

R30B21
University of Maryland, Baltimore
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$132,175	\$133,498	\$143,512	\$10,015	7.5%
Other Unrestricted Funds	203,631	213,079	220,551	7,472	3.5%
Total Unrestricted Funds	335,805	346,577	364,063	17,486	5.0%
Restricted Funds	<u>252,782</u>	<u>300,932</u>	<u>300,932</u>	<u>0</u>	<u>0.0%</u>
Total Funds	\$588,588	\$647,509	\$664,995	\$17,486	2.7%
Adjusted Total	\$588,588	\$647,509	\$664,995	\$17,486	2.7%

- General funds increase \$10 million, or 7.5% in the fiscal 2006 allowance. Of this amount, \$3.8 million is a transfer from the Department of Health and Mental Hygiene and will be dedicated to the Maryland Psychiatric Research Center.
- Other unrestricted funds grow mostly from \$3.8 million in new tuition and fee revenues and \$4.2 million in sales and services of educational activities.

Personnel Data

	FY 04	FY 05	FY 06	FY 05-06
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	3,553.84	3,553.84	3,553.84	0.00
Contractual FTEs	<u>460.72</u>	<u>489.78</u>	<u>498.78</u>	<u>9.00</u>
Total Personnel	4,014.56	4,043.62	4,052.62	9.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	57.22	1.61%
Positions Vacant as of 12/31/04	0.00	0.00%

- The fiscal 2006 allowance includes nine additional contractual positions. Regular positions remain at the fiscal 2005 level.

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

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Analysis in Brief

Major Trends

Research Measures Perform Well: Total grant and contract awards are greatly exceeding the 2004 objective of \$300 million. Health sciences research and development expenditures have increased.

Nursing Constrained by Faculty Availability: Enrollment in the Bachelor of Science in Nursing program has increased since fiscal 2001 but is somewhat below the 2003 high point.

Undergraduate Minority Enrollment Compares Favorably: A 2004 peer performance analysis indicates that the University of Maryland, Baltimore (UMB) was above its peers in terms of minority and African American undergraduate enrollment.

Overall Fundraising Objective Achieved; Dental School Has Long Way to Go: UMB greatly exceeded its overall fiscal 2003 fundraising goal, but fundraising for the Dental School facility set for completion in July 2005 is still far below the target amount.

Issues

UMB Will Participate in System's Administrative Efficiency Initiatives but No Academic Efficiency Targets Set: The University System of Maryland (USM) has begun an ambitious efficiency initiative. UMB's share of the administrative cost savings in fiscal 2006 is \$2.3 million. UMB was not included in the system's estimates of academic efficiency effects.

Affordability in Spotlight at UMB and Across USM: Tuition and fee increases for undergraduates are at or below the USM average in fiscal 2006. UMB institutional aid focuses on need.

Executive Salaries Vary as Compared to Median: Three of the five selected executive salaries are above the national median and two are below. The single mid-level salary reported by UMB is above the regional median.

Personnel Complement Surpasses 2002 Level; Faculty Make Up Largest Share of Personnel: The total UMB workforce has surpassed the level it was before recent cost containment measures, and contractual personnel account for the increase. Instructional personnel account for a smaller share of total personnel in fiscal 2005 than in 2004. However, faculty at UMB account for a larger proportion of the total than they do for USM as a whole in fiscal 2005.

Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds: USM's credit rating was downgraded in 2004, so the system has begun to improve institutions' ratio of fund balance to debt. In UMB's case, fund balance has grown \$10 million since fiscal 1999. Facilities maintenance needs also are putting pressure on unrestricted funds, with needs estimated at \$553 million over the next 10 years.

Recommended Actions

1. Concur with Governor's allowance.

R30B21 – USM – University of Maryland, Baltimore

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University System of Maryland

Operating Budget Analysis

Program Description

The University of Maryland, Baltimore (UMB) offers primarily graduate and professional degrees in health professions, applied health, biomedical science and technology, social work, and law. Its professional programs include the Schools of Dentistry, Law, Medicine, Nursing, Pharmacy, and Social Work. Less than 20% of the enrollment at UMB is in baccalaureate programs.

UMB is located in downtown Baltimore and has two clinical partners – the University of Maryland Medical Systems and the Veterans Administration Medical Center – as well as one research partner, the University of Maryland Biotechnology Institute. UMB aims to:

- continue to evolve and maintain a competitive edge as a center of excellence in the life and health sciences, law, and social work; and
- conduct recognized research and scholarship in the life and health sciences, law, and social work that fosters social and economic development.

The institution also aims to respond to the State’s critical need for health and human services professionals. Most of the university’s programs are designed for full-time students. However, the Schools of Law, Nursing, and Social Work, and the Graduate School have a significant number of part-time students. The School of Nursing offers programs that enable nurses in educationally underserved areas to earn undergraduate and graduate degrees in five outreach sites throughout the State.

UMB aims to provide public service to citizens in all sectors and geographic regions of Maryland, especially the community surrounding its urban campus. The institution provides legal and dental clinics, community outreach services, support to the Maryland Poison Control Center, and staff to its clinical partners. The university also strives to increase fundraising to deliver its programs more effectively, and to encourage entrepreneurial activities that generate economic development.

Performance Analysis: Managing for Results

UMB has a goal to remain a center of excellence in the life and health sciences, law, and social work. National rankings are one way UMB measures performance on this goal. Five UMB schools – dental, medicine, law, nursing, and pharmacy – have achieved top 10 status in various rankings. The social work school has been ranked twenty-fifth. Several of these rankings, however, have not been conducted for a number of years, making it difficult to assess the current standing and to compare data over time.

UMB also tracks the number of its refereed publications per full-time faculty as an excellence measure. In fiscal 2004 the measure rose to 2.8 publications per faculty, which was below the objective of 3.1. However, the data may not truly reflect publications per faculty because they are based on the number of faculty who respond to a survey, not on the total number of faculty.

Research Measures Perform Well

The second goal of UMB is to conduct recognized research and scholarship that fosters social and economic development. UMB continues to be on track to meet or exceed most of its objectives in this area. Total grant and contract awards were \$337 million in 2004, exceeding the objective of \$255 million, as shown in **Exhibit 1**. Likewise, health sciences research and development expenditures have increased, totaling \$300 million in 2004. Similar measures reported in a 2004 analysis of peer performance by the Maryland Higher Education Commission (MHEC) indicate that UMB is performing fairly well compared to its peer institutions.

Nursing Constrained by Faculty Availability

Another UMB goal is to demonstrate responsiveness to the State's critical need for health and human services professionals by increasing access to professional careers. Nursing and pharmacy are UMB's focus for this goal. Enrollment in the Bachelor of Science in Nursing program increased nearly 30% from fiscal 2001 to 2004, as shown in **Exhibit 2**. UMB has reported that enrollment is somewhat below the 2003 high point because not enough faculty are available to teach that level of students. The number of nursing graduates also has increased nearly 30% since 2001.

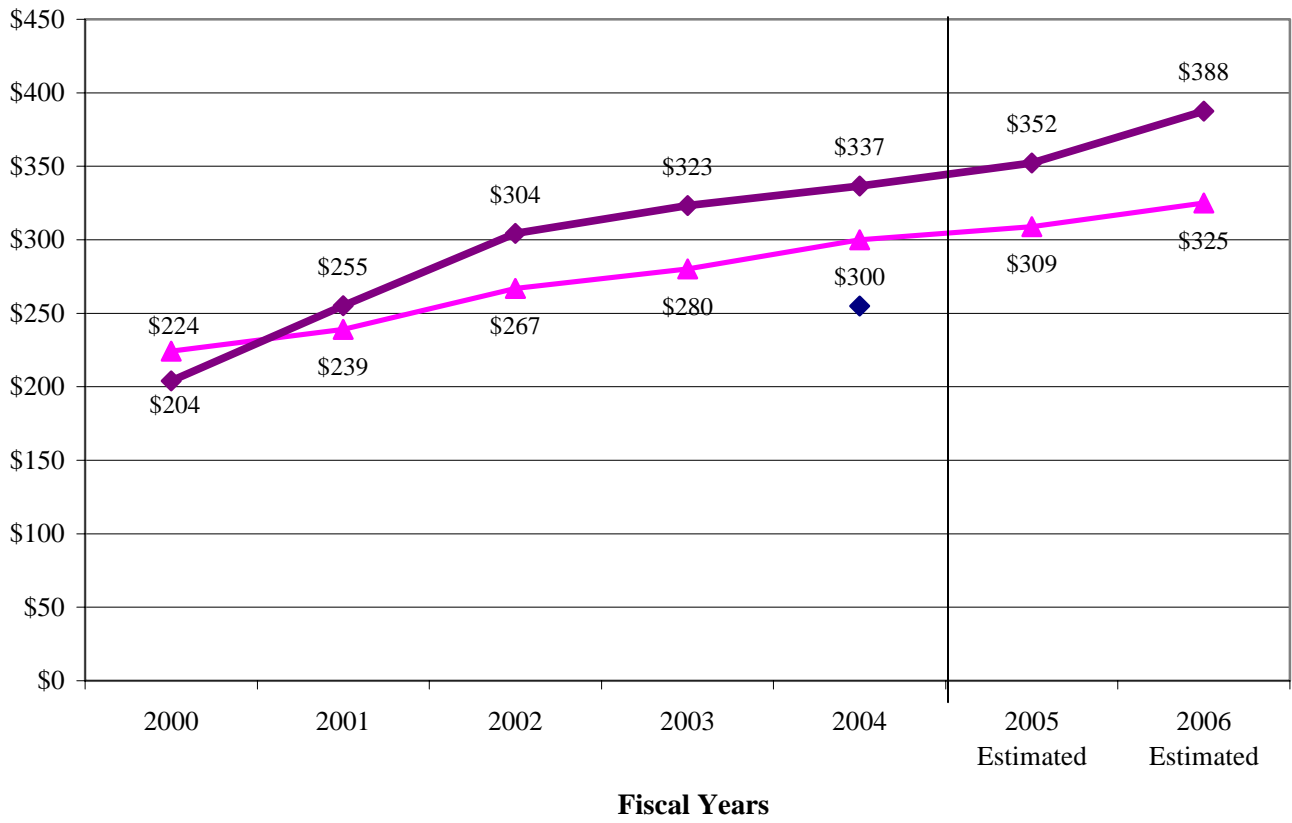
In the case of the pharmacy program, enrollment increased 21% from fiscal 2001 to 2004. However, the number of graduates increased only 2.5%. UMB reports that, since the Pharm D program is a four-year program, the effects of recent enrollment growth remain to be realized. The phasing out of a small part-time Pharm D program slightly dampens the number of expected fiscal 2006 graduates, which is 140. Considering nursing and pharmacy graduates together, UMB expects to meet its goal of 453 graduates in fiscal 2005.

Undergraduate Minority Enrollment Compares Favorably

Due to its status as primarily a graduate student institution, and on the advice of legal counsel, UMB does not report goals for enrollment of minority students as do other USM degree-granting institutions. The institution reports only the actual percent of undergraduate enrollment represented by minority students. Also, UMB does not report minority retention or graduation rates because it does not have any first-time freshmen students.

In 2004 minorities accounted for 41% of undergraduates, and African Americans accounted for 27% of all undergraduates. For USM as a whole, African American students make up 25% of all undergraduates. A 2004 peer performance analysis by MHEC indicates that UMB was above its peers in terms of minority and African American undergraduate enrollment.

Exhibit 1
Research Performance Measures
Fiscal 2000 – 2006
(\$ in Millions)



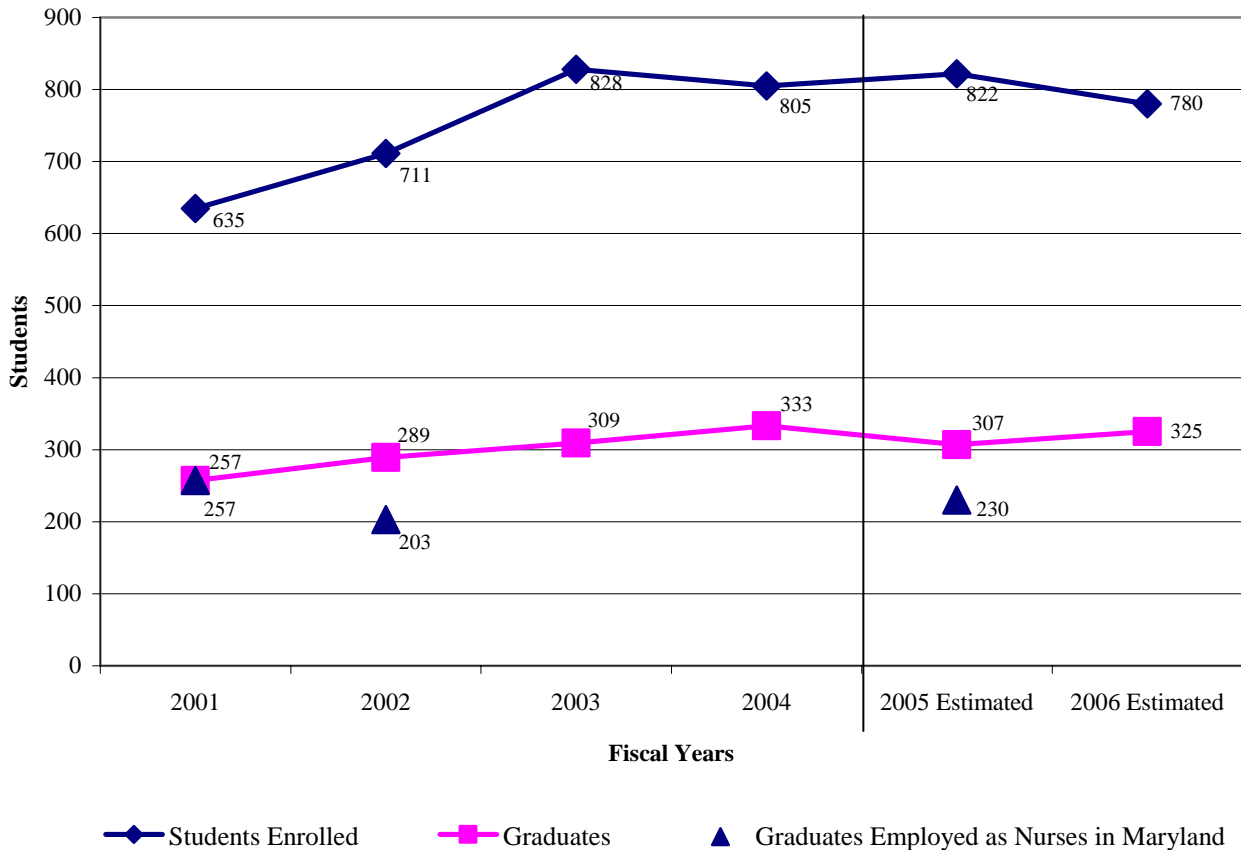
▲ Health Sciences R&D Expenditures ◆ Total Grant/Contract Awards ◆ Grant/Contract Awards Objective

Notes: Health Sciences R&D expenditures = research and development expenditures from federal, State, industry, institutional, and other sources only for UMB health sciences programs, excluding training and service expenditures.

Total Grants/Contract Awards = total unduplicated grants and contracts for research, training, and public service for all six of UMB’s professional schools, including the School of Law and the School of Social Work.

Source: Maryland State Budget Books

Exhibit 2
Students Enrolled in and Graduating from Bachelor of Science in Nursing
Program, Employed as Nurses in Maryland
Fiscal 2001 – 2006



Note: Considering nursing and pharmacy graduates together, UMB expects to meet its fiscal 2005 objective of 453 graduates.

Source: Maryland State Budget Books; University of Maryland, Baltimore

Overall Fundraising Objective Achieved; Dental School Has Long Way to Go

UMB greatly exceeded its objective to raise \$173 million in private funds by fiscal 2003, raising \$217 million that year and \$318 million in 2004. However, fundraising for the Dental School facility that is scheduled for completion in July 2005 is still far below the target amount. The fundraising goal is \$21.5 million, and so far UMB has raised \$5.5 million. Press reports indicated that UMB needed to loan the Dental School \$16 million in order to open on time, but the institution reports that no such loan has been made and that the project is on budget and on time.

Governor's Proposed Budget

The general fund allowance for fiscal 2006 is \$10 million above the 2005 level, an increase of 7.5%, as shown in **Exhibit 3**. This amount includes \$3.8 million that will be dedicated to the Maryland Psychiatric Research Center. UMB and the Department of Health and Mental Hygiene (DHMH) jointly manage the center, and their respective responsibilities will continue but funding for the center has been transferred from DHMH to UMB in accordance with language in the fiscal 2005 budget bill. Excluding the MPRC funds, UMB's general fund increase is \$6.2 million, or 4.6% over fiscal 2005.

Exhibit 3
Governor's Proposed Budget
University of Maryland, Baltimore
(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$132,175	\$133,498	\$143,512	\$10,015	7.5%
Other Unrestricted Funds	203,631	213,079	220,551	7,472	3.5%
Total Unrestricted Funds	335,805	346,577	364,063	17,486	5.0%
Restricted Funds	252,782	300,932	300,932	0	0.0%
Total Funds	\$588,588	\$647,509	\$664,995	\$17,486	2.7%

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

UMB reports that, of the remaining \$6.2 million in new general funds, \$2 million will go toward faculty recruitment and retention. Another \$458,000 will enable resident undergraduate tuition rate increases to be held to 5.9%. The remaining \$3.7 million will be used to cover increases in mandatory costs, including utilities, fringe benefits, new facilities, and debt service.

Other unrestricted funds in the allowance grow mostly from \$3.8 million in new tuition and fee revenues and \$4.2 million in sales and services of educational activities. Considering all increases and decreases, other unrestricted funds increase \$7.4 million. Overall, the UMB budget grows 2.7%.

Budget changes in the allowance by program are shown in **Exhibit 4**. This exhibit considers only unrestricted funds, of which general funds and tuition and fee revenues are the majority. Expenditures for hospitals increase at the highest rate (68%) from fiscal 2005 to 2006. UMB reports that 2005 hospital expenditures are now expected to be around \$5.8 million, which would dampen the increase to 6% in fiscal 2006.

Exhibit 4
UMB Budget Changes for Unrestricted Funds by Program
Fiscal 2002, 2005, and 2006
(\$ in Thousands)

	Fiscal 2002	Fiscal 2005	02-05 %	Fiscal 2006	05-06	05-06 %
	<u>Actual</u>	<u>Working</u>	<u>Change</u>	<u>Allowance</u>	<u>Change</u>	<u>Change</u>
Expenditures						
Instruction	152,182	163,467	7.4%	165,795	2,328	1.4%
Research	17,853	21,910	22.7%	23,290	1,380	6.3%
Public Service	225	460	104.9%	467	7	1.4%
Academic Support	34,157	37,390	9.5%	38,687	1,297	3.5%
Student Services	2,913	2,894	-0.7%	2,900	6	0.2%
Institutional Support	42,385	44,593	5.2%	46,553	1,959	4.4%
Operation and Maintenance of Plant	44,897	48,719	8.5%	53,881	5,161	10.6%
Scholarships and Fellowships	6,602	6,792	2.9%	7,097	304	4.5%
Hospitals (UMB)*	4,485	3,666	-18.3%	6,165	2,498	68.1%
Education and General Total	\$305,700	\$329,892	7.9%	\$344,833	\$14,941	4.5%
Auxiliary Enterprises	16,232	16,685	2.8%	19,230	2,545	15.3%
Grand Total	\$321,932	\$346,577	7.7%	\$364,063	\$17,486	5.0%
Revenues						
Tuition and Fees	\$47,815	\$62,089	29.9%	\$65,898	\$3,809	6.1%
General Funds	153,139	133,498	-12.8%	143,512	10,015	7.5%
Other Unrestricted Funds	105,950	132,262	24.8%	137,586	5,324	4.0%
Subtotal	\$306,905	\$327,848	6.8%	\$346,997	\$19,148	5.8%
Auxiliary Enterprises	15,130	18,729	23.8%	18,729	0	0.0%
Transfer (to)/from Fund Balance	-103	0	-100.0%	-1,662	-1,662	n/a
Grand Total	\$321,932	\$346,577	7.7%	\$364,063	\$17,486	5.0%

*UMB reports hospital expenditures in 2005 are now expected to be \$5.8 million.

Note: Unrestricted funds only. All programs.

Source: Maryland State Budget Books

Operation and maintenance of physical plant have the next highest rate of increase in the allowance, at 11%, as well as the largest increase amount. Research programs are set to increase 6.3%. Instruction programs have the second lowest rate of increase, at 1.4%. When considering USM as a whole, instruction programs also have the second-lowest rate of increase at 2.3%.

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Looking at UMB changes from fiscal 2002 to 2005 shows a somewhat different pattern. Public service and research programs had the highest growth rates and instruction programs had the fifth highest growth rate.

The President should comment on UMB’s spending priorities in fiscal 2006 for instruction relative to other programs.

Issues

1. UMB Will Participate in System’s Administrative Efficiency Initiatives but No Academic Efficiency Targets Set

Given the continuing constrained State fiscal environment, the USM Board of Regents examined how the system can improve its efficiency. After more than a year of study, USM unveiled its efficiency and effectiveness plan in October 2004. The system will pursue more than a dozen initiatives beginning in fiscal 2006, and some of them will continue through 2008.

In its report, USM estimates fiscal effects for administrative and academic efficiency initiatives. Across USM institutions, administrative cost savings are expected to be \$17.1 million in fiscal 2006. These savings are built into the 2006 allowance, meaning estimates of mandatory cost increases would be \$17.1 million higher without the efficiency savings.

UMB’s share of the administrative savings is estimated at \$2.3 million. UMB did not provide specific information as to how these savings will be achieved, but it reports that the efforts will involve its hospital, medical and dental practice plans, and research park partners. Any changes in administrative systems will conform to information technology constraints devised to protect patient data.

To estimate the fiscal effects of academic initiatives, the USM Office identified the number of additional full-time equivalent students system institutions can serve with existing resource levels as a result of the efficiency efforts. Most of the academic effects will be realized through increases in faculty workload. Faculty workload is not calculated for UMB, and UMB was not included in the system’s overall academic efficiency estimates. **The President should comment on how UMB will achieve its administrative efficiency target, and whether any academic efficiency initiatives are planned.**

2. Affordability in Spotlight at UMB and Across USM

Affordability continues to be a concern for Maryland public higher education. In *Measuring Up 2004*, produced by the National Center for Public Policy and Higher Education, Maryland received an F in the affordability category (like many other states) after receiving a D- in 2002. The report measures whether students and families can afford to pay for a postsecondary education given income levels, financial aid, and the types of colleges and universities in the State.

Undergraduate Tuition and Fee Increases Are at or Below USM Average

A factor that directly affects affordability is tuition and fee rates. Most of UMB's students are in graduate programs, but the resident undergraduate tuition and fee increase for the nursing program is 5.8%, as shown in **Exhibit 5**. The USM weighted average tuition increase for resident undergraduates in fiscal 2006 also is 5.8%. Exhibit 5 also shows other selected rate increases. The law school and the pharmacy school have the highest increases, while the undergraduate medical research and technology program has the lowest increase of the programs shown.

Exhibit 5 University of Maryland, Baltimore Selected Resident Tuition and Fee Rates Fiscal 2005 and 2006

	FY 2005 Tuition and Mandatory Fees	FY 2006 Tuition and Mandatory Fees	FY 05-06 % Change Tuition and Mandatory Fees
Undergraduate			
School of Nursing	\$7,162	\$7,579	5.8%
Dental Hygiene	4,705	4,967	5.6%
Medical and Research Technology	6,619	6,934	4.8%
Graduate			
School of Law Day Division	16,253	17,701	8.9%
School of Medicine M.D. Program	19,046	19,990	5.0%
Medical and Research Technology (Post Baccalaureate)	8,158	8,550	4.8%
School of Pharmacy Pharm D Program	11,338	12,399	9.4%
School of Social Work Master's Program	8,366	8,774	4.9%

Source: University System of Maryland Board of Regents fiscal 2006 budget request

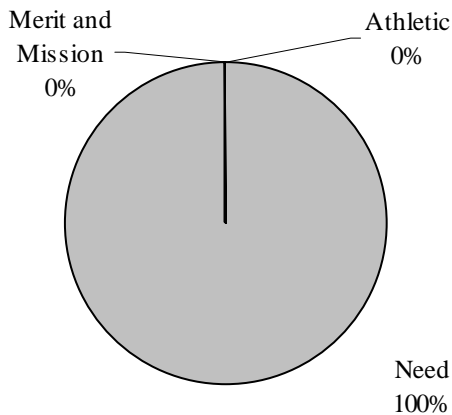
Institutional Aid Focuses on Need

Another factor that affects affordability is financial aid. Categories of financial aid include merit, need, athletic, and mission. Data on funding amounts is available only in categories of need, athletic, and combined merit and mission. In summer 2004 the USM Chancellor convened a task force on financial aid, which found that much more aid should be directed to the need-based category.

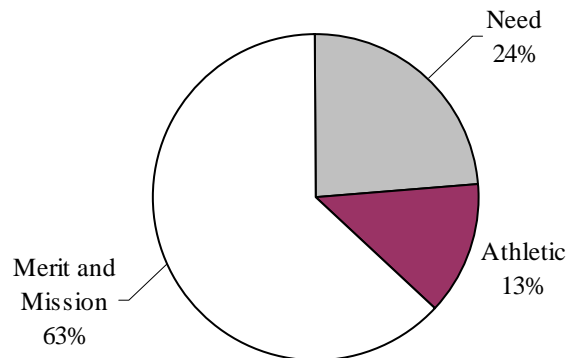
At UMB, all institutional aid is dedicated to need, as shown in **Exhibit 6**. For USM as a whole, 24% of institutional aid goes to need. Institutional aid is one kind of aid students receive and may be accompanied by State and federal aid.

**Exhibit 6
Institutional Financial Aid
Fiscal 2003**

University of Maryland, Baltimore



University System of Maryland Total



	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
UMB	\$1,013,740	\$0	\$0
USM Total	12,694,130	6,931,735	33,664,525

Source: Maryland Higher Education Commission Financial Aid Information Systems report, September 2004

3. Executive Salaries Vary as Compared to Median

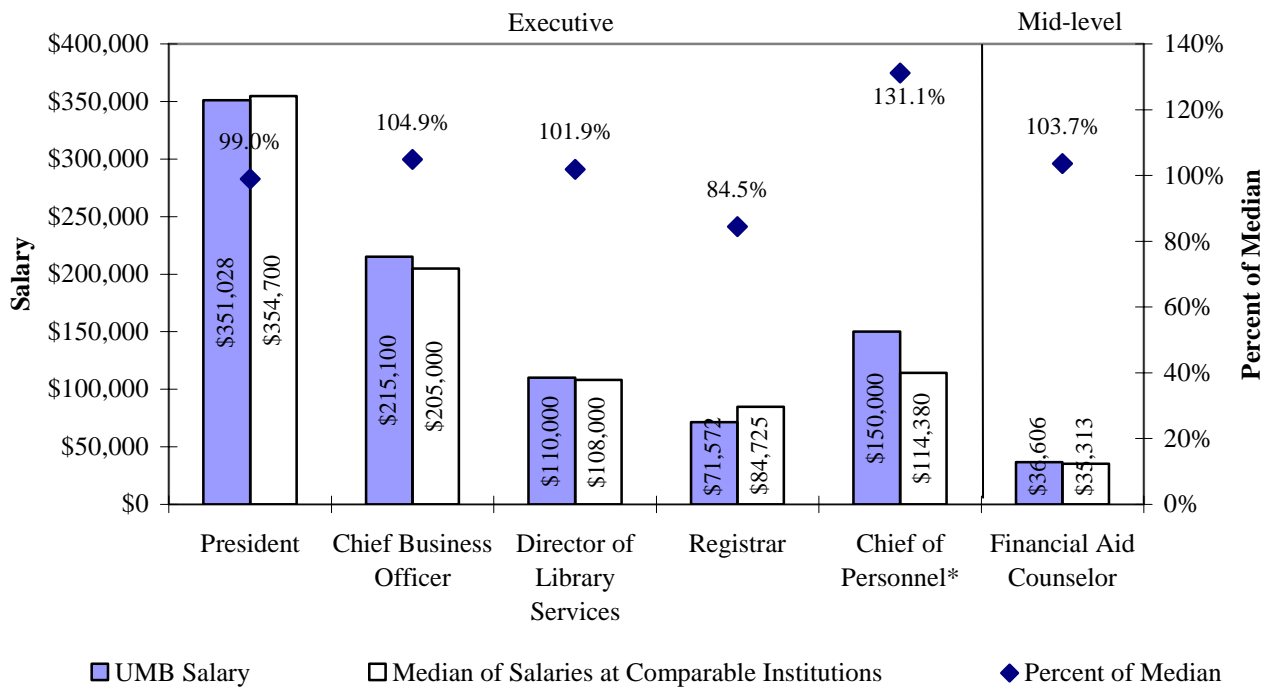
The Department of Legislative Services (DLS) analyzed salaries of selected administrative positions across all USM institutions. At UMB, three of the five executive salaries are above the national median and two are below. Systemwide, executive salaries tend to be above the median. The single selected mid-level salary reported by UMB is above the regional median. Systemwide, mid-level positions tend to cluster near the regional median.

The DLS analysis is based on fiscal 2004 salary survey data from the College and University Professional Association (CUPA) for Human Resources. USM uses these salary data for benchmarking, and DLS acquired the same data for an independent analysis. For the salary survey, about half the respondents are public institutions and about half are private institutions. As discussed

in the USM Overview analysis, private institution average salaries are higher than those at public institutions, so USM likely is benchmarking against a higher paid group than its public peers.

Exhibit 7 shows the salary detail for UMB. For the salary of president, chief business officer, and director of library services, UMB uses medians associated with academic health centers, rather than CUPA medians. Among the selected executive positions, the chief business officer, the director of library services, and the chief of personnel salaries are above the median. The chief of personnel salary also is above the target range set by the Board of Regents for executive positions, which is between the fiftieth percentile (which is the median) and the seventy-fifth percentile. The president and registrar salaries are below the median, which means they also are below the Regents’ target range.

Exhibit 7
UMB Administrative Salaries
Fiscal 2004



Note: UMB compares the salary of its president, chief business officer, and director of library services to the medians at academic health centers, not the College and University Professional Association medians that other USM institutions use.

* Indicates salary that is above Regents’ target range of the fiftieth to seventy-fifth percentile rank for executive positions.

Source: College and University Professional Association for Human Resources; University System of Maryland; Department of Legislative Services

DLS analyzed salaries for three mid-level positions across USM institutions – including financial aid counselor, accountant, and academic advisor – but UMB reported data only for financial aid counselor. The UMB salary for this position is above the median and within the Regents’ target range, which is the sixtieth to seventieth percentile rank for mid-level positions. **The President should comment on whether steps will be taken to address salaries that are outside the Regents’ target range.**

4. Personnel Complement Surpasses 2002 Level; Faculty Make Up Largest Share of Personnel

The total UMB workforce has surpassed the level it was before recent cost containment measures. In fiscal 2002, full-time equivalent regular and contractual personnel totaled 3,981, and in 2005 the total is 4,053, including filled and unfilled positions. Contractual personnel account for the increase.

Unlike USM as a whole, UMB is carrying fewer vacant positions than called for in its fiscal 2005 budget. The budget allows for a vacancy rate of 1.7% on regular positions, but UMB reported a 0% vacancy rate as of December 2004.

The composition of UMB personnel has changed slightly since fiscal 2004, as shown in **Exhibit 8** (the data in this exhibit are for filled regular positions only). Instructional personnel – who fulfill the institution’s core mission – account for a smaller share of total personnel. Furthermore, UMB’s proportion of instructional personnel (31.5%) is lower than the USM average (33%) in fiscal 2005. UMB reports that the different proportions of instructional personnel in fiscal 2004 and 2005 represent data from two particular points in time and that the proportions may have shifted up or down throughout the year.

DLS also reviewed personnel by faculty, exempt, and non-exempt categories. At UMB, faculty account for 40% of the fiscal 2005 total, which is above the USM average of 38.4%. Non-exempt personnel make up 31% of the total at UMB. Exempt personnel, who generally are higher-paid administrators and managers and are exempt from overtime pay, make up the smallest share, at 29%. **The President should comment on the slight decrease in total instructional personnel. The President also should comment on UMB’s ability to keep faculty’s share of personnel above the USM average.**

Exhibit 8
UMB Full-time Equivalent Personnel by Budget Program
Fiscal 2004 and 2005

	Fiscal 2004		Fiscal 2005		FY 02-05 Change in Share of Total
	<u>FTEs</u>	<u>% of Total FTEs</u>	<u>FTEs</u>	<u>% of Total FTEs</u>	
Instruction	1,173	32.6%	1,169	31.5%	-1.1%
Research	774	21.5%	851	22.9%	1.4%
Public Service	172	4.8%	194	5.2%	0.5%
Academic Support	350	9.7%	369	9.9%	0.2%
Student Services	32	0.9%	31	0.8%	0.0%
Institutional Support	465	12.9%	460	12.4%	-0.5%
Operations and Maintenance of Plant	320	8.9%	304	8.2%	-0.7%
Auxiliary	64	1.8%	57	1.5%	-0.2%
Hospitals	256	7.1%	281	7.6%	0.5%
Total	3,604	100.0%	3,716	100.0%	

FTEs = full-time equivalents

Notes: Data are for filled positions only. Fiscal 2004 data are self-reported and unaudited as of summer 2003. Fiscal 2005 data are self-reported and unaudited as of summer 2004. In other USM institutions' analyses, fiscal 2002 data are included, but for UMB only the total 2002 FTEs are known and are not included here.

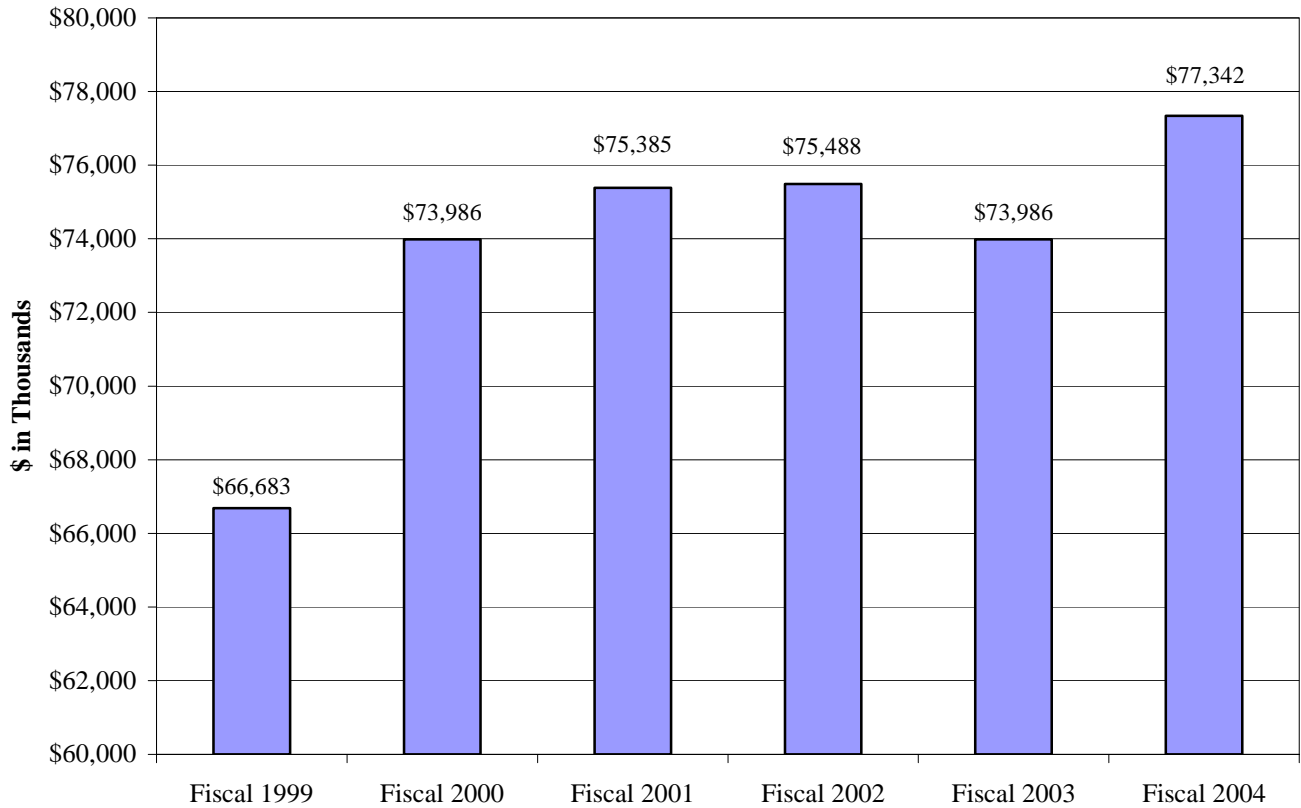
Numbers may not sum to total due to rounding.

Source: University of Maryland, Baltimore

5. Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds

Fund balance is an important component of the assets against which debt is issued. In May 2004, Standard & Poor's Rating Services lowered the rating on USM debt from AA+ to AA. In response, USM has a systemwide program to improve the ratio of fund balance to debt. As shown in **Exhibit 9**, UMB's fund balance has grown from \$67 million in fiscal 1999 to \$77 million in 2004. Institutions can build up fund balance by not spending all of their unrestricted funds. This, however, is a difficult choice because it means a lost opportunity to spend funds on programs.

Exhibit 9
UMB Unrestricted Fund Balance
Fiscal 1999 – 2004



Note: Amounts reflect ending fund balances.

Source: Maryland State Budget Books

Facilities maintenance needs also are putting pressure on unrestricted funds. Systemwide the backlog for facilities maintenance and renewal projects is estimated at \$1.7 billion. At UMB, projects that need to be addressed within five years are estimated at \$341 million, and projects that need to be addressed within the next five years are estimated at another \$212 million. Most of the projects are related to quality issues, rather than life safety or structural issues, and the projects include the dental and medical school clinics.

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A 1992 Regents' policy states that each year, system institutions are supposed to set aside funds for maintenance in their operating budgets equal to 2% of the replacement value of all capital assets. Systemwide, the spending is about 0.63%. This includes operating funds as well as the capital funds that are channeled through the USM office. **The President should comment on the outlook for contributing unrestricted funds to fund balance and facilities maintenance.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland, Baltimore (\$ in Thousands)

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2004					
Legislative Appropriation	\$139,638	\$192,459	\$332,097	\$297,605	\$629,702
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	11,317	11,317	0	11,317
Cost Containment	-7,463	0	-7,463	0	-7,463
Reversions and Cancellations	0	-145	-145	-44,823	-44,968
Actual Expenditures	\$132,175	\$203,631	\$335,805	\$252,782	\$588,588
Fiscal 2005					
Legislative Appropriation	\$132,116	\$200,311	\$332,427	\$300,932	\$633,359
Budget Amendments	1,382	12,769	14,150	0	14,150
Working Appropriation	\$133,498	\$213,079	\$346,577	\$300,932	\$647,509

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

Fiscal 2004

UMB's general funds were reduced \$7.4 million in fiscal 2004 through the Governor's July 2003 cost containment action. Other unrestricted funds increased \$11.3 million through budget amendments.

Of this net amount, the largest increases were tuition revenues of \$4 million, indirect cost recovery of \$6.4 million, revolving funds of \$4 million, and auxiliary enterprises at \$0.8 million. Decreases included a transfer to fund balance of \$1.5 million and interest income that was \$1 million lower than expected. Decreases also included \$1.4 million to represent the amount of the General Assembly's general fund reduction in fiscal 2004; this amount was not originally deducted from the total unrestricted fund appropriation so an adjustment was needed.

At the end of fiscal 2004, UMB cancelled \$0.1 million in unrestricted funds to bring amounts in line with actual expenditures.

Cancellations for restricted funds totaled \$45 million. UMB reports that it had budgeted for restricted funds to increase as they had in fiscal 2002 and 2003, but the growth rate turned out to be much lower.

Fiscal 2005

For fiscal 2005, UMB general funds increased \$1.4 million for the State employee cost-of-living increase. Other unrestricted funds have increased \$12.8 million through budget amendment. Of this amount, \$9.6 million is from increased sales and services of educational activity, particularly revolving funds. A transfer from fund balance accounts for \$1.5 million, which actually represents cancellation of a planned transfer to fund balance of the same amount. Also, auxiliary enterprises account for \$0.6 million and other sources account for \$0.2 million.

Audit Findings

Audit Period for Last Audit:	July 1, 2000 – November 30, 2002
Issue Date:	November 2003
Number of Findings:	11
Number of Repeat Findings:	4
% of Repeat Findings:	36%
Rating: (if applicable)	

- Finding 1:** **Contracts: UMB did not receive timely payments from the University of Maryland Medical System Corporation and did not assess associated late payment penalties totaling \$260,000.**
- Finding 2:** Cigarette Restitution Fund Grant: Certain deficiencies were identified related to Cigarette Restitution Fund grant awards.
- Finding 3:** Checking Accounts: Checking account reconciliations were not completed timely and included numerous unsupported items.
- Finding 4:** **Cash Receipts: Controls over cash receipts collected by the central cashier and student dental clinics were inadequate.**
- Finding 5:** **Working Fund: The custodian and fund supervisor had excessive control over the account.**
- Finding 6:** Information Systems: UMB’s internal computer network was not adequately secured.
- Finding 7:** **Information Systems: Controls over the student information management system need improvement.**
- Finding 8:** Information Systems: UMB’s information technology disaster recovery plan needs certain improvements.
- Finding 9:** Student Grades: Changes to student grades were not verified.
- Finding 10:** Payroll: Several departments lacked adequate controls.
- Finding 11:** Medical Service Plan: UMB could not substantiate that amounts due to the medical school enrichment fund from plan participants were independently verified.

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
USM – University of Maryland, Baltimore**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	3553.84	3553.84	3553.84	0	0%
02 Contractual	460.72	489.78	498.78	9.00	1.8%
Total Positions	4014.56	4043.62	4052.62	9.00	0.2%
Objects					
01 Salaries and Wages	\$ 393,846,878	\$ 417,705,405	\$ 425,228,960	\$ 7,523,555	1.8%
02 Technical & Spec Fees	1,038,955	1,054,693	1,075,227	20,534	1.9%
03 Communication	3,931,292	4,011,073	4,217,073	206,000	5.1%
04 Travel	5,314,312	5,450,494	5,511,052	60,558	1.1%
06 Fuel & Utilities	14,696,463	14,573,132	17,989,367	3,416,235	23.4%
07 Motor Vehicles	865,947	822,815	826,376	3,561	0.4%
08 Contractual Services	89,806,062	110,819,706	113,871,420	3,051,714	2.8%
09 Supplies & Materials	33,875,637	40,846,140	41,406,874	560,734	1.4%
10 Equip - Replacement	779,031	101,769	101,769	0	0%
11 Equip - Additional	9,624,036	10,936,083	10,880,043	-56,040	-0.5%
12 Grants, Subsidies, and Contributions	16,096,908	19,548,050	20,090,486	542,436	2.8%
13 Fixed Charges	17,549,636	20,338,358	22,495,337	2,156,979	10.6%
14 Land & Structures	1,162,657	1,301,315	1,301,315	0	0%
Total Objects	\$ 588,587,814	\$ 647,509,033	\$ 664,995,299	\$ 17,486,266	2.7%
Funds					
40 Unrestricted Fund	\$ 335,805,427	\$ 346,576,962	\$ 364,063,228	\$ 17,486,266	5.0%
43 Restricted Fund	252,782,387	300,932,071	300,932,071	0	0%
Total Funds	\$ 588,587,814	\$ 647,509,033	\$ 664,995,299	\$ 17,486,266	2.7%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

Fiscal Summary
USM – University of Maryland, Baltimore

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Instruction	\$ 178,864,176	\$ 188,977,292	\$ 190,304,859	\$ 1,327,567	0.7%
02 Research	166,543,316	191,309,913	191,690,262	380,349	0.2%
03 Public Service	36,340,818	50,195,000	50,261,574	66,574	0.1%
04 Academic Support	35,735,440	37,389,875	38,686,543	1,296,668	3.5%
05 Student Services	2,716,534	2,949,758	2,956,181	6,423	0.2%
06 Institutional Support	42,080,191	44,743,422	46,702,602	1,959,180	4.4%
07 Operation and Maintenance of Plant	45,945,207	48,719,084	53,880,566	5,161,482	10.6%
08 Auxiliary Enterprises	17,138,707	16,684,819	19,230,152	2,545,333	15.3%
17 Scholarships and Fellowships	10,783,359	14,263,636	14,568,072	304,436	2.1%
18 Hospitals	52,440,066	52,276,234	56,714,488	4,438,254	8.5%
Total Expenditures	\$ 588,587,814	\$ 647,509,033	\$ 664,995,299	\$ 17,486,266	2.7%
Unrestricted Fund	\$ 335,805,427	\$ 346,576,962	\$ 364,063,228	\$ 17,486,266	5.0%
Restricted Fund	252,782,387	300,932,071	300,932,071	0	0%
Total Appropriations	\$ 588,587,814	\$ 647,509,033	\$ 664,995,299	\$ 17,486,266	2.7%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.