

**R30B36**  
**University System of Maryland Office**  
**University System of Maryland**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 09-10</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$19,433	\$19,431	\$19,891	\$461	2.4%
Contingent & Back of Bill Reductions	0	0	-24	-24	
<b>Adjusted General Fund</b>	<b>\$19,433</b>	<b>\$19,431</b>	<b>\$19,867</b>	<b>\$437</b>	<b>2.2%</b>
Special Funds	0	300	0	-300	-100.0%
<b>Adjusted Special Fund</b>	<b>\$0</b>	<b>\$300</b>	<b>\$0</b>	<b>-\$300</b>	<b>-100.0%</b>
Other Unrestricted Funds	4,608	4,571	4,631	60	1.3%
<b>Adjusted Other Unrestricted Fund</b>	<b>\$4,608</b>	<b>\$4,571</b>	<b>\$4,631</b>	<b>\$60</b>	<b>1.3%</b>
Total Unrestricted Funds	24,041	24,302	24,522	221	0.9%
Contingent & Back of Bill Reductions	0	0	-24	-24	
<b>Adjusted Total Unrestricted Funds</b>	<b>\$24,041</b>	<b>\$24,302</b>	<b>\$24,498</b>	<b>\$197</b>	<b>0.8%</b>
Restricted Funds	3,468	3,985	4,000	15	0.4%
Contingent & Back of Bill Reductions	0	0	-3	-3	
<b>Adjusted Restricted Fund</b>	<b>\$3,468</b>	<b>\$3,985</b>	<b>\$3,997</b>	<b>\$11</b>	<b>0.3%</b>
<b>Adjusted Grand Total</b>	<b>\$27,509</b>	<b>\$28,287</b>	<b>\$28,495</b>	<b>\$208</b>	<b>0.7%</b>

- General funds for the University System of Maryland Office (USMO) increase \$0.5 million, or 2.4%, in the fiscal 2010 allowance. However, after adjusting for \$0.3 million of Higher Education Investment Funds and \$24,015 to delete the deferred compensation match in fiscal 2010, the underlying increase is \$0.1 million, or 0.7%, over fiscal 2010.
- In terms of total funds, USMO's budget increases \$0.2 million, or 0.7%, after adjusting \$27,495 to delete the deferred compensation match in fiscal 2010.

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

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***Personnel Data***

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	<b><u>FY 08</u></b> <b><u>Actual</u></b>	<b><u>FY 09</u></b> <b><u>Working</u></b>	<b><u>FY 10</u></b> <b><u>Allowance</u></b>	<b><u>FY 09-10</u></b> <b><u>Change</u></b>
Regular Positions	102.00	102.00	103.00	1.00
Contractual FTEs	<u>5.50</u>	<u>5.00</u>	<u>5.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>107.50</b>	<b>107.00</b>	<b>108.00</b>	<b>1.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	1.91	1.85%
Positions and Percentage Vacant as of 12/31/08	5.10	5.00%

- The fiscal 2010 allowance provides USMO with one additional regular position.

## ***Analysis in Brief***

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### **Major Trends**

***Community College Transfers Continues to Be Strong:*** For the fourth consecutive year, the number of community college transfer students increased, growing by 5.3%, to a total of 8,974 students in fiscal 2008. Two-thirds of these transfer students came from four community colleges.

***Enrollments Increase at Regional Centers:*** Enrollment at the Universities of Shady Grove increased to 1,413 full-time equivalent students (FTES) with 45.8% of the students enrolled in University of Maryland, College Park programs. Enrollment at the University System of Maryland at Hagerstown (USMH) increased 27.2%, or 236 FTES, with 82.6% of the students enrolled in programs offered by Frostburg State University (FSU).

***Workforce Effort in Teacher Education:*** The last Associate of Arts in Teaching agreement was formalized in 2008 bringing the total to eight. These agreements streamline the process for teacher education students to transfer to University System of Maryland (USM) four-year institutions.

### **Issues**

***Fundraising Initiative:*** USM institutions are in the midst of a \$1.7 billion fundraising campaign. Since fiscal 2005, institutions have raised \$1.1 billion. However, the two-year average of the percentage of undergraduate alumni donating funds to an institution is lower than USM institutions' peers.

***USM Endowments:*** The University System of Maryland Foundation manages the endowment assets of all USM institutions, excluding Salisbury University and four community colleges. As of December 31, 2008, the foundation managed \$674 million of endowment assets, of which approximately \$20 million belonged to four community colleges.

***University System of Maryland at Hagerstown:*** Enrollment at USMH increased 28.5% since fiscal 2006, with a majority of students enrolled in programs offered by FSU. However, a variety of factors hinder USMH's ability to grow including the governance structure, lack of a strong relationship with local community colleges, and location.

**Recommended Actions**

1. Add language to reduce funding for the University System of Maryland at Hagerstown.
2. Adopt narrative to request an institutional aid report.

**R30B36**  
**University System of Maryland Office**  
**University System of Maryland**

## ***Operating Budget Analysis***

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### **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 advocates on behalf of the 13 institutions, facilitates collaboration and efficiencies among institutions, and provides information to the public. It 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.

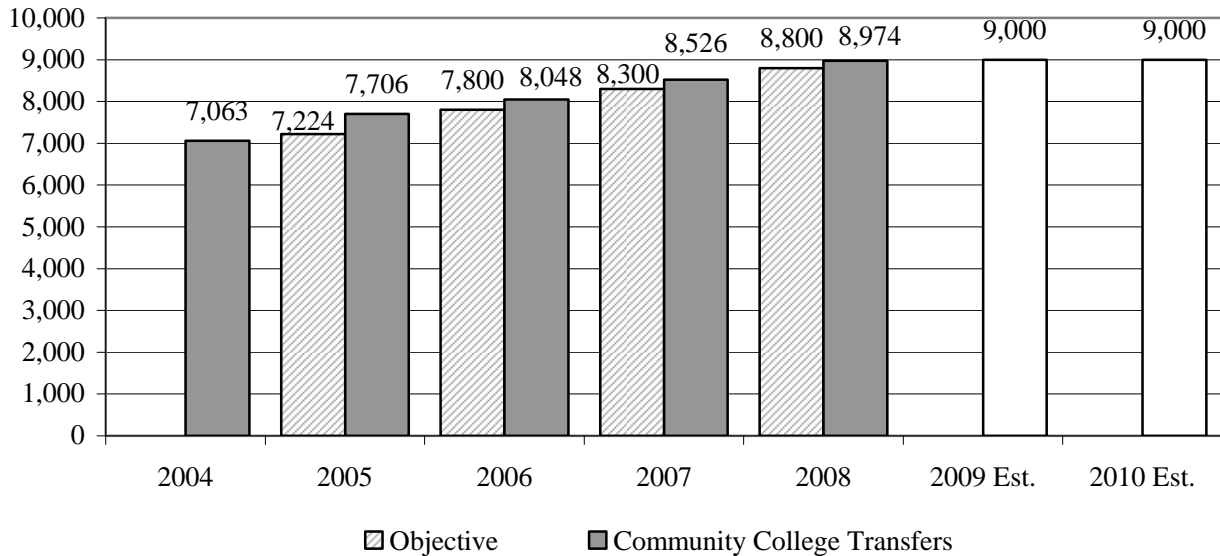
### **Performance Measures**

#### **Community College Transfers Continues to Be Strong**

USMO tracks the number of community college students transferring to USM institutions as a measure in meeting the goal of promoting access to USM institutions. As shown in **Exhibit 1**, the number of transfer students increased for the fourth consecutive year, growing 5.3%, to a total of 8,974 students, in fiscal 2008. Two-thirds of these Maryland community college transfer students came from four community colleges:

- Montgomery College;
- Baltimore County Community College;

**Exhibit 1  
Transfer Students from Community Colleges to USM Institutions  
Fiscal 2004-2010**



Source: Governor’s Budget Books, Fiscal 2010

- Anne Arundel Community College; and
- Prince George’s Community College.

In fiscal 2008, Towson University (TU), University of Baltimore (UB), and University of Maryland University College (UMUC) received at least one new transfer student from each of the 16 Maryland community colleges.

USM has undertaken various initiatives to help ease the transition from a community college to a four-year institution. For example, in 2007, Maryland TransPort was launched; this web site helps students determine which institutions and programs will accept their credits. Additionally, information is provided on scholarships available to transfer students.

**Enrollments Increase at Regional Centers**

Access to USM institutions is also provided through two regional higher education centers: University of Maryland at Hagerstown (USMH) and Universities of Shady Grove (USG). Total full-time equivalent student (FTES) enrollments at the two regional centers are shown in **Exhibit 2**. Enrollment at USG increased 5.8% in fiscal 2008, totaling 1,413.0 FTES. Students enrolled in University of Maryland, College Park (UMCP) programs accounted for 45.8% of enrollments, with UMUC students comprising 20.4% of students. Projected enrollment will increase 30.5%, or 431.0 FTES, in fiscal 2010. Since fiscal 2005, enrollment has grown 18.6%, or 221.9 FTES.

**Exhibit 2**  
**Full-time Equivalent Student Enrollment**  
**Fiscal 2005-2009**

**Universities at Shady Grove**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009 Est.</u>
Bowie State University	13.0	13.8	12.5	10.3	12.6
Salisbury University	0.0	0.0	0.0	0.0	9.6
Towson University	62.8	69.2	79.5	70.1	121.0
Univ. of Baltimore	0.0	0.0	12.1	37.0	120.0
Univ. of Maryland, Baltimore	146.1	142.7	152.9	188.3	255.0
Univ. of Maryland Baltimore County	90.4	109.6	111.9	135.2	199.0
Univ. of Maryland, College Park	473.7	529.4	628.9	646.0	746.0
Univ. of Maryland Eastern Shore	32.2	33.6	34.8	38.0	44.0
Univ. of Maryland University College	372.9	293.3	301.5	288.1	336.8
<b>Total</b>	<b>1,191.1</b>	<b>1,191.6</b>	<b>1,334.1</b>	<b>1,413.0</b>	<b>1,844.0</b>

**The University System of Maryland at Hagerstown**

	<u>2005*</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009 Est.</u>
Frostburg State University	74.4	174.3	167.0	194.9	206.6
Salisbury University	0.0	0.0	0.0	8.6	24.8
Towson University	0.0	0.0	14.2	30.1	39.6
Univ. of Maryland, Baltimore	0.0	4.6	0.0	0.0	0.0
Univ. of Maryland, College Park	0.0	0.3	1.2	2.0	1.7
Univ. of Maryland University College	0.0	4.5	3.1	0.4	0.5
<b>Total</b>	<b>74.4</b>	<b>183.7</b>	<b>185.5</b>	<b>236.0</b>	<b>273.2</b>

\* Fiscal 2005 is enrollment in spring semester only. The University System of Maryland at Hagerstown opened in January 2005.

Source: Universities of Shady Grove; the University System of Maryland at Hagerstown.

In fiscal 2008, enrollment at USMH grew 27.2%, or 50.5 FTES, and is projected to increase by 37.2 FTES in fiscal 2009. Most students are enrolled in programs offered by Frostburg State University (FSU). Since fiscal 2006, on average, students enrolled in FSU programs accounted for 89.2% of all enrollments. Overall, since fiscal 2006, enrollment increased 28.5%, or 52.3 FTES, to a total of 236.0 FTES.

## **Workforce Effort in Teacher Education**

USM is working with the Governor's P-20 Council to address the shortage of teachers by increasing the number of Associate of Arts in Teaching agreements. These agreements, between USM institutions and the community colleges, streamline the process for teacher education students to transfer to a four-year institution. The last agreement was formalized in 2008 bringing the total to eight which include early childhood education; elementary education; English; chemistry; mathematics; Spanish; physics; and special education.

## **Fiscal 2009 Actions**

### **Impact of Cost Containment**

In June 2008, the Board of Public Works (BPW) approved cost containment measures resulting in a \$11,126 reduction in USMO's general funds which were to be replaced with revenues previously restricted for Other Post Employment Benefits liability costs. In October 2008, BPW approved a second cost containment measure resulting in a \$306,229, or 1.6%, decrease in USMO's State appropriations resulting in hiring freezes at USMO and USG and a \$6,242 reduction in Teachers Education initiative grants.

Furthermore, USMO was requested to reduce current salary and wage budget by \$120,628 as part of a statewide furlough plan. The Chancellor developed a furlough plan in which the number of furlough days are based on an employee's annual salary. Those earning under \$30,000 per year are exempt from the furlough. Employees have until June 2, 2009, to take their assigned number of furlough days.

### **Anticipated Fiscal 2009 Reductions**

The Administration's Budget Reconciliation and Financing Act (BRFA) of 2009 includes provisions to transfer \$20.0 million from USM's fund balance to the general fund. USMO's portion of the transfer is \$365,263, equivalent to 19.9% of the State-supported portion of the fund balance. At the end of fiscal 2009, USMO's total fund balance (State- and non-State-supported) is estimated to total \$4.3 million. It should be noted that USMO plans to transfer \$70,000 to the fund balance in fiscal 2010, increasing the total to \$4.4 million.

USMO's fiscal 2009 budget is also expected to be reduced by \$43,147 due to the projected underattainment of Higher Education Investment Fund (HEIF) revenues. Additional cost containment actions may be taken in fiscal 2009.

## Proposed Budget

The general fund allowance for fiscal 2010 is \$0.4 million above the fiscal 2009 level, an increase of 2.2%, as shown in **Exhibit 3**. Due to the underattainment of the HEIF revenues in fiscal 2009, USMO’s allocation of these funds is expected to be reduced by \$43,147. When adjusting for the \$0.3 million of the HEIF revenues that replace general funds in fiscal 2009 and the reduction of \$24,015 to delete the deferred compensation match in fiscal 2010, the general fund allowance for fiscal 2010 is \$0.2 million above the fiscal 2009 level, an increase of 0.9%. Increases in USMO budget are primarily due to higher fuel and utilities costs and personnel costs.

It is anticipated that the fiscal 2009 budget will be further reduced by \$120,628 due to salary and wage reductions related to the furlough. State funds total \$19.9 million in fiscal 2010, of which \$9.4 million fund USG and USMH.

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**Exhibit 3**  
**Proposed Budget**  
**University System of Maryland Office**  
**(\$ in Thousands)**

	<u>Actual</u> <u>FY 08</u>	<u>Working</u> <u>FY 09</u>	<u>Adjusted</u> <u>FY 10</u>	<u>\$ Change</u> <u>FY 09-10</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$19,433	\$19,431	\$19,867	\$437	2.2%
HEIF	0	257	0	-257	-100.0%
Total State Funds	19,433	19,688	19,867	180	0.9%
Other Unrestricted Funds	4,608	4,571	4,631	60	1.3%
Total Unrestricted Funds	24,041	24,259	24,498	240	1.0%
Restricted Funds	3,468	3,985	3,997	11	0.3%
<b>Total Funds</b>	<b>\$27,509</b>	<b>\$28,244</b>	<b>\$28,495</b>	<b>\$251</b>	<b>0.9%</b>

HEIF: Higher Education Investment Fund

\*Fiscal 2009 reflects expected reduction of \$43,147 due to underattainment of HEIF revenues.

Note: Fiscal 2010 general funds are adjusted by \$24,015 and restricted funds by \$3,483 to reflect the deletion deferred compensation match. Does not include reductions due to the furlough. Numbers may not sum to total due to rounding.

Source: Governor’s Budget Book, Fiscal 2010

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## **USM Regional Higher Education Centers**

USG started as a regional higher education center in 1992, serving evening and part-time undergraduate and graduate students. Business and corporate leaders provided \$1 million in funding for the first Shady Grove building. The campus was managed by UMUC which offered programs at the facility along with Bowie State University, University of Maryland, Baltimore (UMB), and UMCP. In 2000, USM established USG which included upper-level daytime undergraduate degrees with seven USM institutions offering 14 baccalaureate programs. In 2001, UMCP took over the administrative functions of the campus with the director reporting to the UMCP provost.

USG offers classes during the daytime, evening, and weekends and has over 1,000 undergraduates enrolled in daytime programs. In 2009, nine USM institutions offer over 60 programs, of which 35 are baccalaureate, including certificate and continuing education programs. A majority of undergraduate students, 59%, transfer from Montgomery Community College.

USMH opened in January 2005 in downtown Hagerstown. The State bought the building for \$10.00 from the City of Hagerstown and then invested \$15.4 million to renovate and equip the building. FSU provides management and administrative support to USMH, with the director reporting to the President of FSU.

USMH offers classes during the weekdays, with most classes held in the evening. The majority of students are enrolled in graduate programs. In 2008, five institutions offer 12 undergraduate and 7 graduate programs.

Both centers have a similar governance structure with the overall policymaking responsibility residing with the Governing Council comprised of provosts from participating USM institutions and the USM Senior Vice Chancellor of Academic Affairs. Additionally, both have a Board of Advisors comprised of business, political, and community leaders representing the interests of the community.

The proposed fiscal 2010 budgets for USG and USMH are shown in **Exhibit 4**. Overall, USG's total budget increases \$366,000, or 2.8%, over fiscal 2009. General funds increase \$79,000, or 1.1%, in fiscal 2010 and total \$7.5 million, accounting for 55.8% of USG's total budget. USG also receives funding for enrollment growth from institutions whose enrollment is projected to grow, such as UMCP. In fiscal 2010, this totals \$3.3 million, comprising 27.5% of total State-support revenues. Revenues from student fees increase 10.6%, totaling \$825,000, in fiscal 2010.

General funds in the fiscal 2010 allowance for USHM increase \$302,962, or 18.7%, over fiscal 2009 and total \$1.9 million. When adjusting for the \$300,000 of the HEIF revenues that replaced general funds in fiscal 2009, the underlying growth in general funds is \$2,962, or 0.2%. Revenues from other non-State-supported sources, including rentals and testing, increase 33.2%, to \$99,880, in fiscal 2010. Overall, total revenues increase \$27,842, or 1.4%, over fiscal 2009.

It should be noted students at USG pay a fee to cover various student activities such as student life (*e.g.*, movie and event nights), student government, and student services (*e.g.*, academic and career services). Students are charged a USG fee in lieu of standard institutional fees. Fees are approved by the Board of Regents. While USMH provides some student services, including a library

with a full-time staff, computer labs, laptops that can be checked out for use while on campus, and Internet access, students do not pay a fee to USMH for these services. Some students pay specific fees, (e.g., *technology fee*) to the institution in which they are enrolled.

**The USMH Director, in consultation with USMO, should determine an appropriate fee schedule so students enrolled in programs at USMH pay for services available at the center in lieu of the standard institutional fee.**

**Exhibit 4  
Proposed Budget  
University System of Maryland Regional Higher Education Centers**

**Universities at Shady Grove**

	<u>Actual FY 2008</u>	<u>Budgeted FY 2009</u>	<u>Estimate FY 2010</u>	<u>Change FY 09-10</u>	<u>% Change Prior Year</u>
<b><u>Expenditures</u></b>					
Salaries and Wages	\$3,748,000	\$4,802,000	\$4,908,000	\$106,000	2.2%
Operating Expenses	6,914,000	8,217,000	8,477,000	260,000	3.2%
<b>Total Operating Expenses</b>	<b>\$10,662,000</b>	<b>\$13,019,000</b>	<b>\$13,385,000</b>	<b>\$366,000</b>	<b>2.8%</b>
<b><u>State-supported Revenues</u></b>					
General Funds	\$7,221,000	\$7,388,000	\$7,467,000	\$79,000	1.1%
Enrollment Growth	1,716,000	3,263,000	3,263,000	0	0.0%
Institutional Partners Classroom and Office fees	600,000	650,000	660,000	10,000	1.5%
Other Revenues	366,000	431,000	487,000	56,000	13.0%
<b>Total State-supported Revenues</b>	<b>\$9,903,000</b>	<b>\$11,732,000</b>	<b>\$11,877,000</b>	<b>\$145,000</b>	<b>1.2%</b>
<b><u>Non-State-supported Revenues</u></b>					
Student Fees	\$611,000	\$783,000	\$825,000	\$42,000	10.6%
Conference Center Revenues	600,000	650,000	683,000	33,000	5.1%
Transfer to Fund Balance	-452,000	-146,000	0	146,000	-100.0%
<b>Total Non-State-supported Revenues</b>	<b>\$759,000</b>	<b>\$1,287,000</b>	<b>\$1,508,000</b>	<b>\$221,000</b>	<b>17.2%</b>
<b>Total Revenues</b>	<b>\$10,662,000</b>	<b>\$13,019,000</b>	<b>\$13,385,000</b>	<b>\$366,000</b>	<b>2.8%</b>

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**University System of Maryland at Hagerstown**

	<b><u>Actual FY 2008</u></b>	<b><u>Budgeted FY 2009</u></b>	<b><u>Estimate FY 2010</u></b>	<b><u>Change FY 09-10</u></b>	<b><u>% Change Prior Year</u></b>
<b><u>Expenditures</u></b>					
Salaries and Wages	\$804,988	\$671,544	\$579,892	-\$91,652	-13.6%
Operating Expenses	1,573,025	1,327,027	1,446,521	119,494	9.0%
<b>Total Operating Expenses</b>	<b>\$2,378,013</b>	<b>\$1,998,571</b>	<b>\$2,026,413</b>	<b>\$27,842</b>	<b>1.4%</b>
<b><u>State-supported Revenues</u></b>					
General Funds	\$2,016,418	\$1,623,571	\$1,926,533	\$302,962	18.7%
Higher Education Investment Fund	0	300,000	0	-300,000	-100.0%
<b>Total State Funds</b>	<b>\$2,016,418</b>	<b>\$1,923,571</b>	<b>\$1,926,533</b>	<b>\$2,962</b>	<b>0.2%</b>
<b><u>Non-State-supported Revenues</u></b>					
Rental, Testing and Other	65,029	75,000	99,880	24,880	33.2%
Transfer to Fund Balance	296,566	0	0	0	
<b>Total Revenues</b>	<b>\$2,378,013</b>	<b>\$1,998,571</b>	<b>\$2,026,413</b>	<b>\$27,842</b>	<b>1.4%</b>

Source: Universities at Shady Grove; University System of Maryland at Hagerstown

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## ***Issues***

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### **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**. After three years of growth, contributions in fiscal 2009 declined 58.8% to a total of \$105.9 million. However, in five years of the campaign USM institutions have raised almost 66.0% of the funds, \$1.1 billion, to reach the goal of \$1.7 billion by 2012.

Of the 14 USM institutions, including USMO, only 3 have not set a campaign goal – UB, the University of Maryland Biotechnology Institute (UMBI), and USMO. Seven institutions have raised over 50.0% of the funds needed to reach their goal. The University of Maryland, Baltimore County (UMBC), with a goal of \$100.0 million, has raised \$95.0 million, reaching 95.0% of its target in five years. Salisbury University (SU), with a goal of \$30.0 million, has raised \$26.5 million, 88.0% of the target. UMCP and FSU have raised 59.0% of the funds to meet their goals.

#### **Most USM Institutions Have Lower Undergraduate Alumni Giving Rates Than Their Peers**

The undergraduate alumni giving rates at USM institutions are reported in the 2005, 2006, 2007, and 2008 *Dashboard Indicators* compiled by USMO, as shown in **Exhibit 6**. The data represents two-year averages of the percentage undergraduate alumni donating funds to the institution. In 2007 and 2008, the undergraduate alumni giving rates at 6 of the 10 USM institutions were lower than their peer institutions. In 2008, SU and FSU were the only institutions that exceeded their peers by 8 and 2 percentage points, respectively. While UMBC has raised 95% of the total funds needed to reach the campaign goal, the institution consistently performed at least 10 percentage points below its peer average in alumni giving.

### **2. USM Endowments**

The University System of Maryland Foundation, Inc. is a not-for-profit corporation founded in 1979 and is separate from USM. The foundation's mission is to strengthen the capacity of USM institutions to broaden access to high quality education, meet the workforce needs of the State, and conduct research. To that end, the foundation provides advocacy, fundraising, investments management services, and financial stewardship of funds under management.

USM manages assets for USM and all USM institutions and research centers except for Salisbury University. The foundation also manages endowment assets for four community colleges: Howard, Frederick, Allegany, and Hagerstown.

**Exhibit 5**  
**USM Institutional Fundraising**  
**Fiscal 2005-2009**  
**(\$ in Thousands)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009 *</u>	<u>Campaign Goal</u>	<u>Total Raised*</u>	<u>% of Goal</u>
UMB	\$53,009	\$58,811	\$65,967	\$68,730	\$39,680	\$650,000	286,198	44%
UMCP	123,881	131,940	121,930	129,223	50,285	1,000,000	586,158	59%
BSU	470	263	1,160	1,160	782	15,000	6,752	45%
TU	13,629	5,070	6,063	6,477	2,912	50,000	34,151	68%
UMES	3,476	1,004	901	2,827	489	14,000	8,697	62%
FSU	1,604	1,093	2,591	1,979	1,535	15,000	8,802	59%
CSU	1,730	348	464	676	303	15,000	3,521	23%
UB	6,849	5,370	3,049	9,718	1,218	TBD	26,203	
SU	1,591	13,853	12,883	3,801	1,657	30,000	26,485	88%
UMUC	5,202	990	1,773	4,784	841	26,000	13,590	52%
UMBC	13,310	14,095	20,569	13,435	5,854	100,000	95,006	95%
UMCES	361	210	2,395	516	203	8,000	3,684	46%
UMBI	2,194	3,156	1,238	10,639	4	TBD	17,231	
USMO	239	266	123	3,454	155	n/a	4,310	
<b>USM Total</b>	<b>\$227,545</b>	<b>\$236,469</b>	<b>\$241,106</b>	<b>\$257,419</b>	<b>\$105,918</b>	<b>\$1,700,000</b>	<b>\$1,120,788</b>	<b>66%</b>

BSU: Bowie State University  
 CSU: Coppin State University  
 FSU: Frostburg State University

TU: Towson University  
 SU: Salisbury 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 Center for Environmental Science

UMCP: University of Maryland, College Park  
 UMES: University of Maryland, Eastern Shore  
 UMUC: University of Maryland, University College  
 USM: University System of Maryland  
 USMO: University System of Maryland Office

\*As of December 31, 2008.

Source: University System of Maryland Office

**Exhibit 6**  
**Average Two-year USM Undergraduate Alumni Giving Rate**  
**2005-2008**

	<b>Institution Rate 2005</b>	<b>Peer Rate 2005</b>	<b>Institution Rate 2006</b>	<b>Peer Rate 2006</b>	<b>Institution Rate 2007</b>	<b>Peer Rate 2007</b>	<b>Institution Rate 2008</b>	<b>Peer Rate 2008</b>	<b>Difference 2008</b>
UMCP <sup>(1)</sup>	16%	16%	12%	16%	14%	16%	14%	17%	-3
BSU	9%	9%	5%	7%	5%	6%	5%	5%	0
TU	7%	7%	7%	8%	7%	8%	6%	8%	-2
UMES	3%	15%	8%	14%	8%	7%	7%	8%	-1
FSU	12%	13%	10%	11%	19%	11%	12%	10%	2
CSU	17%	13%	7%	11%	7%	7%	7%	7%	0
UB	10%	NA	9%	7%	4%	7%	6%	9%	-3
SU	9%	12%	9%	9%	12%	8%	14%	9%	5
UMUC <sup>(2)</sup>	11%	9%	8%	8%	3%	8%	2%	8%	-6
UMBC	7%	17%	5%	16%	5%	16%	5%	15%	-10

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  
 USM: University System of Maryland

<sup>(1)</sup> UMCP's peer group is composed of its aspirational peers.

<sup>(2)</sup> The 2005 data for UMUC is based on one year.

Note: Data reflect the two-year averages.

Source: University System of Maryland *Dashboard Indicators* 2005, 2006, 2007, 2008

Endowment assets under management as of December 31, 2008, totaled \$674 million, of which approximately \$20 million were assets of the four community colleges. Total endowment assets under management as of June 30, 2008, were approximately \$860 million. Overall, the foundation's preliminary investment return from July 1, 2008, to January 31, 2009, was -21.4%.

In January 2009, the National Association of College and University Business Officers (NACUBO) released the thirty-sixth annual NACUBO Endowment Study for fiscal 2008. During the year, 728 institutions reported an average return of -3.0%, while the return on the foundation's endowment assets was 0.7%, placing it in the top quartile of reporting institutions.

### **3. University System of Maryland at Hagerstown**

As required by language in the *Joint Chairmen's Report*, USMO submitted a report on October 9, 2008, on the five-year business plan for USMH for fiscal 2008 to 2012. The report focused on increasing program offerings and enrollment, marketing efforts, and expanding the participation of the community and local businesses.

#### **Programs**

**Exhibit 7** shows the programs offered by the five USM institutions at USMH. In fiscal 2009, 18 programs were offered including 2 certificate programs; 4 education programs; 2 nursing programs; and 1 graduate level engineering program. FSU offers 7 programs, including all education programs. The goal is to increase the number of programs offered from 18 in fiscal 2009 to 21 in fiscal 2012.

In order to reduce the financial risk of bringing a new academic program to USMH, incentives are provided to partner institutions for a pre-determined amount of time until a program is financially viable. Since 2006, TU has received \$100,000 per year to offset costs of the nursing program. TU anticipates receiving funding until 2010. In fiscal 2009, \$25,000 was set aside to fund the second year payment to SU for its social work program; alternatively it may be used as start-up funding for UMCP to offer a doctoral level education program. In fiscal 2010, funds for academic program incentives increase 29.2% to \$161,558.

**Exhibit 7  
Program Offerings by Institutions**

<b>Institution/Program</b>	<b>Bachelors</b>	<b>Masters</b>	<b>Doctoral</b>
<b>Frostburg State University</b>			
Business Administration	✓	✓	
Early Childhood Education	✓		
Teaching, Elementary	Fall 2009	✓	
Teaching, Secondary Education		✓	
Liberal Studies	✓		
Sociology	✓		
<b>Salisbury University</b>			
Social Work	✓	✓	
<b>Towson University</b>			
Nursing	✓	✓	
Nursing – RN to BSN	✓		
Nursing Education – post-baccalaureate certificate			
<b>University of Maryland, College Park</b>			
Engineering		✓	
Engineering – graduate certificate			
Education (with FSU)			Fall 2009
<b>University of Maryland University College</b>			
Accounting	✓		
Criminal Justice	✓		
Investigative Forensics	✓		
Information Systems Management	✓		
Social Science	✓		

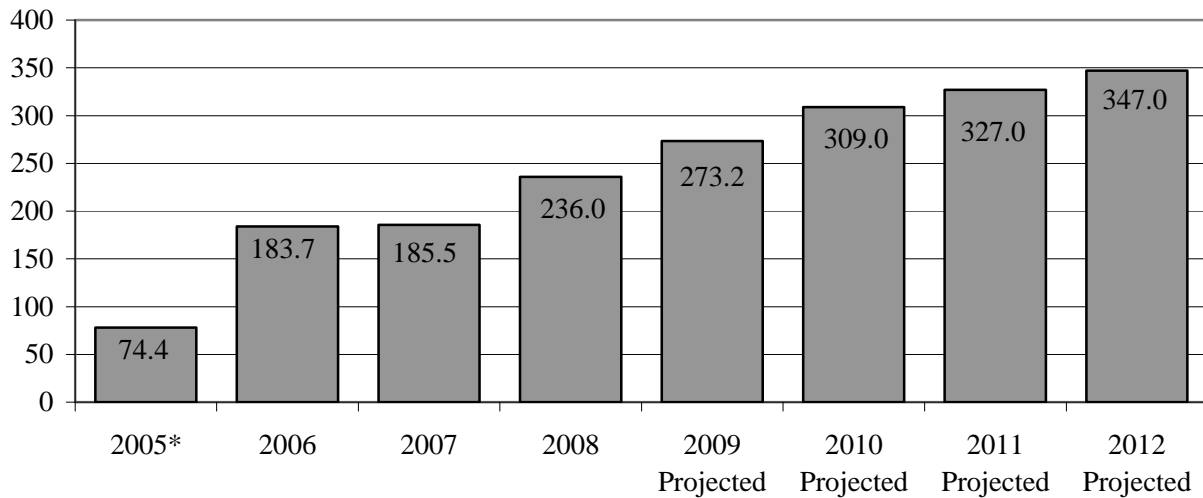
BSN: Bachelor’s of Science in Nursing  
 FSU: Frostburg State University  
 RN: registered nurse

Source: University System of Maryland

**Enrollment**

Enrollment has increased modestly since fiscal 2006, the first full year of operation. As shown in **Exhibit 8**, in fiscal 2008, enrollment increased by 50.5 FTES, or 27%, primarily due to a doubling of enrollment in TU’s nursing program. The goal is to increase enrollment over the next four years by 26.9%, to 347.0 FTES by fiscal 2012. This projection is based on the growth of current programs.

**Exhibit 8**  
**USMH – Full-time Equivalent Student Enrollment**  
**Fiscal 2005-2012**



USMH: University System of Maryland at Hagerstown

\* Fiscal 2005 is enrollment in spring semester only.

Source: University System of Maryland at Hagerstown

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Students enrolled in FSU programs account for 75.6% of the total enrollment in fiscal 2009, as shown in **Exhibit 9**. By fiscal 2012, FSU is projected to account for 69.2% of total enrollment. It should be noted that enrollment in FSU programs is expected to increase 23% by 2012, accounting for 41% of the total USMH growth. Graduate programs account for almost all of FSU's growth with all but 2.2 FTES being graduate students. USMH notes enrollment growth is constrained due to space limitation of the current facility but the *Joint Chairmen's Report* (JCR) does not specify the enrollment capacity.

**Exhibit 9**  
**USMH – Full-time Equivalent Students by Institutions**  
**Fiscal 2005-2012**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Projected 2009</u>	<u>Projected 2010</u>	<u>Projected 2011</u>	<u>Projected 2012</u>
FSU								
Undergraduate	15.3	33.3	38.7	57.8	58.0	60.0	60.0	60.0
Graduate	59.1	141.0	128.3	137.1	148.6	160.0	170.0	180.0
<b>Total</b>	<b>74.4</b>	<b>174.3</b>	<b>167.0</b>	<b>194.9</b>	<b>206.6</b>	<b>220.0</b>	<b>230.0</b>	<b>240.0</b>
SU								
Undergraduate	—	—	—	3.1	14.3	18.0	18.0	18.0
Graduate	—	—	—	5.5	10.5	14.0	14.0	14.0
<b>Total</b>				<b>8.6</b>	<b>24.8</b>	<b>32.0</b>	<b>32.0</b>	<b>32.0</b>
TU								
Undergraduate	—	—	14.2	26.6	34.5	40.0	40.0	40.0
Graduate	—	—	—	3.5	5.1	10.0	10.0	10.0
<b>Total</b>			<b>14.2</b>	<b>30.1</b>	<b>39.6</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>
UMCP								
Graduate	—	0.3	1.2	2.0	1.7	2.0	5.0	10.0
UMUC								
Undergraduate	—	4.5	3.1	0.4	0.5	5.0	10.0	15.0
UMB								
Undergraduate	—	4.6	—	—	—	—	—	—
<b>Total</b>	<b>74.4</b>	<b>183.7</b>	<b>185.5</b>	<b>236.0</b>	<b>273.2</b>	<b>309.0</b>	<b>327.0</b>	<b>347.0</b>

FSU: Frostburg State University

SU: Salisbury University

TU: Towson University

UMB: University of Maryland, Baltimore

UMCP: University of Maryland, College Park

UMUC: University of Maryland, University College

USMH: University System of Maryland at Hagerstown

Source: University System of Maryland at Hagerstown

## Marketing

In order to grow enrollment, USMH is focusing marketing efforts on increasing the recruitment and retention of students. Efforts will also be undertaken to market USMH's facilities for use to outside groups; however, the JCR did not provide specific marketing activities targeting this group. Marketing activities include:

- advertisements on radio and television stations with coverage in Washington and Frederick counties;

- advertisements in Hagerstown Community College schedule;
- outdoor banners;
- direct mail campaigns;
- quarterly newsletters to alumni, Hagerstown Community College, Washington County public schools, and local businesses; and
- USMH web site.

USMH also plans to strengthen its presence at seminars and fairs, targeting events for prospective students, such as the financial stability seminars for Washington County Public School teachers, and community college transfer and high school fairs.

### **Operating Funding**

Almost all operating funds, 96.2%, are general funds with the remaining revenues coming from rental, testing, and other sources. In fiscal 2009, this is estimated to total \$75,000. It is projected that between fiscal 2009 and 2010, State funding will increase \$29,262, or 0.2%, to \$1.9 million. While rental revenues are projected to increase by \$24,880, or 33.2% in fiscal 2010, overall rental revenues are expected to increase 53.6% from fiscal 2008 to \$99,880 in fiscal 2010 despite the lack of a plan of how USMH will attract outside groups to the facility.

Currently, USMH does not charge rent for the use of its classroom or office space based on the precedent set with the opening of USG. However, USG now charges rent for the use of classroom and office space to institutions offering programs at its facilities. Revenues from these rents at USG total approximately \$600,000 per year. New programs at USG are not charged rent for the first two years, giving the program time to become established and grow.

### **Challenges to Growth**

A variety of factors hinder USMH's ability to grow including its governance structure, lack of a strong relationship with local community colleges, and location. Regional higher education centers (RHEC) are designed to ensure access to undergraduate and graduate education in areas of the State in which students do not have access to these programs due to geographical distance, commute time, or the limited capacity of local four-year institutions. These centers provide linkages between higher education, local government, and business communities to address workforce needs.

The administrative structure of non-USM RHECs vary according to the needs of the local community. The RHECs were established due to support of local government, businesses, and the community colleges. Most RHECs are operated by the local community college, while the Waldorf RHEC is jointly operated by the College of Southern Maryland and UMUC and the Southern

Maryland Higher Education Center is operated by an individual body as established by statute. USMH seems to lack strong ties with the community, which proved to be instrumental in establishing other RHECs. Additionally, USMH does not have a strong relationship with Hagerstown Community College, which is necessary to provide a pipeline of students to USMH and help further the education of these students.

USMH's location in the western part of the State hinders its ability to attract other USM institutions and programs, limiting the ability to offer programs that meet the demands of the students and the market place. FSU, the dominant institution in terms of number of program offerings and enrollment, can only offer a limited number of programs due to its size and resources. Other USM institutions may find it difficult to offer programs due to logistical problems. This limits the overall growth of program offerings, and thereby enrollment. Of the 18 programs, only one STEM (science, technology, engineering, and math) program is offered, a UMCP graduate level engineering which has an enrollment of 2 FTES.

Participation at USMH is limited to USM institutions unless, according to USM policy, no USM institution wishes to offer a program at the center and the need for the program has been clearly demonstrated. Two private Maryland institutions sought to offer programs at USMH. Mount St. Mary's University, already offering a Masters of Business Administration program in the Hagerstown area, was interested in offering the program at USMH but was turned down. Subsequently FSU offered an MBA program. McDaniel College also sought to offer a general education/liberal arts program at USMH.

Additionally, USM policy does not allow out-of-state institutions the opportunity to offer programs at USMH. Due to its proximity to Pennsylvania and West Virginia, institutions in those states may want to offer programs not offered by USM institutions. Two out-of-state institutions, expressed interest in offering programs at USMH – Shephard University (West Virginia) and Shippensburg University of Pennsylvania. Non-USM RHECs partner with out-of-state institutions to provide programs that meet the demands of Maryland students. For example, at the Southern Maryland Regional Higher Education Center, several out-of-state institutions, such as Catholic University (Washington, DC); George Washington University (Washington, DC); and Gratz College (Pennsylvania) offer programs in engineering, nursing, management, social work, and education.

USMH would benefit from increased participation and involvement of the local community and strong ties with Hagerstown Community College. As such, adopting a governance and administrative structure similar to other non-USM RHEC may prove beneficial in allowing a RHEC at Hagerstown to grow and be more responsive to the students and the community. **Therefore, the Department of Legislative Services (DLS) recommends that the center be reconstituted as an independent entity separate from USM. The same funding strategy used to fund the non-USM RHECs should be used to fund an RHEC at Hagerstown. Based on the funding strategy and the proportion of funding provided in the fiscal 2010 allowance, USMH's total funding would be \$172,000. DLS further recommends this amount be transferred to the Maryland Higher Education Commission to provide funding for a regional higher education center in Hagerstown and the remaining funds in USMO designated for USMH be deleted.**

## ***Recommended Actions***

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1. Add the following language to the unrestricted fund appropriation:

, provided the appropriation herein for the University System of Maryland Office (USMO) shall be reduced by \$1,754,533. USMO shall allocate the reduction of \$1,754,533 to the University System of Maryland at Hagerstown. Authorization is hereby granted to transfer \$172,000 to the Maryland Higher Education Commission budget code R62I0007 by budget amendment for the purpose of providing funding for a Hagerstown Regional Higher Education Center.

**Explanation:** The language reduces the funds allocated to the University System of Maryland at Hagerstown (USMH) by \$1.8 million. USMH should be funded according to the same strategy used to fund non-USM Regional Higher Education Centers (RHEC). In the fiscal 2010 allowance, RHECs are expected to be funded at 26.8% of the full funding level, so Hagerstown’s total funding would be \$172,000. This amount is authorized to be transferred to the Maryland Higher Education Commission to be used to fund a RHEC at Hagerstown.

2. Adopt the following narrative:

**Institutional Aid Report:** The committees request that data be submitted for each University System of Maryland (USM) institution on all categories of institutional aid (need-based, merit, mission, and athletic). Data on tuition remission should be submitted as a separate category. The report should be in the same format it is submitted to the Maryland Higher Education Commission and include prior year actual, current year working, and allowance. The report should be submitted by January 1.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on all categories of institutional aid provided in the same format submitted to the Maryland Higher Education Commission	USM	January 1, 2010

## ***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Other Unrestricted Fund</u></b>	<b><u>Total Unrestricted Fund</u></b>	<b><u>Restricted Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2008</b>						
Legislative Appropriation	\$19,364	\$0	\$4,286	\$23,650	\$3,500	\$27,150
Deficiency Appropriation	0	0	0	0	0	0
Budget Amendments	300	0	322	622	500	1,122
Cost Containment	-231	0	0	-231	0	-231
Reversions and Cancellations	0	0	0	0	-532	-532
<b>Actual Expenditures</b>	<b>\$19,433</b>	<b>\$0</b>	<b>\$4,608</b>	<b>\$24,041</b>	<b>\$3,468</b>	<b>\$27,509</b>
<b>Fiscal 2009</b>						
Legislative Appropriation	\$19,543	\$0	\$4,571	\$24,114	\$3,985	\$28,099
Cost Containment	-306	0	0	-306	0	-306
Budget Amendments	194	300	0	494	0	494
<b>Working Appropriation</b>	<b>\$19,431</b>	<b>\$300</b>	<b>\$4,571</b>	<b>\$24,302</b>	<b>\$3,985</b>	<b>\$28,287</b>

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

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## **Fiscal 2008**

For fiscal 2008, general funds for University of Maryland System Office increased \$69,000 through budget amendments. Increases included \$0.2 million for State employee cost-of-living adjustment (COLA) and \$0.1 million to support a memorandum of understanding with the Regents of the University of California for the New Teacher Center to develop, conduct, and analyze the results of a survey of the teaching and learning conditions in the state. General funds decreased \$0.2 million for cost containment. Other unrestricted funds increased \$0.3 million through a budget amendment from private grants, system overhead, and additional funds received from USM institutions to support an internal audit initiative.

Restricted funds increased \$0.5 million due to federal grant activity; a similar amount was subsequently cancelled due to lower than anticipated expenditures on grants.

## **Fiscal 2009**

For fiscal 2009, general funds decreased \$0.1 million through budget amendments. This amount included an increase of \$0.2 million for State employee COLA and decrease of \$0.3 million for cost containment. Special funds increased \$0.3 million through a budget amendment offsetting a reduction of general funds with HEIF.

## ***Audit Findings***

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Audit Period for Last Audit:	January 13, 2005 – January 31, 2008
Issue Date:	January 2009
Number of Findings:	8
Number of Repeat Findings:	3
% of Repeat Findings:	37.5%
Rating: (if applicable)	n/a

***Finding 1:*** Certain significant contract provisions related to the transfer of approximately \$197 million in endowment funds by the Office to the University of Maryland Foundation for investment were not adhered to.

***Finding 2:*** Cash receipts were not adequately controlled.

***Finding 3:*** Controls on critical University System of Maryland Academic Telecommunications Systems (UMATS) management servers were inadequate.

***Finding 4:*** Administration and monitoring controls for critical UMATS networks devices were inadequate.

***Finding 5:*** The Office's internal computer network was not adequately protected from security risks related to wireless connection.

***Finding 6:*** Sensitive personal and financial information for prospective USM students was unnecessarily stored on a publicly accessible server.

***Finding 7:*** A complete information technology disaster recovery plan did not exist.

***Finding 8:*** Controls and accountability over equipment at the Office and one regional higher education center were inadequate.

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

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	102.00	102.00	103.00	1.00	1.0%
02 Contractual	5.50	5.00	5.00	0	0%
<b>Total Positions</b>	<b>107.50</b>	<b>107.00</b>	<b>108.00</b>	<b>1.00</b>	<b>0.9%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 11,631,794	\$ 12,641,309	\$ 12,896,014	\$ 254,705	2.0%
02 Technical and Spec. Fees	14,948	0	0	0	0.0%
03 Communication	587,549	598,119	623,063	24,944	4.2%
04 Travel	196,607	172,274	172,274	0	0%
07 Motor Vehicles	7,979	8,040	7,925	-115	-1.4%
08 Contractual Services	12,807,528	12,992,236	12,995,848	3,612	0%
09 Supplies and Materials	290,649	180,986	205,986	25,000	13.8%
11 Equipment – Additional	55,069	61,820	61,820	0	0%
12 Grants, Subsidies, and Contributions	1,040,454	1,073,486	986,760	-86,726	-8.1%
13 Fixed Charges	329,546	408,626	422,602	13,976	3.4%
14 Land and Structures	546,397	150,000	150,000	0	0%
<b>Total Objects</b>	<b>\$ 27,508,520</b>	<b>\$ 28,286,896</b>	<b>\$ 28,522,292</b>	<b>\$ 235,396</b>	<b>0.8%</b>
<b>Funds</b>					
40 Unrestricted Fund	\$ 24,040,718	\$ 24,301,705	\$ 24,522,292	\$ 220,587	0.9%
43 Restricted Fund	3,467,802	3,985,191	4,000,000	14,809	0.4%
<b>Total Funds</b>	<b>\$ 27,508,520</b>	<b>\$ 28,286,896</b>	<b>\$ 28,522,292</b>	<b>\$ 235,396</b>	<b>0.8%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary**  
**USM – University System of Maryland Office**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
04 Academic Support	\$ 9,624,302	\$ 9,719,677	\$ 9,797,384	\$ 77,707	0.8%
06 Institutional Support	17,884,218	18,567,219	18,724,908	157,689	0.8%
<b>Total Expenditures</b>	<b>\$ 27,508,520</b>	<b>\$ 28,286,896</b>	<b>\$ 28,522,292</b>	<b>\$ 235,396</b>	<b>0.8%</b>
Unrestricted Fund	\$ 24,040,718	\$ 24,301,705	\$ 24,522,292	\$ 220,587	0.9%
Restricted Fund	3,467,802	3,985,191	4,000,000	14,809	0.4%
<b>Total Appropriations</b>	<b>\$ 27,508,520</b>	<b>\$ 28,286,896</b>	<b>\$ 28,522,292</b>	<b>\$ 235,396</b>	<b>0.8%</b>

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.