

R30B30
University of Maryland University College
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$31,130	\$31,134	\$33,878	\$2,744	8.8%
Contingent & Back of Bill Reductions	0	0	-20	-20	
Adjusted General Fund	\$31,130	\$31,134	\$33,858	\$2,724	8.7%
Special Funds	1,629	3,009	2,392	-616	-20.5%
Adjusted Special Fund	\$1,629	\$3,009	\$2,392	-\$616	-20.5%
Other Unrestricted Funds	350,476	363,632	366,116	2,485	0.7%
Adjusted Other Unrestricted Fund	\$350,476	\$363,632	\$366,116	\$2,485	0.7%
Total Unrestricted Funds	383,235	397,774	402,386	4,612	1.2%
Contingent & Back of Bill Reductions	0	0	-20	-20	
Adjusted Total Unrestricted Funds	\$383,235	\$397,774	\$402,366	\$4,592	1.2%
Restricted Funds	33,317	35,275	35,275	0	
Adjusted Restricted Fund	\$33,317	\$35,275	\$35,275	\$0	0.0%
Adjusted Grand Total	\$416,552	\$433,049	\$437,641	\$4,592	1.1%

- General funds increase approximately \$2.7 million, or 8.7%, in the fiscal 2014 allowance after adjusting for the \$19,821 across-the-board reduction. Overall, funds increase about \$4.6 million, or 1.1%.
- Of the general fund increase, \$1.6 million is due to the replacement of fiscal 2013 Budget Restoration Funds, created by Chapter 1 of the First Special Session of 2012, with general funds. In all, State funds increase \$2.1 million, or 6.2%, above fiscal 2013.

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

For further information contact: Garret T. Halbach

Phone: (410) 946-5530

Personnel Data

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>
Regular Positions	991.71	1,041.71	1,041.71	0.00
Contractual FTEs	<u>1,342.81</u>	<u>1,373.57</u>	<u>1,373.57</u>	<u>0.00</u>
Total Personnel	2,334.52	2,415.28	2,415.28	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	24.90	2.39%
Positions and Percentage Vacant as of 12/31/12	90.50	8.70%

- As of December 31, 2012, the University of Maryland University College (UMUC) had 90.5 vacant positions, all of which are State-supported.
- The allowance reflects no change in regular positions or contractual positions.

Analysis in Brief

Major Trends

Second- and Third-year Retention Rates Improve: UMUC’s retention rates for transfer students with at least 61 credits rose 2 percentage points, and the three-year graduation rate has grown 4 percentage points over the last two cohorts.

Six-year Graduation Rates Fall: UMUC’s six-year graduation rate for first time, full-time students is very low compared to its peers and the State average due to the nontraditional nature of UMUC’s enrollment. Overall, UMUC’s graduation rate has fallen significantly.

Degree Production and Cost Per Degree: UMUC has reduced the gap between itself and the State average in degrees per 100 full-time equivalent students. Additionally, UMUC’s degrees are nearly 20% cheaper to produce than those of its peers, representing a strong relative cost-effectiveness for the State.

Issues

Making College Affordable: About 31% of UMUC students receive Pell grants. Although aid to the neediest students appears to be increasing, there was a large reduction in aid to Pell-eligible students in fiscal 2009. Overall, many students still rely on loans to pay for an UMUC education.

UMUC in the Online Marketplace: UMUC operates in the online higher education market, which is very competitive. To differentiate itself, the university puts a large emphasis on student services and is rapidly expanding the ways in which students can receive prior learning assessment credit for Massive Open Online Courses, as well as investing in adaptable learning platforms, which UMUC believes will be the next big trend in online education.

Recommended Actions

1. See the University System of Maryland overview for systemwide recommendations.

Updates

Audit Findings: A recent audit of UMUC uncovered lax financial practices and a lack of documentation or management oversight in several personnel matters.

R30B30 – USM – University of Maryland University College

R30B30
University of Maryland University College
University System of Maryland

Operating Budget Analysis

Program Description

The University of Maryland University College (UMUC) specializes in providing access to higher education for Maryland's adult learners. Most UMUC students have career or family commitments that lead them to study part-time. UMUC services its students through traditional and innovative delivery of undergraduate and graduate degree programs, noncredit professional development programs, and conference services.

UMUC provides courses at 21 locations throughout the State and the Washington metropolitan area and has offered online education programs since 1994. The institution also offers special programs in other states and programs overseas for U.S. service members and their families, U.S. citizens, and international students. UMUC's vision is to be the global university of Maryland.

Academic programs offered by UMUC include Bachelor of Arts and Bachelor of Science degrees with 33 majors and 38 minors. The most extensive offerings are in business and management and computer studies. Master's degrees are offered in management and technology areas that, like bachelor's degree concentrations, represent fields with significant current or anticipated workforce needs. UMUC also offers a Doctor of Management and a noncredit professional program emphasizing management and executive development. The university has a role in renewing and upgrading the skills of an experienced workforce.

Carnegie Classification: Master's L: Master's Colleges and Universities (larger programs)

Fall 2012 Undergraduate Enrollment Headcount		Fall 2012 Graduate Enrollment Headcount	
Male	13,914	Male	6,292
Female	14,359	Female	7,703
Total	28,273	Total	13,995
Fall 2012 New Students Headcount		Campus (Main Campus)	
First-time	1,455	Acres	13
Transfers/Others	5,644	Buildings	3
Graduate	1,045	Average Age	26
Total	8,144	Oldest	1963
Programs		Degrees Awarded (2011-2012)	
Bachelor's	32	Bachelor's	3,882
Master's	18	Master's	3,284
Doctoral	2	Doctoral	47
		Total Degrees	7,213

Proposed Fiscal 2014 In-state Tuition and Fees*

Undergraduate Tuition	\$258/credit
Mandatory Fees	\$15 / credit

*Contingent on Board of Regents approval.

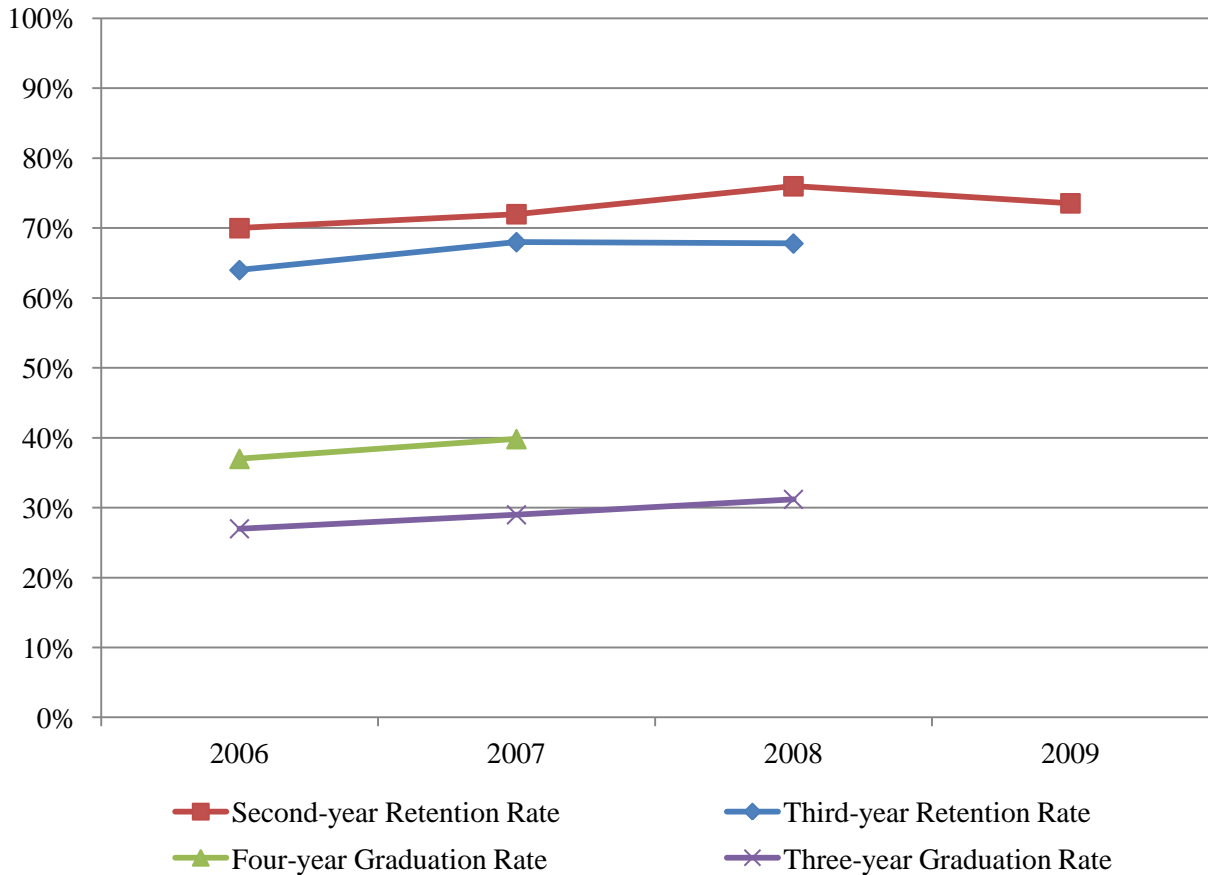
Performance Analysis: Managing for Results

1. Second- and Third-year Retention Rates Improve

Maintaining and strengthening academic excellence and effectiveness to meet the educational needs of the State is a key strategic goal of the University System of Maryland (USM) and UMUC. **Exhibit 1** shows the most recent data for second- and third-year retention rates and the four-year graduation rate for part- or full-time students transferring to UMUC with 61 or more credits. The Maryland Higher Education Commission does not report UMUC’s retention rates in its regular annual reporting due to UMUC’s mission to serve the adult, part-time population.

Given UMUC’s largely nontraditional student body, which consists mainly of adult students learning part-time, UMUC prefers to use individualized metrics that more accurately account for how the institution best serves students. Since the 2006 cohort, UMUC’s second-year retention rate has grown from 70 to 74%, and the third-year retention rate grew 4 percentage points from 64 to 68%. Over this time period, UMUC’s three- and four-year graduation rates have also risen 4 and 3 percentage points, respectively. While a student with at least 60 credits would be expected to complete an undergraduate degree of 120 credits in an additional two years of full-time study, many UMUC students are part-time, or alternate between full- and part-time. UMUC attributes rising retention and graduation rates in this exhibit to an increased focus on student services and academic support.

**Exhibit 1
Retention and Graduation Rates of Transfer Students
2006-2009 Cohorts**

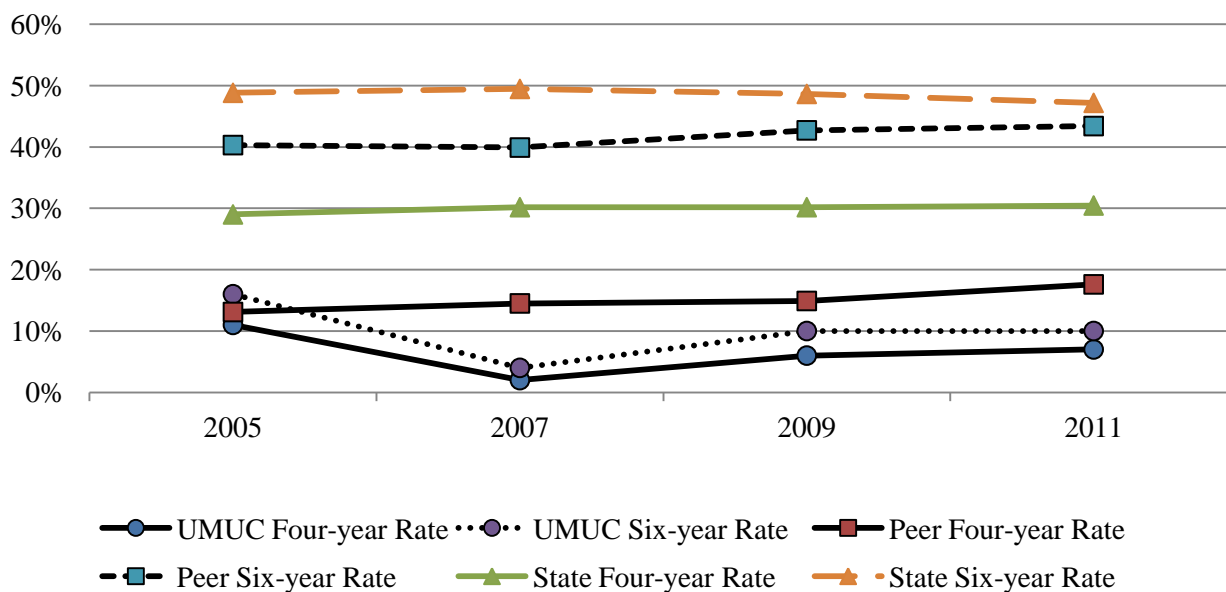


Source: Maryland Higher Education Commission

2. Six-year Graduation Rates Fall

Exhibit 2 compares the four- and six-year graduation rates of UMUC to the average of its peer institutions using national data from the Integrated Postsecondary Education Data System. Peer institutions are determined to be similar to UMUC based upon a variety of characteristics, designated by USM as performance peers, and used as a basis to assess UMUC’s performance. However, due to UMUC’s unique status as a public online university, comparing UMUC’s performance to that of its peers can be challenging. UMUC’s four-year rate began near its peers, but finished in 2011 over 10 percentage points below its peer group. Meanwhile, UMUC’s six-year rate fell from

**Exhibit 2
Four- and Six-year Graduation Rates
Fiscal 2005-2011**



Note: The State rates do not include the University of Maryland, Baltimore or the University of Baltimore.

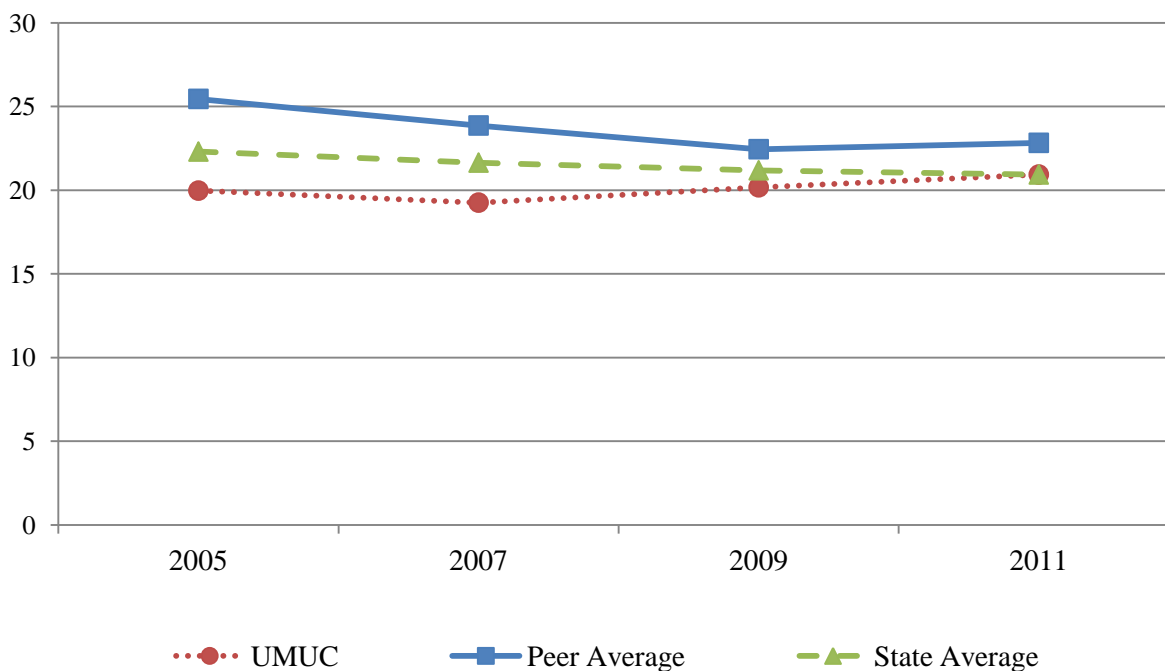
Source: Integrated Postsecondary Education Data System; Department of Legislative Services

24 percentage points below its peers to over 33 points below its peers. The gap between UMUC and the State average is even greater in all years. Overall, UMUC’s graduation rates have fallen from 2005 to 2011. This can be partly attributed to more of UMUC’s students switching to learning fully online, which allows for far more flexible, and hence longer, timeframe to degree completion. For this reason, Exhibit 1 is superior to Exhibit 2 for measuring outcomes at UMUC.

3. Degree Production and Cost Per Degree

Ultimately, how well an institution meets its mission is measured by the number of undergraduate degrees awarded. Trends in the number of undergraduate degrees awarded per 100 undergraduate full-time equivalent students (FTES) show if an institution is being more or less productive in graduating students. **Exhibit 3** shows degrees per 100 FTES at UMUC, its peers, and the State average. In 2005, UMUC was 4.1 percentage points below the State average but reduced

**Exhibit 3
Undergraduate Degrees Per 100 FTES
Fiscal 2005-2011**



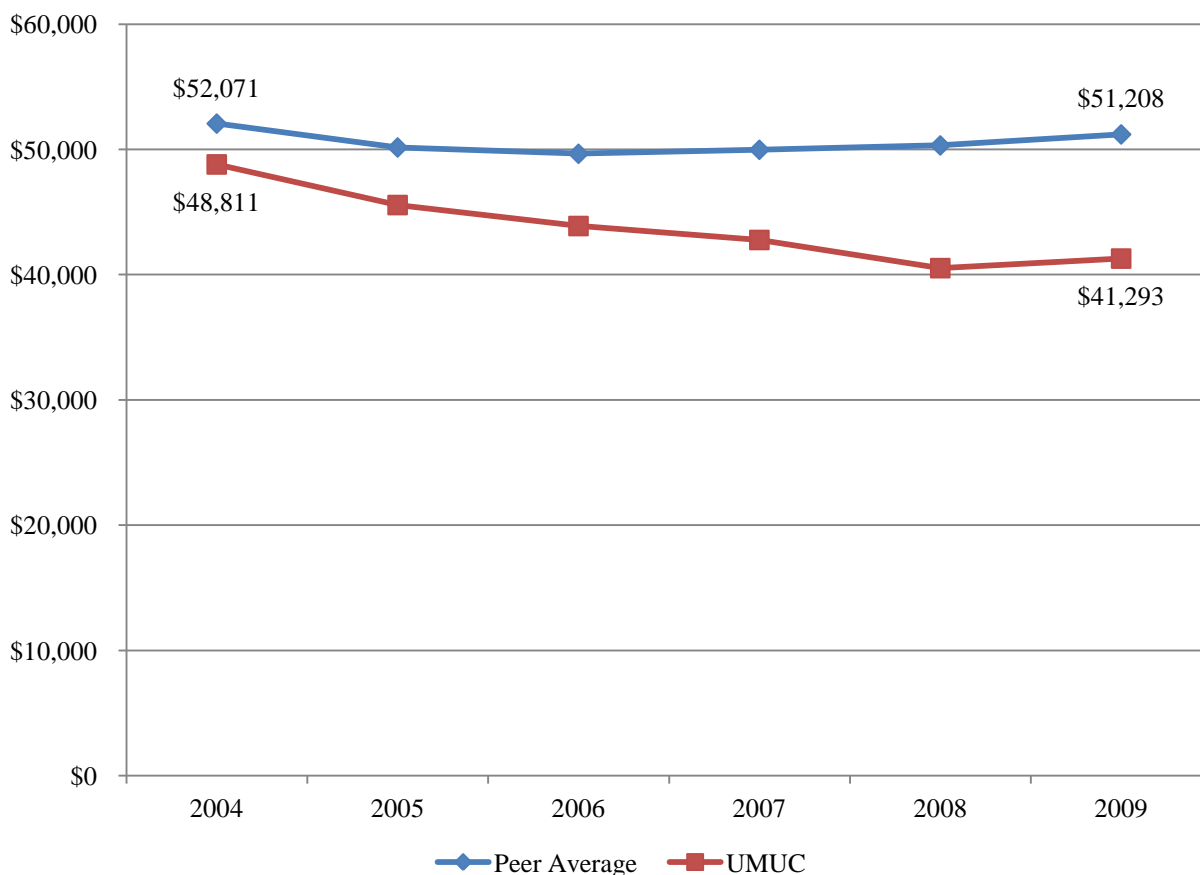
FTES: full-time equivalent students

Source: Integrated Postsecondary Education Data System; Department of Legislative Services

this gap to 0.3 points by fiscal 2011. This reflects the very high number of nontraditional students who are moving through UMUC. After declining slightly in fiscal 2007, UMUC grew in fiscal 2009 and 2011. From fiscal 2005 to 2011, UMUC’s peers were decreasing and the State average declined. Given the rising graduation rates of the cohorts seen in Exhibit 1, it makes sense that the degrees per FTES is rising between fiscal 2007 and 2009 in Exhibit 3.

Another measure of how effectively institutions translate resources into degrees is the ratio of education and related (E&R) expenditures per degree (undergraduate and graduate). E&R expenditures include total spending on direct educational costs, such as instruction and student services, and the educational share of spending on administrative overhead, such as academic support, institutional support, and operations and maintenance. **Exhibit 4** shows UMUC’s E&R expenditures per degree compared to the mean of its performance peers from fiscal 2004 to 2009, the most recent year for which data is available.

**Exhibit 4
Educational and Related Expenditures Per Degree
Fiscal 2004-2009**



Note: Education and related expenditures include direct spending on instruction and student services, the education share of spending on academic and institutional support, and operations and maintenance. All dollar amounts are reported in 2009 dollars.

Source: *Delta Project, Trends in College Spending Online*; Department of Legislative Services

In fiscal 2004, UMUC’s E&R expenditures per degree were over \$3,000 below those of its peers at \$48,811. By fiscal 2009, however, spending per degree at UMUC had decreased 15.4% to \$41,293, while spending at UMUC’s peer institutions decreased only 1.7% to \$51,208. By fiscal 2009, UMUC’s degrees were \$9,797, or 19.5%, cheaper than its peers. UMUC’s falling spending per degree is likely due to flat State support for the operating budget, as well as a rapid increase in enrollment. Stateside FTES enrollment at UMUC hit a new high in fiscal 2012 of 25,390, having grown 102.7% from fiscal 2003 to 2012.

Proposed Budget

As shown in **Exhibit 5**, UMUC’s total State allowance for fiscal 2014, including general funds and Higher Education Investment Funds (HEIF), is \$36.3 million, a 6.2%, increase over fiscal 2013. Other unrestricted funds increase about \$2.5 million, or 0.7%, due primarily to increases in enrollment and tuition. Restricted funds do not change.

Exhibit 5
Proposed Budget
University of Maryland University College
(\$ in Thousands)

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Adjusted</u>	<u>FY 13-14 Change</u>	<u>% Change Prior Year</u>
General Funds	\$31,130	\$31,134	\$33,858	\$2,724	8.7%
Higher Education Investment Funds	1,629	1,375	2,392	1,017	74.0%
Budget Resoration Funds	0	1,633	0	-1,633	-100.0%
Total State Funds	32,759	34,143	36,250	2,108	6.2%
Other Unrestricted Funds	350,476	363,632	366,116	2,485	0.7%
Total Unrestricted Funds	383,235	397,774	402,366	4,592	1.2%
Restricted Funds	33,317	35,275	35,275		0.0%
Total Funds	\$416,552	\$433,049	\$437,641	\$4,592	1.1%

Note: Fiscal 2014 general funds are reduced by \$19,821 to reflect across-the-board reductions. Numbers may not sum to total due to rounding.

Unrestricted budget changes in the allowance by program are shown in **Exhibit 6**. This exhibit considers only unrestricted funds, which are comprised mostly of State funds and tuition and fee revenues.

Exhibit 6
UMUC Budget Changes for Unrestricted Funds by Program
Fiscal 2012-2014
(\$ in Thousands)

	<u>2012</u>	<u>Working 2013</u>	<u>% Change 2012-13</u>	<u>Adjusted 2014</u>	<u>\$ Change 2013-14</u>	<u>% Change 2013-14</u>
Expenditures						
Instruction	\$89,830	\$95,362	6.2%	\$97,731	\$2,369	2.5%
Research	309	357	15.6%	359	2	0.5%
Public Service	13,554	12,758	-5.9%	12,761	3	0.0%
Academic Support	69,465	73,477	5.8%	75,230	1,753	2.4%
Student Services	71,233	74,921	5.2%	75,611	690	0.9%
Institutional Support	41,467	46,454	12.0%	47,412	959	2.1%
Operation and Maintenance of Plant	78,711	79,812	1.4%	78,630	-1,183	-1.5%
Scholarships and Fellowships	11,564	8,139	-29.6%	8,139	0	0.0%
Subtotal Education and General	\$376,134	\$391,280	4.0%	\$395,873	\$4,592	1.2%
Auxiliary Enterprises	7,102	6,494	-8.6%	6,494	0	0.0%
Total	\$383,235	\$397,774	3.8%	\$402,366	\$4,592	1.2%
Revenues						
Tuition and Fees	\$337,707	\$350,389	3.8%	\$352,544	2,155	0.6%
General Funds	31,130	31,134	0.0%	33,858	2,724	8.7%
Higher Education Investment Fund	1,629	1,375	-15.6%	2,392	1,017	74.0%
Other*	6,495	11,257	73.3%	9,624	-1,633	-14.5%
Subtotal	\$376,961	\$394,156	4.6%	\$398,419	\$4,263	1.1%
Auxiliary Enterprises	6,308	6,318	0.2%	6,318	0	0.0%
Transfers (to) from Fund Balance	-34	-2,700	7873.3%	-2,371	0	0.0%
Total	\$383,235	\$397,774	7.7%	\$402,366	\$4,263	1.1%

UMUC: University of Maryland University College

* Includes Budget Restoration Special Funds in fiscal 2013. In total, State support decreased \$1.4 million, or 4.2%, in fiscal 2013.

Note: Fiscal 2014 expenditures and general funds are reduced by \$19,821 to reflect across-the-board reductions.

Source: Governor's Budget Books, Fiscal 2014

In fiscal 2014, public service and scholarships are unchanged, operation and maintenance of plant declines, and all other categories increase. Overall, the current services budget increases \$2.4 million to account for rising personnel costs, utilities, and financial aid. Instruction, the largest budget category, increases nearly \$2.4 million, or 2.5%, due to personnel costs. Academic support and institutional support grow 2.4 and 2.1%, respectively, due to USM initiative money in academic

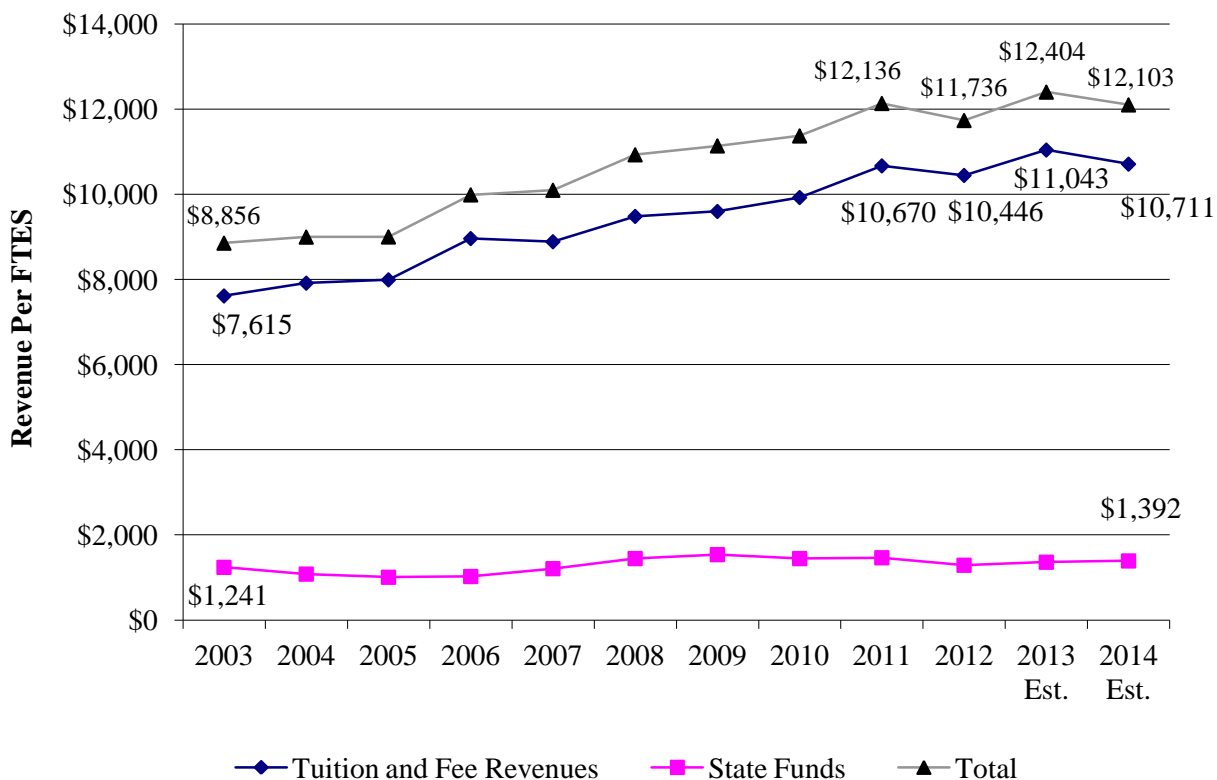
transformation and education technology, such as course redesign. Technology improvements are discussed in Issue 2. Although tuition rates increase 3.0%, tuition revenue only grows 0.6% due to enrollment leveling off in fiscal 2013 and general volatility in enrollment across the entire online education sector. Overall, UMUC non-auxiliary revenues fully meet all unrestricted expenditure needs. From fiscal 2010 to 2012, UMUC's closing unrestricted fund balance grew \$6.2 million, or 7.9%, to \$84.2 million; projections through fiscal 2014 bring the fund balance to \$89.2 million.

Funding Increases Per FTES

Stateside FTES enrollment at UMUC reached a new high of 25,390 in fiscal 2012, having grown over 100% since fiscal 2003. **Exhibit 7** shows tuition and fees revenue and State funding per FTES between fiscal 2003 and 2014. Tuition and fees revenue increased moderately from fiscal 2005 onward while State funds remained relatively lower and very stable from fiscal 2003 to 2014. This makes UMUC very dependent on tuition revenue and, consequently, on meeting enrollment projections. Currently, enrollment is expected to remain level in fiscal 2014.

The President should comment on why tuition revenue is only growing by 0.6% in fiscal 2014, if credit hour tuition is growing by 3.0%.

**Exhibit 7
UMUC Tuition and Fees and State Revenues
Per Full-time Equivalent Student
Fiscal 2003-2014**



FTES: full-time equivalent student
UMUC: University of Maryland University College

Source: Governor’s Budget Books

Issues

1. Making College Affordable

Financial aid is an important component to helping many students succeed in earning a degree. Lack of financial support frequently contributes to a student's decision to stop out or drop out of college. Generally, by combining various types of aid – federal, State, and institutional – students are able to effectively lower the cost of college. According to the *College Navigator* of the National Center for Education Statistics, the total cost, or “sticker price,” for a Maryland student attending UMUC in fiscal 2011 was \$28,210 (this includes tuition, mandatory fees, books and supplies, other expenses, and the weighted average of room and board). However, when accounting for the average amount of federal, State, and institutional grants and scholarships, the average net cost of attendance was \$12,699, a 54.9% reduction from the sticker price.

Institutional Aid and Pell Awards

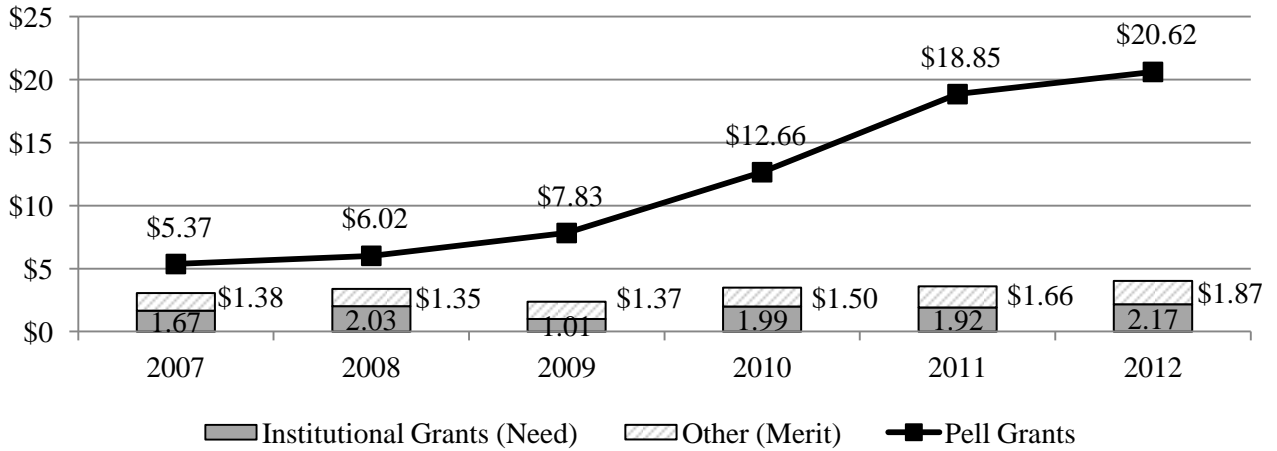
About 31% of UMUC's students receive Pell awards, which are given to those who could not otherwise afford college and have an Expected Family Contribution (EFC) of less than a specified amount, which was \$5,273 in 2012. EFC is an indicator of the amount a family is required to contribute to pay for a student's college education; therefore, the lower the EFC, the greater the financial need.

Exhibit 8 shows total institutional aid (need-based grants and merit-based scholarships) and federal Pell expenditures from fiscal 2007 to 2012. Over these five years, Pell grant aid to UMUC students grew very quickly, by about \$15.2 million, or 284.2%. Fiscal 2010 had the largest percent change, an increase of \$4.8 million, or 61.7%.

In terms of institutional aid, need-based aid was slightly higher than merit-based aid in fiscal 2007. Merit-based aid was flat from 2007 to 2009, then grew from 2010 to 2012. Need-based aid fluctuated each year, but grew overall. The percent split between the need- and merit-based aid went from 55/45 in 2007 to 54/46% in 2012, for a very slight shift toward merit-based aid. Overall, merit-based aid grew by \$482,000, or 34.8%, over this time period, while need-based aid grew \$491,000, or 29.3%. This trend is generally not consistent with the Board of Regents' recommendation to increase the portion of aid allocated to need-based aid.

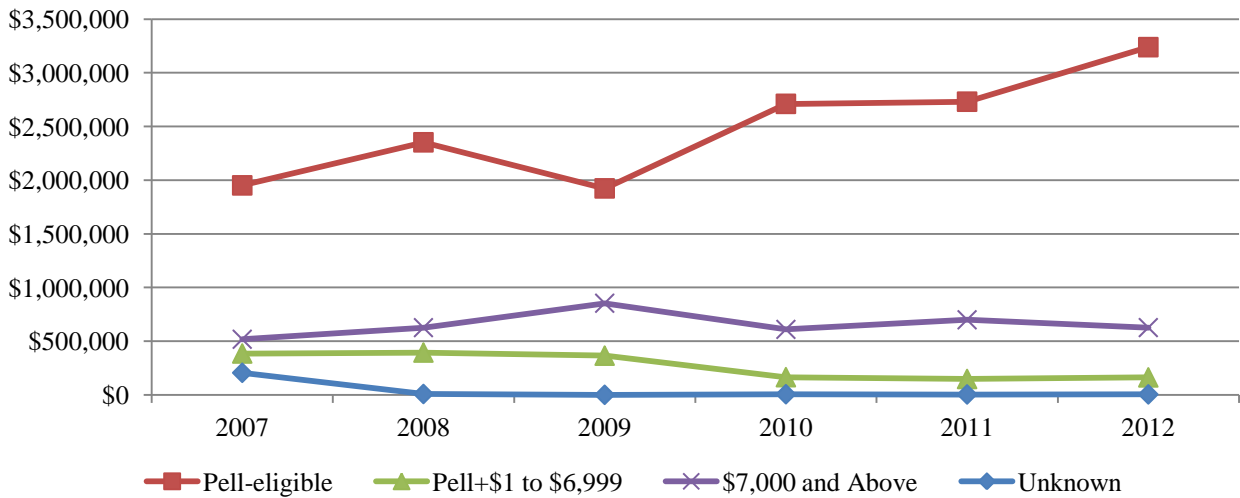
As the expenditures on need-based aid grew, there was a corresponding increase in the amount of institutional aid awarded to Pell-eligible students, as shown in **Exhibit 9**. However, there was a reduction in aid Pell-eligible students in fiscal 2009, before the upward trend continued in the remaining years. In fiscal 2012, Pell-eligible students received 80.3% of institutional aid – an increase of 16.6 percentage points and nearly \$1.3 million since fiscal 2007. Aid to students just over the Pell cutoff in the Pell +\$1 to \$6,999 EFC saw aid fall 57.8% from fiscal 2007 to 2012, with their share of total aid falling from 12.6 to 5.3%. The share of aid for the \$7,000 and above EFC was flat. No aid was given to unknown EFC students after fiscal 2007.

Exhibit 8
Total Institutional Aid and Pell Grant Expenditures
Fiscal 2007-2012
(\$ in Millions)



Source: University System of Maryland

Exhibit 9
Total Expenditures on Institutional Aid by EFC
Fiscal 2007-2012



EFC: Expected Family Contribution

Source: University System of Maryland

The President should comment on why so little institutional aid is going to students in the Pell +\$1 to \$6,999 EFC group.

However, Financial Aid Does Not Cover All Costs

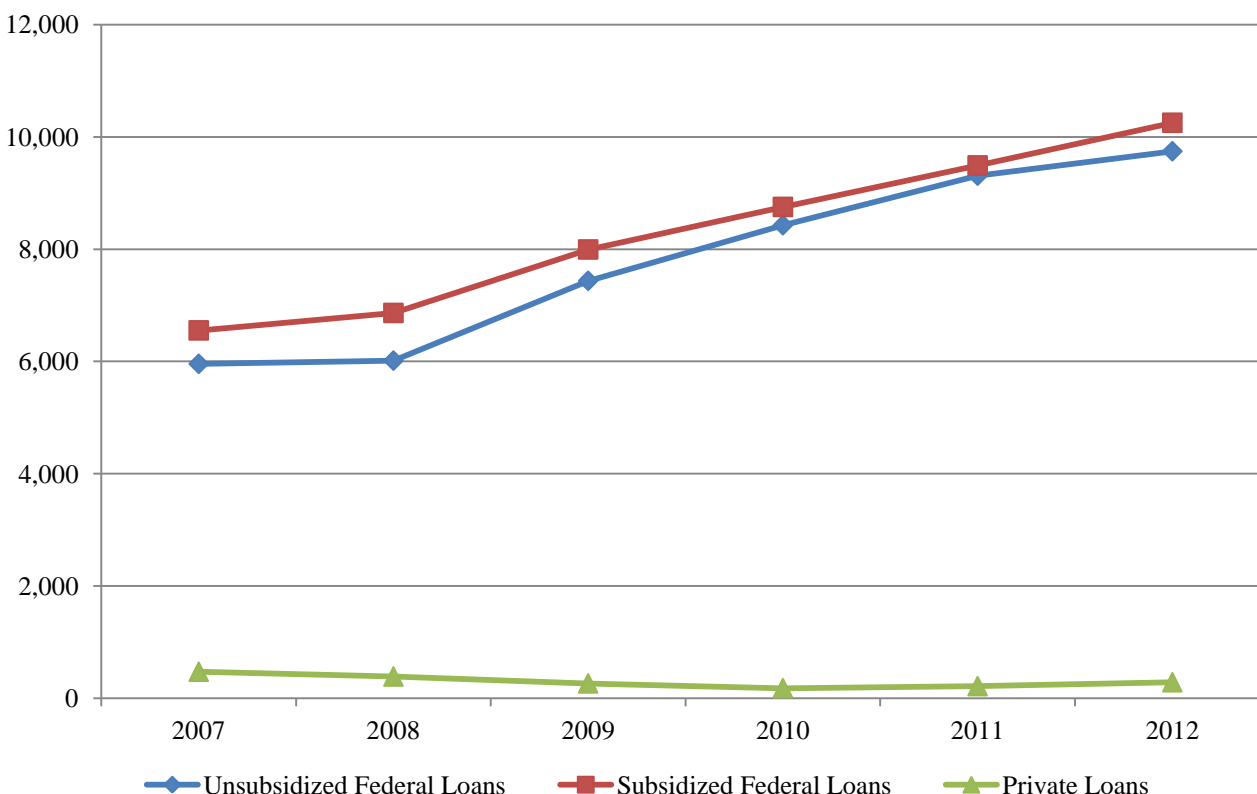
In addition to Pell grants and institutional aid, students may take out loans to pay for higher education. There are three types of loans:

- **Federal Subsidized** – based on financial need; the government pays the interest while the student is enrolled in school;
- **Federal Unsubsidized** – generally for students who do not demonstrate financial need; interest is added to the balance of the loan while the student is enrolled in school; and
- **Private Sources** – often used to cover any remaining unmet need; offered by banking institutions whose interest rates and repayment policies vary.

As illustrated in **Exhibit 10**, the number of unsubsidized loans grew nearly 63.6%, or 3,786, between fiscal 2007 and 2012, suggesting that the economic downturn started to impact students beginning in fiscal 2009. This can also be partly attributed to a change in the federal loan limits. In fiscal 2008, the annual loan limit increased \$2,000 for dependent undergraduate students and an additional \$1,000 for independent students.

Over the past four years, the number of subsidized loans taken out by UMUC students and their families annually increased, on average, about 11% per year and remained just above the total amount of unsubsidized loans. This reflects two facts. First, many of UMUC's students have a low EFC. Second, UMUC's lower tuition and fee rate may enable some students to avoid subsidized loans entirely. It should be noted that in 2009, the Federal Family Educational Loan program was eliminated, and, in addition, borrowers were no longer able to consolidate multiple federal loans into one loan. Meanwhile, from 2007 to 2012, the number of private loans taken out by students decreased slightly from 472 to 285. This trend suggests that, with the economic downturn, families with higher incomes are filing the Free Application for Federal Student Aid to receive unsubsidized federal loans, but UMUC students are avoiding more burdensome private loans, which increasingly now require cosigners and adherence to tighter credit criteria, as an option to pay their bills. This makes sense given how many students seem able to make do with subsidized loans.

**Exhibit 10
Loans by Type
Fiscal 2007-2012**

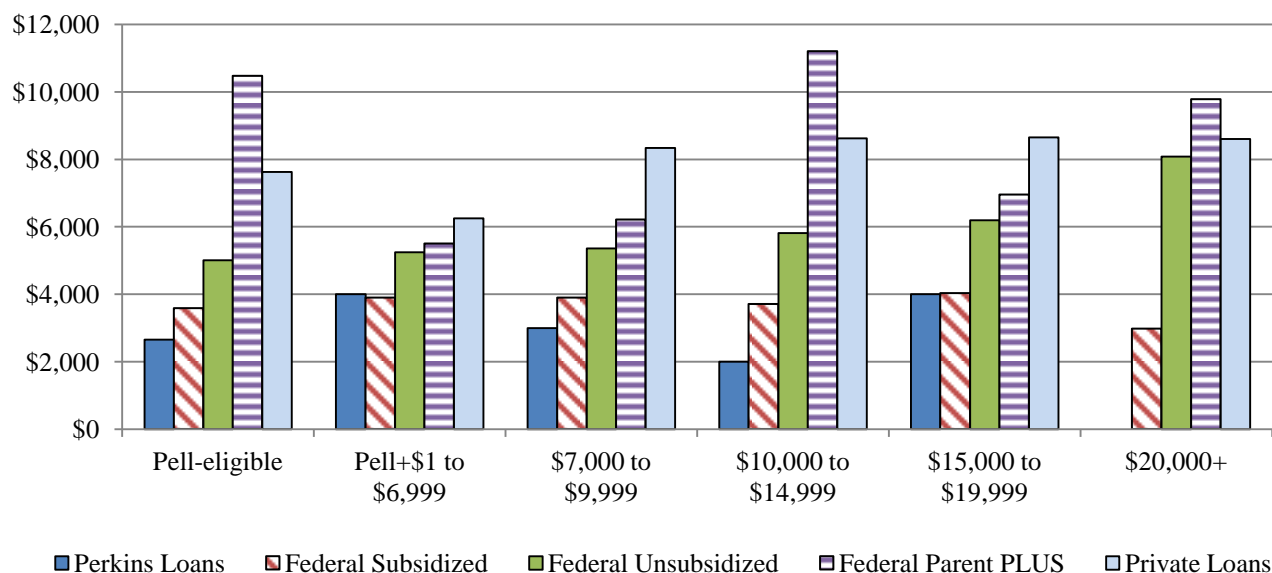


Source: University System of Maryland

Lastly, **Exhibit 11** shows the average loan amount by student EFC and the type of loan. A Parent PLUS loan is taken out on behalf of the student by the student’s parent or legal guardian if the cosigner meets certain credit-worthiness criteria. Perkins loans are special low-interest loans from the federal government to needy students.

As noted in Exhibit 10, the number of private loans is small, but Exhibit 11 shows that Parent PLUS loans and private loans are high across all EFC categories. It is odd that Pell-eligible students are taking out such high Parent PLUS loans, given that they qualify for other types of financial aid and would seem to qualify for larger unsubsidized loans at least. It is also concerning that the Pell+\$1 to \$6,999 and \$7,000 to \$9,999 EFC groups are taking out higher private loans than any other type of loan. Finally, UMUC shows far more widespread use of Perkins loans than many other public Maryland institutions, which is a great benefit for students, although it is unusual that students in higher EFCs are receiving Perkins loans.

Exhibit 11
Average Loan Amount by Type and EFC
Fiscal 2012



EFC: Expected Family Contribution

Source: University System of Maryland

The President should comment on what UMUC is doing to increase financial aid literacy and responsible borrowing among new students, given the very high average borrowing occurring in some loan types.

2. UMUC in the Online Marketplace

UMUC operates in the very competitive online higher education market. Unlike students at traditional four-year institutions who live on or near campus, it is much easier for UMUC students to transfer to another online institution, such as the University of Phoenix or Strayer University, as well as traditional four-year institutions which are increasingly moving into or expanding online classes. UMUC must differentiate itself to compete.

In terms of the academic programs available for students, universities must offer programs that are in demand. UMUC reports that it considers workforce trends and needs and consults students in focus groups. They often work with employers to develop curriculums, such as its bachelor's and

master's degrees in cybersecurity. UMUC partnered with private companies and the U.S. Department of Defense to develop these programs. An added incentive for students is that employers will be more likely to hire applicants that earned a degree they helped develop, knowing that the applicant has mastered the skills necessary for the position. Additionally, in 2012, UMUC reorganized many of its undergraduate certificates to better align with workforce needs, such as creating a new Spanish for Business certificate and reworking its Project Management certificate. Other degrees that reflect regional employer demand include programs in homeland security, emergency management, biotechnology, and healthcare administration. Due to UMUC's online teaching model, the institution is quicker to adapt to changing market conditions than traditional campus-based institutions.

UMUC and Massive Open Online Courses

Massive Open Online Courses (MOOCs) have seen a rapid rise in popularity since 2011. While MOOCs are free online courses as compared to UMUC's tuition based courses, UMUC sees MOOCs as an important new form of online learning that can be harnessed for student success, not a direct competitor to UMUC. In particular, UMUC sees MOOCs as a valuable addition to the ways students can be awarded college credit through prior learning assessments.

UMUC currently allows MOOC completers to do "course challenges," where students take a final exam in lieu of the entire course. If he or she successfully passes that exam, the exam grade is earned for the course and credit is awarded in the same way an enrolled student receives credit. At present, the course challenge fee is the equivalent of course tuition, but UMUC is planning to reduce it and is designing a pilot program to determine an appropriate charge when UMUC designs the assessment. UMUC is also open to awarding credit for any MOOC where the student takes a validated exam such as those from Pearson Vue, which is similar to earning credit from taking a College Level Examination Program or Advanced Placement test. If an external body, such as PearsonVue, designs the assessment test, and UMUC determines it is rigorous and acceptable, UMUC would award the credit with no additional charge. The student would pay the test proctoring company directly.

Among MOOCs, UMUC has reviewed a total of 14 Udacity and 12 Coursera courses to determine possible equivalency to UMUC's own curriculum. If there is no validated external exam, UMUC can advise the student to consider course challenge or portfolio as a way to demonstrate the learning for the appropriate course. To date, UMUC has reviewed and assigned equivalency for two Udacity MOOCs that have Pearson Vue exams:

- **Udacity Course CS 215, Algorithms: Crunching Social Networks** – upon passing the exam administered by Pearson Vue, UMUC will allow the course to substitute for CMIS 102 Introduction to Problemsolving and Algorithmic Design; and
- **Udacity Course PH 100, Introduction to Physics** – UMUC will accept this to fulfill the three-credit nonlab science degree requirement.

Students can also enroll in a portfolio course where they can attempt to show how they have already mastered the material of one or more UMUC courses. If a student seeks credit through the prior learning portfolio, then the student pays tuition for the portfolio course, a fee for portfolio evaluation, and \$90 per credit actually awarded. This is the best option if the credit sought is more than two or three courses' worth and can be very cost effective for accumulating credits.

Although these processes allow students to translate learning from MOOCs into college credit, it does take time and is still somewhat costly for the student. Additionally, State law dictates that students may not acquire more than 60 credits using these methods. Within that maximum, there is an internal limit of 30 credits for UMUC's own designed assessments (course challenge and portfolio), while the 60 credit limit can be reached through acceptable external exams. In particular, many veterans reach the 60 credit cap quickly through prior military training. Some institutions similar to UMUC in other states, such as Empire State College in New York, do not explicitly limit the number of credits that may be earned from prior learning assessments.

The President should comment on what an appropriate amount of prior learning credits would be and if the process for awarding MOOC credit could be simplified in the future.

The Next Big Thing in Online Education

Rather than MOOCs, UMUC believes the next big innovation to sweep across online education will be adaptive learning platforms. Adaptive learning platforms help students enter a course, set goals, and learn at their own pace to reduce redundant learning. While 1990s era online learning was built around the concept of recreating the physical classroom on the internet, adaptive learning platforms are courses designed around the way students actually learn. This means instructors receive data analytics about how students use online resources, so that the teacher can understand the habits of successful students. Data dashboards summarize overall class/cohort progress, and students receive individualized modifications to their learning experience to better align their study habits with academic resources. Over the past two years, UMUC has been running adaptive learning platforms for statistics courses but would like to expand this to all degree programs in three to five years. The barrier to quicker adoption is simply the time required to redesign courses, rather than a financial hurdle.

On a related note, UMUC is currently switching from WebTycho, its proprietary learning management system, to the commercial Desire2Learn in fall 2014, which will facilitate adoption of adaptive learning platforms.

The President should comment on the rollout of adaptive learning platforms in online education and when UMUC will deploy more of these redesigned courses.

Recommended Actions

1. See the University System of Maryland overview for systemwide recommendations.

Updates

1. Audit Findings

UMUC's most recent audit from February 2013 identifies seven findings, listed in Appendix 2, in three categories of findings. The first three findings relate to information technology security and improper employee access to critical systems. The fourth finding relates to UMUC not requiring a surety bond to be secured with an overseas recruitment firm. When that company reneged on its obligations to pay UMUC, UMUC had no ability to reclaim the lost revenue, which amounted to \$547,000 after accounting for costs related to finishing the education services to certain students in that region.

The last three findings concern UMUC failing to document why certain employees received certain payments. Findings 5 and 7 lack clear justification or documentation. Finding 6 concerns payments to an employee on sabbatical, which is unusual because UMUC does not recognize sabbaticals as it does not have tenured faculty.

Although not a finding in the report, the audit also notes a matter referred to the Office of the Attorney General – Criminal Division, by USM, in as much as UMUC may have overpaid an Internet advertising contractor, who has since gone out of business, approximately \$3.3 million. UMUC has discontinued paying for Internet advertising services based on the number of leads or applications generated.

Current and Prior Year Budgets

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

Fiscal 2011	General Fund	Special Fund	Federal Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Legislative Appropriation	\$30,257	\$0	\$0	\$260,836	\$291,094	\$12,996	\$304,089
Deficiency Appropriation	0	0	0	0	0	17,000	17,000
Budget Amendments	0	1,173	0	\$51,950	53,123	3,500	56,623
Reversions and Cancellations	0	0	0	-67	-67	-2,245	-2,312
Actual Expenditures	\$30,257	\$1,173	\$0	\$312,720	\$344,150	\$31,251	\$375,401
Fiscal 2012							
Legislative Appropriation	\$30,714	\$1,629	\$0	\$265,268	\$297,611	\$12,958	\$310,569
Deficiency Appropriation	0	0	0	0	0	0	0
Budget Amendments	417	0	0	88,497	88,914	26,537	115,451
Reversions and Cancellations	0	0	0	-3,289	-3,289	-6,179	-9,468
Actual Expenditures	\$31,130	\$1,629	\$0	\$350,476	\$383,235	\$33,317	\$416,552
Fiscal 2013							
Legislative Appropriation	\$31,134	\$2,764		\$336,041	\$369,939	\$33,775	\$403,714
Budget Amendments	0	244	0	27,591	27,835	1,500	29,335
Working Appropriation	\$31,134	\$3,009	\$0	\$363,632	\$397,774	\$35,275	\$433,049

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

Fiscal 2011

Special funds increased \$1,172,595 from HEIF authorized by the General Assembly to replace general funds reduced during the 2011 legislative session.

Other unrestricted funds increased \$51,884,664 overall, due to a \$51,950,497 increase from revenue related to increased tuition, federal grants, federal stimulus contracts, and other sources. A reversion to fund balance of \$66,833 was due to residual amounts left to cover last minute transactions.

Restricted funds increased \$35,255,221 overall due to a deficiency appropriation of \$17,000,000 for increased Pell grants and sales and services of educational activity, which totaled \$3,500,000. A cancellation of \$2,244,778 was made to reflect the actual amount of Pell awards.

Fiscal 2012

General funds increased \$223,188 to allocate funds for the \$750 State employee bonus appropriated in DBM. General funds also increased \$193,403 to realign personnel costs with health insurance rates.

Other unrestricted funds increased \$88,497,033 overall, due to a \$70,897,033 increase from revenue related to increased tuition from greater than anticipated enrollments. The remainder of the increase came from greater overseas revenue, federal contracts, and other sources. A cancellation of \$3,289,128 was due to lower than anticipated tuition and educational services revenue.

Restricted funds increased \$26,537,416 overall, due to increases in Pell grants related to enrollment growth. A cancellation of \$6,178,681 was made to reflect the actual amount of Pell awards.

Fiscal 2013

Special funds increased \$237,311 for the cost-of-living adjustment for State employees. Special funds also increased \$6,828 due to HEIF adjustments.

Other unrestricted funds increased \$27,590,526 to realign revenue with current enrollment projections.

Restricted funds increase \$1,500,000 to account for an increase in federal Pell grants.

Audit Findings

Audit Period for Last Audit:	August 1, 2008 – March 20, 2011
Issue Date:	February 2013
Number of Findings:	7
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

- Finding 1:** Employee access to automated system was not adequately controlled.
- Finding 2:** Security reporting and access controls over certain applications and related databases were not adequate.
- Finding 3:** UMUC’s computer network was not adequately secured.
- Finding 4:** UMUC did not obtain a surety bond to cover funds handled by an overseas company in conjunction with its administration of a UMUC doctoral program. As a result, the collectability of outstanding debt totaling \$547,000 is uncertain.
- Finding 5:** Payments to two former UMUC employees totaling \$248,000 were not adequately supported.
- Finding 6:** Questionable compensation payments totaling \$128,000 were made to one employee.
- Finding 7:** UMUC did not comply with certain policies relating to the separation of employment for staff, resulting in potential overpayments totaling approximately \$39,000.

Object/Fund Difference Report
USM – University of Maryland University College

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	991.71	1,041.71	1,041.71	0.00	0%
02 Contractual	1,342.81	1,373.57	1,373.57	0.00	0%
Total Positions	2,334.52	2,415.28	2,415.28	0.00	0%
Objects					
01 Salaries and Wages	\$ 187,001,555	\$ 197,101,080	\$ 203,026,094	\$ 5,925,014	3.0%
02 Technical and Spec. Fees	10,474,880	9,989,399	9,989,399	0	0%
03 Communication	2,232,007	1,908,740	1,908,740	0	0%
04 Travel	3,423,324	3,706,185	3,706,185	0	0%
06 Fuel and Utilities	2,685,974	2,715,009	2,592,236	-122,773	-4.5%
07 Motor Vehicles	227,024	214,656	190,539	-24,117	-11.2%
08 Contractual Services	82,856,340	88,814,710	89,889,646	1,074,936	1.2%
09 Supplies and Materials	10,172,915	10,350,768	10,350,768	0	0%
11 Equipment – Additional	1,579,155	4,712,504	4,712,504	0	0%
12 Grants, Subsidies, and Contributions	44,250,461	42,021,423	42,021,423	0	0%
13 Fixed Charges	8,896,430	8,585,509	8,003,907	-581,602	-6.8%
14 Land and Structures	62,752,074	62,928,892	61,269,469	-1,659,423	-2.6%
Total Objects	\$ 416,552,139	\$ 433,048,875	\$ 437,660,910	\$ 4,612,035	1.1%
Funds					
40 Unrestricted Fund	\$ 383,235,309	\$ 397,774,143	\$ 402,386,178	\$ 4,612,035	1.2%
43 Restricted Fund	33,316,830	35,274,732	35,274,732	0	0%
Total Funds	\$ 416,552,139	\$ 433,048,875	\$ 437,660,910	\$ 4,612,035	1.1%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Fiscal Summary
USM – University of Maryland University College

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 Instruction	\$ 90,498,099	\$ 96,405,866	\$ 98,778,820	\$ 2,372,954	2.5%
02 Research	309,193	357,417	359,187	1,770	0.5%
03 Public Service	13,554,451	12,758,047	12,760,862	2,815	0%
04 Academic Support	69,570,890	73,569,591	75,328,083	1,758,492	2.4%
05 Student Services	72,141,872	75,807,842	76,503,416	695,574	0.9%
06 Institutional Support	41,563,518	46,588,317	47,551,368	963,051	2.1%
07 Operation and Maintenance of Plant	78,711,175	79,812,492	78,629,945	-1,182,547	-1.5%
08 Auxiliary Enterprises	7,101,773	6,493,820	6,493,746	-74	0%
17 Scholarships and Fellowships	43,101,168	41,255,483	41,255,483	0	0%
Total Expenditures	\$ 416,552,139	\$ 433,048,875	\$ 437,660,910	\$ 4,612,035	1.1%
Unrestricted Fund	\$ 383,235,309	\$ 397,774,143	\$ 402,386,178	\$ 4,612,035	1.2%
Restricted Fund	33,316,830	35,274,732	35,274,732	0	0%
Total Appropriations	\$ 416,552,139	\$ 433,048,875	\$ 437,660,910	\$ 4,612,035	1.1%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.