

R30B22
University of Maryland, College Park
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 05-06</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$306,131	\$310,282	\$323,155	\$12,874	4.1%
Other Unrestricted Funds	530,908	577,184	606,726	29,541	5.1%
Total Unrestricted Funds	837,039	887,466	929,881	42,415	4.8%
Restricted Funds	<u>259,844</u>	<u>255,669</u>	<u>263,669</u>	<u>8,000</u>	<u>3.1%</u>
Total Funds	\$1,096,882	\$1,143,135	\$1,193,550	\$50,415	4.4%
Contingent & Back of Bill Reductions					
Adjusted Total	\$1,096,882	\$1,143,135	\$1,193,550	\$50,415	4.4%

- General funds increase \$12.9 million in the fiscal 2006 allowance, a 4.1% increase over 2005.
- Other unrestricted funds in the allowance grow mostly from a tuition and fee revenue increase of \$24.6 million, which is 7.8% above the fiscal 2005 level.

Personnel Data

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 05-06</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	7,422.19	7,422.19	7,430.19	8.00
Contractual FTEs	<u>1,467.02</u>	<u>1,384.51</u>	<u>1,416.41</u>	<u>31.90</u>
Total Personnel	8,889.21	8,806.70	8,846.60	39.90

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	223.65	3.01%
Positions Vacant as of 12/31/04	527.61	7.10%

- The fiscal 2006 allowance includes 8 additional regular positions and 32 additional contractual positions.

Note: Numbers may not sum to total due to rounding

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Analysis in Brief

Major Trends

Research and Development Expenditures Exceed Objective but Are Below Peers: In fiscal 2004, total research and development expenditures, as reported by the National Science Foundation, were \$322 million. This amount is below the fiscal 2003 level, but it surpasses the 2004 objective of \$310 million.

Teaching Measures Are Mixed: The numbers of students enrolled in teacher education programs and those completing their teacher training have fluctuated, but they increased moderately from fiscal 2000 to 2004. At the same time, the number of students who complete their training and are employed in Maryland schools decreased and was below the University of Maryland, College Park (UMCP) objective.

Overall Retention and Graduation Rates Are Strong, but Measures for African American Students Are Below Objectives: In terms of student retention and graduation, UMCP is outperforming the University System of Maryland (USM) averages, and it is meeting its objectives for undergraduates as a whole. At the same time, measures for African American students are uneven and below objectives.

Fundraising Gets New Attention: Annual giving from all sources increased to \$86 million in fiscal 2004, but this is far below the objective of \$125 million.

Issues

Plans Set for Achieving Administrative and Academic Efficiencies: USM has begun an ambitious efficiency initiative. UMCP's share of the administrative cost savings in fiscal 2006 is \$6.5 million. Academic efficiencies are expected to support 410 additional students through fiscal 2008 at no cost to the State. Faculty workload increases are a key part of USM's academic efficiencies.

Affordability in Spotlight at UMCP and Across USM: Tuition and fee increases at UMCP are comparable to the USM average. UMCP institutional financial aid focuses on non-need categories.

Selected Executive Salaries Tend to Be Above Median; Mid-level Administrative Salaries Vary as Compared to Median: Four of the five selected executive salaries are above the national median, and one is below. Two of the three selected mid-level salaries are below the regional median.

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Personnel Complement Remains Below 2002 Level; Proportion of Instructional Personnel Slightly Decreases: The USM workforce as a whole has nearly regained the level it was before recent cost containment measures. However, at UMCP the workforce has remained at a lower level. Instructional personnel – who fulfill the institution’s core mission – account for a smaller share of the total compared to fiscal 2002. Even with this decrease, UMCP is above the USM average when considering faculty alone.

Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds: USM’s credit rating was downgraded in 2004, so the system has begun a plan to improve institutions’ ratio of fund balance to debt. In UMCP’s case, fund balance has grown \$56.5 million since fiscal 1999. Facilities maintenance needs are also putting pressure on unrestricted funds, with needs estimated at \$650 million over the next 10 years.

Recommended Actions

1. Concur with Governor’s allowance.

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University of Maryland, College Park
University System of Maryland

Operating Budget Analysis

Program Description

The University of Maryland, College Park (UMCP) is the flagship institution of the University System of Maryland (USM). UMCP aspires to be one of the nation's preeminent public research universities with nationally and internationally recognized programs and faculty. As the largest public research university and the original land grant institution in Maryland, UMCP has responsibility for serving as the State's primary center for graduate study and research and extending service to all regions of the State.

The university admits to its undergraduate programs highly qualified students from all parts of Maryland, other states, and the world. It recruits graduate students both nationally and internationally. It aspires to provide students with an enriched educational experience that takes full advantage of the special strengths of a diverse research university that promotes retention and graduation.

The federal government is a primary source of support for sponsored research, namely through the National Science Foundation (NSF); the National Aeronautics and Space Administration; and the U.S. Departments of Defense, Energy, and Health and Human Services. In addition to federal support, the institution hopes to achieve a network of support among alumni and constituents, which is the hallmark of an outstanding research institution.

Academic programs include baccalaureate, master's, and doctoral degrees in the liberal arts and sciences, social sciences, the arts, applied areas, and selected professional fields. The university offers certificates in certain upper-level and graduate courses of study and provides university honors, scholars, and departmental honors programs. Priority academic programs include the core arts and sciences, biosciences, engineering, business, journalism, environmental sciences, public policy, and international affairs.

UMCP also aims to promote economic development in Maryland and to prepare graduates to be productive members of the labor force, especially in areas of critical need.

Performance Analysis: Managing for Results

UMCP's first goal is to provide Maryland with a public research university whose programs and faculty are nationally and internationally recognized for excellence. National rankings are one way the institution measures performance on this goal.

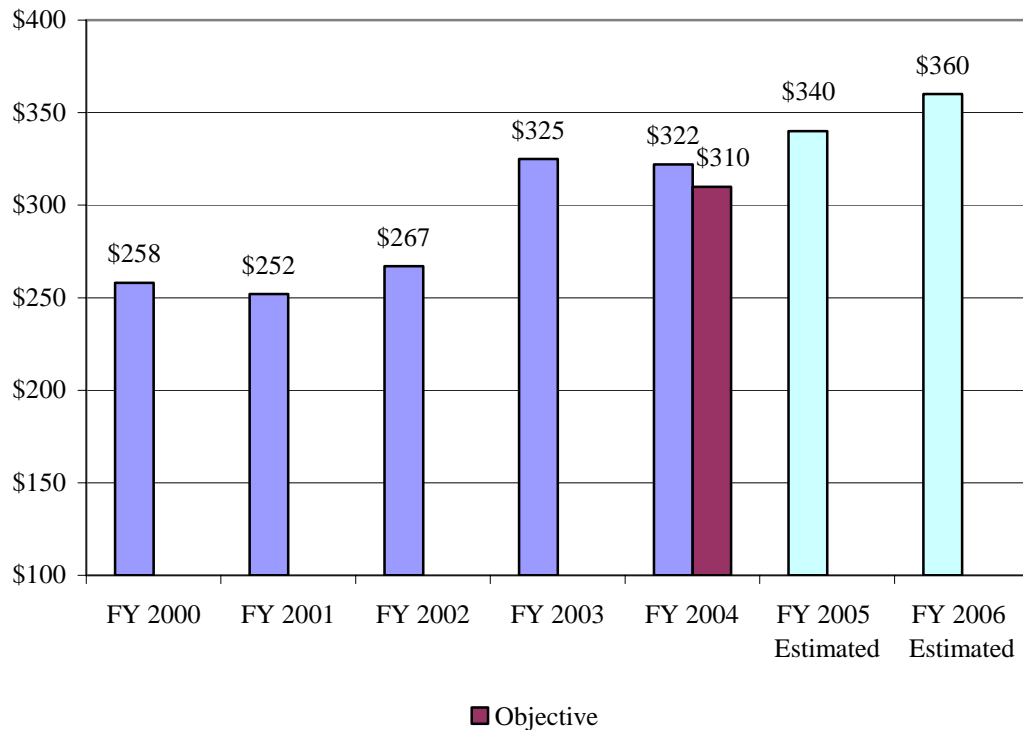
UMCP met its fiscal 2004 objective to have 62 graduate colleges, programs, or specialty areas ranked among the nation's top 25. Of these, 43 were ranked in the top 15. UMCP surpassed its fiscal

2004 objective to have 48 faculty receiving prestigious awards and recognition – the actual number was 51.

Research and Development Expenditures Exceed Objective but Are Below Peers

Research and development efforts also are used by UMCP to reflect eminence. In fiscal 2004, total research and development expenditures, as reported by the National Science Foundation, were \$322 million, as shown in **Exhibit 1**. This amount is below the fiscal 2003 level, but it surpasses the 2004 objective of \$310 million.

Exhibit 1
University of Maryland, College Park Research and Development Expenditures
Fiscal 2000 – 2006
(\$ in Millions)



Note: Research and development expenditures are reported by the National Science Foundation and lag one fiscal year.

Source: Maryland State Budget Books

The short-term outlook for research expenditures, which are restricted grant and contract funds, is mixed. UMCP has reduced its restricted funds through budget amendment by a net \$37 million in fiscal 2005 because it now expects grant and contract awards to continue at the lower fiscal 2004

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level. Within restricted funds, State and local grants decreased \$20.8 million, and federal grants decreased \$20.4 million. At the same time, some new federal grants have been received. For example, in January 2005 UMCP was awarded a \$12 million, three-year grant from the Department of Homeland Security to establish a center that studies terrorist networks.

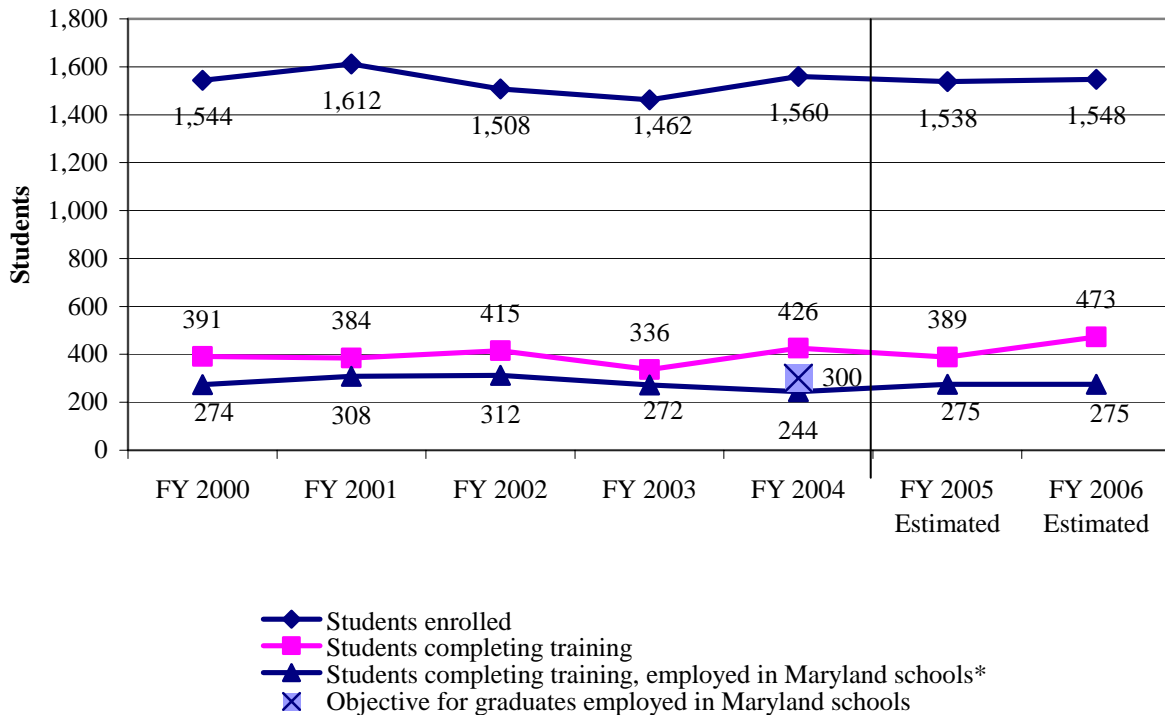
The most recent peer analysis by the Maryland Higher Education Commission (MHEC) shows that UMCP is below its peer institutions in total research and development expenditures, as well as research expenditures per full-time faculty member. However, UMCP has performed better than its peers on average annual percent growth in federal research expenditures over the past five years.

Teaching Measures Are Mixed

UMCP also has a goal to promote economic development in Maryland, especially in areas of critical need. Teaching is one of these areas.

Enrollment in teacher education programs, including undergraduate and post-baccalaureate students, fluctuated since fiscal 2000 but increased to 1,560 students in 2004 as shown in **Exhibit 2**. Students completing their teacher training also moderately increased during this time. The number of students who complete their training and are employed in Maryland schools was 274 in fiscal 2000. This number increased through 2002 but dropped to 244 in 2004, which was below the objective of 300.

Exhibit 2
Students Enrolled in and Graduating from Teacher Training Programs and
Employed in Maryland Public Schools
Fiscal 2000 – 2006



Note: Data include undergraduate and post-baccalaureate students.

*These data are obtained from a survey of graduates one year after they complete their degree and thus do not correspond directly with the students completing teacher training requirements from the same year. The data include new hires only.

Source: Maryland State Budget Books

UMCP reports that it recently redesigned teacher programs to increase the number of students enrolled. Changes include offering multiple options for achieving certification, accommodating students interested in inter-disciplinary programs, and working with college recruiters to promote teaching programs. UMCP reports that results from these efforts are not expected until 2004 or later.

Overall Retention and Graduation Rates Are Strong, but Measures for African American Students Are Below Objectives

Another goal of UMCP is to provide an enriched educational experience that takes advantage of the strengths of a diverse research university. Minority achievement measures are among the ways UMCP measures progress toward this goal.

Analysis of the FY 2006 Maryland Executive Budget, 2005

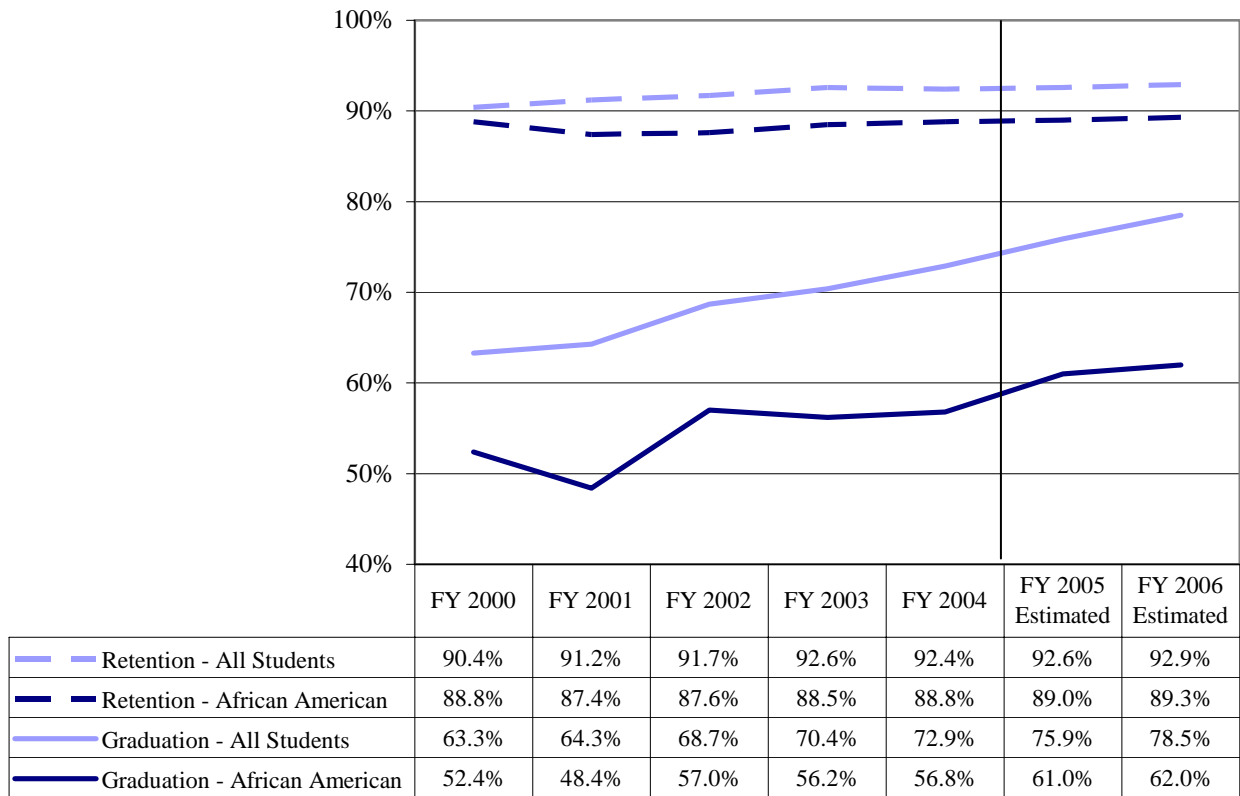
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In terms of enrollment, the proportion of African American students has decreased from 13.8% of all undergraduates in fiscal 2000 to 12.1% in 2004. This is below UMCP’s fiscal 2004 objective of 14.8%. At the same time, the institution is well above average on this measure compared to its aspirational peers. Interestingly, a November 22, 2004, *Washington Post* article reported that many State public flagship institutions experienced a decline in the number of African American students enrolled in fiscal 2005. **The President should comment on whether UMCP’s African American enrollment decreased for fiscal 2005.**

In terms of student retention and graduation, UMCP is outperforming the USM averages, and it is meeting its objectives for undergraduates as a whole. At the same time, measures for African American students are uneven and below objectives.

The retention rate for all undergraduates increased from 90.4% in fiscal 2000 to 92.4% in 2004, as shown in **Exhibit 3**. This rate slightly exceeds the 2004 objective of 92%. The retention rate for African American students has fluctuated slightly since fiscal 2000, but it ended up at the same level – 88.8% – in 2004, which was below the objective of 92%.

**Exhibit 3
Graduation and Retention Rates, All Students and African American Students
Fiscal 2000 – 2006**



Source: Maryland State Budget Books

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The graduation rate for all undergraduates increased markedly from 63.3% in fiscal 2000 to 72.9% in 2004, which exceeds the 2004 objective of 70%. The graduation rate gain for African American students has been more moderate. The rate was 52.4% in fiscal 2000, and it fluctuated before reporting in at 56.8% in fiscal 2004. This measure did not meet the 2004 objective of 60%, although UMCP reports that it expects the fiscal 2005 rate to meet this level. The Maryland Higher Education Commission's (MHEC) most recent data show that UMCP is below average on African American graduation rates compared to its peers. The gap in graduation rates between UMCP's African American students and all students has widened since 2000.

The institution has reported that African American students move from full-time to part-time status at a higher rate than other students, which likely contributes to lower graduation rates. UMCP believes that the move to part-time status is prompted by financial concerns, and its plans to increase need-based financial aid should particularly help African American students. Programs that support the transition from high school to college may also help African American students. The Scholastic Transitions Educational Program is one example that UMCP believes will make a difference, offering a summer residential experience that boosts math and writing skills and offers specialized advising for freshmen.

Fundraising Gets New Attention

UMCP also tracks fundraising measures. Total annual giving from all sources totaled \$86 million in fiscal 2004. This represents an increase over the fiscal 2003 amount of \$81 million, but is far below the 2004 objective of \$125 million. The outlook for fiscal 2005 is promising: in February 2005, UMCP announced a \$30 million private gift for the engineering school and a \$30 million gift for the business school and performing arts center.

UMCP also has begun a campaign to raise \$200 million for institutional financial aid by 2011. No goals have been set related specifically to need-based aid rather than merit or mission-based aid.

Governor's Proposed Budget

The general fund allowance for fiscal 2006 is \$12.9 million above the 2005 level, an increase of 4.1%, as shown in **Exhibit 4**. UMCP reports that it intends to use the additional general funds for expanded instruction and academic support, library collections, academic advising, and wireless networking. Some of the funds also will be used for veterinary medicine contract increases and mandatory cost increases not included in the original budget.

About \$60,000 of UMCP's additional general funds are earmarked for a viticulture program in the Agricultural Extension Service. **The President should comment specifically on how the viticulture funds will be used.**

Exhibit 4
Governor's Proposed Budget
University of Maryland, College Park
(\$ in Thousands)

	<u>FY 04</u> <u>Actual</u>	<u>FY 05</u> <u>Working</u>	<u>FY 06</u> <u>Allowance</u>	<u>FY 05-06</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$306,131	\$310,282	\$323,155	\$12,874	4.1%
Other Unrestricted Funds	530,908	577,184	606,726	29,541	5.1%
Total Unrestricted Funds	837,039	887,466	929,881	42,415	4.8%
Restricted Funds	259,844	255,669	263,669	8,000	3.1%
Total Funds	\$1,096,882	\$1,143,135	\$1,193,550	\$50,415	4.4%

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

Source: Maryland State Budget

Other unrestricted funds in the allowance grow mostly from a tuition and fee revenue increase of \$24.6 million, which is 7.8% above the fiscal 2005 level. Altogether, other unrestricted funds increase \$42.4 million. Considering all funds, the UMCP budget increases 4.4%.

Budget changes in the allowance by program are shown in **Exhibit 5**. This exhibit considers only unrestricted funds, of which general funds and tuition and fee revenues are the majority. In the fiscal 2006 allowance, scholarship and fellowship expenditures have the highest growth rate (13.2%). Operation and maintenance of plant expenditures have the next highest growth rate (9.3%). Instruction increases at the fourth highest rate (4.2%) but has the largest dollar increase.

Exhibit 5
UMCP Budget Changes for Unrestricted Funds by Program
Fiscal 2002, 2005, and 2006
(\$ in Thousands)

	Fiscal 2002 <u>Actual</u>	Fiscal 2005 <u>Working</u>	02-05 % <u>Change</u>	Fiscal 2006 <u>Allowance</u>	05-06 <u>Change</u>	05-06 % <u>Change</u>
Expenditures						
Instruction	\$255,368	\$274,370	7.4%	\$285,945	\$11,576	4.2%
Research	68,882	72,015	4.5%	73,455	1,440	2.0%
Public Service	25,032	26,764	6.9%	28,436	1,672	6.2%
Academic Support	90,801	88,689	-2.3%	91,538	2,849	3.2%
Student Services	26,505	28,242	6.6%	29,219	977	3.5%
Institutional Support	85,573	80,955	-5.4%	82,357	1,403	1.7%
Operation and Maintenance of Plant	92,520	108,990	17.8%	119,075	10,086	9.3%
Scholarships and Fellowships	38,742	53,230	37.4%	60,242	7,013	13.2%
Education and General Total	\$683,423	\$733,253	7.3%	\$770,268	\$37,015	5.0%
Auxiliary Enterprises	150,200	154,213	2.7%	159,613	5,400	3.5%
Grand Total	\$833,622	\$887,466	6.5%	\$929,881	42,415	4.8%
Revenues						
Tuition and Fees	\$224,464	\$314,766	40.2%	\$339,407	\$24,641	7.8%
General Funds	359,339	310,282	-13.7%	323,155	12,874	4.1%
Other Unrestricted Funds	100,190	112,105	11.9%	112,117	12	0.0%
Subtotal	\$683,993	\$737,153	7.8%	\$774,679	\$37,526	5.1%
Auxiliary Enterprises	145,127	154,213	6.3%	159,613	5,400	3.5%
Transfer (to)/from Fund Balance	4,503	-3,900	-186.6%	-4,411	-511	13.1%
Grand Total	\$833,622	\$887,466	6.5%	\$929,881	\$42,415	4.8%

Note: Unrestricted funds only. All programs.

Source: Maryland State Budget

Expenditures by program in the allowance differ only slightly from the pattern since fiscal 2002. From fiscal 2002 to 2005, scholarship and fellowships increased at the highest rate, followed by operation and maintenance of plant. Instruction had the third highest growth rate.

Issues

1. Plans Set for Achieving Administrative and Academic Efficiencies

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.

UMCP's share of the administrative savings is estimated at \$6.5 million. To achieve these savings, UMCP will contain energy costs through cooperative purchasing and energy conservation and will reduce property costs by reusing or selling office furniture and computers, for example.

Academic Initiatives Estimated to Support 410 Additional Students through 2008 at No Cost to State

To estimate the fiscal effects of academic initiatives, the USM Office identified the number of additional full-time equivalent students (FTES) each institution can serve with existing resource levels as a result of the efficiency efforts. This is in addition to increased enrollment supported with funds in the fiscal 2006 allowance.

At UMCP, the estimate is 410 added FTES to be served at no cost to the State from fiscal 2006 to 2008, or 136 in 2006 alone. (The actual number of additional FTES could vary in any given year of the three-year efficiency initiative.) This translates into \$4.8 million in total cost avoidance, or \$1.6 million for fiscal 2006, based on UMCP's 2003 general fund support of \$11,759 per FTES. Since these are avoided costs, they are not reflected in the budget.

Faculty Workload Increase Will Spur Academic Efficiencies

Most of the academic fiscal effects of USM's efficiency initiative will be realized through increases in faculty workload. UMCP faculty workload increased in fiscal 2004, as shown in **Exhibit 6**, but for several prior years was at the low end or even below the range approved by the Board of Regents. Tenured and tenure-track faculty taught 5.1 course units annually in fiscal 2004, compared to the Regents' target range of 5 to 6 course units annually. The workload average for USM research institutions was 5.1.

The President should comment on the challenges and opportunities provided by the efficiency initiatives.

Exhibit 6
Course Units Taught by FTE Tenured and Tenure-track Faculty

	<u>1999-2000</u> <u>Courses/FTEF</u>	<u>2000-2001</u> <u>Courses/FTEF</u>	<u>2001-2002</u> <u>Courses/FTEF</u>	<u>2002-2003</u> <u>Courses/FTEF</u>	<u>2003-2004</u> <u>Courses/FTEF</u>
UMCP	5.1	4.9	5.0	5.0	5.1
All USM Research Institutions	5.0	5.0	5.0	5.0	5.1

Notes:

UMCP data are for State-supported FTEs only.

Tenured and tenure-track faculty include sabbaticals and exclude department chairs.

The Board of Regents standard for instructional workload at research institutions is 5 to 6 course units annually.

FTEF = Full-time equivalent faculty.

Source: University System of Maryland

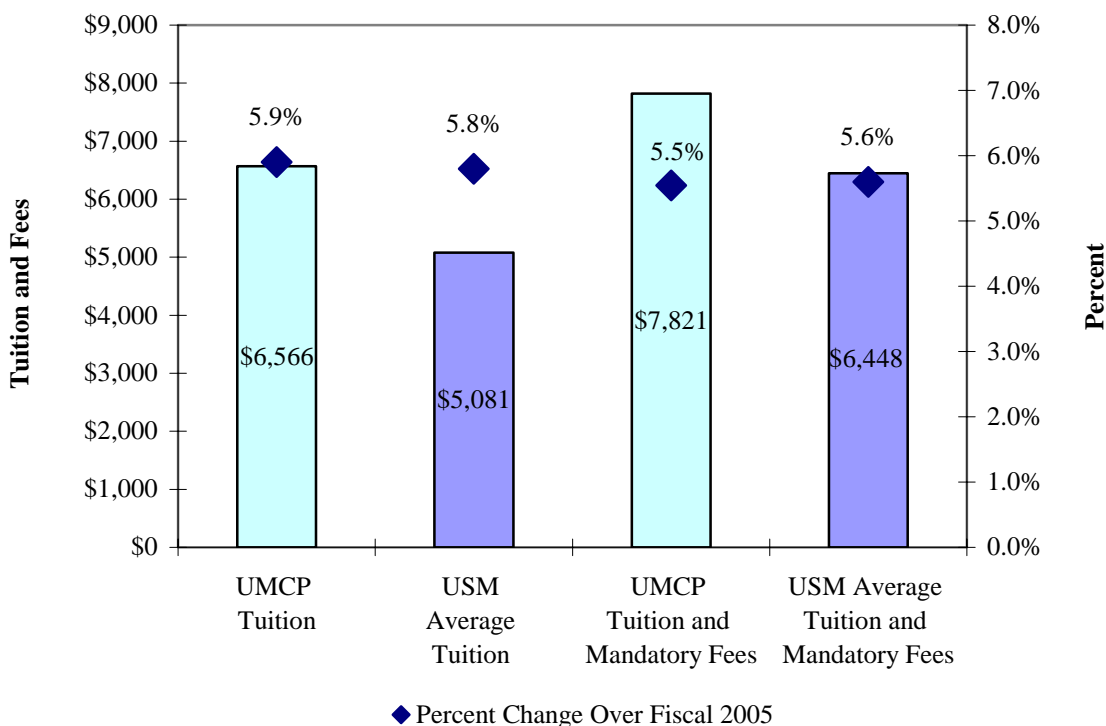
2. Affordability in Spotlight at UMCP and Across USM

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.

Tuition and Fee Increases Comparable to USM Average

A factor that directly affects affordability is tuition and fee rates. For fiscal 2006, the USM weighted average tuition rate increases 5.8%, as shown in **Exhibit 7**. By comparison, UMCP's tuition rate increases 5.9%. Considering tuition together with mandatory fees, the USM weighted average increases 5.6%. UMCP tuition and mandatory fees increase 5.5%.

**Exhibit 7
Tuition and Mandatory Fees for Resident Undergraduates
Fiscal 2006**



Note: USM averages are weighted.

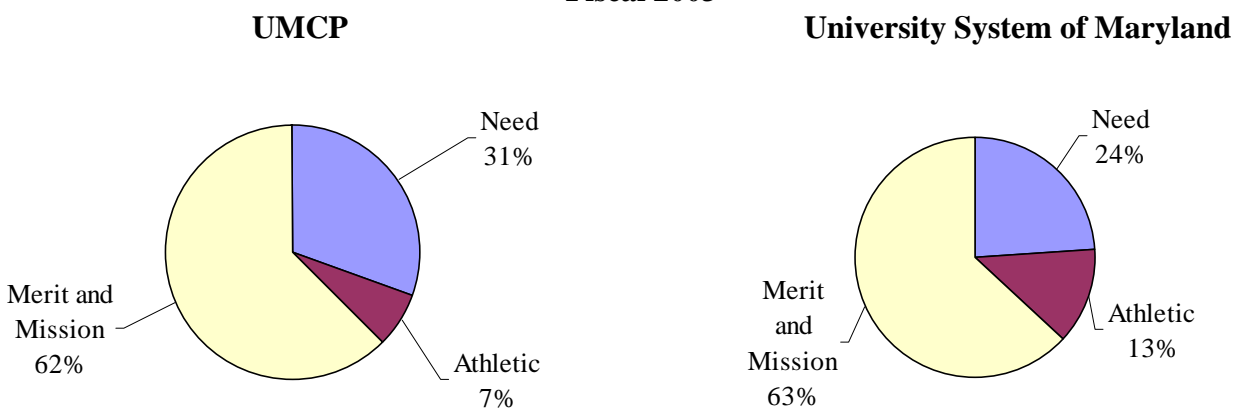
Source: USM fiscal 2006 Board of Regents budget request

Institutional Aid Focuses on Non-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 UMCP, most institutional aid falls into the merit and mission category (62%), and 31% goes to need, as shown in **Exhibit 8**. UMCP outperforms the USM average (24%) in terms of need-based aid. Institutional aid is one kind of aid students receive and may be accompanied by State and federal aid. **The President should comment on UMCP’s future financial aid strategies.**

**Exhibit 8
Institutional Financial Aid
Fiscal 2003**



	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
UMCP	\$5,591,758	\$1,287,723	\$11,443,898
USM Total	\$12,694,130	\$6,931,735	\$33,664,525

Source: MHEC Financial Aid Information Systems report September 2004

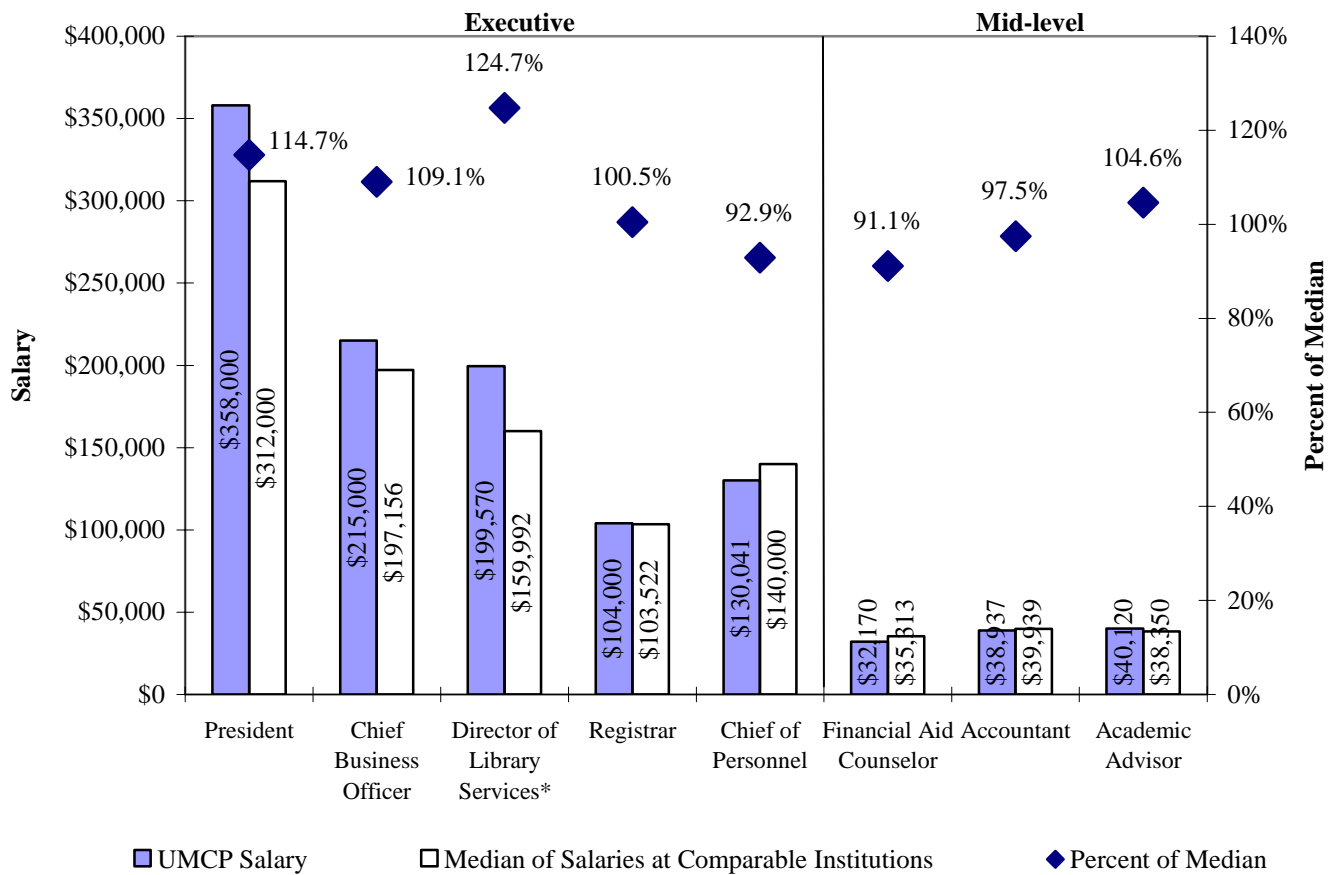
3. Selected Executive Salaries Tend to Be Above Median; Mid-level Administrative Salaries Vary as Compared to Median

The Department of Legislative Services (DLS) analyzed salaries of selected administrative positions across all USM institutions. At UMCP, four of the five selected executive salaries are above the national median and one is below. Systemwide, these executive salaries tend to be above the median. Two of the three selected mid-level salaries at UMCP are below the regional median. Systemwide, mid-level positions tend to cluster near the regional median.

The analysis is based on fiscal 2004 salary survey data from the College and University Professional Association 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 9 shows the salary detail for UMCP. Among the selected executive positions, the president, chief business officer, director of library services, and registrar salaries are above the national median. The director of library services 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 chief of personnel is below the median and also below the Regents’ target range.

**Exhibit 9
UMCP Administrative Salaries
Fiscal 2004**



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

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

For the selected mid-level positions, the academic advisor salary is above the median. However, this salary falls within the Regents' target range of the sixtieth to seventieth percentile for mid-level positions. The financial aid counselor and accountant salaries are below the median and also below the Regents' target range. **The President should comment on whether steps will be taken to address salaries that are outside the Regents' target range.**

4. Personnel Complement Remains Below 2002 Level; Proportion of Instructional Personnel Slightly Decreases

Considering all institutions, the USM workforce has nearly regained the level it was before recent cost containment measures. However, at UMCP the workforce has remained at a lower level. In fiscal 2002, UMCP's regular and contractual positions totaled 9,551, and in 2005 the total is 8,806. These numbers include filled and unfilled positions.

Although the workforce has remained constrained, UMCP is carrying more vacant positions than called for in its fiscal 2005 budget. The budget allows for a vacancy rate of 3.8%, but UMCP had a vacancy rate of 7.1% as of December 2004. At the same time, the fiscal 2006 allowance includes eight additional regular positions for UMCP for self-support operations including residence halls, conference services, and the executive education program.

The composition of UMCP's personnel has not changed much since fiscal 2002, as shown in **Exhibit 10** (the data in this exhibit are for filled regular positions only). Instructional personnel – who fulfill the institution's core mission – account for a slightly smaller share of total personnel. Instructional personnel include faculty as well as faculty support staff, for example. UMCP's proportion of instructional personnel (30.9%) also is smaller than the USM average (32.9%) in fiscal 2005. The total number of filled regular positions has declined since fiscal 2002. UMCP reports that the hiring freeze that has been in effect since fall 2002 has kept personnel at a lower level, particularly in State-supported positions.

The President should comment on the outlook for instructional personnel's share of total personnel.

Exhibit 10
UMCP Full-time Equivalent Personnel by Budget Program
Fiscal 2002, 2004, and 2005

	<u>Fiscal 2002</u>		<u>Fiscal 2004</u>		<u>Fiscal 2005</u>		Change in Share of Total 02-05
	<u>FTEs</u>	<u>% of Total FTEs</u>	<u>FTEs</u>	<u>% of Total FTEs</u>	<u>FTEs</u>	<u>% of Total FTEs</u>	
Instruction	2,226	31.4%	2,160	31.0%	2,113	30.9%	-0.5%
Research	1,265	17.9%	1,400	20.1%	1,384	20.2%	2.4%
Public Service	482	6.8%	439	6.3%	417	6.1%	-0.7%
Academic Support	741	10.5%	706	10.1%	645	9.4%	-1.0%
Student Services	304	4.3%	263	3.8%	269	3.9%	-0.4%
Institutional Support	672	9.5%	647	9.3%	616	9.0%	-0.5%
Operations, Maintenance of Plant	707	10.0%	675	9.7%	686	10.0%	0.0%
Auxiliary Enterprises	686	9.7%	685	9.8%	711	10.4%	0.7%
Total	7,083	100.0%	6,975	100.0%	6,841	100.0%	

Notes:

Data are for filled regular positions only.

Fiscal 2002 and 2004 data are self-reported and unaudited as of summer 2003.

Fiscal 2005 data are self-reported and unaudited as of fall 2004.

Numbers may not sum to total due to rounding.

Source: University of Maryland, College Park

Faculty's Share of Personnel Above USM Average

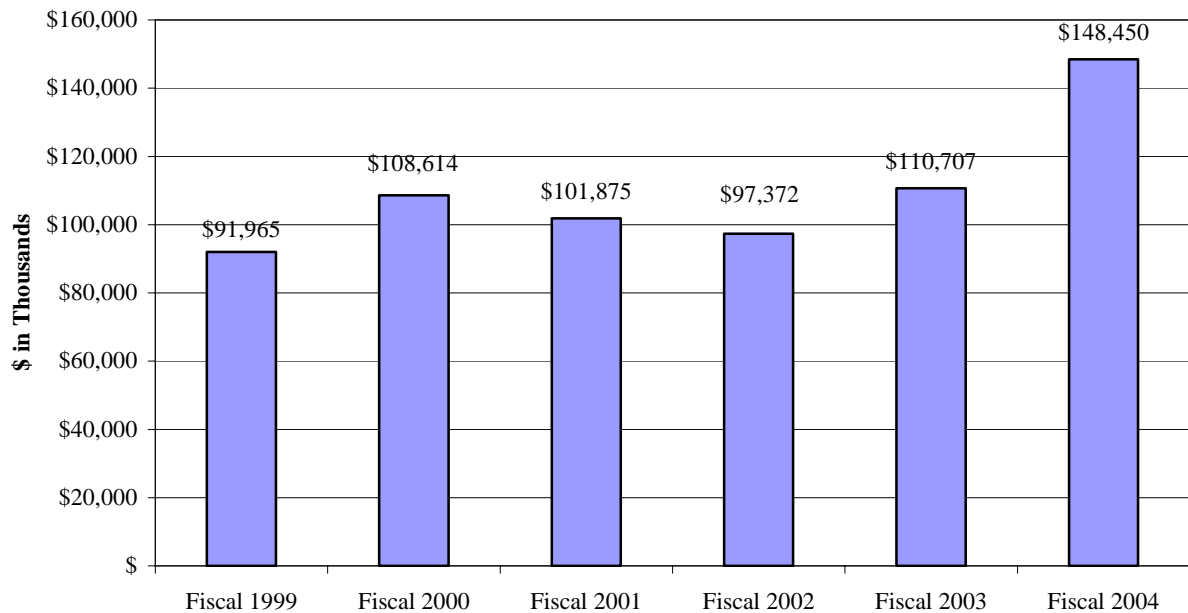
DLS also reviewed personnel by faculty, exempt, and non-exempt categories. Even with the decrease in overall instructional personnel, UMCP is above the USM average when considering faculty alone. Faculty account for 47% of personnel at UMCP, as compared to the USM average of about 40%. Exempt personnel, who generally are higher-paid administrators and managers and are exempt from overtime pay, make up 27% of staff at UMCP, and non-exempt personnel make up 26% of the UMCP total.

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

Fund balance is an important part 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. 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.

The results of USM’s effort already were evident in fiscal 2004, with a 25% increase over the 2003 fund balance level for the system as a whole. UMCP’s fund balance increased at an even higher rate of 34%. **Exhibit 11** shows the detail. **The President should comment on whether fund balance is expected to continue to grow at a significant rate. The President also should comment on whether tuition and fee rates could be reduced if enough unrestricted revenues are available to dramatically grow the fund balance level.**

Exhibit 11
UMCP Unrestricted Fund Balance
Fiscal 1999 – 2004



	<u>Fiscal 1999</u>	<u>Fiscal 2000</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Fund Balance	\$91,965,470	\$108,614,090	\$101,875,377	\$97,372,390	\$110,707,047	\$148,450,098
Change		16,648,620	-6,738,713	-4,502,987	13,334,657	37,743,051

Note: Amounts reflect ending fund balances.

Source: Maryland State Budget Books

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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 UMCP, projects that need to be addressed within five years are estimated at \$312 million, and projects that need to be addressed within the following five years are estimated at \$338 million. Most of the projects are related to life safety issues, rather than structural repairs or quality issues.

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%. At UMCP, the spending was 0.9% in fiscal 2003 and 0.8% in 2004. 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 facilities maintenance.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland, College Park (\$ 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	\$323,415	\$538,065	\$861,479	\$327,654	\$1,189,134
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	5,733	5,733	-45,119	-39,385
Cost Containment	-17,284	0	-17,284	0	-17,284
Reversions and Cancellations	0	-12,890	-12,890	-22,692	-35,581
Actual Expenditures	\$306,131	\$530,908	\$837,039	\$259,844	\$1,096,882
Fiscal 2005					
Legislative Appropriation	\$305,998	\$576,232	\$882,230	\$292,641	\$1,174,871
Budget Amendments	4,284	952	5,236	-36,972	-31,736
Working Appropriation	\$310,282	\$577,184	\$887,466	\$255,669	\$1,143,135

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

Fiscal 2004

UMCP's general funds were reduced \$17 million through the Governor's July 2003 cost containment action. Other unrestricted funds increased \$5.7 million through budget amendments. Of this net amount, increases included \$21 million in tuition revenues, \$2 million in private contracts and grants, \$1.8 million in State contracts and grants, and \$2 million in other amounts to align them with actual expenditures.

The largest decrease in unrestricted funds was \$5.4 million in auxiliary enterprises from a decrease in dining services. UMCP transferred \$6.2 million from auxiliary revenues to State-supported programs to help offset cost containment reductions, but this transfer neither increased nor decreased total unrestricted funds. Decreases also include \$4.2 million to align various amounts with actual expenditures, a transfer to fund balance of \$3.9 million, and federal indirect cost recovery that was lower than expected by \$0.6 million. Another decrease was \$4.8 million, which represents 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, cancellations for unrestricted funds totaled \$12.9 million. UMCP reports that these cancellations represent expenditures that were avoided due to continued efficiency improvements across programs, including a hiring freeze.

Restricted funds were reduced \$45.1 million through budget amendment. Within this amount, federal grants declined \$32.9 million, State and local grants declined \$7.5 million, and private grants declined \$4.8 million. Furthermore, at the end of fiscal 2004 UMCP cancelled \$22.7 million in restricted funds because they came in still lower than expected. This development is in stark contrast to the \$21 million restricted fund increase experienced in fiscal 2003. UMCP reports that its restricted revenues have been highly variable because they are subject to the institution's submission of winning proposals and to the budget fluctuations of grantor and contractor organizations.

Fiscal 2005

For fiscal 2005, general funds increased \$4.3 million through budget amendment for the State employee cost-of-living increase. Other unrestricted funds have increased a net \$0.9 million through budget amendment. The unrestricted increases include \$7.6 million in tuition revenues, \$5.8 million in auxiliary enterprises, and \$4.2 million in indirect cost recovery from federal grants. The unrestricted decreases include \$11.4 million to align certain amounts with actual expenditures and \$3.7 million from lower than expected sales and services of educational activities.

Restricted funds have dropped by a net \$37 million in fiscal 2005 through budget amendment because UMCP expects grant and contract awards to continue at the lower fiscal 2004 level. Within restricted funds, State and local grants decreased \$20.8 million and federal grants decreased \$20.4 million. However, private grants have increased \$4.2 million.

Audit Findings

Audit Period for Last Audit:	November 16, 1999 – March 15, 2002
Issue Date:	February 2003
Number of Findings:	11
Number of Repeat Findings:	3
% of Repeat Findings:	27%
Rating: (if applicable)	

- Finding 1:** Foundations: Approximately \$5.3 million was improperly deposited with affiliated foundations instead of the State Treasury
- Finding 2:** Foundations: An employee, who solely executed an agreement without obtaining proper approvals, may have violated State ethics law.
- Finding 3:** **Foundations: Payments from an affiliated foundation to university employees were not always reported as required.**
- Finding 4:** **Corporate Purchasing Cards: The monthly credit limits established for numerous corporate purchasing cards were excessive.**
- Finding 5:** Sponsored Program and Grant Receivables: Past due accounts were not always aggressively pursued and receivable records were not always accurate.
- Finding 6:** Student Accounts Receivable: Certain controls were inadequate.
- Finding 7:** University Graduate Apartments: The university did not adequately verify that all amounts due were received from the contractor who operates the apartments.
- Finding 8:** Purchases and Disbursements: Adequate internal controls were not established over the processing of purchasing transactions.
- Finding 9:** Cash Receipts: Certain collections were not adequately verified to deposit.
- Finding 10:** **Payroll: Controls were not adequate over payroll processing.**
- Finding 11:** Equipment: The university did not reconcile its equipment records.

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

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

<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	7422.19	7422.19	7430.19	8.00	0.1%
02 Contractual	1467.02	1384.51	1416.41	31.90	2.3%
Total Positions	8889.21	8806.70	8846.60	39.90	0.5%
Objects					
01 Salaries and Wages	\$ 703,249,413	\$ 725,799,318	\$ 749,355,001	\$ 23,555,683	3.2%
02 Technical & Spec Fees	5,637,028	4,048,656	4,407,475	358,819	8.9%
03 Communication	16,316,116	15,784,778	16,034,551	249,773	1.6%
04 Travel	20,072,204	17,615,752	17,615,752	0	0%
06 Fuel & Utilities	29,892,810	43,699,009	52,336,444	8,637,435	19.8%
07 Motor Vehicles	2,741,291	2,521,974	2,433,396	-88,578	-3.5%
08 Contractual Services	73,587,513	89,741,184	94,475,083	4,733,899	5.3%
09 Supplies & Materials	53,840,372	55,263,913	58,978,519	3,714,606	6.7%
10 Equip - Replacement	401	0	0	0	0.0%
11 Equip - Additional	17,485,570	19,935,196	19,937,359	2,163	0%
12 Grants, Subsidies, and Contributions	81,574,175	93,396,023	102,006,451	8,610,428	9.2%
13 Fixed Charges	57,127,237	57,110,011	58,119,090	1,009,079	1.8%
14 Land & Structures	35,358,342	18,219,363	17,851,056	-368,307	-2.0%
Total Objects	\$ 1,096,882,472	\$ 1,143,135,177	\$ 1,193,550,177	\$ 50,415,000	4.4%
Funds					
40 Unrestricted Fund	\$ 837,038,586	\$ 887,466,177	\$ 929,881,177	\$ 42,415,000	4.8%
43 Restricted Fund	259,843,886	255,669,000	263,669,000	8,000,000	3.1%
Total Funds	\$ 1,096,882,472	\$ 1,143,135,177	\$ 1,193,550,177	\$ 50,415,000	4.4%

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, College Park

<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	\$ 281,535,312	\$ 292,836,501	\$ 304,412,466	\$ 11,575,965	4.0%
02 Research	253,361,179	259,270,539	267,333,344	8,062,805	3.1%
03 Public Service	56,062,517	56,893,286	58,565,021	1,671,735	2.9%
04 Academic Support	88,284,657	89,534,609	92,383,237	2,848,628	3.2%
05 Student Services	26,842,512	28,241,883	29,219,055	977,172	3.5%
06 Institutional Support	74,513,961	81,048,347	82,451,079	1,402,732	1.7%
07 Operation and Maintenance of Plant	101,205,671	108,989,698	119,075,411	10,085,713	9.3%
08 Auxiliary Enterprises	148,005,619	154,212,787	159,612,885	5,400,098	3.5%
17 Scholarships And Fellowships	67,071,044	72,107,527	80,497,679	8,390,152	11.6%
Total Expenditures	\$ 1,096,882,472	\$ 1,143,135,177	\$ 1,193,550,177	\$ 50,415,000	4.4%
Unrestricted Fund	\$ 837,038,586	\$ 887,466,177	\$ 929,881,177	\$ 42,415,000	4.8%
Restricted Fund	259,843,886	255,669,000	263,669,000	8,000,000	3.1%
Total Appropriations	\$ 1,096,882,472	\$ 1,143,135,177	\$ 1,193,550,177	\$ 50,415,000	4.4%

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