

R30B31
University of Maryland Baltimore County
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$65,417	\$66,377	\$69,264	\$2,888	4.4%
Other Unrestricted Funds	133,725	145,863	153,079	7,216	4.9%
Total Unrestricted Funds	199,142	212,240	222,343	10,103	4.8%
Restricted Funds	<u>73,953</u>	<u>84,651</u>	<u>86,240</u>	<u>1,588</u>	<u>1.9%</u>
Total Funds	\$273,095	\$296,891	\$308,583	\$11,692	3.9%

- General funds increase \$2.9 million in the fiscal 2006 allowance, a 4.4% increase over 2005.
- Enhancement funds of \$2.5 million budgeted in the Maryland Higher Education Commission for a new School of Aging Studies brings the total general fund increase to 8.1% over fiscal 2005.
- Other unrestricted funds grow mostly from a tuition and fee revenue increase of \$5.6 million, which is 7.1% above the fiscal 2005 level.

Personnel Data

	FY 04	FY 05	FY 06	FY 05-06
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	1,704.54	1,706.92	1,733.92	27.00
Contractual FTEs	<u>380.69</u>	<u>554.11</u>	<u>574.60</u>	<u>20.49</u>
Total Personnel	2,085.23	2,261.03	2,308.52	47.49

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	69.88	4.03%
Positions Vacant as of 12/31/04	63.50	3.72%

- The fiscal 2006 allowance includes 27 additional regular positions and 20 additional contractual positions.

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

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Analysis in Brief

Major Trends

Teacher Education Measures Decline in 2003 and 2004: Measures of teacher education enrollment, training completion, and employment in Maryland public schools declined in fiscal 2003 and 2004.

Research Measures Exceed Objectives: The University of Maryland Baltimore County (UMBC) exceeded its fiscal 2004 objective for total research and development expenditures per full-time faculty member. UMBC also is on track with invention disclosures and technology transfer measures.

No Achievement Gap Exists for Retention or Graduation Rates: For at least five years, the retention and graduation rates for UMBC's African American students have been the same or higher than rates for undergraduates as a whole.

Issues

UMBC Will Participate in Administrative and Academic Efficiencies: The University System of Maryland (USM) has begun an ambitious efficiency initiative. UMBC's share of the administrative cost savings in fiscal 2006 is an estimated \$1.5 million. Academic efficiencies are expected to support 273 additional students through fiscal 2008 at no cost to the State. Faculty workload increases are a key part of achieving the academic efficiencies.

Affordability in Spotlight at UMBC and Across USM: Tuition and fee increases at UMBC outpace the USM average in fiscal 2006. UMBC institutional financial aid focuses on combined merit and mission.

Selected Executive Salaries Vary as Compared to Median; Mid-level Administrative Salaries Are below Median: Three of the five selected executive salaries are above the national median, and two are below. All three of the selected mid-level salaries at UMBC are below the regional median.

Personnel Level Rebounds, Share of Instructional Personnel Higher Than USM Average: The total UMBC workforce has nearly regained the level it was before recent cost containment measures. Instructional personnel – who fulfill the institution's core mission – account for a larger share of the total in fiscal 2005 than for USM as a whole.

Fund Balance Declines Since 2000; 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. UMBC's fund balance growth rate in fiscal 2004 was lower than that of the system as a whole, and UMBC's fund balance level is lower than it was in 1999.

Recommended Actions

1. Concur with Governor's allowance.

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Operating Budget Analysis

Program Description

The University of Maryland Baltimore County (UMBC) is a mid-sized research and doctoral-level university serving the greater Baltimore region. UMBC offers a complement of focused master's and doctoral programs closely linked to a moderate range of undergraduate programs in the arts, sciences, and engineering.

At UMBC, students are encouraged to participate in research projects. UMBC also seeks to transfer benefits of faculty research to the public and industry through its research park, business incubator, and technology transfer programs. UMBC aspires to be the best public research university of its size in the nation and has a deep commitment to the educational experience of its undergraduates.

The majority of UMBC students come from the greater Baltimore region, but the institution is enrolling an increasing number of students from other areas of Maryland, other states, and foreign countries. The campus pays special attention to the needs of non-traditional, evening, and part-time students. Well-qualified students are recruited through special scholarship initiatives such as the Humanities Scholarship Program and the Meyerhoff Scholarship Program for talented high school graduates interested in science and engineering.

The institution has adopted the six goals of the University System of Maryland (USM) which are to:

- create and maintain a well-educated workforce;
- promote economic development;
- increase access for economically disadvantaged and minority students;
- achieve and sustain national eminence in providing quality education, research, and public service;
- increase revenue from non-state sources; and
- maximize the efficient and effective use of State resources.

Performance Analysis: Managing for Results

UMBC's first goal is to create and maintain a well-educated workforce. To this end, undergraduate enrollment continues to increase, rising to 9,646 in fiscal 2004. To further measure the workforce goal, UMBC tracks its efforts to educate students in several high-demand fields, including teaching.

Teacher Education Measures Decline in 2003 and 2004

The number of students enrolled in teaching programs increased significantly from fiscal 2000 to 2002 but declined through 2004, as shown in **Exhibit 1**. UMBC did not meet its objective of 115 graduates hired by Maryland public schools in fiscal 2004.

The number of students completing all of their teacher education requirements also has dropped. UMBC reports that about 20 candidates from recent years have not taken or have not passed the Praxis teacher certification tests, which is a requirement for program completion. Also, UMBC requires teacher education students to have a 3.0 cumulative grade point average in order to participate in mandatory internships, a more rigorous requirement than many schools. **The President should comment on how UMBC plans to improve its teacher education performance.**

Research Measures Exceed Objectives

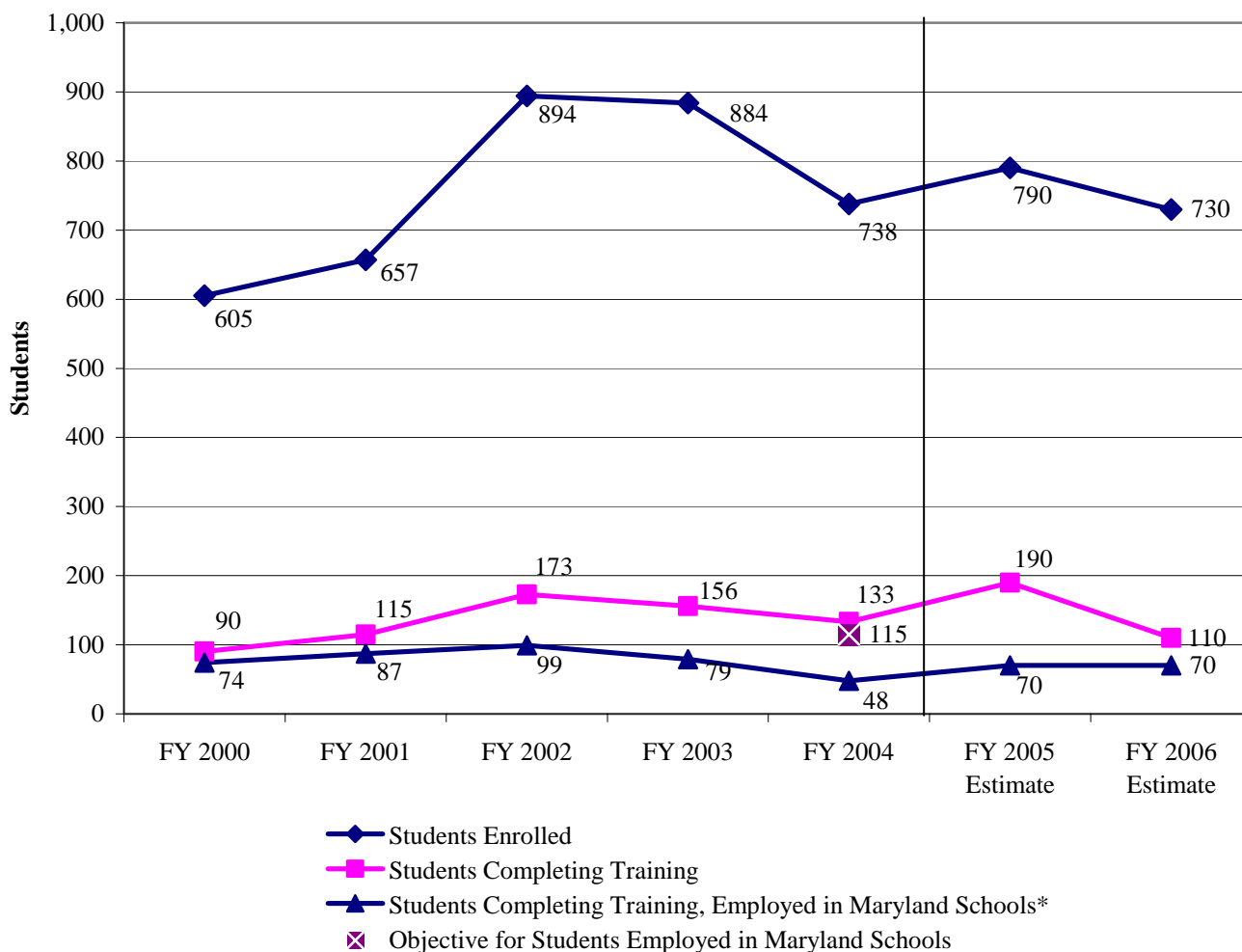
Another goal of UMBC is to promote economic development. Research and development efforts help illustrate performance on this goal.

UMBC exceeded its fiscal 2004 objective for total research and development expenditures per full-time faculty. The objective was \$89,000, and the actual amount was \$111,200, as shown in **Exhibit 2**. UMBC does not compare well to its peers on this measure, but it outperforms its peers in terms of annual growth rate in federal research and development expenditures. The growth for fiscal 2005 federal funds was not as high as UMBC originally expected, and it has reduced these funds by \$6 million through budget amendment. Still, federal funds are expected to increase by 16% over fiscal 2004.

UMBC has maintained, and expects to continue, its top 20% rank among peer public research institutions in the ratio of invention disclosures to each million dollars in research and development expenditures. In fact, a peer performance analysis by the Maryland Higher Education Commission (MHEC) shows that UMBC ranks first among its peers in other states on this measure.

Concerning technology transfer, the number of companies graduating from UMBC's business incubator programs is meeting the objective of at least three each year. Also, the number of jobs associated with UMBC's Technology Center and Research Park was 520 in fiscal 2004, which was above the objective of 500.

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

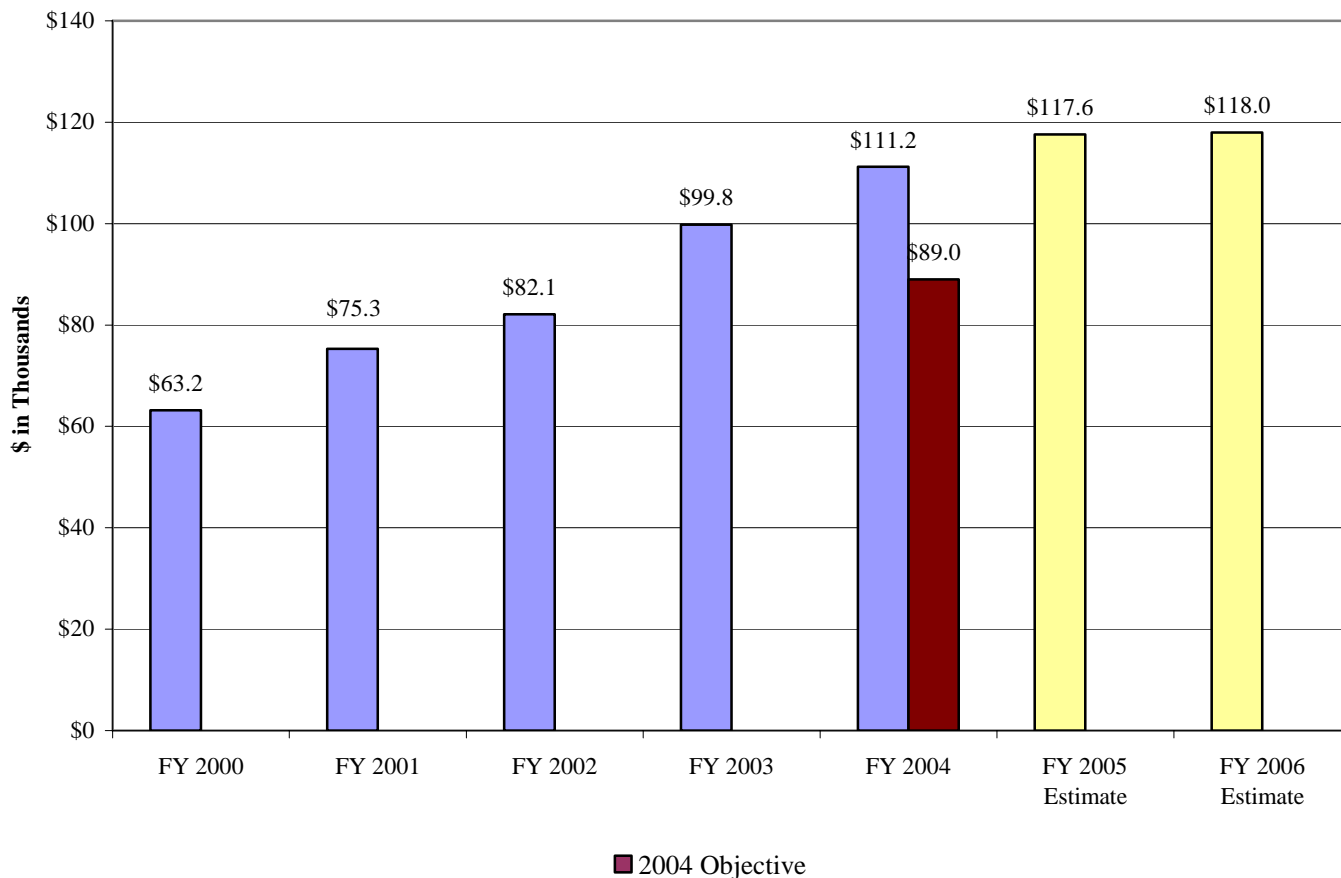


Note: Data include undergraduate and post-baccalaureate students.

*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

Exhibit 2
Research and Development Expenditures Per Full-time Faculty
Fiscal 2000 – 2006



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

Source: University System of Maryland

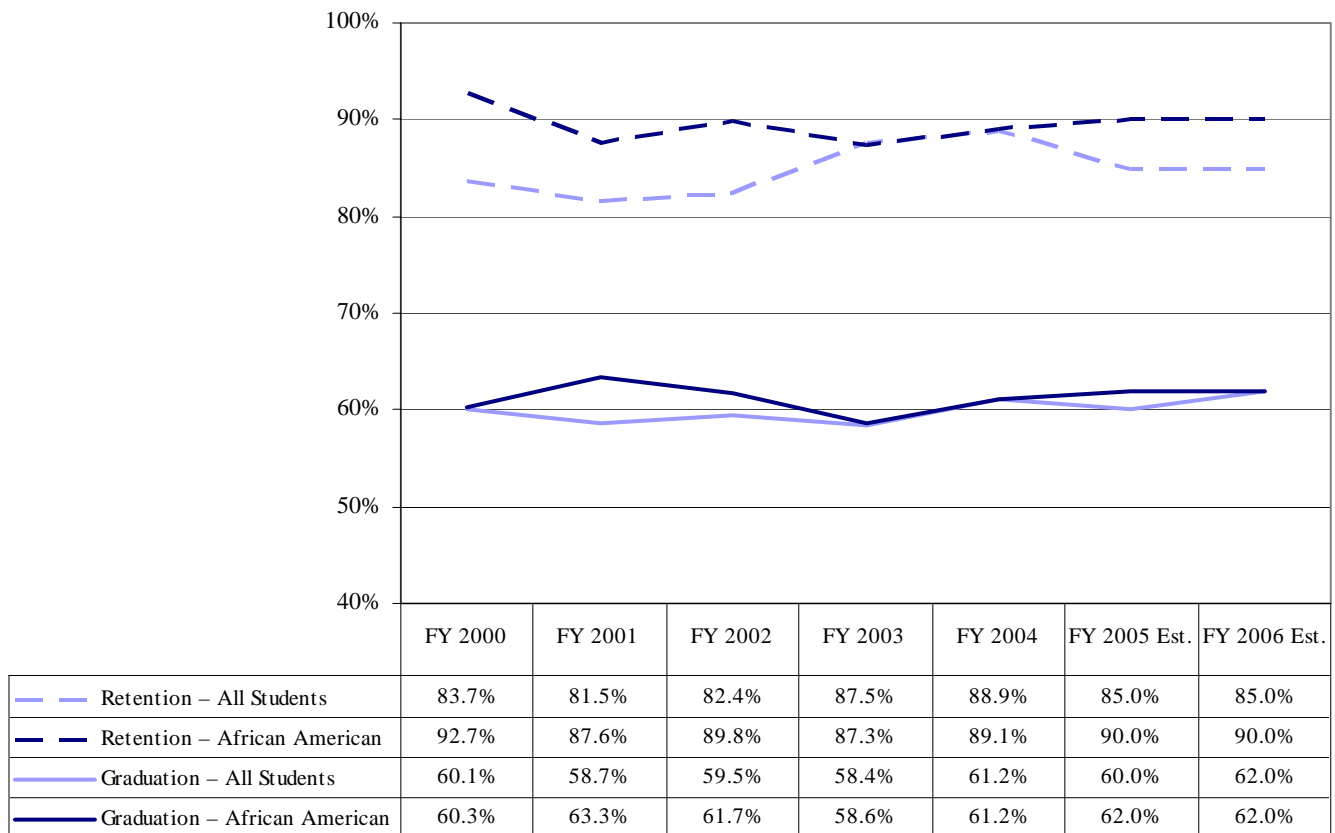
No Achievement Gap Exists for Retention or Graduation Rates

UMBC also has a goal to increase access for economically disadvantaged and minority students. African American students made up 15% of its undergraduates in fiscal 2004, which was below the UMBC objective of 18%. Across USM as a whole, African American students make up 25% of undergraduates.

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For at least five years, the retention and graduation rates for African American students have been the same or higher than rates for undergraduates as a whole. The retention rates for all undergraduates have been between 82 and 89% since fiscal 2000, as shown in **Exhibit 3**, and as of 2003 the rate has been above the UMBC objective of 85%. The retention rates for African American students have been slightly higher, at 88 to 93% since fiscal 2000. UMBC outperforms USM as a whole on retention rates for all students and African American students.

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



Source: Maryland State Budget Book

The graduation rate for all students as well as African American students was 61% in fiscal 2004, which was below UMBC’s objective of 65% for each measure. At the same time, UMBC significantly outperformed the African American graduation rate for USM as a whole (48%), and the institution compares well to its peers in other states on this measure.

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UMBC has reported that its graduation rate suffers because, with a relatively small number of academic majors, it loses students to other institutions. UMBC recently has added more academic programs. Also, UMBC has reported to MHEC that graduation rates may improve as more students choose to live on campus and the number of campus activities increases. UMBC adds that it is enhancing its advising process, creating a council of first-year students for peer-to-peer interaction, and developing living-learning communities on campus, among other efforts.

Governor's Proposed Budget

The general fund allowance for fiscal 2006 is \$2.9 million above the 2005 level, an increase of 4.4%, as shown in **Exhibit 4**. UMBC reports that it intends to use the additional general funds for mandatory cost increases.

Exhibit 4
Governor's Proposed Budget
University of Maryland Baltimore County
(\$ 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	\$65,417	\$66,377	\$69,264	\$2,888	4.4%
Other Unrestricted Funds	133,725	145,863	153,079	7,216	4.9%
Total Unrestricted Funds	199,142	212,240	222,343	10,103	4.8%
Restricted Funds	73,953	84,651	86,240	1,588	1.9%
Total Funds	\$273,095	\$296,891	\$308,583	\$11,692	3.9%
Total Funds Including Grant for School of Aging Studies (through MHEC Budget)	273,095	296,891	311,083	14,192	4.8%

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

Other unrestricted funds grow mostly from a tuition and fee revenue increase of \$5.6 million, which is 7.1% above the fiscal 2005 level. UMBC reports that it will use the new tuition and fee revenues for financial aid, additional faculty and academic support staff, academic technology, and facility renewal. Altogether, other unrestricted funds increase \$7.2 million. Overall, the UMBC budget increases 3.9% not including the MHEC enhancement, or 4.8% with the enhancement.

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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 physical plant expenditures increase at the highest rate (11.5%) over 2005. Scholarship and fellowship programs grow at the second highest rate (9.8%). Instruction expenditures grow at the fifth highest rate (4%).

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

	FY 2002	FY 2005	FY 02-05	FY 2006	FY 05-06	FY 05-06
	<u>Actual</u>	<u>Working</u>	<u>% Change</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
Expenditures						
Instruction	\$65,260	\$73,158	12.1%	\$76,091	\$2,932	4.0%
Research	6,933	6,180	-10.9%	6,181	1	0.0%
Public Service	1,912	2,460	28.6%	2,698	238	9.7%
Academic Support	15,530	15,309	-1.4%	16,245	936	6.1%
Student Services	7,123	8,924	25.3%	9,257	333	3.7%
Institutional Support	23,059	24,584	6.6%	25,203	620	2.5%
Operation and Maintenance of Plant	18,607	21,045	13.1%	23,467	2,421	11.5%
Scholarships and Fellowships	12,143	15,883	30.8%	17,440	1,558	9.8%
Education and General Total	\$150,566	\$167,543	11.3%	\$176,582	\$9,040	5.4%
Auxiliary Enterprises	42,973	44,697	4.0%	45,761	1,064	2.4%
Funds for School of Aging Studies (through MHEC Budget)				2,500	2,500	
Grand Total	\$193,539	\$212,240	9.7%	\$224,843	\$12,603	5.9%
Revenues						
Tuition and Fees	54,140	\$80,009	47.8%	\$85,656	\$5,648	7.1%
General Funds	75,818	66,377	-12.5%	69,264	2,888	4.4%
Other Unrestricted Funds	19,938	20,633	3.5%	20,942	308	1.5%
Subtotal	\$149,895	\$167,019	11.4%	\$175,862	\$8,843	5.3%
Auxiliary Enterprises	41,196	46,628	13.2%	48,078	1,450	3.1%
Transfer (to)/from Fund Balance	2,448	-1,407	-157.5%	-1,597	-190	13.5%
Funds for School of Aging Studies (through MHEC Budget)				2,500	2,500	
Grand Total	\$193,539	\$212,240	9.7%	\$224,843	\$12,603	5.9%

Note: Unrestricted funds only.

Source: Maryland State Budget

These patterns differ somewhat from expenditures from fiscal 2002 to 2005, during which time scholarships and fellowships had the highest growth rate and public service had the second highest growth rate. As with the allowance, instruction expenditures had the fifth highest rate.

Allowance Includes \$2.5 Million for UMBC School of Aging Studies

UMBC also receives a special \$2.5 million general fund enhancement from MHEC in the allowance, which brings the general fund increase to 8.1% over fiscal 2005. The enhancement is directed to UMBC's new School of Aging Studies. UMBC recently received a \$2 million private donation for the school, and it expects another \$2 million gift from the same interest in the near future.

The School of Aging Studies just recently began operating and is offering a non-credit executive development program. At this point, the school has two academic/administrative personnel who are conducting training modules, which are different from traditional courses. No full-time faculty have yet been hired. UMBC intends to hire faculty to develop the program structure, which will then be submitted to the Board of Regents and MHEC for approval.

UMBC justifies the need for the school based on demographic trends toward an aging population, rather than student demand or other factors. The school would not exist, UMBC reports, without the private donation. UMBC already has a Ph.D. in Gerontology program, and in fiscal 2005 it has 20 students.

The \$2.5 million in general funds would be used to address start-up costs for the School of Aging Studies. Faculty and staff salaries and benefits account for \$1.5 million. Finishing of classroom, office, and research space adds to \$450,000; classroom technology accounts for \$400,000; and library materials account for \$150,000.

UMBC has not indicated how it will use the private donations to cover costs. No overall financing plan for the school is available at this point that would indicate ongoing operating costs. UMBC reports that when the new personnel are hired, they will be responsible for developing a business plan.

The ongoing cost to the State could be significantly greater than the donation if the MHEC grant is a multi-year commitment. **The President should comment on UMBC's plans for the new School of Aging Studies and why the \$2.5 million in general funds is necessary.**

DLS recommends deletion of the \$2.5 million in general funds in the MHEC budget designated for the UMBC School of Aging Studies because of the disproportionate cost to the State, the lack of a financing plan, and the lack of an approved program plan.

Issues

1. UMBC Will Participate in 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.

UMBC's share of the administrative savings is estimated at \$1.5 million. To achieve these savings, UMBC reports that it will reduce and reallocate operating costs. **The President should comment on specific steps that will be taken to achieve administrative savings.**

Academic Initiatives Estimated to Support 273 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 UMBC, the estimate is 273 added FTES that could be supported at no cost to the State from fiscal 2006 to 2008, or 91 in 2006 alone. (The actual number of additional FTES could vary in any given year of the three-year efficiency initiative.) This translates into \$2.1 million in total cost avoidance, or \$700,427 for fiscal 2006, based on UMBC's 2003 general fund support of \$7,697 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. UMBC faculty workload increased in fiscal 2004, as shown in **Exhibit 6**, but for several years prior was at the low end of the range approved by the Board of Regents. Tenured and tenure-track faculty taught 5.2 course units 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.

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>
UMBC	5.0	5.0	5.1	5.0	5.2
All USM Research Institutions	5.0	5.0	5.0	5.0	5.1

Notes: UMBC 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 courses units annually.

FTEF = Full-time equivalent faculty

Source: University System of Maryland

2. Affordability in Spotlight at UMBC 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.

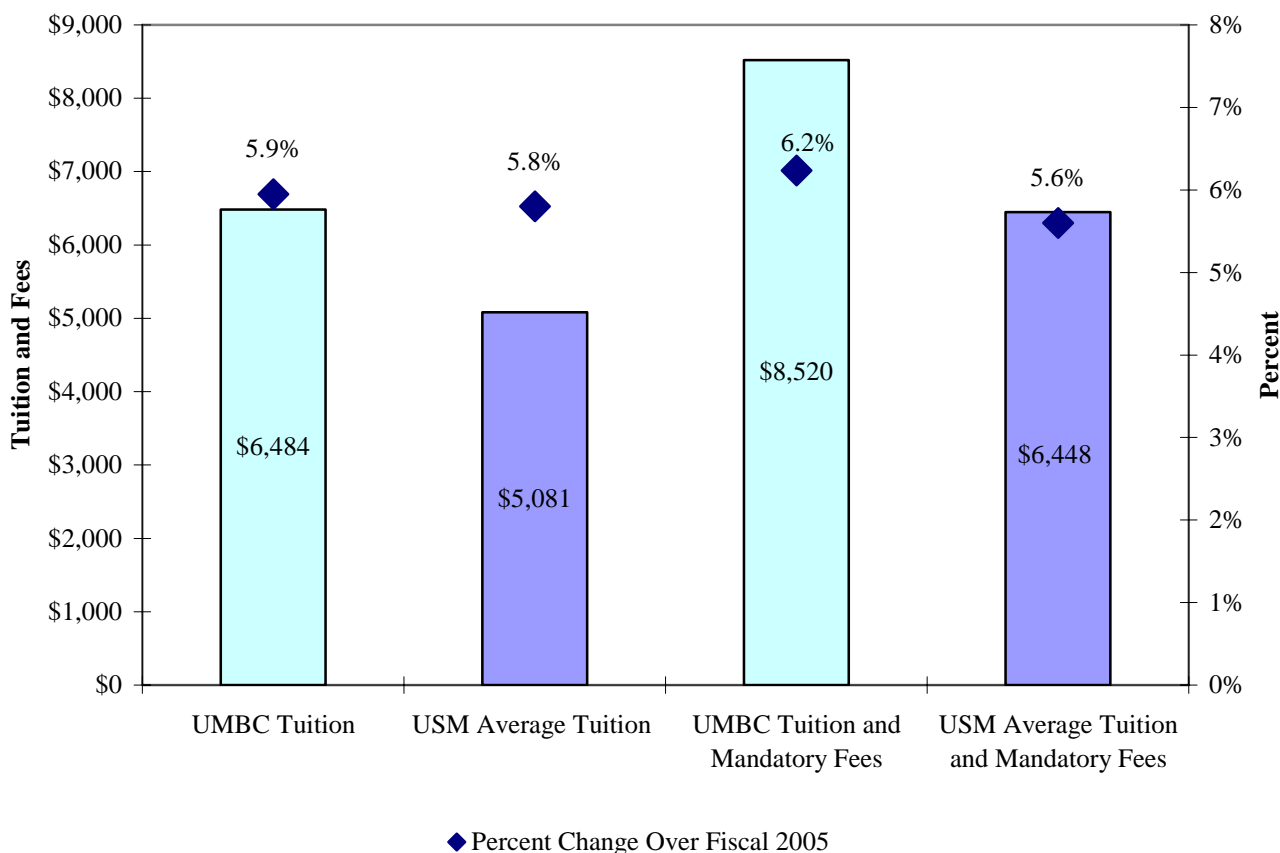
Tuition and Fee Increases Outpace USM Average

A factor that directly affects affordability is tuition and fee rates. For fiscal 2006, the USM weighted average tuition rate increases 5.8%, as shown in **Exhibit 7**. By comparison, UMBC's tuition rate increases 5.9%. Considering tuition together with mandatory fees, the USM weighted average increases 5.6%. UMBC tuition and mandatory fees increase 6.2%.

Institutional Aid Focuses on Combined Merit and Mission

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.

**Exhibit 7
Tuition and Mandatory Fees for Resident Undergraduates
Fiscal 2005 and 2006**



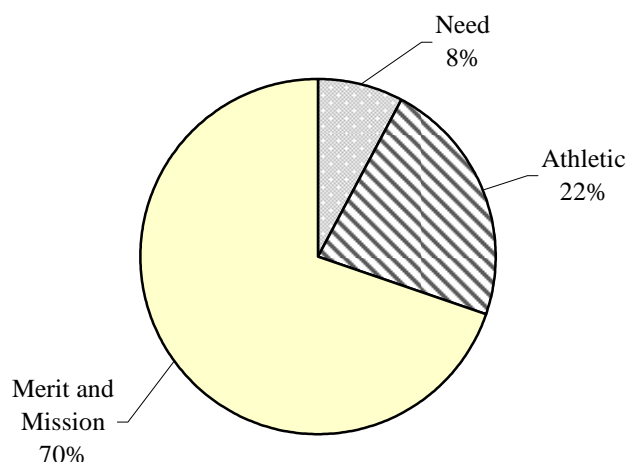
Note: USM averages are weighted.

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

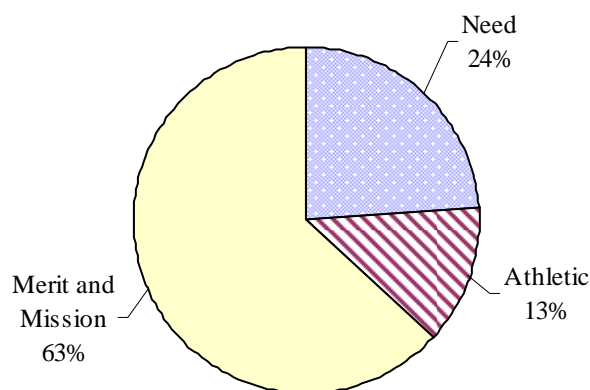
At UMBC, most institutional aid falls into the merit and mission category (70%), and 8% goes to need, as shown in **Exhibit 8**. The athletic category receives 22% of institutional aid funds. UMBC ranks third, after Coppin State University and the University of Maryland Eastern Shore, among USM institutions in the proportion of institutional aid it devotes to athletic awards. Institutional aid is one kind of aid students receive and may be accompanied by State and federal aid. **The President should comment on UMBC’s future financial aid strategies.**

**Exhibit 8
Institutional Financial Aid
Fiscal 2003**

University of Maryland Baltimore County



University System of Maryland



	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
UMBC	\$944,427	\$2,695,434	\$8,402,373
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 Salaries Vary as Compared to Median; Mid-level Administrative Salaries Are below Median

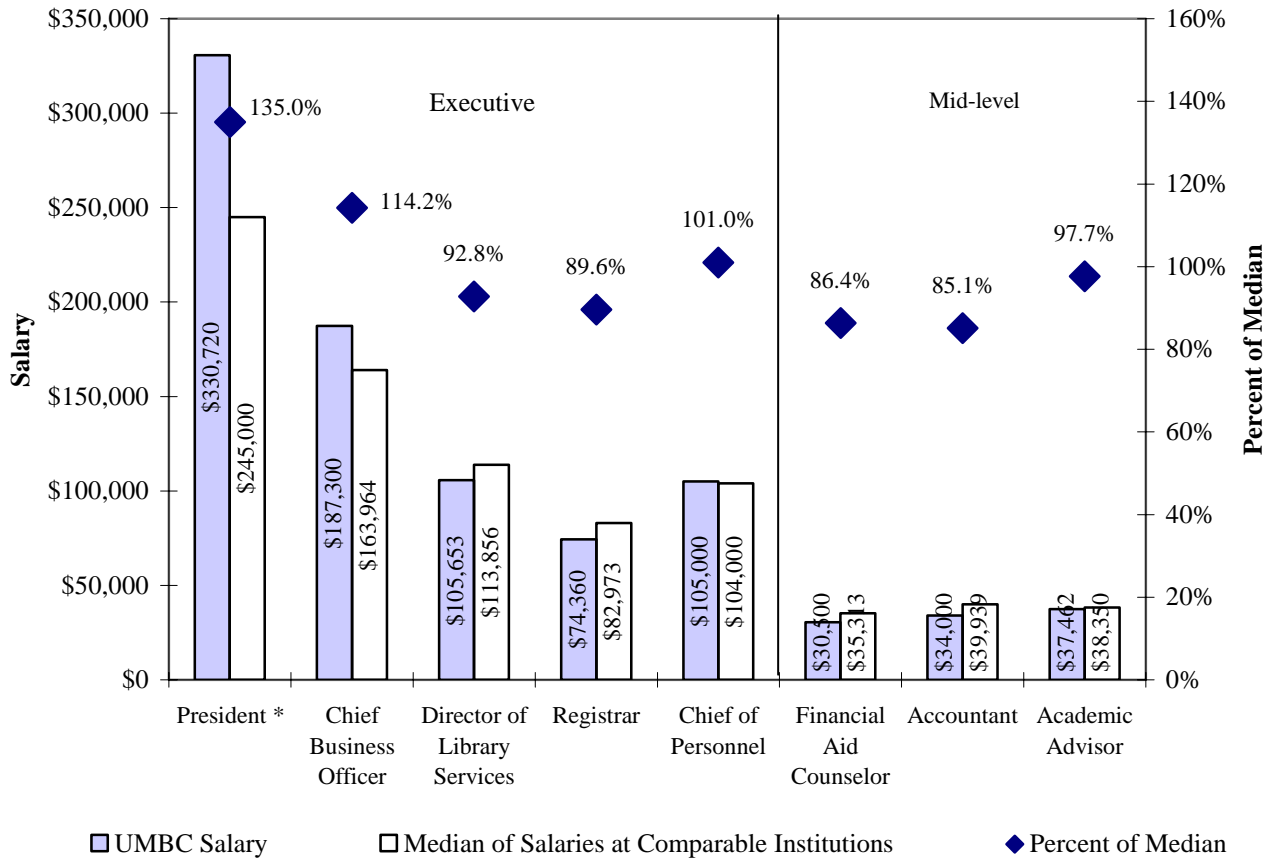
The Department of Legislative Services (DLS) analyzed salaries of selected administrative positions across all USM institutions. At UMBC, three of the five selected executive salaries are above the national median and two are below. Systemwide, these executive salaries tend to be above the median. All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

Exhibit 9
UMBC 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

All three of the selected mid-level positions – financial aid counselor, accountant, and academic advisor – are below the regional 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 Level Rebounds, Share of Instructional Personnel Higher Than USM Average

The total UMBC workforce has nearly regained the level it was before recent cost containment measures. In fiscal 2002, regular and contractual personnel totaled 2,293, and in 2005 the total is 2,261. These numbers include filled and unfilled positions.

In fiscal 2006, UMBC is budgeted to receive 27 additional regular positions. UMBC reports that seven positions are additional faculty. Even though UMBC will be realizing additional productivity from its faculty by increasing their instructional workload to meet the Regents’ target, UMBC reports that it needs these seven new faculty to reduce the size of some classes and to support other academic initiatives. Two other new positions are in instructional programs. Five positions are for research scientists supported by restricted funds, six positions are for auxiliary programs, four positions are for academic support programs, two positions are for student services programs, and one position is for institutional support.

The composition of UMBC personnel has changed 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 smaller share of total personnel. Instructional personnel include faculty as well as faculty support staff, for example. UMBC reports that instructional personnel’s share of the total declined because of the marked increases in research personnel during this time. However, the dramatic increase in research personnel and the increase in public service personnel in fiscal 2005 are partly from the effects of a new data system that better tracks the status of research and public service personnel. The new data system may also have some effect on other program categories.

Even with the decrease, UMBC’s proportion of instructional personnel (38%) still is larger than the USM average (33%) in fiscal 2005. **The President should comment on the outlook for instructional personnel’s share of total personnel.**

Faculty Proportion Comparable to USM Average

DLS also reviewed filled regular personnel data by faculty, exempt, and non-exempt categories. At UMBC, faculty account for 39% of the fiscal 2005 total. For USM as a whole, the average is 38%. Exempt personnel, who generally are higher-paid administrators and managers and are exempt from overtime pay, make up 32% of staff at UMBC. Exempt personnel also account for 32% of staff for USM as a whole. UMBC’s non-exempt personnel account for 29% of staff.

Exhibit 10
UMBC 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 <u>02-05</u>
	<u>FTEs</u>	% of Total FTEs	<u>FTEs</u>	% of Total FTEs	<u>FTEs</u>	% of Total FTEs	
Instruction	579	45.4%	623	47.4%	599	38.0%	-7.4%
Research	18	1.4%	16	1.2%	221	14.0%	12.6%
Public Service	6	0.5%	6	0.4%	71	4.5%	4.0%
Academic Support	134	10.5%	124	9.5%	127	8.1%	-2.5%
Student Services	95	7.4%	97	7.4%	98	6.2%	-1.2%
Institutional Support	249	19.6%	245	18.7%	244	15.5%	-4.1%
Operations, Maintenance of Plant	86	6.7%	74	5.6%	84	5.3%	-1.4%
Auxiliary Enterprises	108	8.4%	128	9.8%	132	8.4%	-0.1%
Total	1,275	100.0%	1,313	100.0%	1,576	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: University of Maryland Baltimore County

5. Fund Balance Declines Since 2000; Facilities Maintenance Needs Also Put Pressure on Unrestricted Funds

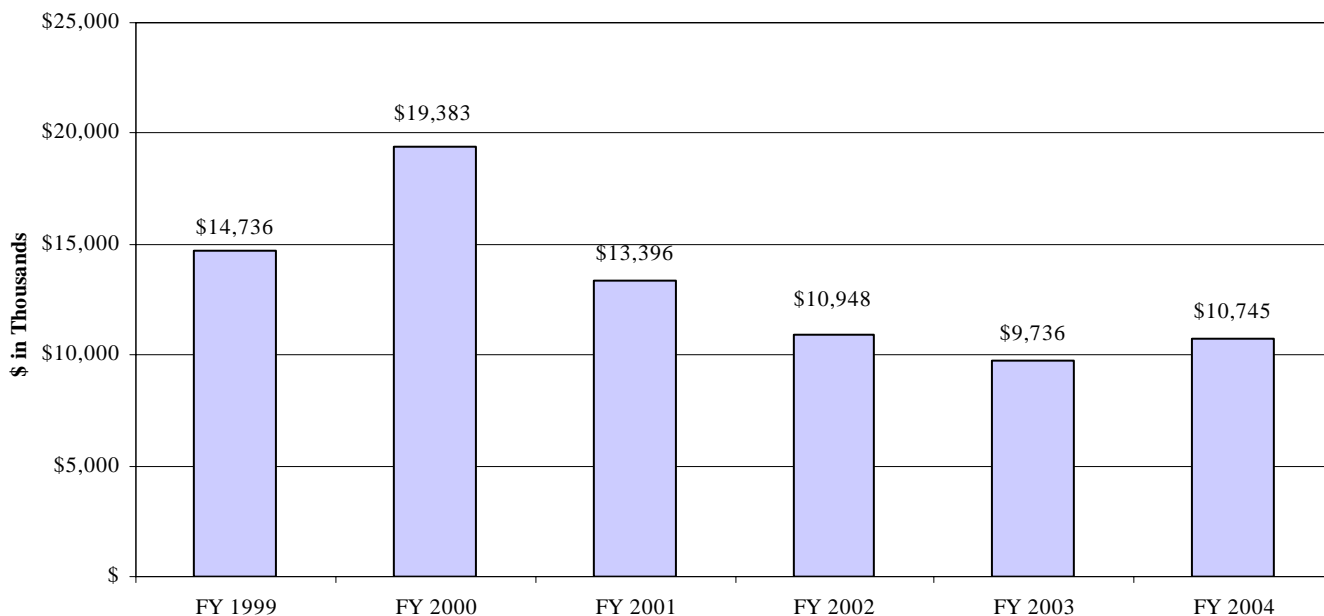
Fund balance is an important part of the assets against which debt is issued. In May 2004, Standard & Poor's Rating Services lowered the rating on USM debt from AA+ to AA. In response, USM has a systemwide program to improve the ratio of fund balance to debt. Institutions can build up fund balance by not spending all of their unrestricted funds. This, however, is a difficult choice because it means a lost opportunity to spend funds on programs.

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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. By comparison, UMBC’s fund balance grew only 10% from fiscal 2003 to 2004. **Exhibit 11** shows the detail. Furthermore, the fund balance level for the system was higher in fiscal 2004 than in 1999, but not for UMBC.

UMBC reports that it needed to use fund balance in fiscal 2001 and 2003 for expenses related to large auxiliary capital projects, and that it has transferred unrestricted funds into a separate plant fund to use for future capital projects. As of June 30, 2004, there was \$5.4 million in the plant fund. Although it is not reflected in the unrestricted fund balance, the plant fund is counted as part of the assets against which debt can be issued.

**Fiscal 11
UMBC 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	\$14,736,277	\$19,382,785	\$13,396,269	\$10,947,809	\$9,735,646	\$10,744,936
Change		4,646,508	-5,986,516	-2,448,460	-1,212,163	1,009,290

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 UMBC, projects that need to be addressed within five years are estimated at \$119 million, and projects that need to be addressed within the following five years are estimated at \$62 million. Most of the projects are related to structural repairs, rather than life safety 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 UMBC, the spending was 1.2% 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 fund balance and facilities maintenance.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland Baltimore County (\$ 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	\$69,090	\$133,230	\$202,321	\$82,501	\$284,821
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	6,287	6,287	7,010	13,297
Cost Containment	-3,673	0	-3,673	0	-3,673
Reversions and Cancellations	0	-5,792	-5,792	-15,558	-21,350
Actual Expenditures	\$65,417	\$133,725	\$199,142	\$73,953	\$273,095
Fiscal 2005					
Legislative Appropriation	\$65,393	\$145,370	\$210,763	\$93,672	\$304,435
Budget Amendments	984	494	1,477	-9,021	-7,544
Working Appropriation	\$66,377	\$145,863	\$212,240	\$84,651	\$296,891

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

Fiscal 2004

UMBC's general funds were reduced \$3.7 million in fiscal 2004 through the Governor's July 2003 cost containment action. Other unrestricted funds increased \$6.3 million through budget amendment.

Of this net amount, increases include \$5.3 million in tuition revenues, \$1.1 million in indirect cost recovery, \$1 million from auxiliary enterprises, and \$0.5 million from revenue sources such as conferences and college fairs. Decreases include a \$0.9 million transfer to fund balance and \$0.7 million to represent the amount of the General Assembly's general fund reduction in fiscal 2004. This amount was not originally deducted from the total unrestricted fund appropriation so an adjustment was needed.

Restricted funds increased \$7 million through budget amendments to accommodate additional federal grants.

At the end of fiscal 2004, UMBC cancelled \$5.8 million in unrestricted funds. Of this amount, \$4.3 million was from reduced spending on graduate assistant salaries, part-time salaries, and equipment. Another \$1 million was from delayed maintenance projects and \$0.5 million was from summer programs that were cancelled.

Cancellations for restricted funds totaled \$15.6 million. Of this amount, \$3.5 million was from scholarships. The remaining \$12.1 million was from public service activities related to grants for UMBC's Center for Health Program Development and Management, the Choice Middle Schools program, the Corporation for National Service program, and the Shriver Center.

Fiscal 2005

For fiscal 2005, UMBC general funds increased \$1 million for the State employee cost-of-living increase. Other unrestricted funds have increased \$0.5 million through budget amendment. Of this net amount, increases include \$1.3 million in tuition revenues and the largest decrease is a \$0.5 million transfer to fund balance.

While unrestricted funds have increased, restricted funds have decreased \$9 million through budget amendment. Federal grants and contracts dropped \$6 million and State and local grants and contracts dropped \$3 million, particularly due to reduced grants from the Department of Health and Mental Hygiene to the Center for Health Program Development and Management.

Audit Findings

Audit Period for Last Audit:	July 26, 1999 – January 31, 2002
Issue Date:	October 2002
Number of Findings:	8
Number of Repeat Findings:	2
% of Repeat Findings:	25%
Rating: (if applicable)	

- Finding 1:*** Purchases and Disbursements – adequate internal controls were not established over the processing of purchase and disbursement transactions.
- Finding 2:*** Information Systems – security measures to protect critical network resources were deficient.
- Finding 3:*** Information Systems – the university did not have formal plans addressing information technology resource security or disaster recovery.
- Finding 4:*** Information Systems – program change procedures and user account password requirements did not provide sufficiency control.
- Finding 5:*** **Corporate Purchasing Cards – the university did not always adhere to State and university policies for corporate credit card purchases.**
- Finding 6:*** Tuition Waivers – controls were inadequate to ensure that tuition waivers were properly authorized.
- Finding 7:*** **Student Accounts Receivable – the university did not adequately reconcile its student accounts receivable records.**
- Finding 8:*** University Bookstore – critical security capabilities were improperly granted to several bookstore employees.

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

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

<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	1704.54	1706.92	1733.92	27.00	1.6%
02 Contractual	380.69	554.11	574.60	20.49	3.7%
Total Positions	2085.23	2261.03	2308.52	47.49	2.1%
Objects					
01 Salaries and Wages	\$ 154,206,330	\$ 161,250,912	\$ 167,531,567	\$ 6,280,655	3.9%
02 Technical & Spec Fees	411,597	273,718	273,718	0	0%
03 Communication	1,287,504	1,370,075	1,370,075	0	0%
04 Travel	3,855,800	4,325,000	4,325,000	0	0%
06 Fuel & Utilities	8,704,352	9,481,742	11,002,891	1,521,149	16.0%
07 Motor Vehicles	673,507	597,121	637,121	40,000	6.7%
08 Contractual Services	34,578,308	38,183,591	38,503,929	320,338	0.8%
09 Supplies & Materials	15,895,210	17,601,288	18,327,969	726,681	4.1%
11 Equip - Additional	3,813,379	6,966,133	7,310,149	344,016	4.9%
12 Grants, Subsidies, and Contributions	30,078,516	36,243,791	37,801,501	1,557,710	4.3%
13 Fixed Charges	16,499,885	19,873,049	20,274,386	401,337	2.0%
14 Land & Structures	3,090,234	725,069	1,225,069	500,000	69.0%
Total Objects	\$ 273,094,622	\$ 296,891,489	\$ 308,583,375	\$ 11,691,886	3.9%
Funds					
40 Unrestricted Fund	\$ 199,141,957	\$ 212,239,995	\$ 222,343,479	\$ 10,103,484	4.8%
43 Restricted Fund	73,952,665	84,651,494	86,239,896	1,588,402	1.9%
Total Funds	\$ 273,094,622	\$ 296,891,489	\$ 308,583,375	\$ 11,691,886	3.9%

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

Fiscal Summary
USM – University of Maryland Baltimore County

<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	\$ 69,225,851	\$ 74,775,103	\$ 77,893,923	\$ 3,118,820	4.2%
02 Research	42,920,763	46,178,652	47,475,016	1,296,364	2.8%
03 Public Service	24,759,303	28,460,532	28,805,075	344,543	1.2%
04 Academic Support	14,565,618	15,309,163	16,245,232	936,069	6.1%
05 Student Services	8,817,220	9,459,102	9,792,575	333,473	3.5%
06 Institutional Support	22,609,630	24,583,656	25,203,347	619,691	2.5%
07 Operation and Maintenance of Plant	17,546,528	21,045,324	23,466,808	2,421,484	11.5%
08 Auxiliary Enterprises	44,766,071	44,697,374	45,761,106	1,063,732	2.4%
17 Scholarships and Fellowships	27,883,638	32,382,583	33,940,293	1,557,710	4.8%
Total Expenditures	\$ 273,094,622	\$ 296,891,489	\$ 308,583,375	\$ 11,691,886	3.9%
Unrestricted Fund	\$ 199,141,957	\$ 212,239,995	\$ 222,343,479	\$ 10,103,484	4.8%
Restricted Fund	73,952,665	84,651,494	86,239,896	1,588,402	1.9%
Total Appropriations	\$ 273,094,622	\$ 296,891,489	\$ 308,583,375	\$ 11,691,886	3.9%

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