

R30B36
University System of Maryland Office

Operating Budget Data

(\$ in Thousands)

	FY 07 <u>Actual</u>	FY 08 <u>Working</u>	FY 09 <u>Allowance</u>	FY 08-09 <u>Change</u>	% Change <u>Prior Year</u>
General Funds	\$14,447	\$19,333	\$20,119	\$786	4.1%
Other Unrestricted Funds	3,749	4,608	4,575	-33	-0.7%
Total Unrestricted Funds	18,196	23,941	24,694	753	3.1%
Restricted Funds	<u>5,021</u>	<u>4,000</u>	<u>4,000</u>	<u>0</u>	
Total Funds	\$23,217	\$27,941	\$28,694	\$753	2.7%

- General funds increase \$786,207, or 4.1%, in the fiscal 2009 allowance. Total unrestricted funds increase \$753,186, or 3.1%.
- In terms of total funds, the University System of Maryland Office (USMO) budget increases \$753,186, or 2.7%. However, after adjusting for health insurance and Other Post Employment Benefits liability costs, the underlying increase in the fiscal 2009 allowance is \$507,462, or 1.9%, over fiscal 2008.

Personnel Data

	FY 07 <u>Actual</u>	FY 08 <u>Working</u>	FY 09 <u>Allowance</u>	FY 08-09 <u>Change</u>
Regular Positions	102.00	102.00	102.00	0.00
Contractual FTEs	<u>5.25</u>	<u>4.00</u>	<u>4.00</u>	<u>0.00</u>
Total Personnel	107.25	106.00	106.00	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	1.54	1.51%
Positions Vacant as of 12/31/07	7.00	6.9%

- The fiscal 2009 allowance provides no new positions for USMO.

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

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Analysis in Brief

Major Trends

Community College Transfers Continue to Be Strong; Regional Centers Enrollments Increase: The number of students transferring to the University System of Maryland (USM) institutions totaled 8,526, exceeding the objective of 8,300 students. Enrollment at the regional centers totaled 2,567 students in fiscal 2007, exceeding the objective of 2,504 students.

Workforce Effort in Teacher Education: Seven Associate of Arts in Teaching agreements have been finalized, and an additional agreement in English is in the process of being finalized. The number of professional development school partnerships declined from 344 in fiscal 2006 to 305 in fiscal 2007.

Issues

Fundraising Initiative: USM institutions are in the midst of a \$1.7 billion fundraising campaign. Since fiscal 2005, USM institutions have raised \$897 million. However, the giving rates of alumni are lower than USM institutions' peers. Also, the U.S. Senate Committee on Finance may be considering federal legislation regarding a pay-out requirement from universities' endowment funds.

Teacher Education and Professional Development Schools: USMO awarded eight USM institutions nine grants to assist in the development of their teacher education programs. In fiscal 2009, USMO will receive \$408,415 to continue funding USM institutions university/school partnerships.

Recommended Actions

1. Concur with Governor's allowance.

R30B36
University System of Maryland Office

Operating Budget Analysis

Program Description

The University System of Maryland Office (USMO) is the staff agency to the University System of Maryland (USM) Board of Regents. The office includes the chancellor; executive and administrative staff; and the central services of budget, accounting, auditing, information technology, capital planning, advancement, and public and governmental relations.

The mission of USMO is to provide leadership, planning, and resource management to advance the quality and accessibility of USM services and to increase synergies among the USM institutions.

The goals of USMO are to:

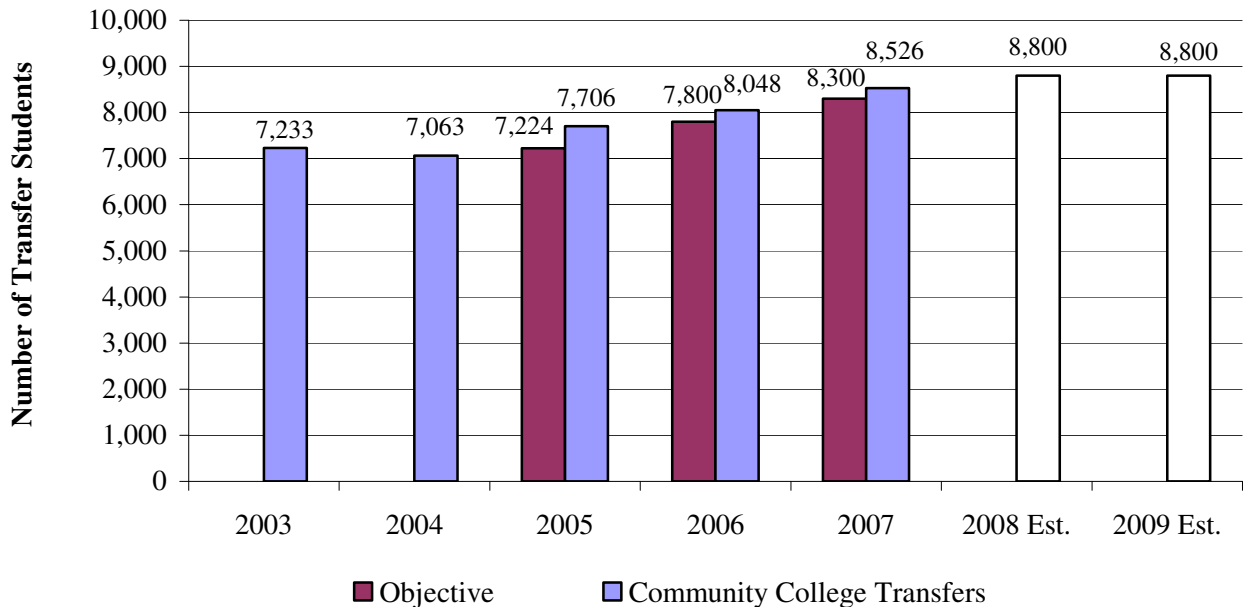
- promote access to USM institutions through cooperation;
- promote operational synergies;
- promote private support for USM; and
- provide financial stewardship to maximize the effectiveness and efficiency of USM operations.

Performance Analysis: Managing for Results

Community College Transfers Continues to Be Strong, Regional Centers Enrollments Increase

Promoting access to USM institutions is one of USMO's goals. One measure is the number of community college students transferring to USM institutions, which continues to increase, as shown in **Exhibit 1**. In fiscal 2007, 8,526 students transferred to USM institutions, exceeding the objective of 8,300 students.

**Exhibit 1
Transfer Students from Community Colleges to USM Institutions
Fiscal 2003-2009**

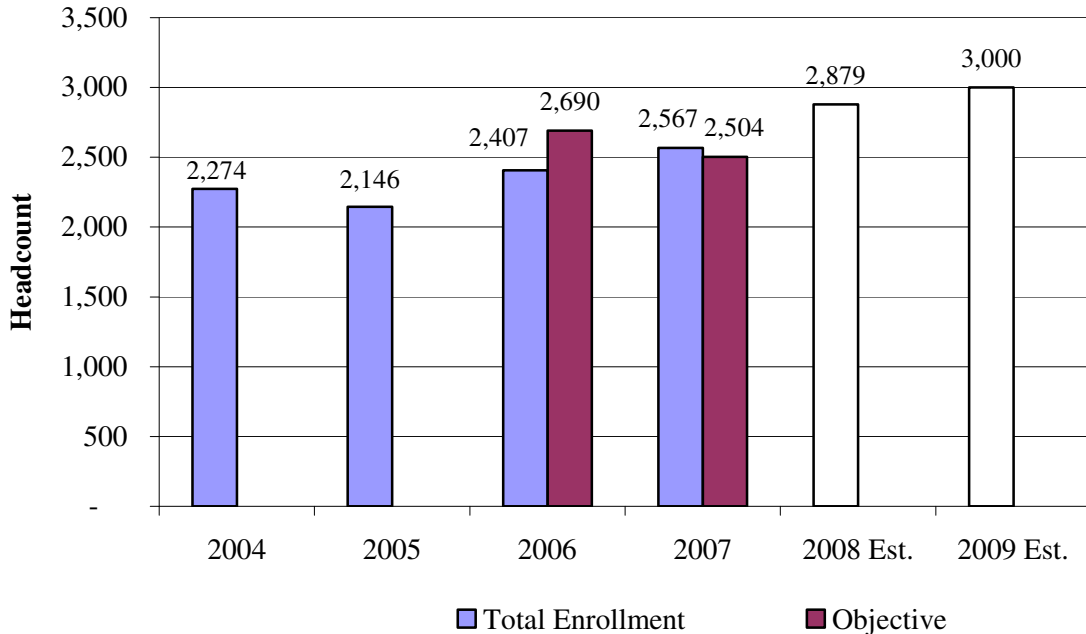


Source: Governor’s Budget Books, Fiscal 2009

USM has undertaken many initiatives to help make the transition from a community college to a four-year institution smoother. One initiative was the establishment of the USM/Maryland Association of Community Colleges Joint Leadership Council which fosters communication and collaboration on transfer issues. The Associate of Arts in Teaching (AAT) program is another initiative where upon completion of the degree, students can seamlessly transfer to a four-year Maryland institution. The increasing use of an articulation system (ARTSYS) since 2001 also helped increase the number of transfer students. ARTSYS provides students and advisors information on the transferability of classes to a specific four-year institution, aiding in the selection of courses, and facilitating transfers to a four-year institution. The impact of these programs is evidenced by the increasing number of community college students transferring to four-year institutions.

USMO also provides access to its institutions through two regional higher education centers in Shady Grove and Hagerstown. The total headcount enrollments at the two regional centers are shown in **Exhibit 2**. The data are the fall headcount of undergraduate and graduate students. Since fall 2005 was the first semester the Hagerstown center was in operation, enrollment for the center is included for the first time in the fiscal 2006 data. In fiscal 2007, enrollment at both centers increased by 160 students, or 6.6% from fiscal 2006. Total enrollment in fiscal 2007 of 2,567 students exceeded the target of 2,504 by 63 students. All of the enrollment growth was at Shady Grove.

**Exhibit 2
Total Headcount Enrollment at Shady Grove and Hagerstown
Fiscal 2004-2009**



Source: Governor’s Budget Books, Fiscal 2009

Workforce Effort in Teacher Education

Working with the K-16 Leadership Council and its successor, the Governor’s P-20 Council, to address teacher shortages is another USMO goal. USM is working with the council to increase the number of AAT agreements. In fiscal 2006, two additional agreements between community colleges and USM institutions were finalized bringing the total to seven agreements. In fiscal 2008, USM is working toward finalizing an AAT in English. Finalized agreements include elementary education; early childhood education; chemistry; mathematics; Spanish; physics; and special education. These agreements make it easier for a community college graduate with an AAT degree to transfer to a four-year institution and complete a teaching degree.

USMO also tracks the number of professional development school (PDS) partnerships which are designed to improve teacher training. The number of partnerships decreased from 344 in fiscal 2006 to 305 programs in fiscal 2007. USMO attributes this decline to a natural adjustment. After ensuring PDS placements were available for all teacher preparation candidates, institutions are consolidating or restructuring programs to reduce redundancies and overlaps with other programs.

Governor’s Proposed Budget

In the fiscal 2009 allowance, general funds increase \$786,207, or 4.1%, as shown in **Exhibit 3**. In terms of total funds, USMO’s budget increases \$753,186, or 2.7% over fiscal 2008. However, this includes health insurance and Other Post Employment Benefits liability costs. Adjusting for these costs in fiscal 2008 and 2009 results in an underlying increase in the fiscal 2009 allowance of \$507,462, or 1.9% over fiscal 2008. Increases in funds will go toward current services costs for USMO and the regional centers (\$742,397) and closing the achievement gap initiatives (\$43,810).

The Chancellor should comment on efforts to support USM institutions’ initiatives in closing the achievement gap.

Exhibit 3
Governor’s Proposed Budget
University System of Maryland Office
 (\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$14,447	\$19,333	\$20,119	\$786	4.1%
Other Unrestricted Funds	3,749	4,608	4,575	-33	-0.7%
Total Unrestricted Funds	18,196	23,941	24,694	753	3.1%
Restricted Funds	5,021	4,000	4,000	0	0.0%
Total Funds	\$23,217	\$27,941	\$28,694	\$753	2.7%

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

Funding for USM Regional Higher Education Centers

USMO administers two regional higher education centers in Hagerstown and Shady Grove. The fiscal 2009 allowance provides the Shady Grove center with \$7.6 million in general funds. This is an increase of \$331,516, or 4.6%, over fiscal 2008. The Hagerstown center is expected to receive \$2.1 million of general funds in the fiscal 2009 allowance. This is a \$49,407, or 2.5%, increase over fiscal 2008.

Enrollment at the Shady Grove center is expected to increase by 311 students, or 11.2%, totaling 3,093 students in fiscal 2009, as shown in **Exhibit 4**. The majority of students at Shady Grove are enrolled in University of Maryland, College Park (UMCP) and the University of Maryland University College (UMUC) programs. In fiscal 2009, it is estimated UMUC will account for 35.5% of enrollment, and 32.2% of the students will be enrolled in UMCP programs. Overall, since fiscal 2006, enrollment increased 50.8%, or by 1,042 students.

Exhibit 4
Total Headcount Enrollment at Regional Centers
Fiscal 2006-2009

Shady Grove Regional Education Center

	<u>2006</u>	<u>2007</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
University of Maryland, Baltimore	199	220	309	328
University of Maryland, College Park	622	713	907	995
Bowie State University	35	34	30	11
Towson University	80	111	142	129
University of Maryland Eastern Shore	54	53	70	94
University of Baltimore	–	32	109	156
Salisbury University	–	–	–	10
University of Maryland University College	914	913	1,035	1097
University of Maryland Baltimore County	147	147	180	273
Total	2,051	2,223	2,782	3,093

Hagerstown Regional Center

	<u>2006</u>	<u>2007</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
University of Maryland, Baltimore	7	–	–	–
University of Maryland, College Park	–	4	4	5
Towson University	–	17	35	53
Frostburg State University	330	308	331	350
Salisbury University	–	–	17	20
University of Maryland University College	19	15	4	10
Total	356	344	391	438

Source: Governor’s Budget Books, Fiscal 2009; University System of Maryland

A third building at Shady Grove opened for the fall 2007 semester. USM plans to bring 22 new programs to Shady Grove by fall 2008, and an additional 21 programs are being considered.

At the Hagerstown center, actual enrollment decreased slightly from 356 to 344 students in fiscal 2007. Enrollment is projected to increase by 47 students in fiscal 2008 and by another 47 students in fiscal 2009, totaling 438 students. Most of the students are enrolled in Frostburg State University (FSU) programs. Over the past four years, on average, students enrolled in FSU programs accounted for 85.1% of the total enrollment. Since fiscal 2006, enrollment is expected to increase 23.0%, or by 82 students.

The Chancellor should comment on the expected outlook for enrollment at the two centers, particularly at Hagerstown given its actual enrollment since opening in 2005. The Chancellor should also discuss USM institutions' participation in the seven non-USM operated regional higher education centers and the expected outlook for increasing participation particularly in regions of the State affected by Base Realignment and Closure (BRAC).

Issues

1. Fundraising Initiative

USM's fundraising campaign started in fiscal 2005 with an initial goal of \$1.0 billion. Due to the success of USM institutions in raising funds, the goal was raised to \$1.7 billion. A summary of the funds raised since fiscal 2005 is shown in **Exhibit 5**. In fiscal 2008, USM institutions' fundraising activities resulted in a 19.1%, or \$22.9 million, increase in the amount of funds raised over fiscal 2007. Overall, in four years, USM institutions have raised over half the funds, \$897.0 million, to reach the goal of \$1.7 billion by 2012.

Exhibit 5
USM Institutional Fundraising
Fiscal 2005-2008
(\$ in Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008 *</u>	<u>Campaign Goal</u>	<u>Total Raised</u>
UMB	\$53,009	\$58,811	\$37,251	\$39,393	\$650 million	\$217,182
UMCP	123,881	131,940	50,938	61,738	\$1 billion	468,388
BSU	470	263	943	1,067	TBD	2,959
TU	13,629	5,070	3,497	4,093	\$50 million	28,855
UMES	3,476	1,004	314	668	\$14 million	6,049
FSU	1,604	1,093	1,084	949	TBD	6,237
CSU	1,730	348	259	446	TBD	2,987
UB	6,849	5,370	1,352	5,755	TBD	21,022
SU	1,591	13,853	4,297	1,786	\$30 million	22,813
UMUC	5,202	990	1,037	4,426	TBD	12,391
UMBC	13,310	14,095	16,313	8,363	\$100 million	84,080
UMCES	361	210	2,114	257	TBD	3,223
UMBI	2,194	3,156	138	10,425	TBD	17,013
USMO	239	266	85	3,144	TBD	3,772
USM Total	\$227,545	\$236,469	\$119,621	\$142,509		\$896,970

BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 SU: Salisbury University
 TU: Towson University
 UB: University of Baltimore
 UMB: University of Maryland, Baltimore

UMBC: University of Maryland Baltimore County
 UMBI: University of Maryland Biotechnology Institute
 UMCES: University of Maryland Ctr. for Environmental Science
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore
 UMUC: University of Maryland University College
 USMO: University System of Maryland Office

*As of December 31, 2007

Source: University System of Maryland

Of the 14 USM institutions, including the University of Maryland Biotechnology Institute, University of Maryland Center for Environmental Science, and USMO, only six set a campaign goal. Three of those institutions, Towson University, Salisbury University, and the University of Maryland Baltimore County (UMBC), have raised over 50.0% of the funds needed to reach their goal. UMBC, with a goal of \$100.0 million, has raised \$84.1 million, reaching 84.0% of its target in four years. UMCP set a goal of \$1.0 billion and in four years has raised \$468.2 million, or 46.8%, of its target.

Most USM Institutions Have Lower Undergraduate Alumni Giving Rate Than Their Peers

The undergraduate alumni giving rates at USM institutions are reported in the 2005, 2006, and 2007 Dashboard Indicators compiled by USMO, as shown in **Exhibit 6**. The data represent three-year averages, compared with the previous three years (2004-2006 compared with 2003-2005). The undergraduate alumni giving rates at 6 of the 10 USM institutions were lower than their peers for the 2004-2006 period. This is an improvement from 2006 when the performance of 7 institutions was below their peers. In 2007, 3 institutions exceeded their peers: FSU by eight percentage points, Salisbury University by four percentage points, and the University of Maryland Eastern Shore by one percentage point. Since 2005, UMBC has consistently performed at least 10 percentage points below its peer average. The exhibit also shows whether an institution improved its alumni giving rate.

Exhibit 6
Average Two-year USM Undergraduate Alumni Giving Rate
Fiscal 2005-2007

	<u>2005</u> <u>Institution Rate</u>	<u>2005</u> <u>Peer Rate</u>	<u>2005</u> <u>Difference</u>	<u>2006</u> <u>Institution Rate</u>	<u>2006</u> <u>Peer Rate</u>	<u>2006</u> <u>Difference</u>	<u>2007</u> <u>Institution Rate</u>	<u>2007</u> <u>Peer Rate</u>	<u>2007</u> <u>Difference</u>
UMCP ¹	16%	16%	0	12%	16%	-4	14%	16%	-2
BSU	9%	9%	0	5%	7%	-2	5%	6%	-1
TU	7%	7%	0	7%	8%	-1	7%	8%	-1
UMES	3%	15%	-12	8%	14%	-6	8%	7%	1
FSU	12%	13%	-1	10%	11%	-1	19%	11%	8
CSU	17%	13%	4	7%	11%	-4	7%	7%	0
UB	10%	n/a	n/a	9%	7%	2	4%	7%	-3
SU	9%	12%	-3	9%	9%	0	12%	8%	4
UMUC ²	11%	9%	2	8%	8%	0	3%	8%	-5
UMBC	7%	17%	-10	5%	16%	-11	5%	16%	-11

BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 SU: Salisbury University
 TU: Towson University

UB: University of Baltimore
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore
 UMUC: University of Maryland University College

Note: Data reflect the two-year averages.

¹UMCP's peer group is composed of its aspirational peers.

²The 2005 data for UMUC is based on one year.

Source: University System of Maryland Dashboard Indicators 2005, 2006, and 2007

Congressional Inquiry of Universities Endowments

In January 2008, the U.S. Senate Committee on Finance sent a letter to 136 U.S. colleges and universities with endowments over \$500 million, including USM. According to a 2008 National Association of College and University Business Officers' study, in 2007, the University of Maryland System and Foundation ranked ninety-third nationwide with its endowment totaling over \$810 million, a 20.1% increase over 2006. Concerns with the study's findings that, on average, endowments grew at double digit rates yet the average university spends 4.6% of its endowments in 2007, led the committee to seek more information.

The U.S. Senate Committee on Finance requested information on setting of undergraduate tuition including fees; spending on financial aid; and managing the endowment funds. Currently, under federal tax laws, donations and endowment funds are tax exempt. The committee wants to understand how the tax benefits for higher education endowments are improving education and making undergraduate education more affordable for low and middle income families. The information will be used to make a decision about a potential pay-out requirement similar to a federal law requiring private foundations to pay out 5% of their assets each year toward their charitable purpose.

The Chancellor should comment on USM institutions' efforts to increase the alumni giving rate. The Chancellor should also address how much of its endowment funds are spent and for what purposes.

2. Teacher Education and Professional Development Schools

In the fiscal 2009 allowance, USMO receives \$408,415 general funds for its teacher education program. This program supports the *Redesign of Teacher Education*; a State policy adopted by the Maryland State Department of Education and the Maryland Higher Education Commission (MHEC) in 1995. A key component of the *Redesign* is the professional development schools (PDS). A PDS is a collaborative partnership between local school systems and institutions of higher education, providing a one-year internship for students enrolled in teaching programs.

USMO plans to use approximately \$100,000 for salaries and other operating costs for USMO personnel assigned to teacher education and K-16 activities. The remaining \$308,415 will be distributed to eight USM institutions with teacher education programs. Most of the institutions will receive \$35,000 to support activities such as accreditation and professional development of teachers and faculty, including course redesign and to provide science, technology, engineering, and mathematics enhancements for teacher preparation and recruitment. The University of Maryland University College (UMUC) will also receive \$20,000 to support faculty in the development of online modules.

In fiscal 2008, USMO received \$408,415 in general funds for the teacher education programs. USMO awarded eight institutions nine grants, ranging in value from \$20,000 to \$50,000, to assist in the development of PDS.

The Chancellor should discuss USM institutions' efforts to improve teacher education enrollment and preparation.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University System of Maryland Office (\$ in Thousands)

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$14,461	\$3,378	\$17,839	\$3,507	\$21,346
Deficiency Appropriation	0	0	0	2,000	2,000
Budget Amendments	137	757	894	-7	887
Reversions and Cancellations	0	-537	-537	-479	-1,016
Actual Expenditures	\$14,598	\$3,598	\$18,196	\$5,021	\$23,217
Fiscal 2008					
Legislative Appropriation	\$19,364	\$4,286	\$23,650	\$3,500	\$27,150
Cost Containment	-231	0	-231	0	-231
Budget Amendments	200	322	522	500	1,022
Working Appropriation	\$19,333	\$4,608	\$23,941	\$4,000	\$27,941

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

Fiscal 2007

For fiscal 2007, general funds for USMO increased \$136,630 through a budget amendment for a State employee cost-of-living adjustment (COLA). Other unrestricted funds increased a net \$0.7 million through budget amendments. This amount included:

- \$907,704 of additional funds received from USM institutions to support an internal audit initiative and other miscellaneous activity; and
- \$151,228 decrease due to reallocation of funds balancing tuition revenue reductions with health cost savings.

Restricted funds increased a net \$1.9 million through a deficiency appropriation and a budget amendment. This amount included:

- \$2.0 million deficiency appropriation providing funds to institutions participating in Teachers Ed Science and Math grant activity; and
- \$7,168 decrease to realign the budget with actual expenses.

Cancellations of unrestricted funds amounted to \$0.5 million due to not filling all additional auditor positions and less than expected telecommunication purchases. The cancellation of restricted funds amounted to \$0.5 million due to less than anticipated federal contract and grant activity for teacher education.

Fiscal 2008

For fiscal 2008, general funds decreased a net \$30,999. Budget amendments provided an increase of \$199,861 for the State employee COLA and a decrease of \$230,860 for cost containment. Other unrestricted funds increased \$322,394 from a budget amendment. Increases included \$130,000 in system overhead; \$170,000 due to institutional contribution to the Board of Regents Audit Initiative; and \$22,394 in private grants. Restricted revenues increased \$500,000 through a budget amendment due to an increase in federal grants for E=MC Squared and the National Science Foundation Teachers Ed Science and Math mentoring program.

**Object/Fund Difference Report
University System of Maryland Office**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY0-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	102.00	102.00	102.00	0	0%
02 Contractual	5.25	4.00	4.00	0	0%
Total Positions	107.25	106.00	106.00	0	0%
Objects					
01 Salaries and Wages	\$ 11,093,524	\$ 12,167,752	\$ 12,619,092	\$ 451,340	3.7%
02 Technical and Spec. Fees	5,103	0	0	0	0.0%
03 Communication	578,071	613,089	611,619	-1,470	-0.2%
04 Travel	211,342	142,274	142,274	0	0%
07 Motor Vehicles	7,547	6,540	6,515	-25	-0.4%
08 Contractual Services	9,456,905	13,010,894	13,573,926	563,032	4.3%
09 Supplies and Materials	101,008	87,486	87,486	0	0%
11 Equip. – Additional	116,344	145,820	145,820	0	0%
12 Grants, Subsidies, and Contributions	887,249	708,100	706,476	-1,624	-0.2%
13 Fixed Charges	385,315	306,812	304,696	-2,116	-0.7%
14 Land and Structures	375,019	751,951	496,000	-255,951	-34.0%
Total Objects	\$ 23,217,427	\$ 27,940,718	\$ 28,693,904	\$ 753,186	2.7%
Funds					
40 Unrestricted Fund	\$ 18,195,956	\$ 23,940,718	\$ 24,693,904	\$ 753,186	3.1%
43 Restricted Fund	5,021,471	4,000,000	4,000,000	0	0%
Total Funds	\$ 23,217,427	\$ 27,940,718	\$ 28,693,904	\$ 753,186	2.7%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
University System of Maryland Office**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
04 Academic Support	\$ 5,332,695	\$ 9,646,432	\$ 10,082,728	\$ 436,296	4.5%
06 Institutional Support	17,884,732	18,294,286	18,611,176	316,890	1.7%
Total Expenditures	\$ 23,217,427	\$ 27,940,718	\$ 28,693,904	\$ 753,186	2.7%
Unrestricted Fund	\$ 18,195,956	\$ 23,940,718	\$ 24,693,904	\$ 753,186	3.1%
Restricted Fund	5,021,471	4,000,000	4,000,000	0	0%
Total Appropriations	\$ 23,217,427	\$ 27,940,718	\$ 28,693,904	\$ 753,186	2.7%

Note: The fiscal 2008 appropriation does not include deficiencies.