

R30B24
Towson University
University System of Maryland

Operating Budget Data

(\$ 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	\$57,824	\$58,946	\$61,971	\$3,025	5.1%
Other Unrestricted Funds	162,909	180,336	186,327	5,991	3.3%
Total Unrestricted Funds	220,733	239,282	248,299	9,016	3.8%
Restricted Funds	<u>18,112</u>	<u>24,500</u>	<u>23,900</u>	<u>-600</u>	<u>-2.4%</u>
Total Funds	\$238,845	\$263,782	\$272,199	\$8,416	3.2%

- General funds increase \$3 million in the fiscal 2006 allowance, an increase of 5.1% over 2005.
- Other unrestricted funds in the allowance grow mostly from a tuition and fee revenue increase of \$7.3 million, which is 6.9% above the fiscal 2005 level. The increase is partially offset by declines in other sources of unrestricted funds and a \$1.2 million transfer to fund balance.

Personnel Data

	<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>
Regular Positions	1,592.50	1,615.50	1,620.50	5.00
Contractual FTEs	<u>811.70</u>	<u>820.70</u>	<u>836.70</u>	<u>16.00</u>
Total Personnel	2,404.20	2,436.20	2,457.20	21.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	64.66	3.99%
Positions Vacant as of 12/31/04	94.50	5.80%

- The fiscal 2006 allowance includes 5 additional regular positions and 16 additional contractual positions.

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

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Analysis in Brief

Major Trends

For Teaching and Nursing, Enrollment and Graduation Have Increased; Teaching Employment in State Is Below Objective: The number of students enrolled in teaching programs is increasing, as is the number of students completing teacher training. Numbers of students enrolled in and graduating from nursing programs also has risen. Although the measure of teachers employed in the State is below objective, nursing employment appears on track.

Retention Rates on Track, Graduation Rates Have Mixed Results: The retention rate for all undergraduates is comparable to the USM average. The retention rate for African American students is higher than the rate for all undergraduates. The graduation rate for African American students has increased, but the rate for all undergraduates has declined.

Issues

Plans Set for Achieving Administrative and Academic Efficiencies: The University System of Maryland (USM) has begun an ambitious efficiency initiative. Towson's share of the administrative cost savings in fiscal 2006 is \$1.7 million. Academic efficiencies are expected to support 936 added students through 2008, or 312 for 2006 alone, at no cost to the State. Faculty workload increases are a key part of the academic efficiencies.

Affordability in Spotlight at Towson and Across USM: Tuition and fee increases at Towson outpace the USM average in fiscal 2006. Towson institutional financial aid focuses on non-need categories.

Selected Executive and Mid-level Salaries Vary as Compared to Median: Three of the five selected executive salaries are above the national median and two are below. One of the selected mid-level salaries is above the regional median and two are below.

Personnel Complement Remains Below 2002 Level, Proportion of Instructional Personnel Increases: The USM workforce as a whole has nearly regained the level it was before recent cost containment measures. At Towson the workforce has remained at a lower level. Instructional personnel – who fulfill the institution's core mission – account for a larger share of the total than in fiscal 2002.

Fund Balance Grows Dramatically Since 1999; Facilities Maintenance Needs Also 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 Towson's case, fund balance grew to \$32.6 million in fiscal 2004, nearly two and a half times the 1999 level.

Recommended Actions

1. Concur with Governor's allowance.

Updates

Towson Pursues MBA Program: Towson received approval from the Board of Regents to pursue development of a joint Masters in Business Administration (MBA) program with the University of Baltimore.

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Towson University
University System of Maryland

Operating Budget Analysis

Program Description

Towson University is the largest comprehensive university in the University System of Maryland (USM), serving more than 17,000 students. The university generally serves students from Maryland and the adjoining mid-Atlantic and northeastern states. Programs and services are oriented toward those in the top one-third of high school graduates, as well as adult learners. Towson also has more than 3,000 graduate students.

Towson offers a comprehensive range of baccalaureate programs in the liberal arts, fine arts, and sciences, and professional programs in business, education, computer and information sciences, and the health professions. The university is committed to strengthening its core liberal and fine arts and sciences disciplines and to building a nationally renowned general education program for all undergraduate students. The university also strives to develop programs that are responsive to the metropolitan community, such as international, multi-cultural, ethnic, and women's studies curricula.

Post-baccalaureate certificates and master's programs focus on education, fine arts, the health professions, computer sciences and information systems, software design, and applied professional fields. Areas of emphasis include education, theater, human resources development, psychology, computer and information sciences, speech-language pathology, audiology, occupational therapy, and health administration.

The university also offers programs at the Higher Education and Applied Technology Center in Harford County and the Southern Maryland Higher Education Center. Towson continues to lead the State in the preparation and professional development of teachers.

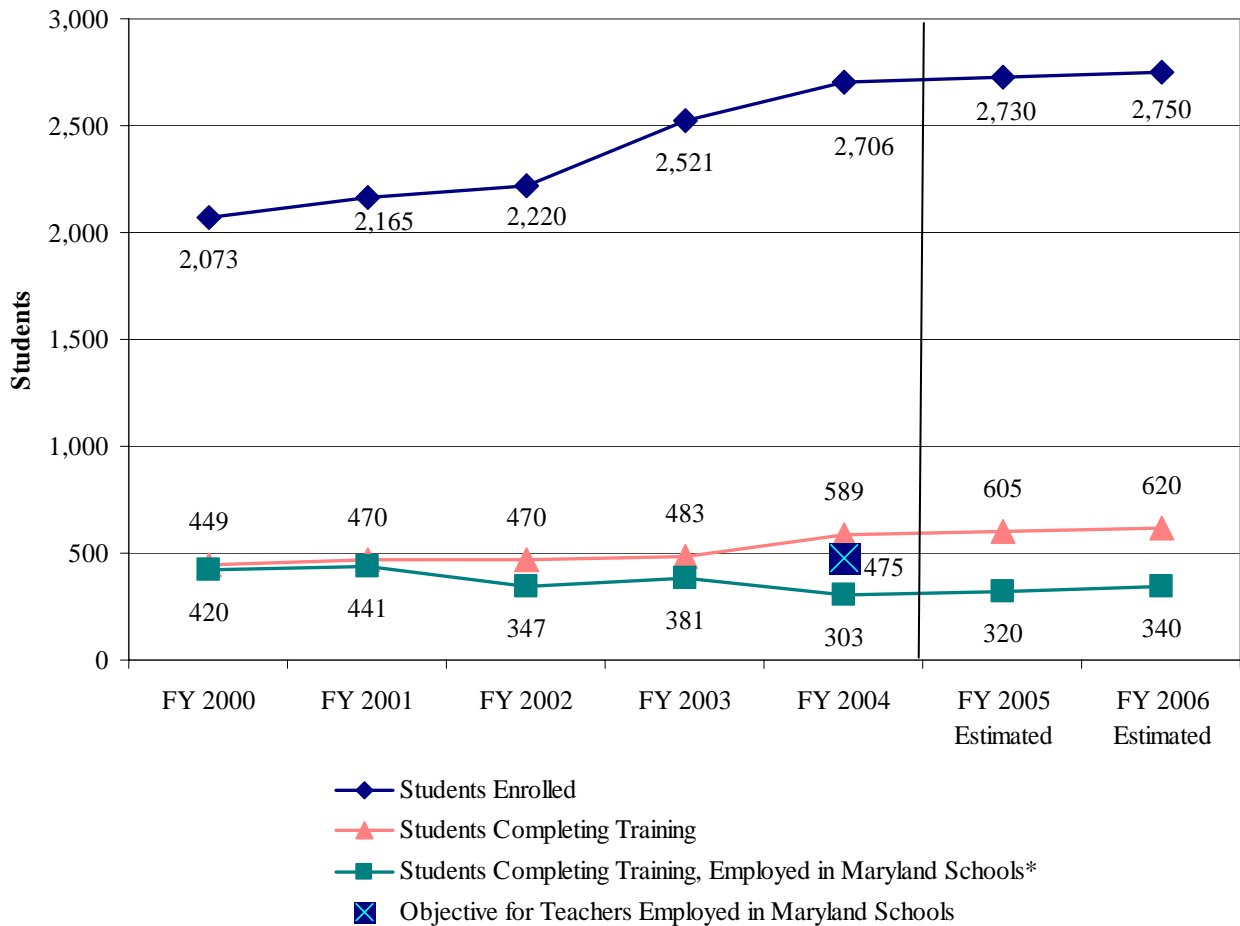
Performance Analysis: Managing for Results

Towson's first goal is to create and maintain a well-educated work force. The number of annual bachelor's degree recipients increased in fiscal 2004 to 2,740, and Towson has the capacity to further increase its undergraduate enrollment level, which was nearly 14,000 in 2004. To further measure the workforce goal, Towson tracks its efforts to educate students in several high-demand fields, including teaching and nursing.

For Teaching and Nursing, Enrollment and Graduation Have Increased; Teaching Employment in State Is Below Objective

The number of students enrolled in teaching programs is increasing, as shown in **Exhibit 1**. Growth in post-baccalaureate students has been particularly strong. The number of students completing their teacher training also is increasing. However, the number of students who complete training and are employed in Maryland schools has dropped from 441 in fiscal 2001 to 303 in 2004. Towson’s objective for teacher graduates employed in State schools was 475 by fiscal 2004. Towson reports that more graduates may be choosing to work in private schools, to leave the State, or to not enter the teaching workforce. Towson still leads the State in generating graduates who teach in Maryland public schools.

Exhibit 1
Students Enrolled in and Graduating from Teacher Education Programs
Employed in Maryland Public Schools
Fiscal 2000 – 2006



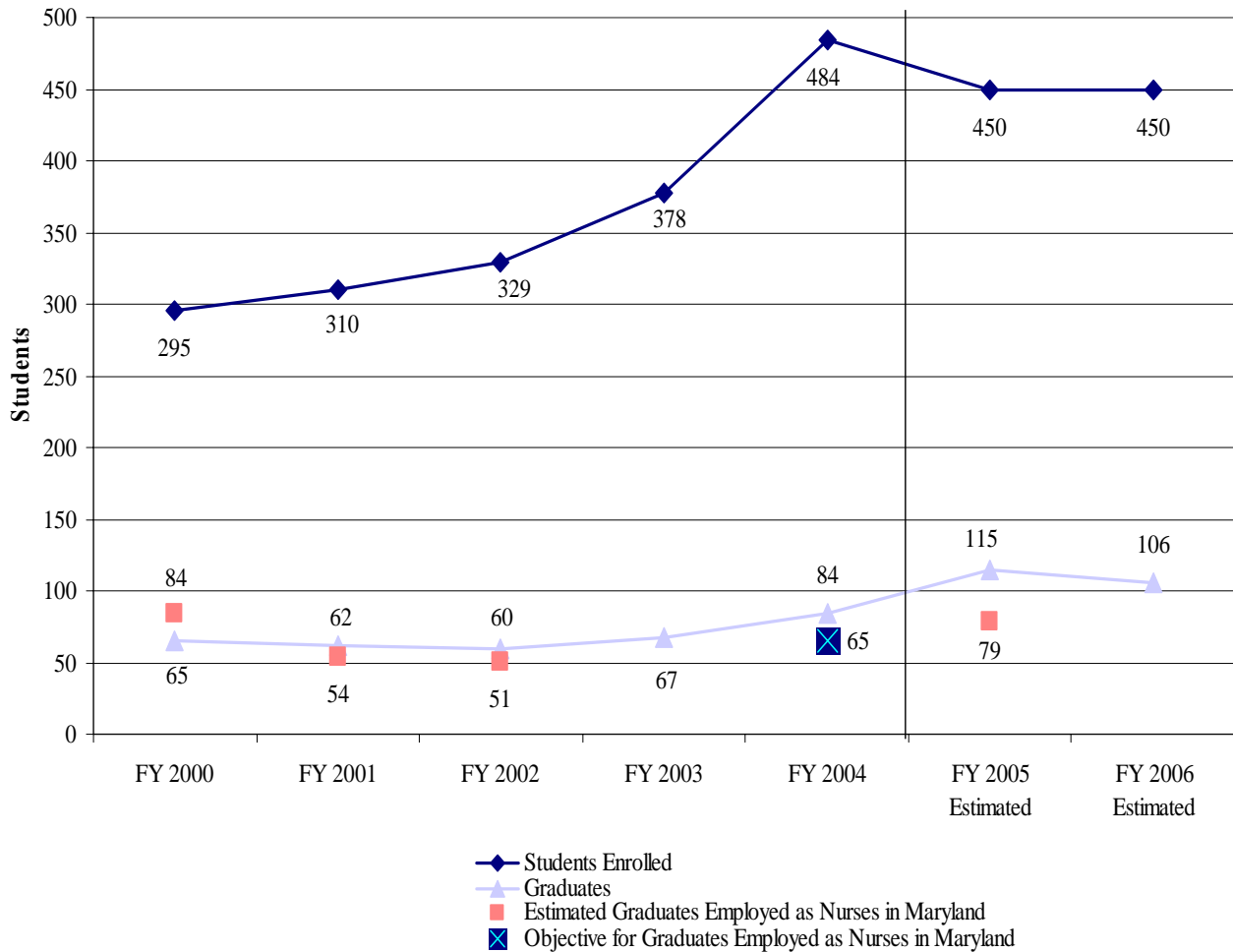
Note: Data include undergraduate and graduate students.

*These data are obtained from a survey of Towson 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

Concerning nursing, the number of undergraduates enrolled in Towson nursing education programs has been increasing, as shown in **Exhibit 2**. Enrollment increased significantly in fiscal 2004 due to a 50% increase in program capacity. The number of graduates from nursing programs also has recently increased. The estimated number of nursing graduates employed as nurses in Maryland has been uneven, but data from Towson’s alumni survey, which is different than the data source for Managing for Results (MFR), indicate that Towson likely met its fiscal 2004 objective of 65. The next MFR survey is scheduled for 2005.

Exhibit 2
Students Enrolled in and Graduating from Nursing Programs
Employed as Nurses in Maryland
Fiscal 2000 – 2006



Note: Data are for undergraduate nursing programs.

Source: Maryland State Budget Books

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The Maryland Higher Education Commission's (MHEC) peer performance analysis compares Towson to similar institutions on a number of measures. Towson outperforms its peers on overall retention and graduation rates as well as the graduation rate for African American students. Also, the percentage of students passing the teacher licensing exams at Towson has increased, reaching 97% in fiscal 2004, which is comparable to a recent peer average of 95%.

However, for the nursing licensing exam, Towson's pass rate declined to 72% in fiscal 2004, and it has the lowest rate among its peers with nursing programs. The most recent peer average was 93%. In the MHEC analysis, Towson reports that nursing faculty have developed a new testing program that identifies students' areas of weakness before they take the actual licensing exam, and they expect this approach to generate better results.

Retention Rates on Track, Graduation Rates Have Mixed Results

Towson also has a goal to increase access for economically disadvantaged and minority students. The proportion of African American students enrolled at Towson was 9.9% in fiscal 2004, which is below the objective of 11%. For USM as a whole, African American students make up 25% of enrollment.

Retention rates at Towson are generally on track. The retention rate for all undergraduates was 86.8% in fiscal 2004, as shown in **Exhibit 3**, and is comparable to the USM average. The retention rate for African American students has been higher than the rate for all Towson undergraduates as well as the average USM rate for African Americans. Furthermore, Towson exceeded its fiscal 2004 objective of 89% for this measure.

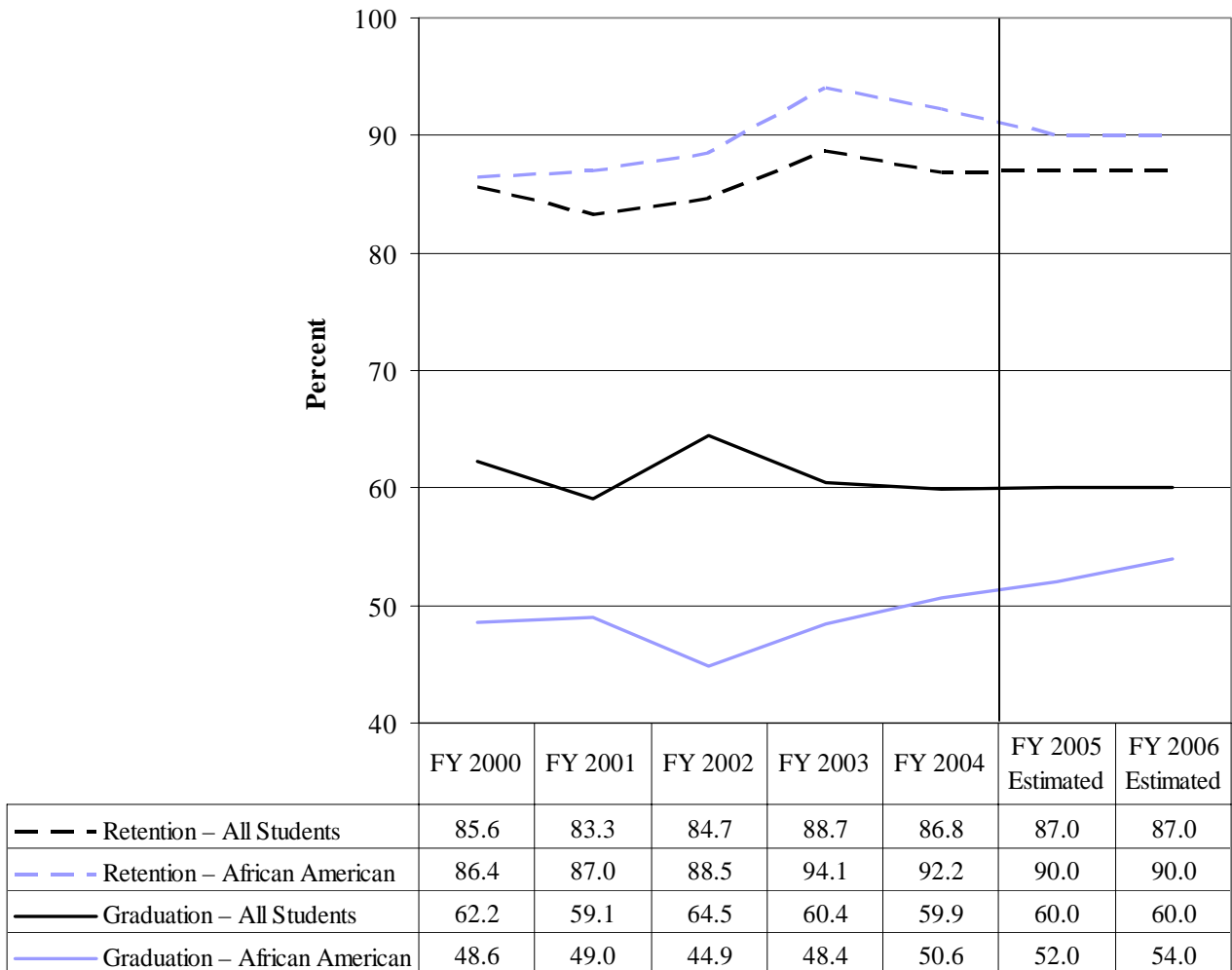
Graduation rates have more mixed results. The graduation rate for all students has declined since fiscal 2002, but Towson reports that the 2002 rate was an anomaly. Still, the graduation rate was below the fiscal 2004 USM average of 63% and the Towson objective of 64%. On the other hand, the graduation rate for African American students has increased since fiscal 2002 and met the 2004 objective of 50%. The decline in the overall graduation rate is a concern, but the effect has been to reduce the gap between graduation rates for all students and African American students.

Governor's Proposed Budget

The general fund allowance for fiscal 2006 is \$3 million above the 2005 level, an increase of 5.1%, as shown in **Exhibit 4**. Towson reports that it intends to use the additional general funds for need-based financial aid, new facilities operations, and increases in mandatory costs. The allowance specifies that \$384,000 in general funds is for enhancement of the nursing program. **The President should comment specifically on how the nursing enhancement funds will be used.**

Other unrestricted funds in the allowance grow mostly from a tuition and fee revenue increase of \$7.3 million, which is 6.9% above the fiscal 2005 level. Considering all increases and decreases and a \$1.2 million planned transfer to fund balance, other unrestricted funds increase by \$6 million. Overall, the Towson budget increases 3.2%.

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



Source: Maryland State Budget Books

Exhibit 4
Governor’s Proposed Budget
Towson University
(\$ 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	\$57,824	\$58,946	\$61,971	\$3,025	5.1%
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Total Funds	\$238,845	\$263,782	\$272,199	\$8,416	3.2%

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

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, operation and maintenance of plant expenditures increase at the highest rate (9.9%). Scholarships have the next highest growth rate (8.4%), followed by instruction (4.8%). This differs from expenditure patterns from fiscal 2002 to 2005, where research and public service programs increased at the highest rates, and instruction programs had the fifth-highest growth rate.

Towson reports that unrestricted funds besides general funds and tuition and fee revenues decrease 20.6% in the allowance due to lower sales and services of educational activities – particularly at the Regional Economic Studies Institute (RESI). Also, indirect cost recovery from State and federal grants is expected to decrease because restricted funds from these sources are budgeted to decline (although federal restricted funds as a whole are expected to increase because of additional Pell Grants).

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

	Fiscal 2002 Actual	Fiscal 2005 Working	02-05 % Change	Fiscal 2006 Allowance	05-06 \$ Change	05-06 % Change
Expenditures						
Instruction	\$58,426	\$64,343	10.1%	\$67,436	\$3,093	4.8%
Research	715	1,802	152.0%	1,804	3	0.2%
Public Service	2,198	3,535	60.9%	3,594	58	1.6%
Academic Support	22,294	22,767	2.1%	22,983	217	1.0%
Student Services	11,965	12,638	5.6%	12,784	145	1.2%
Institutional Support	23,828	26,196	9.9%	27,072	876	3.3%
Operation and Maintenance of Plant	19,460	24,530	26.0%	26,963	2,433	9.9%
Scholarships and Fellowships	13,105	16,158	23.3%	17,510	1,352	8.4%
Education and General Total	\$151,991	\$171,969	13.1%	\$180,147	8,178	4.8%
Auxiliary Enterprises	\$53,520	\$67,314	25.8%	\$68,152	\$838	1.2%
Grand Total	\$205,511	\$239,282	16.4%	\$248,299	\$9,016	3.8%
Revenues						
Tuition and Fees	\$80,967	\$106,422	31.4%	\$113,765	\$7,343	6.9%
General Funds	68,062	58,946	-13.4%	61,971	3,025	5.1%
Other Unrestricted Funds	7,328	5,552	-24.2%	4,411	-1,142	-20.6%
Subtotal	\$156,357	\$170,920	9.3%	\$180,147	9,227	5.4%
Auxiliary Enterprises	53,410	67,891	27.1%	69,325	1,435	2.1%
Transfer (to)/from Fund Balance	-4,255	472	-111.1%	-1,173	-1,645	-348.7%
Grand Total	\$205,511	\$239,282	16.4%	\$248,299	\$9,016	3.8%

Note: Unrestricted funds only. All programs.

Source: Maryland State Budget

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.

Towson's share of the administrative savings is estimated at \$1.7 million in fiscal 2006. To achieve these savings, Towson will restructure some administrative functions including technology support, human resources, and executive areas. Also, Towson eliminated the College of Extended Education.

Academic Initiatives Estimated to Support 936 Added 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 Towson, the estimate is 936 added FTES to be served at no cost to the State from fiscal 2006 to 2008, or 312 for 2006 alone. (The actual number of additional FTES could vary in any given year of the three-year efficiency initiative.) This is the largest number of any of the USM institutions – the next highest three-year total is 410 at the University of Maryland, College Park. The Towson increase translates into \$4.2 million in total cost avoidance, or \$1.4 million for fiscal 2006, based on Towson's fiscal 2003 general fund support of \$4,536 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. Towson's faculty workload has been at the low end or below the range approved by the Board of Regents at least since fiscal 2000, as shown in **Exhibit 6**. The increase in faculty workload is what generates Towson's high contribution to academic efficiencies in terms of additional FTES. Tenured and tenure-track faculty taught 6.9 course units annually in fiscal 2004 at Towson, compared to the Regents' target range of 7 to 8 course units annually. The workload average for USM comprehensive institutions was 7.5.

The President should comment on the challenges and opportunities provided by the efficiency initiative, particularly the increase in faculty workload.

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>
Towson University	6.9	7.0	6.6	6.5	6.9
All USM Comprehensives	7.1	7.4	7.0	7.0	7.5

Notes:

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

The Board of Regents standard for instructional workload at comprehensive institutions is 7 to 8 course units annually. Towson's calculation omits the business school because accreditation standards call for business faculty to teach 6 course units annually.

FTEF = Full-time equivalent faculty.

Source: University System of Maryland

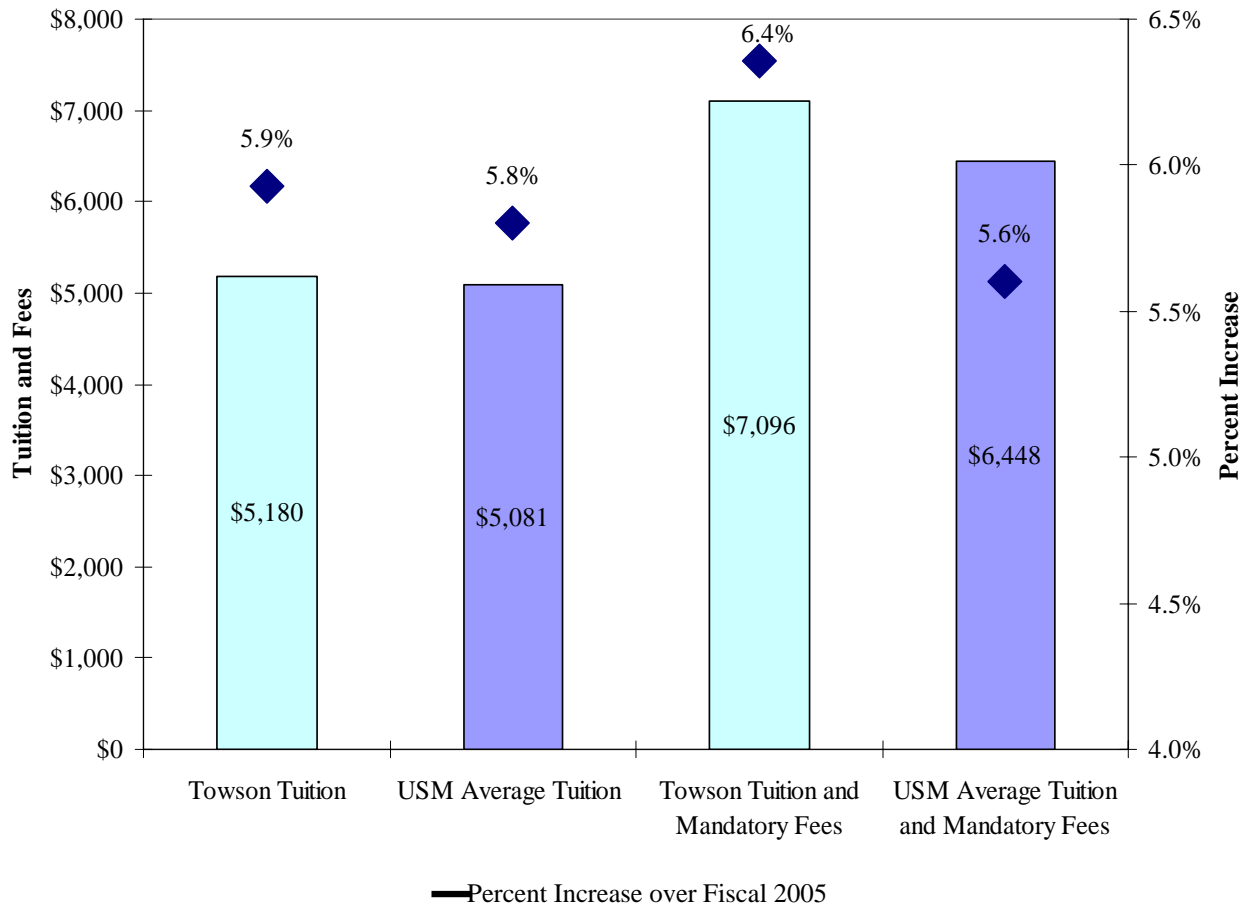
2. Affordability in Spotlight at Towson and Across USM

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 Outpace USM Average

A factor that directly affects affordability is tuition and fee rates. For fiscal 2006, the USM weighted average in-state undergraduate tuition rate increases 5.8%, as shown in **Exhibit 7**. By comparison, Towson's tuition rate increases 5.9%. Considering tuition together with mandatory fees, the USM weighted average increases 5.6%. Towson's tuition and mandatory fees increase 6.4%.

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



Source: USM fiscal 2006 Board of Regents budget request

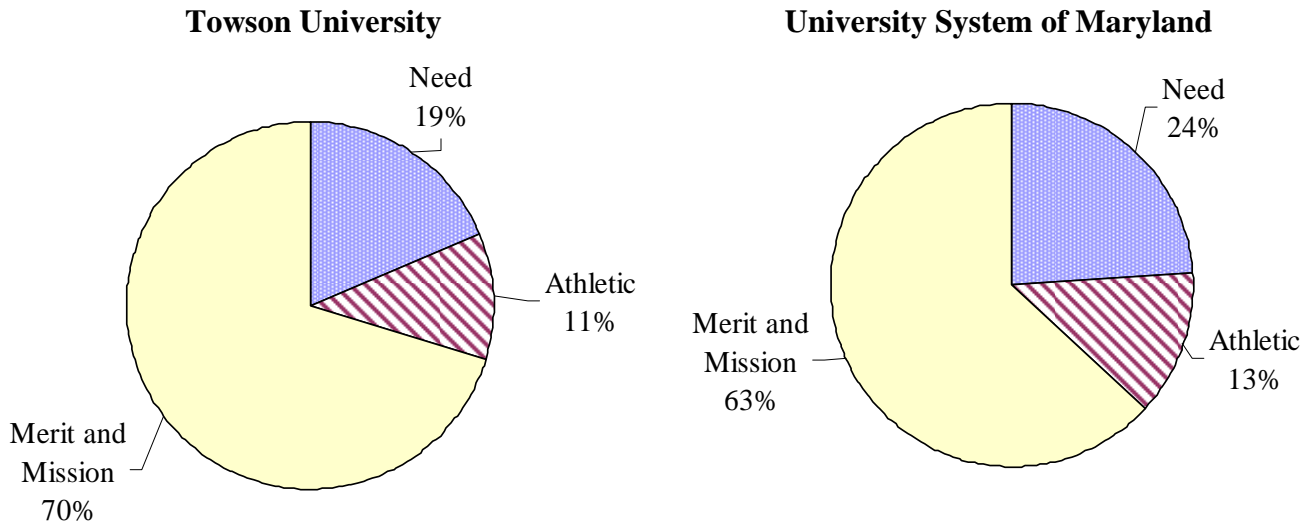
Institutional Aid Focuses on Non-need

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.

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At Towson, most institutional aid falls into the merit and mission category (70%), and 19% goes to need, as shown in **Exhibit 8**. This is not too different from USM as a whole, where 63% of aid goes to the merit and mission category, 24% goes to need, and 13% goes to athletic. Institutional aid is one kind of aid students receive and may be accompanied by State and federal aid. **The President should comment on Towson’s future financial aid strategies.**

**Exhibit 8
Institutional Financial Aid
Fiscal 2003**



	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
TU	\$1,982,458	\$1,180,360	\$7,461,497
USM Total	\$12,694,130	\$6,931,735	\$33,664,525

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

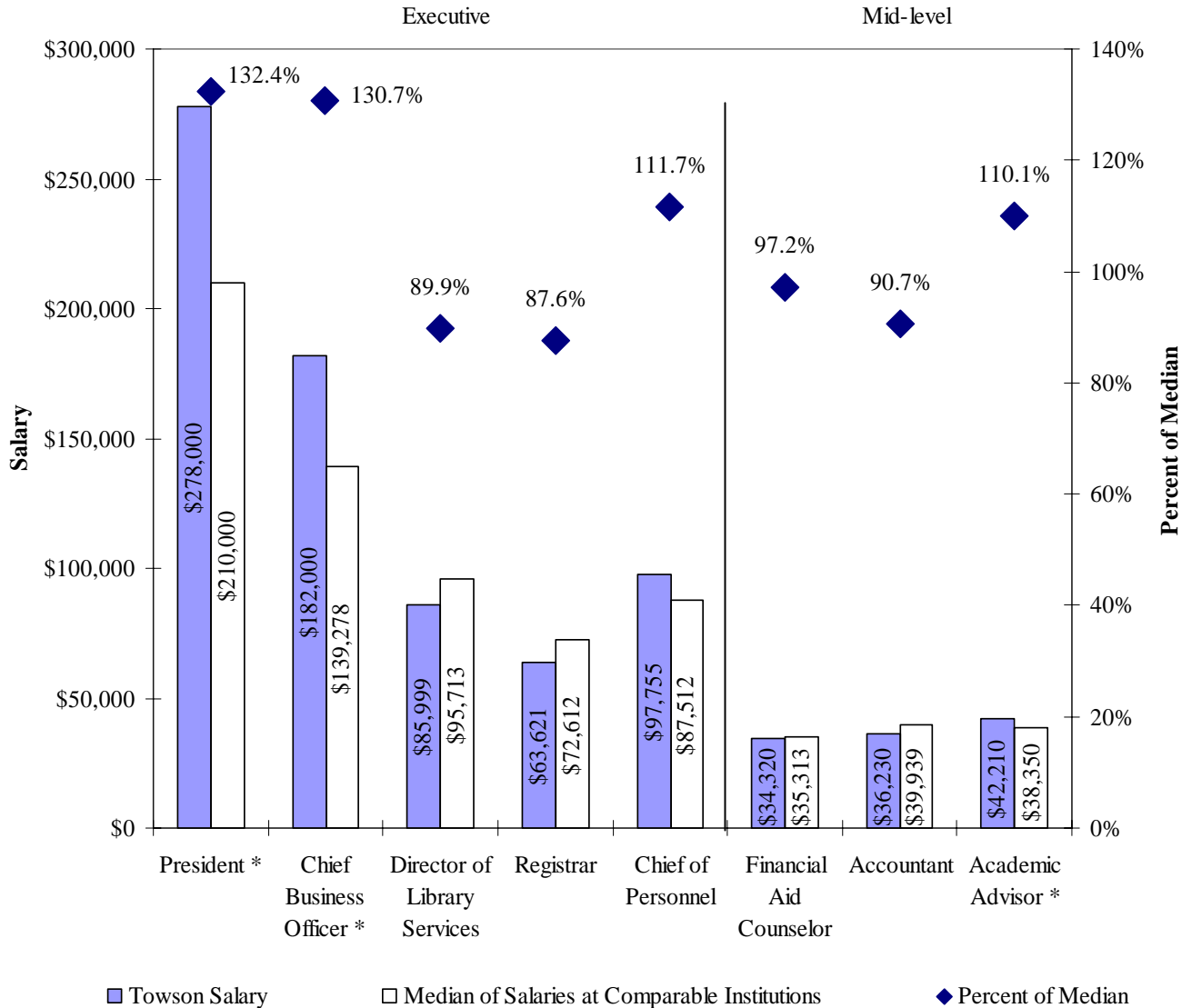
3. Selected Executive and Mid-level Salaries Vary as Compared to Median

The Department of Legislative Services (DLS) analyzed salaries of selected administrative positions across all USM institutions. At Towson, three of the five selected executive salaries are above the national median and two are below. Systemwide, these executive salaries tend to be above the median. One of the selected mid-level salaries at Towson is above the regional median and two are below. 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 Towson. Among the selected executive positions, the president, chief business officer, and chief of personnel are above the national median. The president and chief business officer salaries also are 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 salary falls within the Regents’ target range. The director of library services and registrar salaries are below the median and also below the Regents’ target range.

**Exhibit 9
Towson University Administrative Salaries
Fiscal 2004**



*Indicates salary that is above the Regents' target range of the fiftieth to seventy-fifth percentile rank for executive positions or sixtieth to seventieth percentile rank for mid-level 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 regional median and also above the Regents' target range of the sixtieth to seventieth percentile. In contrast, 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 outside the Regents' target range. The Chancellor should comment on the President's salary.**

4. Personnel Complement Remains below 2002 Level, Proportion of Instructional Personnel Increases

The USM workforce as a whole has nearly regained the level it was before recent cost containment measures. At Towson the workforce has remained at a lower level. In fiscal 2002, Towson's regular and contractual positions totaled 2,494, and in 2005 the total is 2,436. These numbers include filled and unfilled positions.

Although the workforce has remained constrained, Towson is carrying more vacant positions than called for in its fiscal 2005 budget. The budget allows for a vacancy rate of 3%, but Towson had a vacancy rate of 5.8% as of December 2004. Towson reports that some of the vacancies are for faculty positions that take a long time to fill. At the same time, the fiscal 2006 allowance includes five additional regular positions for Towson for the opening of the newly renovated Center for the Arts.

The composition of Towson's personnel has changed somewhat 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 larger share of total personnel. Instructional personnel include faculty as well as faculty support staff, for example. For USM as a whole, instructional personnel's share of the total declined slightly from fiscal 2002 to 2005. Furthermore, Towson's proportion of instructional personnel (41%) is larger than the USM average (33%) in fiscal 2005.

Regular Faculty's Share of Personnel Somewhat below USM Average

DLS also reviewed personnel by faculty, exempt, and non-exempt categories. Although Towson is above the USM average in terms of overall instructional personnel, it is somewhat below average considering faculty alone. At Towson, filled regular faculty positions account for 35% of the fiscal 2005 total as compared to the USM average of 38%. Exempt personnel, who generally are higher-paid administrators and managers and are exempt from overtime pay, make up 34% of staff at Towson, which is higher than the USM average of 32%. Non-exempt personnel make up 31% of the total at Towson, as compared to the USM average of 30%. **The President should comment on the proportions of overall instructional personnel as well as faculty.**

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

	<u>Fiscal 2002</u>		<u>Fiscal 2004</u>		<u>Fiscal 2005</u>		<u>Change in Share of Total 02-05</u>
	<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	584	38.8%	595	39.8%	616	41.3%	2.5%
Research	3	0.2%	4	0.3%	4	0.3%	0.1%
Public Service	15	1.0%	16	1.1%	15	1.0%	0.0%
Academic Support	191	12.7%	177	11.9%	162	10.9%	-1.8%
Student Services	152	10.1%	147	9.8%	141	9.5%	-0.6%
Institutional Support	272	18.1%	273	18.3%	271	18.2%	0.1%
Operations, Maintenance of Plant	114	7.6%	110	7.4%	104	7.0%	-0.6%
Auxiliary Enterprises	174	11.6%	172	11.5%	178	11.9%	0.4%
Total	1,503	100.0%	1,494	100.0%	1,491	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 summer 2004.
 Numbers may not sum to total due to rounding.

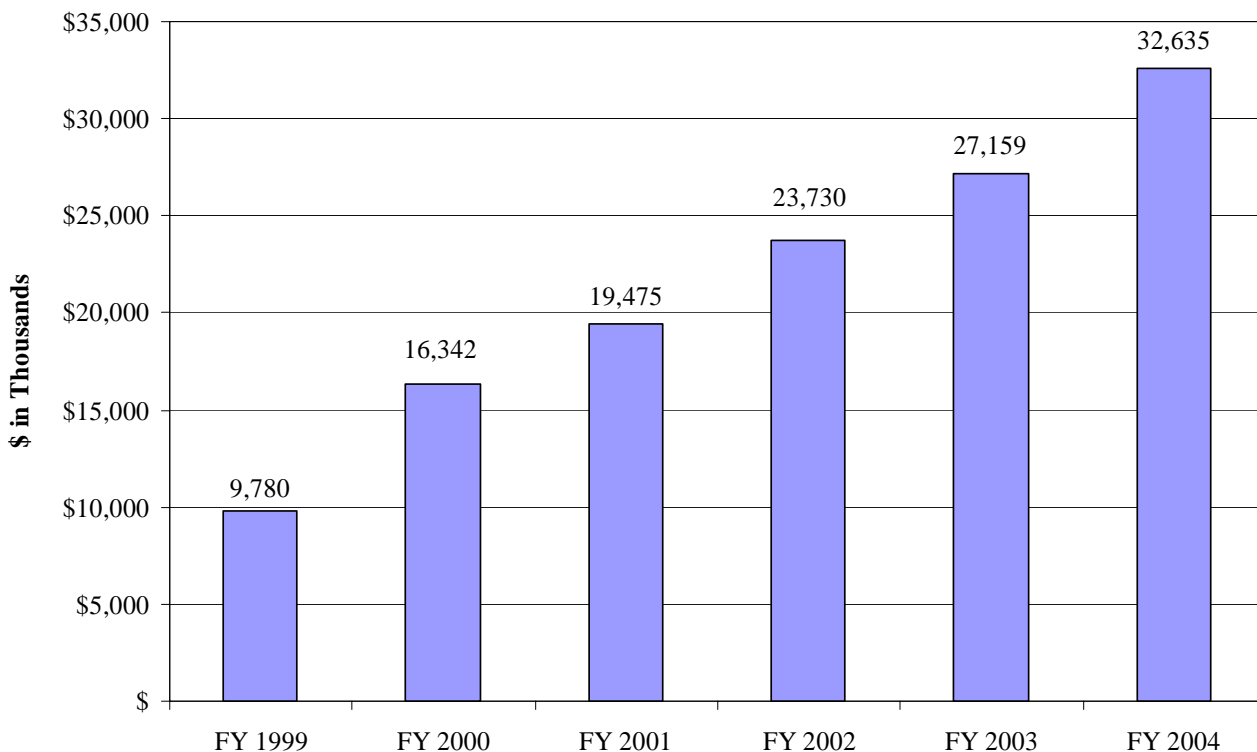
Source: Towson University

5. Fund Balance Grows Dramatically Since 1999; Facilities Maintenance Needs Also 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.

As shown in **Exhibit 11**, Towson's fund balance has grown dramatically – from \$9.8 million in fiscal 1999 to \$32.6 million in 2004, a 234% increase. For USM as a whole, the increase was 60% during the same time. 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 11
Towson University Unrestricted Fund Balance
Fiscal 1999 – 2004**



	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Fund Balance	\$9,780,062	\$16,341,679	\$19,474,855	\$23,729,980	\$27,158,975	\$32,634,611
Change		\$6,561,617	\$3,133,176	\$4,255,125	\$3,428,995	\$5,475,636

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 Towson, projects that need to be addressed within five years are estimated at \$87 million, and projects that need to be addressed within the following five years are estimated at \$103 million. Most of Towson’s projects are related to quality issues, rather than life safety issues or structural repairs.

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 Towson, the spending was 0.7% in fiscal 2003 and 1.1% 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 fund balance and facilities maintenance.**

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Towson Pursues MBA Program

In December 2004, Towson received approval from the Board of Regents to pursue development of a joint Masters in Business Administration (MBA) program with the University of Baltimore, which has an existing MBA program. MHEC must approve the program before Towson can offer it. MHEC ensures that institutions do not unnecessarily duplicate each other's programs. Morgan State University, which is in the geographic vicinity of Towson, already offers an MBA program.

Current and Prior Year Budgets

Current and Prior Year Budgets Towson University (\$ 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	\$61,092	\$160,407	\$221,498	\$24,500	\$245,998
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	\$11,432	\$11,432	\$0	\$11,432
Cost Containment	-\$3,268	\$0	-\$3,268	\$0	-\$3,268
Reversions and Cancellations	0	-\$8,930	-\$8,930	-\$6,388	-\$15,318
Actual Expenditures	\$57,824	\$162,909	\$220,733	\$18,112	\$238,845
Fiscal 2005					
Legislative Appropriation	\$57,795	\$176,865	\$234,660	\$24,500	\$259,160
Budget Amendments	\$1,151	\$3,472	\$4,622	\$0	\$4,622
Working Appropriation	\$58,946	\$180,336	\$239,282	\$24,500	\$263,782

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

Fiscal 2004

Towson's general funds were reduced \$3.3 million through the Governor's July 2003 cost containment action. Other unrestricted funds increased \$11.4 million through budget amendments. Of this net amount, increases included \$5 million in sales and services of educational activities, specifically indirect cost recovery from non-State supported and outreach activities.

Other increases included \$2.5 million in auxiliary enterprises, \$2.4 million in tuition revenues, and \$1 million from a reduction in the planned transfer to fund balance. The budgeted fund balance transfer was reduced from \$3 million simply to correspond to the transfer level mandated by the USM office. Towson intended all the while to meet and exceed this level, and indeed by the end of fiscal 2004 the institution had transferred \$5.5 million to fund balance, primarily because auxiliary funds came in higher than expected.

Unrestricted funds decreased by \$0.9 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, Towson cancelled \$8.9 million in unrestricted funds. Of this amount, \$2.5 million was from auxiliary funds that were not spent but transferred to fund balance, as mentioned above. Another \$4 million in cancellations were necessary because self-supported revenues came in lower than expected. The final \$2.4 million of the cancellations were from unrealized unrestricted revenues associated with private and State grants and contracts.

Cancellations for restricted funds totaled \$6.4 million. Most of the cancellations were associated with lower than expected contracts at RESI, Towson's business consulting unit. In particular, a large RESI contract with the Department of Human Resources expired.

Fiscal 2005

For fiscal 2005, Towson general funds increased \$1.2 million for the State employee cost-of-living increase. Other unrestricted funds have increased \$3.5 million through budget amendment. A transfer from fund balance accounts for \$2.5 million. The transferred funds will be used mostly for one-time auxiliary facility projects and program enhancements. The other \$1 million in increases is from tuition revenues.

Audit Findings

Audit Period for Last Audit:	March 1, 2000 – March 5, 2003
Issue Date:	December 2003
Number of Findings:	9
Number of Repeat Findings:	2
% of Repeat Findings:	22%
Rating: (if applicable)	

- Finding 1:** Unauthorized Surcharge Fees: The university assessed students surcharge fees totaling approximately \$3 million during fiscal years 1991 through 2003 without obtaining the required Board of Regents’ approval.
- Finding 2:** Payroll: The university made payments to faculty members totaling \$155,700 without preparing contracts as required and made contractual payments to an employee totaling \$12,516 in apparent violation of the State ethics laws.
- Finding 3:** Contractual Services: The university did not ensure proper commissions were remitted by its hotel services contractor.
- Finding 4:** Student Accounts Receivable: Internal controls over the processing of certain critical adjustments were inadequate.
- Finding 5:** **Student Accounts Receivable: The university did not refer delinquent accounts receivable to the State’s central collection unit as required.**
- Finding 6:** Bookstore: Controls over cash receipts were inadequate.
- Finding 7:** **Information Systems: Access controls, logging of certain security events, and related monitoring procedures for several critical applications needed improvement.**
- Finding 8:** Information Systems: The university’s computer network was not adequately secured.
- Finding 9:** Information Systems: The university’s information technology disaster recovery plan was not complete.

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

**Object/Fund Difference Report
USM – Towson University**

<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	1592.50	1615.50	1620.50	5.00	0.3%
02 Contractual	811.70	820.70	836.70	16.00	1.9%
Total Positions	2404.20	2436.20	2457.20	21.00	0.9%
Objects					
01 Salaries and Wages	\$ 101,967,606	\$ 109,486,190	\$ 112,856,895	\$ 3,370,705	3.1%
02 Technical & Spec Fees	28,521,647	34,823,222	34,892,543	69,321	0.2%
03 Communication	2,118,307	3,476,249	2,978,763	-497,486	-14.3%
04 Travel	2,365,954	2,270,046	2,299,213	29,167	1.3%
06 Fuel & Utilities	5,952,352	7,067,865	7,711,405	643,540	9.1%
07 Motor Vehicles	813,930	590,570	320,754	-269,816	-45.7%
08 Contractual Services	27,690,422	31,496,089	34,248,254	2,752,165	8.7%
09 Supplies & Materials	14,860,107	16,440,158	16,396,623	-43,535	-0.3%
10 Equip - Replacement	3,820,890	4,419,735	4,247,734	-172,001	-3.9%
11 Equip - Additional	5,051,398	6,354,760	6,154,835	-199,925	-3.1%
12 Grants, Subsidies, and Contributions	25,045,936	25,437,720	26,795,901	1,358,181	5.3%
13 Fixed Charges	18,593,545	19,378,697	20,754,862	1,376,165	7.1%
14 Land & Structures	2,042,750	2,540,958	2,540,958	0	0%
Total Objects	\$ 238,844,844	\$ 263,782,259	\$ 272,198,740	\$ 8,416,481	3.2%
Funds					
40 Unrestricted Fund	\$ 220,733,119	\$ 239,282,259	\$ 248,298,740	\$ 9,016,481	3.8%
43 Restricted Fund	18,111,725	24,500,000	23,900,000	-600,000	-2.4%
Total Funds	\$ 238,844,844	\$ 263,782,259	\$ 272,198,740	\$ 8,416,481	3.2%

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

**Fiscal Summary
USM – Towson University**

<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	\$ 60,837,058	\$ 64,342,817	\$ 67,436,266	\$ 3,093,449	4.8%
02 Research	2,061,840	9,434,487	8,837,247	-597,240	-6.3%
03 Public Service	11,099,098	12,230,767	12,288,874	58,107	0.5%
04 Academic Support	21,665,441	22,766,797	22,983,462	216,665	1.0%
05 Student Services	11,528,115	12,699,231	12,844,715	145,484	1.1%
06 Institutional Support	25,497,933	26,195,971	27,072,065	876,094	3.3%
07 Operation and Maintenance of Plant	24,575,012	24,529,668	26,963,126	2,433,458	9.9%
08 Auxiliary Enterprises	57,741,309	67,413,710	68,252,174	838,464	1.2%
17 Scholarships and Fellowships	23,839,038	24,168,811	25,520,811	1,352,000	5.6%
Total Expenditures	\$ 238,844,844	\$ 263,782,259	\$ 272,198,740	\$ 8,416,481	3.2%
Unrestricted Fund	\$ 220,733,119	\$ 239,282,259	\$ 248,298,740	\$ 9,016,481	3.8%
Restricted Fund	18,111,725	24,500,000	23,900,000	-600,000	-2.4%
Total Appropriations	\$ 238,844,844	\$ 263,782,259	\$ 272,198,740	\$ 8,416,481	3.2%

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