

R30B28
University of Baltimore
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	\$20,904	\$21,297	\$22,259	\$961	4.5%
Other Unrestricted Funds	38,613	43,821	47,217	3,396	7.7%
Total Unrestricted Funds	59,517	65,118	69,475	4,357	6.7%
Restricted Funds	<u>6,265</u>	<u>8,150</u>	<u>8,294</u>	<u>144</u>	<u>1.8%</u>
Total Funds	\$65,782	\$73,268	\$77,769	\$4,501	6.1%

- Total funds increase by \$4.5 million, or 6.1% over fiscal 2005.
- Other unrestricted funds grow mostly from a tuition and fee revenue increase of \$3.7 million, which is 9.8% above fiscal 2005. This revenue growth is partially offset by a planned \$0.3 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	519.27	519.27	519.27	0.00
Contractual FTEs	<u>120.96</u>	<u>147.98</u>	<u>155.44</u>	<u>7.46</u>
Total Personnel	640.23	667.25	674.71	7.46

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	17.60	3.39%
Positions Vacant as of 12/31/04	34.00	6.5%

- Seven contractual positions were added in the fiscal 2006 allowance over fiscal 2005.

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

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Analysis in Brief

Major Trends

Increases Expected in Information Technology: The number of University of Baltimore (UB) information technology (IT) students enrolled and graduated is expected to increase in fiscal 2005 and 2006, and the estimated number of IT graduates employed in Maryland is projected to be higher than the goal.

Fewer Economically Disadvantaged Students Expected: The percentage of economically disadvantaged students is expected to decline by 18% in fiscal 2005.

Issues

Plans Set for Achieving Administrative and Academic Efficiencies: The University System of Maryland (USM) has begun an ambitious efficiency initiative. UB's share of the administrative savings in fiscal 2006 is \$626,885. Academic efficiencies are expected to support nine additional students at no cost to the State in fiscal 2006. Faculty workload increases are a key part of USM's academic efficiencies, and workload at UB was below the average for USM's comprehensive institutions in fiscal 2004.

Affordability in Spotlight at UB and across USM: Tuition and fee increases at UB are less than the USM average in fiscal 2006. UB institutional aid focuses on merit and mission.

Selected Executive and Mid-level Administrative Salaries Above Median: Four of the five executive salaries selected are above the national medians and two exceed the target range set by the Board of Regents. Two of the three administrative salaries reviewed, also exceed the target range set by the Board of Regents.

Personnel Changes: There were no changes in regular positions from fiscal 2005. Contractual positions are 29% higher in the allowance than they were in fiscal 2004.

Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds: USM has begun a plan to improve institutions' ratio of fund balance to debt after the system's credit rating was downgraded in 2004. At UB, fund balance has grown from \$7.5 million in fiscal 1999 to \$9.5 million in fiscal 2004.

Recommended Actions

1. Concur with Governor's allowance.

Updates

UB and Towson Proposing New Joint MBA Program: UB and Towson University have signed a Memorandum of Understanding outlining a joint Master of Business Administration (MBA) program. The proposed program adopts the existing UB International Association for Management Education-approved MBA curriculum, with seven specialization tracks, and adds two new tracks designed by Towson University.

R30B28 – USM – University of Baltimore

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Operating Budget Analysis

Program Description

The University of Baltimore (UB) emphasizes career-oriented educational programs in the areas of law, business, public administration, and related professional applications of the liberal arts at the doctoral, master's, and advanced undergraduate levels. UB is located in the Mt. Vernon/Mt. Royal neighborhood of Baltimore and attracts students with professional objectives. The student body is a mix of full- and part-time, day and evening, and traditional and returning students, reflecting the racial and ethnic diversity of the metropolitan region.

While both basic and applied research are encouraged and supported at UB, applications-oriented research is emphasized. For example, economic and policy analysis is provided as a public service by faculty at such centers as the Schaefer Center for Public Policy and Jacob France Center for Business and Economic Studies, examination of values in professional settings is conducted by the Hoffberger Center for Professional Ethics, and analysis of Maryland and national legal issues is conducted by the law faculty.

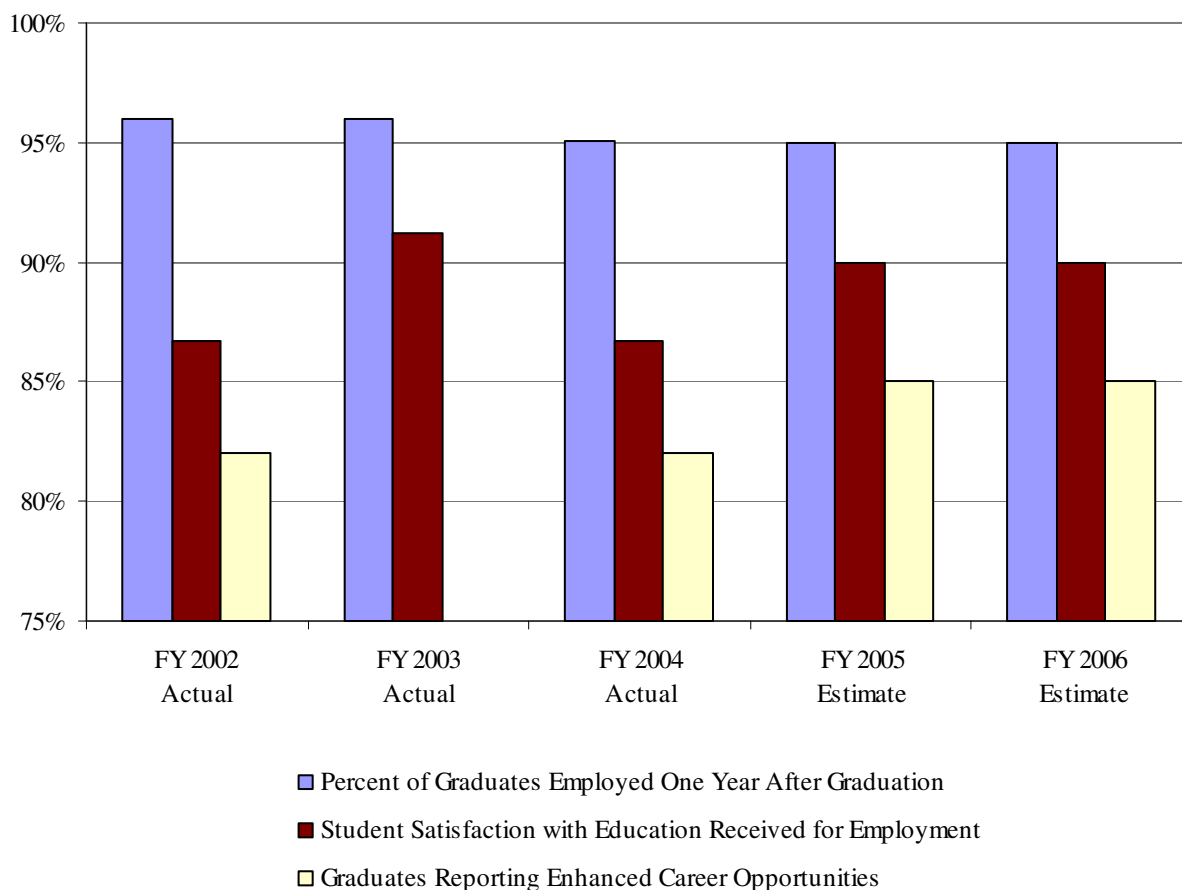
Performance Analysis: Managing for Results

Performance measurements for UB reflect the school's unique, professional program focus. Since many of UB's students are non-traditional college-going students, such as graduate level and professional mid-career students, the performance analysis focuses on student satisfaction with their education and employment opportunities and employer satisfaction with their UB graduates.

As shown in **Exhibit 1**, UB surveys its students after graduation to find out how many students are employed in their field, if they are satisfied with their employment, and if they feel that their career opportunities were enhanced by the education received at UB. Overall, the percentage of graduates employed one year after graduation remains in the mid-90s. However, student satisfaction with the education received fluctuated between fiscal 2002 and 2004. In fiscal 2005 and 2006, the percentage is expected to be at 90%, a slight decrease from 91.2% in fiscal 2003.

As part of the mission to serve the Baltimore community through its programs and graduates, UB hopes to increase the number of information technology graduates employed in Maryland from 0 in fiscal 1999 to 20 in fiscal 2004. **Exhibit 2** shows that the number of Information Technology (IT) students enrolled and graduated increased in fiscal 2003 and 2004, and is expected to continue increasing in fiscal 2005 and 2006. UB expects that in fiscal 2006, 75%, or 30 IT graduates will be employed in Maryland. **The President should comment on revising the estimates for future years if the number graduating and working in Maryland proves to be as high as expected.**

Exhibit 1
Survey Measure of University of Baltimore Graduates
Fiscal 2002 – 2006



Note: No data are reported in fiscal 2003 for percent of graduates reporting enhanced career opportunities.

Source: Maryland State Budget Books; University System of Maryland

**Exhibit 2
Program Measurement Data
University of Baltimore
Fiscal 2002 – 2006**

	<u>FY 2002 Actual</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Actual</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 Estimate</u>	<u>FY 02-04 Ann. Chg.</u>	<u>FY 04-06 Ann. Chg.</u>
Number of IT graduates	25	32	37	40	40	21.7%	4.0%
Number of undergraduates enrolled in IT	165	188	185	195	205	5.9%	5.3%
Percent of African American undergraduates	33.0%	33.7%	35.9%	36.0%	37.5%	4.3%	2.2%
Percentage of economically disadvantaged students	54.0%	64.8%	73.0%	55.0%	60.0%	16.3%	-9.3%
Percent of UB law graduates who pass the bar exam on the first attempt	69.0%	74.0%	70.0%	74.0%	74.0%	0.7%	2.8%

Source: Maryland State Budget Books; University System of Maryland

UB has a prominent law school and measures the percentage of law students who pass the bar exam on their first attempt. Between fiscal 2002 and 2004, the percentages have fluctuated. The estimates for fiscal 2005 and 2006 are projected to improve again and remain consistent. **The President should comment on how UB’s performance on this goal compares to its peer law school institutions.**

UB seeks to serve an economically and racially diverse group of students and expects the percentage of African American undergraduates to continue its steady increase. UB’s goal is to have 32% of African American undergraduates. UB surpassed that objective in fiscal 2003 and 2004. The percentage of economically disadvantaged students also rose from fiscal 2002 through 2004. In fiscal 2005 the percentage is expected to decline by 18 percentage points to 55%. **The President should comment on revising the goals for the measure of economically disadvantaged students. The President should also comment on the affordability of an undergraduate education at UB.**

Governor's Proposed Budget

As **Exhibit 3** shows, the general fund allowance for fiscal 2006 is \$22.3 million. This reflects an increase of approximately \$962,000, or 4.5% from the fiscal 2005 level. UB intends to utilize the additional general funds to support affordability, access, and quality. Specifically, the additional funds will cover increased financial aid funding, maintaining tuition rate increases for resident students at or below 5.9%, enrollment growth, and program enhancements such as faculty recruitment and retention and technology access.

Other unrestricted funds grow by \$3.4 million, or 7.7% over fiscal 2005. Tuition and fee revenues account for 87% of other unrestricted funds in fiscal 2006. Overall, the UB budget increases 6.1%.

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

	FY 2004 <u>Actual</u>	FY 2005 <u>Working</u>	FY 2006 <u>Allowance</u>	FY 05-06 <u>\$ Change</u>	% Change <u>Prior Year</u>
General Funds	\$20,904	\$21,297	\$22,259	\$962	4.5%
Other Unrestricted Funds	38,613	43,821	47,217	3,396	7.7%
Total Unrestricted Funds	59,517	65,118	69,475	4,357	6.7%
Restricted Funds	6,265	8,150	8,294	144	1.8%
Total Funds	\$65,782	\$73,268	\$77,769	\$4,501	6.1%

Unrestricted fund budget changes in the allowance by program are shown in **Exhibit 4**. This exhibit considers only unrestricted funds, which are comprised mostly of general funds and tuition and fee revenues. Between fiscal 2002 and 2005, there were substantial increases in institutional support, operation and plant maintenance, and scholarship and fellowship expenditures. The majority of the increase in institutional support was due to costs associated with the implementation of PeopleSoft such as software licensing, equipment purchases, and consulting fees. Additional costs are due to the reallocation of positions to support strategic planning initiatives and to support the PeopleSoft initiative. Operation and plant maintenance expenditures grew primarily due to increased debt service, utilities inflation, and additional funds allocated to facilities renewal and enhancement. Additional funds were allocated to scholarships and fellowships to ensure student access at a time when tuition rates increased by approximately 44%.

In fiscal 2006, scholarships and fellowships increased again by 42% over fiscal 2005. This increase is due to the university's continued efforts to allocate additional funds to ensure student access.

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

	<u>FY 2002</u> <u>Actual</u>	<u>FY 2005</u> <u>Working</u>	<u>FY 02-05</u> <u>% Change</u>	<u>FY 2006</u> <u>Allowance</u>	<u>FY 05-06</u> <u>\$ Change</u>	<u>FY 02-04</u> <u>% Change</u>
Expenditures						
Instruction	\$22,643	\$25,557	12.9%	\$26,820	\$1,263	4.9%
Research	392	391	-0.3%	406	15	3.8%
Academic Support	8,664	9,295	7.3%	10,297	1,002	10.8%
Student Services	4,225	4,345	2.8%	4,566	221	5.1%
Institutional Support	9,042	11,233	24.2%	12,350	1,117	9.9%
Operation and Maintenance of Plant	6,610	8,850	33.9%	8,566	-284	-3.2%
Scholarships and Fellowships	1,335	2,346	75.7%	3,323	977	41.6%
Subtotal	\$52,911	\$62,017	17.2%	\$66,328	\$4,311	7.0%
Auxiliary Enterprises	\$2,780	\$3,100	11.5%	\$3,148	\$48	1.5%
Total	\$55,691	\$65,117	16.9%	\$69,476	\$4,359	6.7%
Revenues						
Tuition and Fees	\$24,977	\$37,368	49.6%	\$41,041	\$3,673	9.8%
General Funds	24,474	21,297	-13.0%	22,259	962	4.5%
Other	2,223	3,349	50.7%	3,350	1	0.0%
Subtotal	\$51,674	\$62,014	20.0%	\$66,650	\$4,636	7.5%
Auxiliary Enterprises	\$4,144	\$3,103	-25.1%	\$3,148	\$45	1.5%
Transfers (to) from Fund Balance	-127	0	-100.0%	-322	-322	100.0%
Total	\$55,691	\$65,117	16.9%	\$69,476	\$4,359	6.7%

Note: Unrestricted funds only.

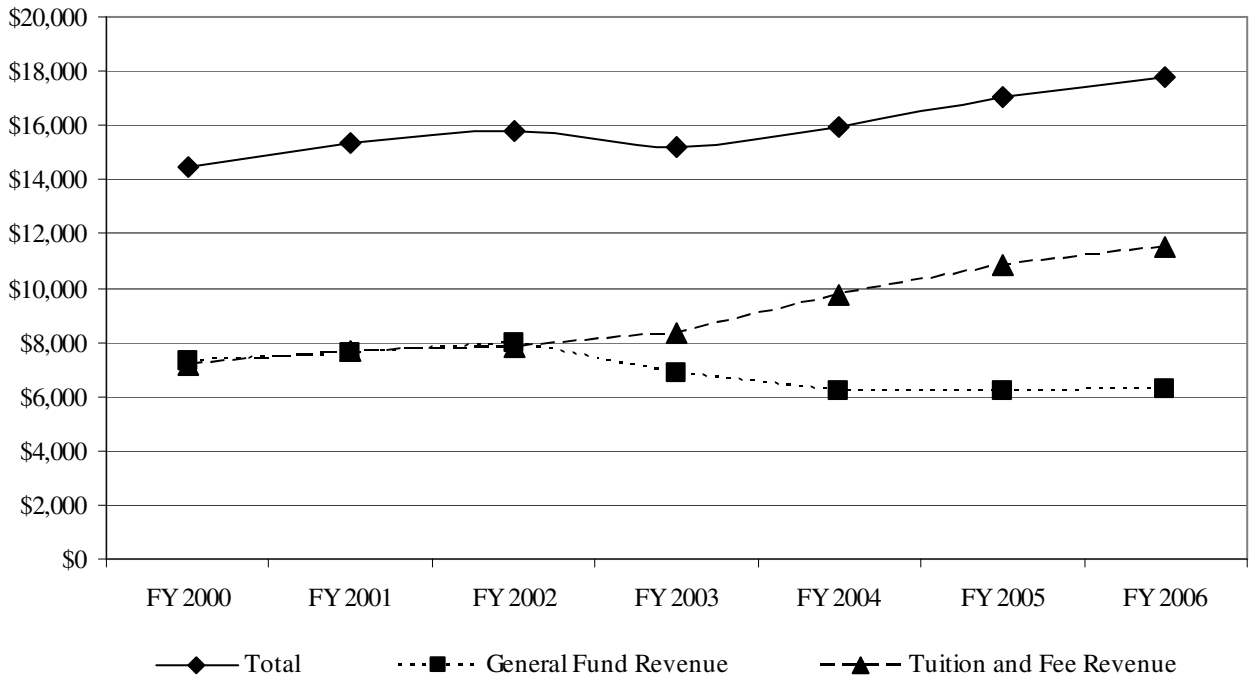
Source: Maryland State Budget

Tuition and fee revenue had a sizeable increase as well between fiscal 2002 and 2005, growing by 50%, or \$12.4 million. During the same period, general fund support declined 13%, or \$3.2 million. Revenue from auxiliary enterprises also declined by 25% because the PeopleSoft system classified the student union construction fee monies as other revenue rather than auxiliary enterprise revenue.

Tuition and Fee and General Fund Revenues

Exhibit 5 shows tuition and fee and general fund revenues per full-time equivalent student (FTES). Between fiscal 2000 and 2002, general fund revenue per FTES and tuition and fee revenue per FTES were virtually identical, each contributing nearly equal funding. In fiscal 2003, tuition and fee revenue per FTES increased slightly and surpassed general fund revenue per FTES, which declined by 14%. The following year, tuition and fee revenue per FTES continued rising by 17%, while general fund support decreased by 9.2%. The level of general fund revenue per FTES has remained fairly consistent since fiscal 2004.

Exhibit 5
Tuition and Fee and General Fund Revenues Per Full-time Equivalent Student
(\$ in Thousands)



Source: Governor’s Budget Books, fiscal 2003 through 2006; University System of Maryland

Issues

1. Plans Set for Achieving Administrative and Academic Efficiencies

Given the continuing constrained State fiscal environment, the University System of Maryland (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.

UB's share of the administrative savings is estimated at \$626,885. To achieve these savings, UB will implement several administrative efficiency measures. The administrative efficiencies will be primarily cost savings, including recently negotiated contracts for PeopleSoft maintenance and electricity.

Academic Initiatives Estimated to Support 27 Additional Students through 2008 at No Cost to State

Academic efficiencies will be primarily in the form of cost avoidance, including enrollment management initiatives such as streamlining the enrollment process and removing obstacles that lengthen time-to-degree such as expanding on-line courses. To estimate the fiscal effects of academic initiatives, the USM Office identified the number of additional 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 UB, the estimate is 27 additional FTES to be served at no cost to the State from fiscal 2006 to 2008, or 9 in 2006 alone. (The actual number of additional FTES could vary in any given year of the three-year efficiency initiative.) This translates into \$185,274 in cost avoidance, or \$61,758 for fiscal 2006, based on UB's fiscal 2003 general fund support of \$6,862 per FTES. Since these are avoided costs, they are not reflected in the budget.

Faculty Workload at High End of Regents' Range

For the 2003-2004 academic year, the USM Board of Regents' policy called for an expected instructional workload range of 7 to 8 course units per tenured/tenure-track faculty member at USM comprehensive institutions. UB faculty workload in fiscal 2004 is 7.0 average course units taught, as shown in **Exhibit 6**. This places them below the comprehensive average of 7.5 but still within the recommended workload range. In fiscal 2002, faculty workload was at a high of 7.8, placing UB above the average for USM comprehensives. The average course units declined the following year.

Exhibit 6
Average Course Units Taught by 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>
UB	5.1	6.5	7.8	7.0	7.0
All USM Comprehensives	7.1	7.4	7.0	7.0	7.5

Note: Tenured and tenure-track faculty include those on sabbatical and exclude department chairs. The Board of Regents standard for instructional workload at comprehensive institutions is 7 to 8 course units annually.

Source: University System of Maryland

The President should comment on the challenges and opportunities provided by the efficiency initiatives. The President should also comment on if more than 27 additional students can be accommodated through the academic initiatives when faculty workload is below the average for all comprehensive institutions.

2. Affordability in Spotlight at UB and across USM

Affordability continues to be a concern for Maryland public education. In *Measuring Up 2004*, a national report card for higher education, Maryland's grade dropped from D- to F in the affordability category that 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.

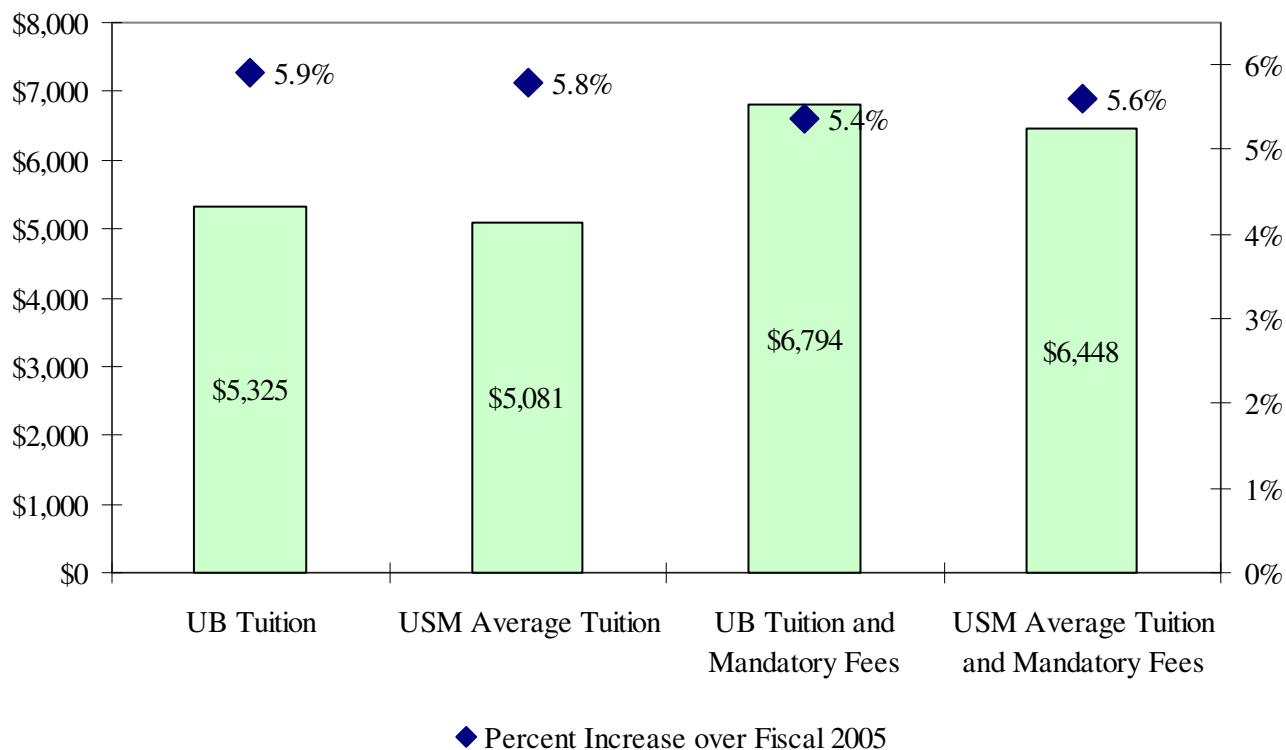
Tuition and Fee Increases Less Than USM Average

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, UB's tuition rate increases 5.9%. Considering tuition and mandatory fees combined, the USM weighted average increases 5.6%. UB tuition and mandatory fees increase 5.4%.

Institutional Aid Focuses on Non-need

Another factor that affects affordability is financial aid. Categories of institutional financial aid include merit, need, athletic, and mission. Data on funding amounts is available only in categories of need, athletic, and a combination of 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.

Exhibit 7
Tuition and Mandatory Fees for Resident Undergraduates
Fiscal 2006
(\$ in Thousands)

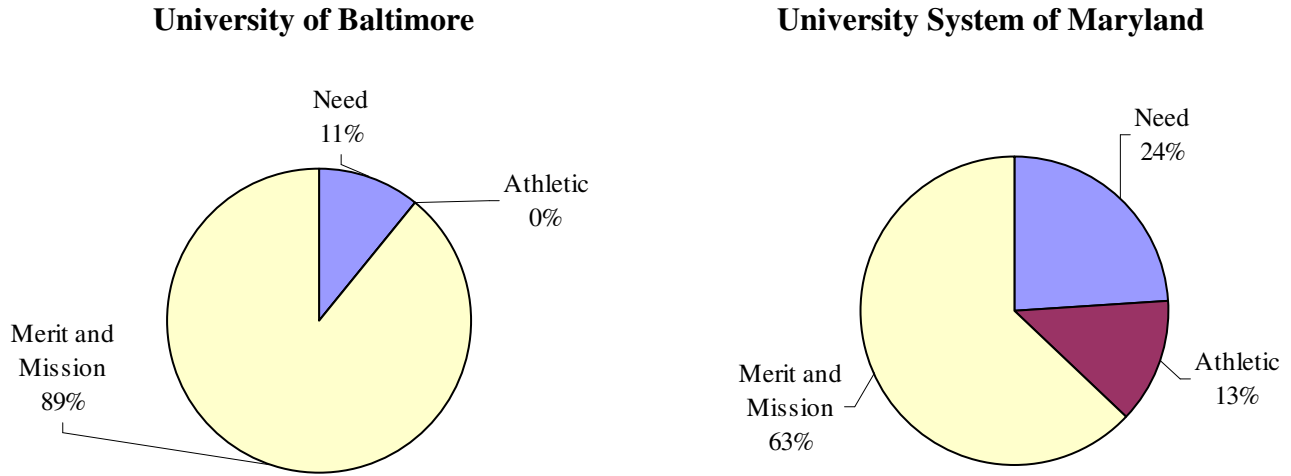


Note: USM averages are weighted.

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

At UB, nearly 90% of institutional aid is merit and mission based and 11% is need-based as shown in **Exhibit 8**. Unlike USM as a whole, UB did not provide any athletic-based aid in fiscal 2003. Institutional aid is one type of aid students receive and may be accompanied by State and federal aid as well. **The President should comment on the distribution of UB institutional aid and on the school’s future financial aid strategies.**

**Exhibit 8
Institutional Financial Aid
Fiscal 2003**



	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
UB	\$86,994	\$0	\$722,300
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 Administrative Salaries Above Median

An analysis of administrative salaries by the Department of Legislative Services found that average faculty salaries at Maryland’s four-year public higher education institutions vary widely compared to peers in other states. The administrative salary analysis is based on fiscal 2004 data from the College and University Professional Association (CUPA) for Human Resources. USM uses these salary data for benchmarking. About half of the data is from private institutions, which have higher average salaries than public institutions. So USM is likely benchmarking against a higher paid group than its public peers. Salaries for positions at or above the director level are reported with executive-level data, while positions below the director level are reported in mid-level data.

Executive-level Salaries

Five executive positions (president, chief business officer, chief of personnel, director of library services, and registrar) were selected for the comparison to represent several functional administrative areas. For executive-level positions, CUPA categorizes institutions according to their operating budget size and compares them on a national level since institutions draw from a nationwide pool to fill top-level vacancies. The fiscal 2004 data represents 1,379 institutions, of which 52% are public and 48% are private.

A comparison of the fiscal 2004 salaries of five executive positions at UB and median salaries at similar size institutions is shown in **Exhibit 9**. The Board of Regents has a target that senior administrative salaries should fall between the fiftieth (the median) and seventy-fifth percentile rank. Thus, salaries are expected to exceed the median. As the exhibit shows, four of the five reported positions are above the median salaries for comparable institutions. The salaries of the chief of personnel and the registrar are at 128.5% of the median, earning \$23,000 and \$19,000 more, respectively, than their comparable counterparts.

The director of library services is the only executive position to earn less than the comparable median salary. The difference between the two is approximately \$4,800, placing it below the Board of Regents' target range of the fiftieth and seventy-fifth percentile rank for executive positions. The chief of personnel and registrar, however, are above the Board of Regents' target range.

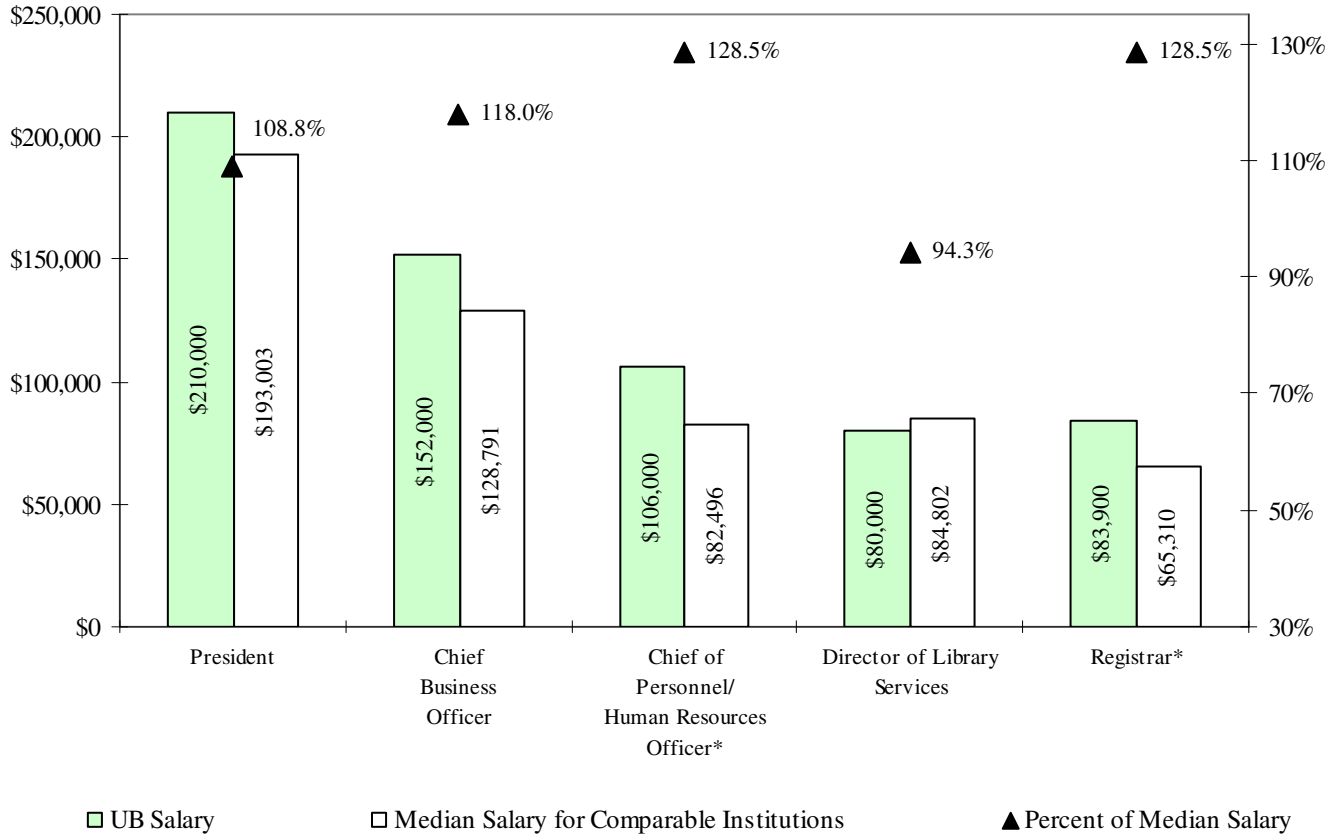
Mid-level Salaries

For mid-level administrative positions, five positions were selected for comparison – financial aid counselor, accountant, academic advisor, senior accountant, and security guard. Like the executive positions, they represent several functional areas. CUPA data for mid-level comparisons are condensed into a regional median since recruitment for these positions is usually regional.

The regional medians reported by CUPA for each position apply to all institutions in the region regardless of their budget sizes. The mid-level salary survey had 1,131 institutions responding, and public and private institutions each accounted for approximately 50% of the sample. For purposes of the survey, the eastern region includes Connecticut, Delaware, Washington, DC, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

The mid-level administrative data, as shown in **Exhibit 10**, reveals a slightly different pattern than that of executive salaries. All three of the positions reported salaries above the median for the region. The salary of the accountant position is the furthest above the regional median, earning nearly \$6,400 more than the median salary. Only the financial aid counselor is within the Regents' target range of the sixtieth and seventieth percentile rank for mid-level positions.

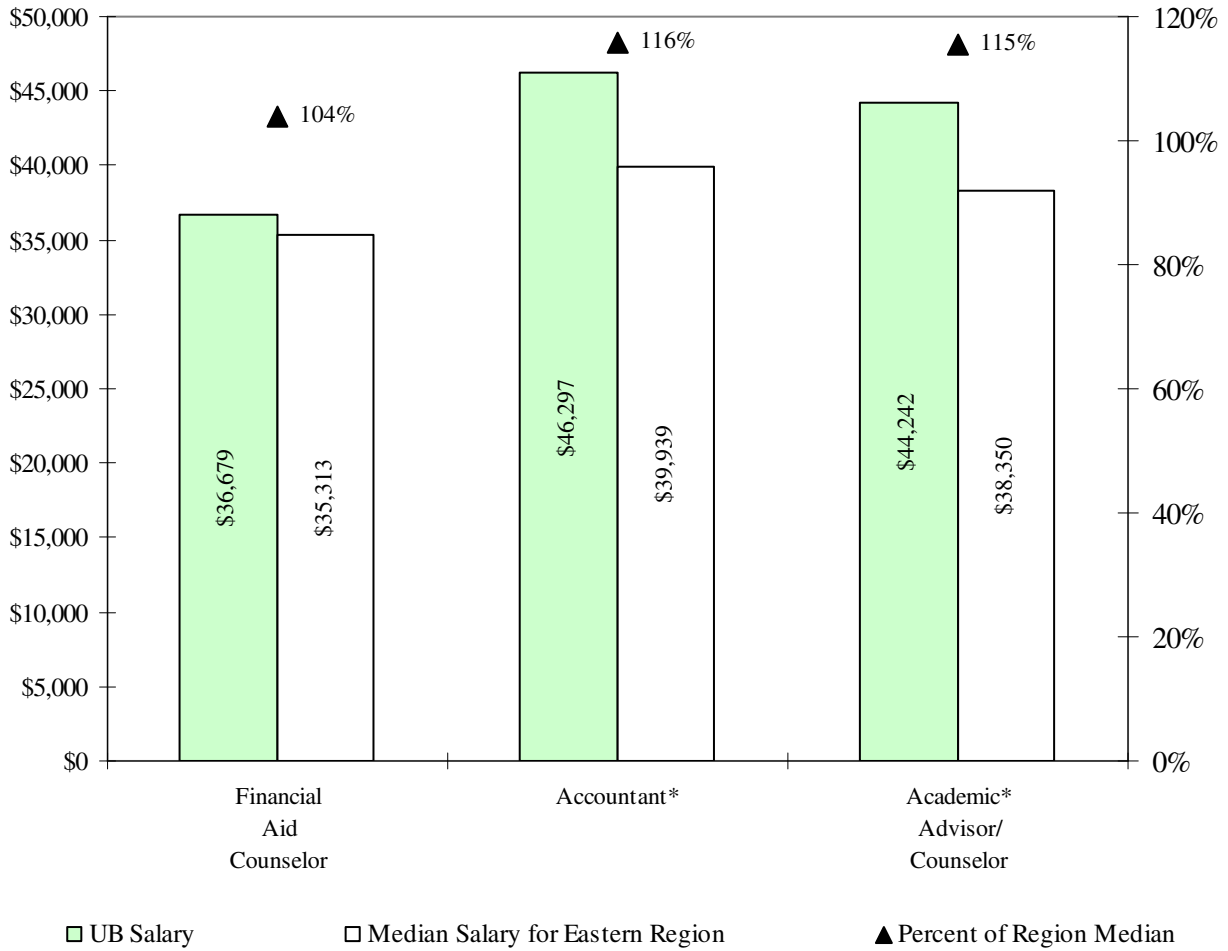
**Exhibit 9
University of Baltimore
Executive Salaries
Fiscal 2004
(\$ in Thousands)**



*Exceeds the Board of Regents target range of the fiftieth to seventy-fifth percentile rank.

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

Exhibit 10
University of Baltimore
Administrative Salaries
Fiscal 2004



*Exceeds Board of Regents target range of the sixtieth to seventieth percentile.

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

4. Personnel Changes

The total UB workforce, regular and contractual, is 675 in the fiscal 2006 allowance. There is no change in regular positions from fiscal 2005. Contractual positions are 29% higher in the allowance than they were in fiscal 2004. These numbers include filled and unfilled positions.

UB, as of December 2004, has a vacancy rate of 6.5%. This is the second lowest vacancy rate of the USM institutions. The system average is 4.8%. There were three vacancies among State-supported faculty, and an equal number of vacancies among exempt and non-exempt positions.

Exhibit 11 shows how the composition of UB personnel (filled regular positions only) has changed from fiscal 2002 to 2005. Instructional personnel – who fulfill the institution’s core mission – decreased by 15 full-time equivalent employees (FTEs) since fiscal 2002. While instructional personnel decreased from 45% of total personnel in fiscal 2002 to 41% in fiscal 2005, the instructional share is still higher than the USM average of 33%. **The President should comment on the decline in the number of instructional personnel from fiscal 2002 through 2005.**

Exhibit 11
University of Baltimore
Full-time Equivalent Personnel by Budget Program
Fiscal 2002, 2004, and 2005

<u>Budget Program</u>	FY 2002		FY 2004		FY 2005		Change in Share of Total <u>FY 02-05</u>
	<u>FTEs</u>	<u>% FTEs</u>	<u>FTEs</u>	<u>% FTEs</u>	<u>FTEs</u>	<u>% FTEs</u>	
Instruction	209.27	44.8%	214.77	43.6%	193.96	41.3%	-3.5%
Research	2.00	0.4%	1.00	0.2%	3.07	0.7%	0.3%
Academic Support	79.50	17.0%	82.50	16.8%	82.00	17.4%	0.4%
Student Services	51.00	10.9%	45.00	9.1%	46.00	9.8%	-1.1%
Institutional Support	82.00	17.6%	95.00	19.3%	96.00	20.4%	2.8%
Operations and Plant Maintenance	32.00	6.9%	41.00	8.3%	36.00	7.7%	0.8%
Auxiliary Enterprises	11.00	2.4%	13.00	2.6%	13.00	2.8%	0.4%
Scholarships and Fellowships	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.0%
Total	466.77	100.0%	492.27	100.0%	470.03	100.0%	

Note: Data are for filled regular positions only.

Source: University of Baltimore

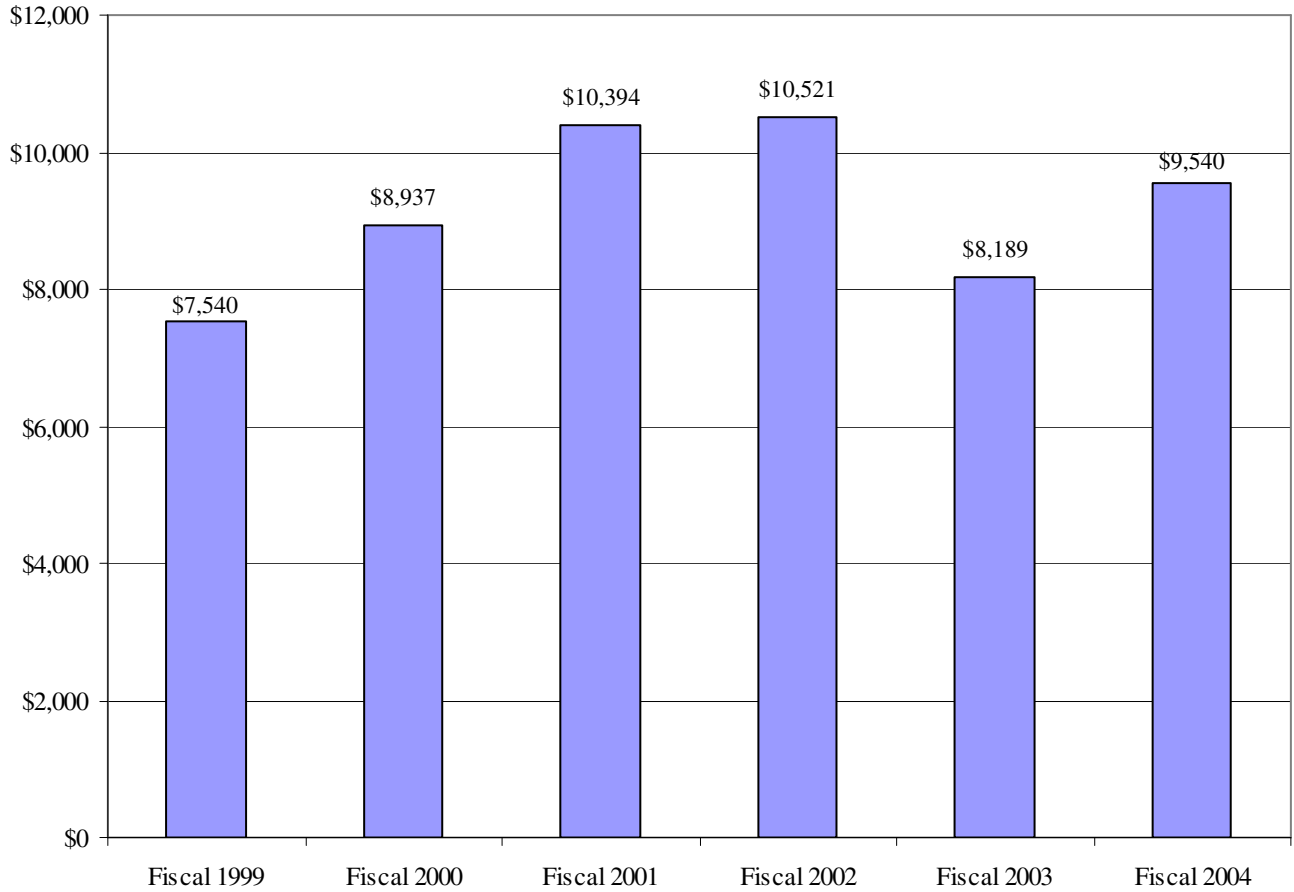
5. Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds

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 instituted 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. As shown in **Exhibit 12**, UB's fund balance has increased from \$7.5 million in fiscal 1999 to \$9.5 million in fiscal 2004. In fiscal 2003, there was a decrease in fund balance as direct result of general fund reductions and reorganization efforts at the university to address a structural deficit. This was a one-time adjustment to fund balance as approved by the Board of Regents.

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 UB, projects that need to be addressed within the next five years are estimated at \$15 million, and projects that need to be addressed within the subsequent five years, 2011 through 2016, are estimated at another \$14 million.

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%, and at UB, the spending was 1.5% in fiscal 2004. This includes operating funds as well as the capital funds channeled through the USM office. **The President should comment on the outlook for contributing unrestricted funds to fund balance and facilities maintenance.**

Exhibit 12
University of Baltimore
Unrestricted Fund Balance
Fiscal 1999 – 2004
(\$ in Thousands)



	<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	\$7,539,830	\$8,936,911	\$10,393,947	\$10,520,903	\$8,189,493	\$9,539,596
Change		1,397,081	1,457,036	126,956	-2,331,410	1,350,103

Note: Amounts reflect ending fund balances.

Source: Maryland State Budget Books

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. UB and Towson Proposing New Joint MBA Program

UB and Towson University have signed a memorandum of understanding outlining a joint Master of Business Administration (MBA) program. The proposed program adopts the existing UB International Association for Management Education-approved MBA curriculum, with seven specialization tracks, and adds two new tracks designed by Towson University. A 15-week semester evening program will be offered on both campuses and a web-based MBA track delivered via the Internet. The program is pending final approval from the Maryland Higher Education Commission.

Current and Prior Year Budgets

Current and Prior Year Budgets University of 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	\$22,078	\$38,358	\$60,436	\$8,134	\$68,570
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	1,919	1,919	0	1,919
Cost Containment	-1,174	0	-1,174	0	-1,174
Reversions and Cancellations	0	-1,664	-1,664	-1,868	-3,532
Actual Expenditures	\$20,904	\$38,613	\$59,517	\$6,266	\$65,783
Fiscal 2005					
Legislative Appropriation	\$20,896	\$43,575	\$64,471	\$8,150	\$72,621
Budget Amendments	401	246	647	0	647
Working Appropriation	\$21,297	\$43,821	\$65,118	\$8,150	\$73,268

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

Fiscal 2004

UB's general funds were reduced \$1.2 million in fiscal 2004 through the Governor's July 2003 cost containment action. Budget amendments added a net increase of \$1.9 million in other unrestricted funds due to:

- an increase of \$2.5 million in tuition revenue;
- a decrease of \$274,761 for a transfer to fund balance; and
- a decrease of \$272,689 to represent the amount of the General Assembly's general fund reduction in fiscal 2004 that was not originally deducted from the total unrestricted fund appropriation.

Other unrestricted funds were further reduced due to cancellations related to:

- \$2.6 million decrease due to efficiencies in vacant PIN positions and contractual employees; and
- \$900,000 increase in scholarship awards.

Restricted funds were reduced \$1.9 million because research-grant expenditures in salaries and technical and special fees were less than anticipated.

Fiscal 2005

Additional general funds cover costs associated with the fiscal 2006 general salary increase for State employees.

A budget amendment added \$245,932 in other unrestricted funds from the tuition and fee revenue of an additional 41 FTES.

Audit Findings

Audit Period for Last Audit:	July 1, 1998 – February 8, 2001
Issue Date:	October 2001
Number of Findings:	4
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	

Finding 1: Internal controls over student refunds were not adequate.

Finding 2: Campuswide network traffic was not controlled to limit improper connection to the administrative minicomputer.

Finding 3: Differences identified by reconciliations of the university’s financial records with the State Comptroller’s financial records were not investigated and resolved.

Finding 4: The university did not ensure that positive time reports were received from all faculty members.

**Object/Fund Difference Report
USM – University of 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	519.27	519.27	519.27	0	0%
02 Contractual	120.96	147.98	155.44	7.46	5.0%
Total Positions	640.23	667.25	674.71	7.46	1.1%
Objects					
01 Salaries and Wages	\$ 37,548,630	\$ 41,429,378	\$ 44,239,938	\$ 2,810,560	6.8%
02 Technical & Spec Fees	6,496,487	9,215,062	9,624,807	409,745	4.4%
03 Communication	373,431	516,800	373,800	-143,000	-27.7%
04 Travel	369,532	314,992	332,992	18,000	5.7%
06 Fuel & Utilities	1,128,861	1,190,349	1,471,686	281,337	23.6%
07 Motor Vehicles	64,985	85,988	81,447	-4,541	-5.3%
08 Contractual Services	5,654,251	5,349,333	6,214,864	865,531	16.2%
09 Supplies & Materials	1,922,534	1,693,165	1,954,706	261,541	15.4%
10 Equip - Replacement	772,063	310,117	571,367	261,250	84.2%
11 Equip - Additional	652,170	1,489,359	869,109	-620,250	-41.6%
12 Grants, Subsidies, and Contributions	4,462,502	3,862,409	4,937,118	1,074,709	27.8%
13 Fixed Charges	6,014,247	6,004,855	6,097,008	92,153	1.5%
14 Land & Structures	322,622	1,806,086	1,000,000	-806,086	-44.6%
Total Objects	\$ 65,782,315	\$ 73,267,893	\$ 77,768,842	\$ 4,500,949	6.1%
Funds					
40 Unrestricted Fund	\$ 59,516,914	\$ 65,117,893	\$ 69,475,159	\$ 4,357,266	6.7%
43 Restricted Fund	6,265,401	8,150,000	8,293,683	143,683	1.8%
Total Funds	\$ 65,782,315	\$ 73,267,893	\$ 77,768,842	\$ 4,500,949	6.1%

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

Fiscal Summary
USM – University of Baltimore

<u>Program/Unit</u>	<u>FY04</u> <u>Actual</u>	<u>FY05</u> <u>Wrk Approp</u>	<u>FY06</u> <u>Allowance</u>	<u>Change</u>	<u>FY05 - FY06</u> <u>% Change</u>
01 Instruction	\$ 22,680,708	\$ 25,644,513	\$ 26,909,072	\$ 1,264,559	4.9%
02 Research	4,633,436	6,668,057	6,735,336	67,279	1.0%
04 Academic Support	9,204,999	9,407,854	10,405,916	998,062	10.6%
05 Student Services	3,925,855	4,494,787	4,716,387	221,600	4.9%
06 Institutional Support	10,994,728	11,240,119	12,356,833	1,116,714	9.9%
07 Operation and Maintenance of Plant	6,354,372	8,850,222	8,566,308	-283,914	-3.2%
08 Auxiliary Enterprises	2,672,677	3,099,932	3,147,872	47,940	1.5%
17 Scholarships and Fellowships	5,315,540	3,862,409	4,931,118	1,068,709	27.7%
Total Expenditures	\$ 65,782,315	\$ 73,267,893	\$ 77,768,842	\$ 4,500,949	6.1%
Unrestricted Fund	\$ 59,516,914	\$ 65,117,893	\$ 69,475,159	\$ 4,357,266	6.7%
Restricted Fund	6,265,401	8,150,000	8,293,683	143,683	1.8%
Total Appropriations	\$ 65,782,315	\$ 73,267,893	\$ 77,768,842	\$ 4,500,949	6.1%

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