term of probation is over.**

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 2003					
Legislative Appropriation	\$23,639	\$28,939	\$52,578	\$16,500	\$69,078
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	2,556	2,556	5,605	8,161
Cost Containment	-946	0	-946	0	-946
Reversions and Cancellations	0	-539	-539	-4	-543
Actual Expenditures	\$22,693	\$30,956	\$53,649	\$22,101	\$75,750
Fiscal 2004					
Legislative Appropriation	\$22,347	\$33,019	\$55,366	\$17,950	\$73,316
Cost Containment	-914	0	-914	0	-914
Budget Amendments	0	2,292	2,292	894	3,186
Working Appropriation	\$21,433	\$35,311	\$56,744	\$18,844	\$75,588

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, 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>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	671.77	663.77	663.77	0	0%
02 Contractual	35.63	33.63	33.63	0	0%
Total Positions	707.40	697.40	697.40	0	0%
Objects					
01 Salaries and Wages	\$ 44,459,842	\$ 42,918,961	\$ 44,138,568	\$ 1,219,607	2.8%
02 Technical & Spec Fees	167,826	288,642	288,642	0	0%
03 Communication	778,400	668,033	641,227	-26,806	-4.0%
04 Travel	949,733	1,092,413	1,092,413	0	0%
06 Fuel & Utilities	2,573,445	2,687,477	2,687,477	0	0%
07 Motor Vehicles	187,607	139,601	138,523	-1,078	-0.8%
08 Contractual Services	6,510,357	4,841,711	5,071,670	229,959	4.7%
09 Supplies & Materials	4,926,356	4,355,697	4,355,697	0	0%
10 Equip - Replacement	350,409	168,480	168,480	0	0%
11 Equip - Additional	2,285,833	2,374,276	2,374,276	0	0%
12 Grants,Subsidies,Contr	8,553,923	7,061,224	7,149,460	88,236	1.2%
13 Fixed Charges	2,910,190	7,644,934	7,870,183	225,249	2.9%
14 Land & Structures	1,097,234	1,346,980	1,346,980	0	0%
Total Objects	\$ 75,751,155	\$ 75,588,429	\$ 77,323,596	\$ 1,735,167	2.3%
Funds					
40 Unrestricted Fund	\$ 53,650,070	\$ 56,744,294	\$ 58,374,205	\$ 1,629,911	2.9%
43 Restricted Fund	22,101,085	18,844,135	18,949,391	105,256	0.6%
Total Funds	\$ 75,751,155	\$ 75,588,429	\$ 77,323,596	\$ 1,735,167	2.3%

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.

Fiscal Summary
USM - University of Maryland Eastern Shore

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 Instruction	\$ 21,618,912	\$ 17,941,954	\$ 16,929,928	-21.7%	\$ 17,149,737	1.3%
02 Research	8,252,500	11,173,533	11,432,485	38.5%	11,571,095	1.2%
03 Public Service	562,364	662,756	660,610	17.5%	661,760	0.2%
04 Academic Support	6,086,913	5,682,663	5,934,648	-2.5%	6,016,634	1.4%
05 Student Services	2,531,762	2,397,612	2,596,908	2.6%	2,632,523	1.4%
06 Institutional Support	8,380,740	6,972,000	7,533,081	-10.1%	7,778,925	3.3%
07 Operation And Maintenance Of Plant	7,606,174	6,939,748	7,205,290	-5.3%	8,044,919	11.7%
08 Auxiliary Enterprises	12,797,408	15,199,273	16,618,959	29.9%	16,703,247	0.5%
17 Scholarships And Fellowships	7,914,382	6,346,520	6,676,520	-15.6%	6,764,756	1.3%
Total Expenditures	\$ 75,751,155	\$ 73,316,059	\$ 75,588,429	-0.2%	\$ 77,323,596	2.3%
Unrestricted Fund	\$ 53,650,070	\$ 55,366,161	\$ 56,744,294	5.8%	\$ 58,374,205	2.9%
Restricted Fund	22,101,085	17,949,898	18,844,135	-14.7%	18,949,391	0.6%
Total Appropriations	\$ 75,751,155	\$ 73,316,059	\$ 75,588,429	-0.2%	\$ 77,323,596	2.3%

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.