

R30B27
Coppin State University
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$35,404	\$39,507	\$42,617	\$3,110	7.9%
Contingent & Back of Bill Reductions	0	-737	-316	421	
Adjusted General Fund	\$35,404	\$38,770	\$42,301	\$3,531	9.1%
Special Funds	2,753	2,672	1,799	-873	-32.7%
Adjusted Special Fund	\$2,753	\$2,672	\$1,799	-\$873	-32.7%
Other Unrestricted Funds	27,841	27,971	29,130	1,159	4.1%
Adjusted Other Unrestricted Fund	\$27,841	\$27,971	\$29,130	\$1,159	4.1%
Total Unrestricted Funds	65,998	70,150	73,546	3,396	4.8%
Contingent & Back of Bill Reductions	0	-737	-316	421	
Adjusted Total Unrestricted Funds	\$65,998	\$69,413	\$73,230	\$3,817	5.5%
Restricted Funds	17,355	18,000	18,900	900	5.0%
Adjusted Restricted Fund	\$17,355	\$18,000	\$18,900	\$900	5.0%
Adjusted Grand Total	\$83,353	\$87,413	\$92,130	\$4,717	5.4%

- General funds increase \$3.5 million, or 9.1%, in fiscal 2015 after adjusting for \$0.7 million in withdrawn appropriations and cost containment in fiscal 2014 and \$0.3 million in back of the bill reductions in fiscal 2015.
- The Higher Education Investment Fund (HEIF) decreases 32.7%, or \$0.9 million, due to using the entire HEIF balance in fiscal 2014 and lower HEIF revenues. The overall growth in State funds is 6.4%, or \$2.7 million, above fiscal 2014.

Personnel Data

	<u>FY 13 Actual</u>	<u>FY 14 Working</u>	<u>FY 15 Allowance</u>	<u>FY 14-15 Change</u>
Regular Positions	475.50	475.50	458.50	-17.00
Contractual FTEs	<u>189.61</u>	<u>184.41</u>	<u>193.27</u>	<u>8.86</u>
Total Personnel	665.11	659.91	651.77	-8.14

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	15.18	3.31%
Positions and Percentage Vacant as of 12/31/13	54.00	11.50

- The allowance includes the elimination of 17.0 regular positions, of which 14.0 were State-supported positions and the remaining 3.0 were non-State-supported positions. Abolished State-supported positions included 4.0 managers; 2.0 coordinators; 2.0 in information technology; and 1.0 each Dean of Arts, director of academic resources, student advisor, assistant to the president, specialist, and mechanic. According to Coppin State University (CSU), salary savings totaled approximately \$1.0 million, which were used to help balance the fiscal 2015 budget.
- The allowance includes 8.86 contractual full-time equivalent positions to provide building maintenance services for the new science and technology center which is scheduled to open in February 2015.
- The fiscal 2014 supplemental budget provided \$315,000 to convert contractual faculty positions to regular positions. CSU converted 3.0 positions: 2.0 in health professions (\$127,500) and 1.0 in business (\$75,000). Fringe benefits totaled \$60,750. The remaining funds (\$57,750) are being used to support the addition of another full-time contractual faculty member.

Analysis in Brief

Major Trends

Student Performance: The second-year retention rate for the 2011 cohort was 65.4%, the highest rate since the 2002 cohort. However, the third-year rate declined 4.2 percentage points to 39.6% with the 2010 cohort. The six-year graduation rate remained fairly consistent, increasing 1.4 percentage points over the past four cohorts to 19.7% with the 2006 cohort.

Degree Production Efficiency: After three years of remaining stable at 12.3 degrees per 100 students, the ratio jumped to 16.1 degrees in fiscal 2012, exceeding its peers for the first time since at least fiscal 2005. While CSU's education and related expenditures per degree have fallen from a high of \$147,682 in fiscal 2008 to \$133,789 fiscal 2010, it still exceeds its peers by \$62,946.

Issues

Meeting College Expenses: After declining by \$1.1 million in fiscal 2011 due to a failure to disburse most of its need-based aid, expenditures on educational aid increased to the pre-2011 level of \$3.2 million by fiscal 2013. In fiscal 2012, all need-based aid was awarded to Pell-eligible students with an average award of \$1,583.

Transforming Coppin: While CSU has received significant State support in both the operating and capital budgets and offers some successful academic programs, it continues to struggle with poor student performance and a declining enrollment. With a change in leadership, the University System of Maryland Board of Regents decided it was an appropriate time to take actions to address the various issues affecting CSU's overall performance.

Repeat Audit Findings: The Joint Audit Committee continues to be concerned about the number and frequency of repeat findings in audits conduct by the Office of Legislative Audits (OLA). In November 2013, OLA released an audit for CSU, which contain 12 findings, of which 5 were repeat findings.

Recommended Actions

1. Add language to restrict funds until repeat audit findings are corrected.

R30B27 – USM – Coppin State University

R30B27
Coppin State University
University System of Maryland

Operating Budget Analysis

Program Description

Coppin State University (CSU) is a comprehensive, urban institution offering programs in nursing, humanities, education, and liberal arts and sciences. CSU provides access to education and diverse opportunities for students with high potential for success and those whose promise may have been hindered by a lack of social, personal, or financial opportunity. While serving all students in the State, CSU will continue to enhance its connections to first generation college students and Baltimore City.

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

Fall 2013 Undergraduate Enrollment Headcount

Male	754
Female	2,166
Total	2,920

Fall 2013 Graduate Enrollment Headcount

Male	110
Female	353
Total	463

Fall 2013 New Students Headcount

First-time	377
Transfers/Others	320
Graduate	98
Total	795

Campus (Main Campus)

Acres	65
Buildings	12
Average Age	31
Oldest	1958

Programs

Bachelor's	33
Master's	11
Doctoral	1

Degrees Awarded (2012-2013)

Bachelor's	409
Master's	72
Doctoral	0
Total Degrees	481

Proposed Fiscal 2015 In-state Tuition and Fees*

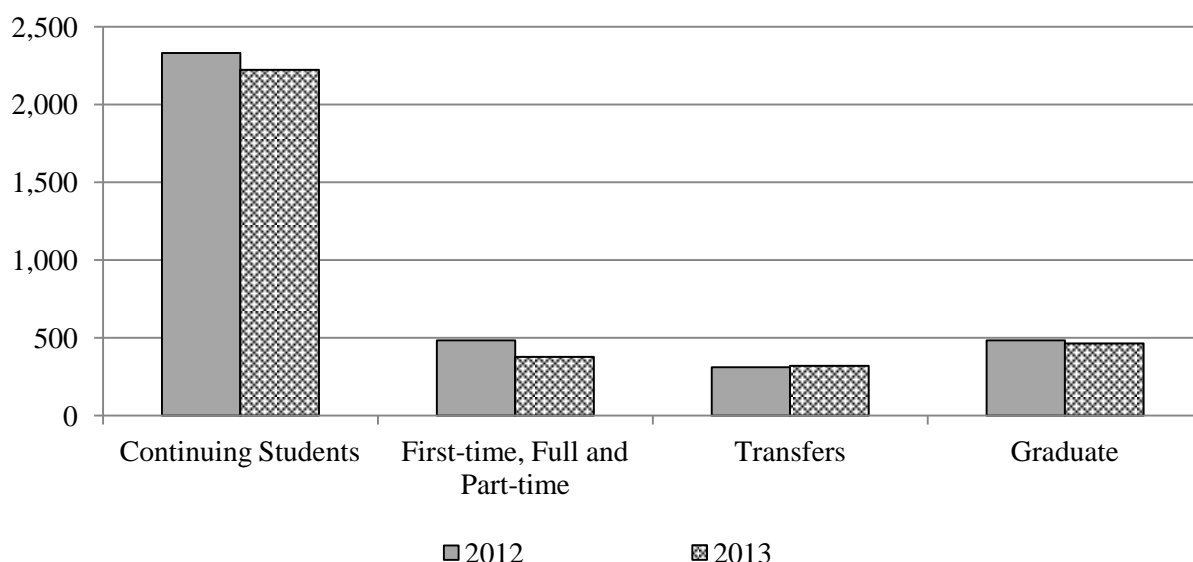
Undergraduate Tuition	\$4,089
Mandatory Fees	\$2,043

*Contingent on Board of Regents approval.

Performance Analysis

Undergraduate enrollment declined 6.6% to 2,920 in fall 2013, as shown in **Exhibit 1**. First-time, full-time (FT/FT) students fell at the highest rate of 22.1%, or 107 students, while continuing students declined 4.7%. However, there was an increase of 2.9% in the number of transfer students. Graduate enrollment declined 4.5% resulting in an overall decrease of 6.3% in enrollment.

Exhibit 1
Fall 2012-2013 Enrollment

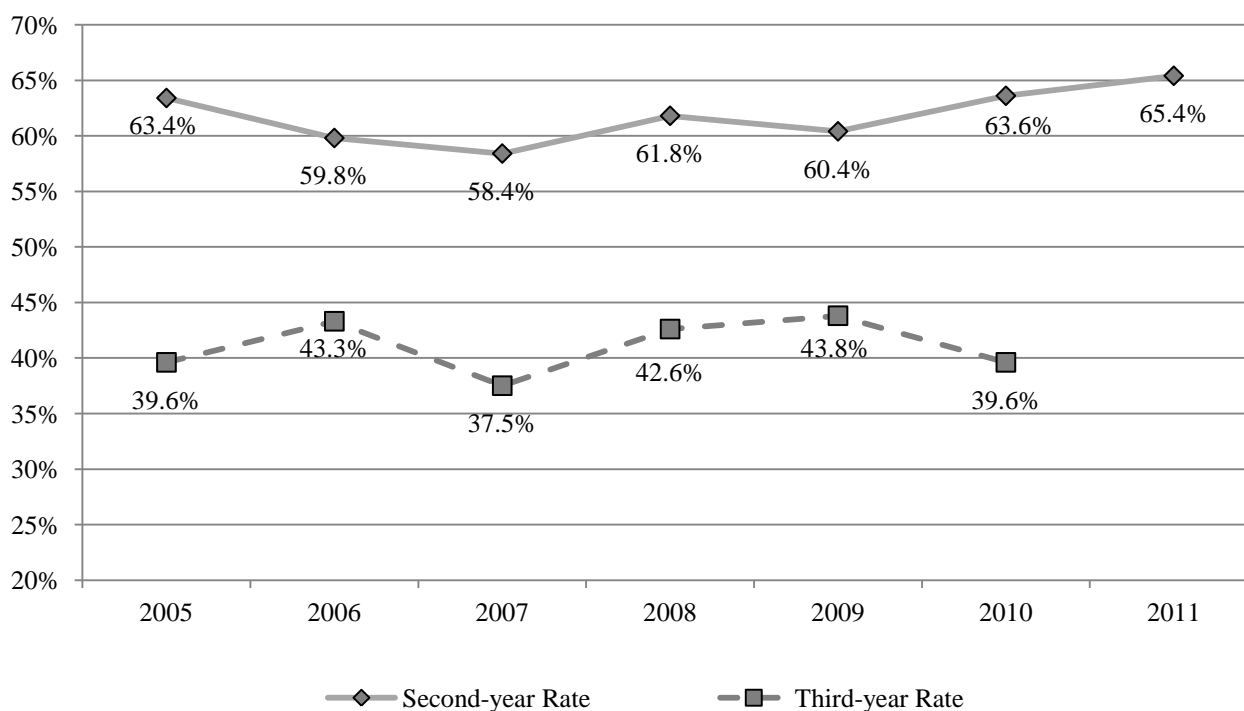


Source: University System of Maryland

1. Student Performance

Student persistence, or retention, provides a measure of student progress and an indication of an institution's performance; the higher the retention rate, the more likely students will persist and graduate. As shown in **Exhibit 2**, the second-year retention rate increased from 60.4% with the 2009 cohort to 65.4% with the 2011 cohort, the highest rate since the 2002 cohort. While the third-year rate generally mirrors the trends of the second-year rate, this was not the case for the last two cohorts, in which the rates moved in opposite directions. The rate for the 2010 cohort declined 4.2 percentage points to 39.6%. This suggests that while efforts to keep students enrolled for a second year may have an impact, they do not appear to affect students continuing on to a third year.

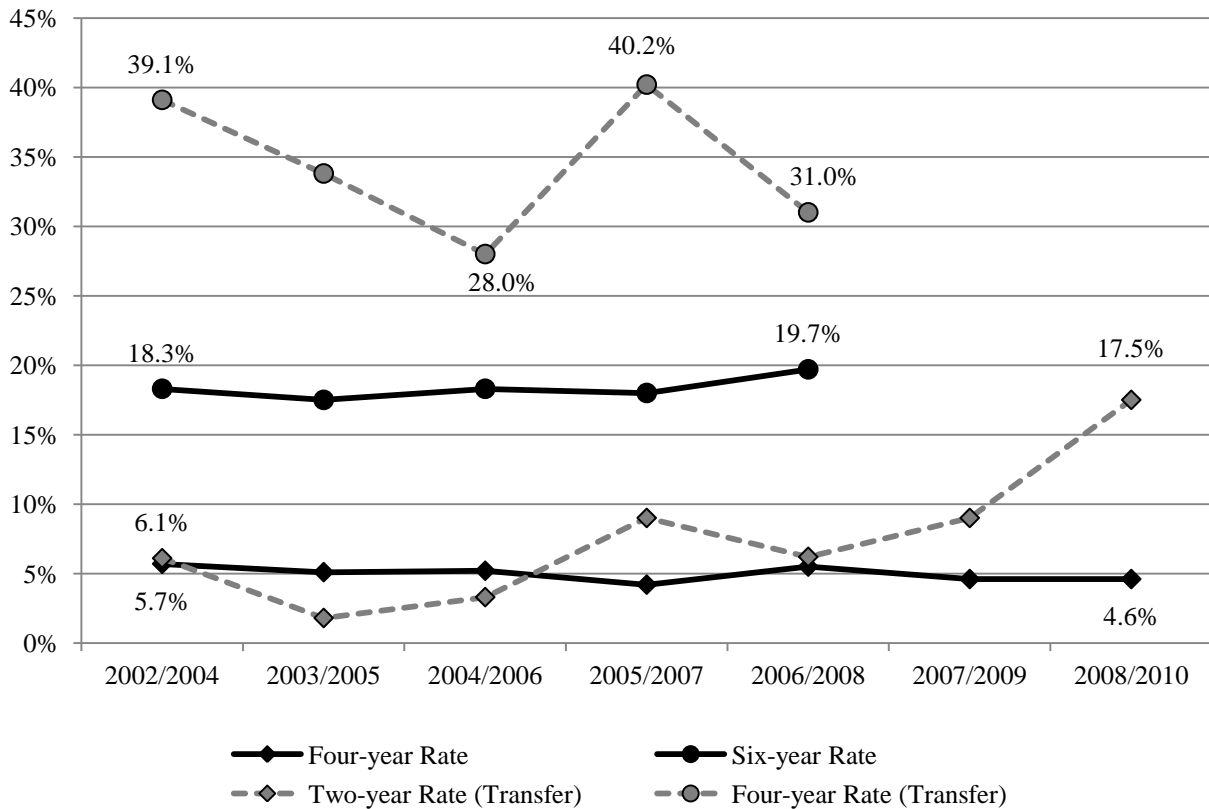
Exhibit 2
Second- and Third-year Retention Rates
First-time, Full-time Students
2005-2011 Cohorts



Source: Maryland Higher Education Commission, Retention and Graduation Rates at Maryland Four-year Institutions, October 2013

Graduation rates are, in part, another measure of student persistence and efficiency – as more students graduate, it “frees up” more room, allowing an institution to enroll more students. **Exhibit 3** shows the four- and six-year graduation rates for FT/FT and the equivalent rate for transfer students: the two- and four-year graduation rates. Overall, Maryland community college transfer students graduate at a higher rate than FT/FT students. While the two-year transfer rate fell to 1.8% with the 2005 cohort, it has since increased to 17.5% with the 2010 cohort. The four-year rate for FT/FT remained fairly stable at 5.0%.

Exhibit 3
Graduation Rate of First-time, Full-time and Maryland Community College
Transfer Students
2002-2010 Cohorts



FT/FT: first-time, full-time

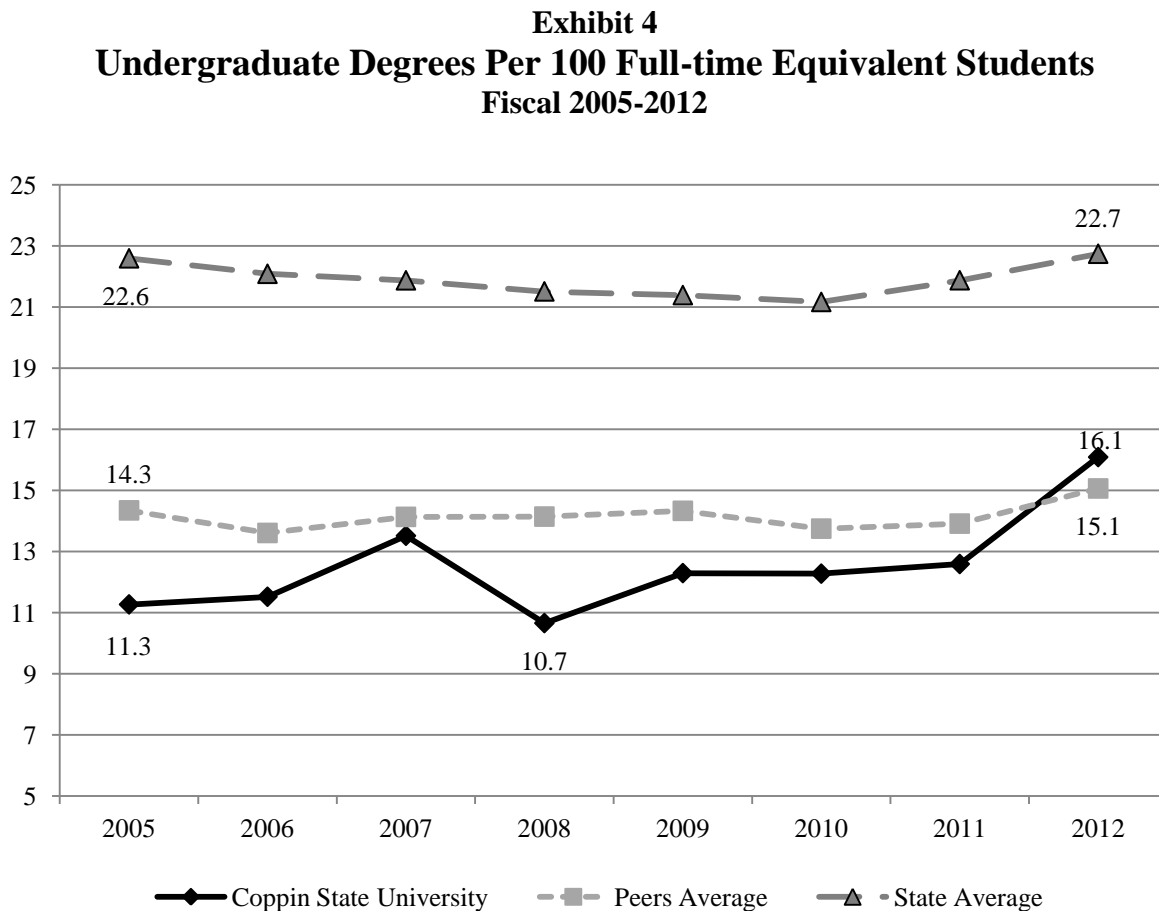
Note: The graduation rates for the FT/FT cohort includes those who graduated from the institution or those that transferred and graduated from any Maryland public four-year institution. The rates for the Maryland community college transfer includes those that graduate from the institution or those that transferred and graduated from any other University System of Maryland institution.

Source: Maryland Higher Education Commission, Retention and Graduation Rates at Maryland Four-year Institutions; University System of Maryland, Transfer Students to the University of Maryland System

The four-year rate for transfer students moved erratically, jumping from 28.0 to 40.2% with the 2007 cohort then falling to 31.0% with the subsequent cohort. Meanwhile, the six-year rate for FT/FT remained somewhat consistent, only increasing 1.4 percentage points over the past four cohorts to 19.7% with the 2006 cohort.

2. Degree Production Efficiency

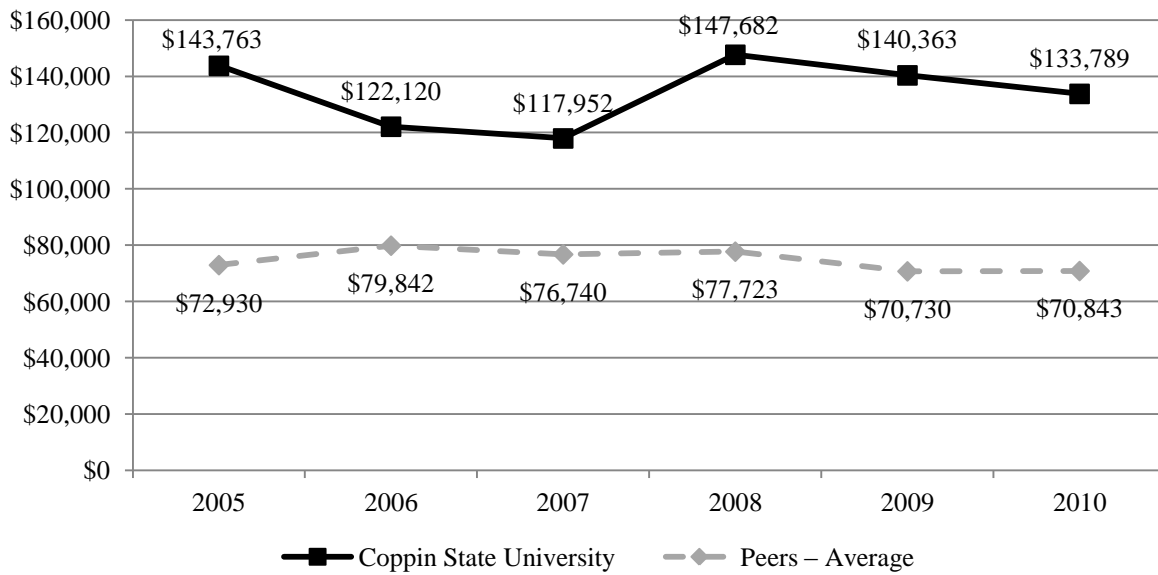
How well an institution meets its mission is ultimately measured by the number of undergraduate degrees awarded. Trends in the number of undergraduate degrees awarded per 100 undergraduate full-time equivalent students shows if an institution is being more or less productive in graduating students. **Exhibit 4** compares CSU's ratio to the average of its peers and the State's public four-year institutions. Peer institutions are those used to benchmark CSU's performance in the University System of Maryland's (USM) *Dashboard Indicators*. After three years of remaining stable at 12.3 degrees, the ratio jumped to 16.1 degrees in fiscal 2012, exceeding the peers for the first time. This increase can be attributed to a 5.0% decline in enrollment coinciding with a 21.4% spike in the number of degrees awarded. However, CSU's ratio is still well below the State's average of 22.7 degrees.



Source: Integrated Postsecondary Education System; Department of Legislative Services

Education and related expenditures per degree is another means to measure the performance of an institution. This measure shows if an institution is becoming more or less productive over time in using its resources to produce degrees. On average, expenditures per degree at CSU exceed that of its peers by \$59,477, as shown in **Exhibit 5**. From fiscal 2005 to 2007, costs fell from \$143,763 to \$117,952 per degree due to an increase in the number of degrees awarded. However, this was offset when the number of degrees awarded in fiscal 2008 declined, resulting in expenditures climbing to its highest level of \$147,682. While CSU's expenditures have since fallen to \$133,789 per degree by fiscal 2010, CSU's per degree costs still exceed the peers by \$62,946.

Exhibit 5
Education and Related Expenditures Per Degree Completed
Academic 2005-2010



Note: Education and related includes direct spending on instruction, student services; and education share of spending on academic and institutional support, and operations and maintenance. All dollar amounts are reported in 2010 dollars (Higher Education Price Index adjusted).

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

Fiscal 2014 Actions

Cost Containment

There are three across-the-board withdrawn appropriations that total \$0.6 million. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology system, and retirement reinvestment. These actions are fully explained in the analysis of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology, and State Retirement Agency (SRA), respectively. CSU's share of other cost containment actions, including the systemwide reversion of \$3.0 million in general funds and the potential reduction of the Higher Education Investment Fund (HEIF) appropriation, are \$0.1 million and \$0.4 million, respectively.

Proposed Budget

As shown in **Exhibit 6**, the general fund allowance for fiscal 2015 is 9.1%, or \$3.5 million, higher than in fiscal 2014 after including the fiscal 2014 cost containment actions and adjusting for across-the-board reductions in the Governor's spending plan for the fiscal 2015 allowance affecting funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of DBM – Personnel and SRA. The increase in the general fund allowance is partially offset by a \$0.9 million, or 32.7%, decline in the HEIF, due to the use of the HEIF fund balance coupled with the underattainment of revenues in fiscal 2014. The overall growth in State funds is 6.4%, or \$2.7 million, over fiscal 2014, totaling \$44.1 million. Other unrestricted funds increase 4.1%, or \$1.2 million, mainly due to tuition and fees and auxiliary revenues each growing \$0.6 million.

The allowance provides \$2.4 million in current unrestricted funds for the opening of the new science and technology center in February 2015, which includes \$1.6 million related to debt service, \$0.6 million for contractual staff, and \$0.2 million for utilities.

The Budget Reconciliation and Financing Act of 2014 includes a \$25.8 million transfer of USM's fund balance, of which CSU's portion is \$0.5 million. After the transfer, CSU's balance in the State-supported portion of the fund balance will total negative \$20.0 million. CSU expects to transfer an additional \$0.8 million to the fund balance in fiscal 2015. After the reductions and transfers, the total ending balance in fiscal 2015 is estimated to be \$1.7 million.

Exhibit 6
Governor's Proposed Budget
Coppin State University
(\$ in Thousands)

	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Working</u>	<u>2015</u> <u>Adjusted</u>	<u>2014-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$35,404	\$38,770	\$42,301	\$3,531	9.1%
HEIF	1,659	\$2,672	1,799	-\$873	-32.7%
Budget Restoration Fund	1,094	0	0	0	
Total State Funds	38,157	41,442	44,100	2,658	6.4%
Other Unrestricted Funds	27,841	27,971	29,130	1,159	4.1%
Total Unrestricted Funds	65,998	69,413	73,230	3,817	5.5%
Restricted Funds	17,355	18,000	18,900	900	5.0%
Total Funds	\$83,353	\$87,413	\$92,130	\$4,717	5.4%

HEIF: Higher Education Investment Fund

Note: Fiscal 2014 general funds are adjusted by \$0.7 million to reflect cost containment actions. Fiscal 2015 general funds reflect \$0.3 million in across-the-board reductions. Numbers may not sum to total due to rounding.

Source: Governor's Budget Book, Fiscal 2015; Department of Legislative Services

Budget changes by program area in the allowance are shown in **Exhibit 7**. This data includes unrestricted funds only, the majority of which consist of general funds, the HEIF, and tuition and fee revenues. In fiscal 2013, spending on academic enterprise programs, which exclude auxiliary enterprises, totaled \$56.3 million exceeding revenues by \$2.4 million. However, auxiliary enterprises revenues exceeded expenditures by \$2.8 million, which was used to cover the shortfall in the academic programs with the remaining funds being transferred to the fund balance.

In fiscal 2014, it appears efforts to contain costs have had an impact on the annual operating deficit with the shortfall narrowing to \$1.5 million. However, expenditures for institutional support increased 10.0% to \$14.3 million. Personnel in this program area include executive level positions, which tend to be higher salaried; therefore, of the \$1.3 million increase, \$0.7 million is related to a rise in personnel costs such as cost-of-living adjustment (COLA) and merit and fringe benefits. Instruction also grows \$1.1 million, of which \$0.7 million is due to increasing the number of full-time faculty but cost were partially offset by decreasing the number of contractual faculty. This can be partly attributed to the fiscal 2014 supplemental budget providing \$0.3 million to convert contractual faculty positions to regular positions to help CSU reduce its reliance on contractual or adjunct faculty. In addition, CSU eliminated a position and funding for public service. As in fiscal 2013, a surplus of \$1.5 million in auxiliary enterprises will be used to cover the shortfall in the academic enterprises.

Exhibit 7
CSU Budget Changes for Unrestricted Funds by Program
Fiscal 2013-2015
(\$ in Thousands)

	<u>2013</u>	<u>Working</u> <u>2014</u>	<u>% Change</u> <u>2013-14</u>	<u>2015</u> <u>Adjusted</u>	<u>\$ Change</u> <u>2014-15</u>	<u>% Change</u> <u>2014-15</u>
Expenditures						
Instruction	\$18,073	\$19,220	6.3%	\$19,302	\$82	0.4%
Public Service	278	0	-100.0%	0	0	
Academic Support	6,470	6,548	1.2%	6,595	46	0.7%
Student Services	4,698	4,899	4.3%	4,928	29	0.6%
Institutional Support	12,983	14,278	10.0%	14,162	-116	-0.8%
Operation and Maintenance of Plant	11,122	11,604	4.3%	15,167	3,563	30.7%
Scholarships and Fellowships	2,717	2,835	4.4%	2,988	152	5.4%
Subtotal Education and General	\$56,342	\$59,385	5.4%	\$63,143	\$3,758	6.3%
Auxiliary Enterprises	\$9,656	\$10,766	11.5%	\$10,404	-\$362	-3.4%
Total	\$65,998	\$70,150	6.3%	\$73,546	\$3,396	4.8%
Funds Specific to HBCUs	\$671	\$665	-1.0%	\$663	-\$1	-0.2%
Cost Containment/ATB Reductions		-737		-316		
Adjusted Total	\$66,669	\$70,078	5.1%	\$73,894	\$3,816	5.4%
Revenues						
Tuition and Fees	\$15,465	\$16,109	4.2%	\$16,710	\$601	3.7%
General Funds	35,404	38,770	9.5%	42,301	3,531	9.1%
Higher Education Investment Fund	1,659	2,672	61.1%	1,799	-873	-32.7%
BRF	1,094	0		0		
Other Unrestricted Funds	338	335	-0.8%	335	0	0.0%
Subtotal	\$53,959	\$57,887	7.3%	\$61,145	\$3,259	5.6%
Auxiliary Enterprises	\$12,539	\$12,226	-2.5%	\$12,841	\$615	5.0%
Transfers (to) from Fund Balance	-501	-700		-756		
Total	\$65,998	\$69,413	5.2%	\$73,230	\$3,817	5.5%
Funds Specific to HBCUs	\$671	\$665	-1.0%	\$663	-\$1	-0.2%
Adjusted Total	\$66,669	\$70,078	5.1%	\$73,894	\$3,816	5.4%

ATB: across-the-board

BRF: Budget Restoration Funds

CSU: Coppin State University

HBCU: historically black college and university

Note: Fiscal 2014 general funds reflect \$0.7 million of cost containment actions. Fiscal 2015 general funds are adjusted by \$0.3 million to reflect across-the-board reductions.

Source: Governor's Budget Books, Fiscal 2015; Department of Legislative Services

In fiscal 2015, increases in all program areas, except operations and maintenance of plant, are relatively small, especially in light of the increases in personnel cost due to the annualization of the 2014 merit and COLA and the fiscal 2015 merit and COLA, which total \$2.1 million. This reflects reductions taken in other areas of the operating budget to ensure a balanced budget. Additionally, 17 positions were eliminated with the resulting salary savings of approximately \$1.0 million being used to help balance the budget. Despite these efforts, the projected annual operating deficit widens to \$2.0 million. Overall, spending increases \$3.8 million, of which \$3.6 million is related to operations and maintenance. Most of the increase, \$2.4 million, is related to the opening of the new science and technology center. When excluding the cost of the new facility, expenditures increase 2.3%, or \$1.4 million, indicating that CSU is making strides toward correcting its structural deficit situation.

Issues

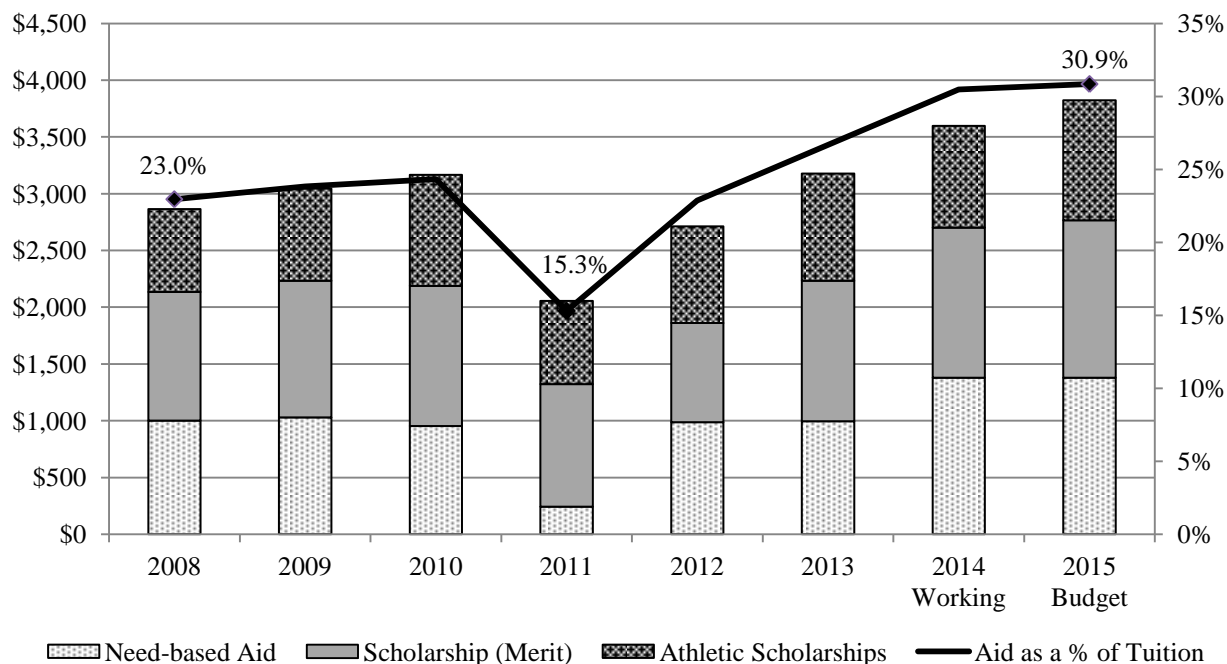
1. Meeting College Expenses

The lack of financial resources frequently contributes to a student's decision to stop or drop out of college. As the costs of a college education continue to escalate, students and families are relying more on various types of financial aid *e.g.*, federal, State, and institutional, to effectively bring down the cost of college. According to the National Center for Education Statistics' College Navigator, the total cost for a FT/FT Maryland undergraduate student attending CSU in fiscal 2012, was \$18,467 (based on 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 aid, the average cost of attendance was \$9,920, a 53.7% reduction in the net cost of attendance.

Seventy percent of CSU's undergraduate 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 specific amount, which was \$5,273 in fiscal 2012. The 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.

After declining by \$1.1 million in fiscal 2011 due to a failure to disburse most of its need-based aid, institutional aid expenditures increased to the pre-2011 level of \$3.2 million by fiscal 2013, as shown in **Exhibit 8**. In fiscal 2014, expenditures increase \$0.4 million due to the fiscal 2014 supplemental budget providing \$378,000 to specifically increase the amount spent on need-based aid over fiscal 2013. Language in the fiscal 2014 budget required CSU to submit a report detailing the use of these funds: \$200,000 was targeted to students in science, technology, engineering, and mathematics (STEM) disciplines; \$78,000 for the Bridge Grant Program targeting graduating seniors who have outstanding balances that prevent them from registering for their last semester; and \$100,000 for community college transfers. Students for the latter two awards have to demonstrate need, but for the STEM award, eligibility is based on academic criteria including having a grade point average of at least 3.0 and Scholastic Assessment Test score between 1,590 and 1,820. According to CSU, of the \$378,000, only \$146,700 had been spent in fall 2013, and a majority of the remaining funds have been awarded for the spring semester. CSU further noted that they have some contingency funds from the Bridge Grant that they are still awarding to those students close to graduating. While total expenditures on aid grow \$0.2 million in fiscal 2015, it is mainly due to increased spending on athletic scholarships.

Exhibit 8
Institutional Aid and Percentage of Undergraduate Tuition
Fiscal 2008-2015
(\$ in Thousands)



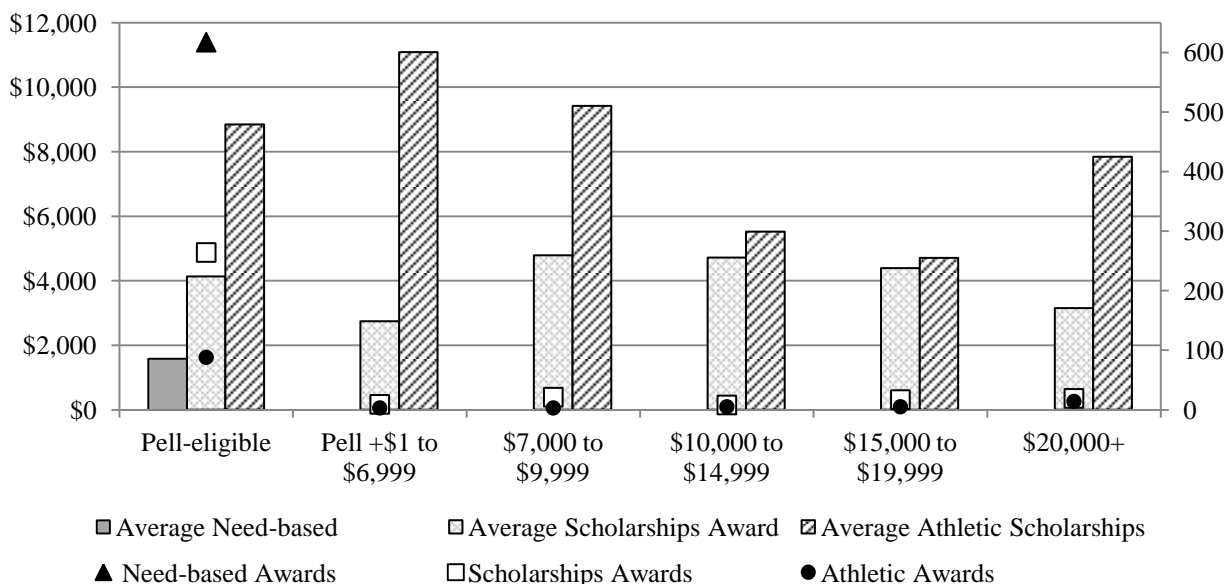
Source: University System of Maryland

The President should comment on why \$200,000 of the funds specifically provided for need-based aid were instead used for a competitive scholarship, in which awards are based on academic performance rather than financial need.

The USM Board of Regents (BOR) instructed institutions to use a portion of the tuition revenue increases for institutional aid directed toward those undergraduate students with the highest financial need, offsetting increases in tuition rates, thereby holding harmless those with the greatest need. Since fiscal 2011, when institutional aid as a percentage of tuition revenue fell to its lowest level of 15.3%, it has steadily increased to 30.9% in fiscal 2015.

In fiscal 2012, all need-based aid was awarded to Pell-eligible students with an average award of \$1,583, as shown in **Exhibit 9**. While students in all EFC categories were awarded institutional scholarships (or merit), of the 338 awards, 78.1% of the awards went to Pell-eligible students, who received an average award of \$4,127.

Exhibit 9
Number and Average Amount of Institutional Aid Received Per Recipient
Fiscal 2012



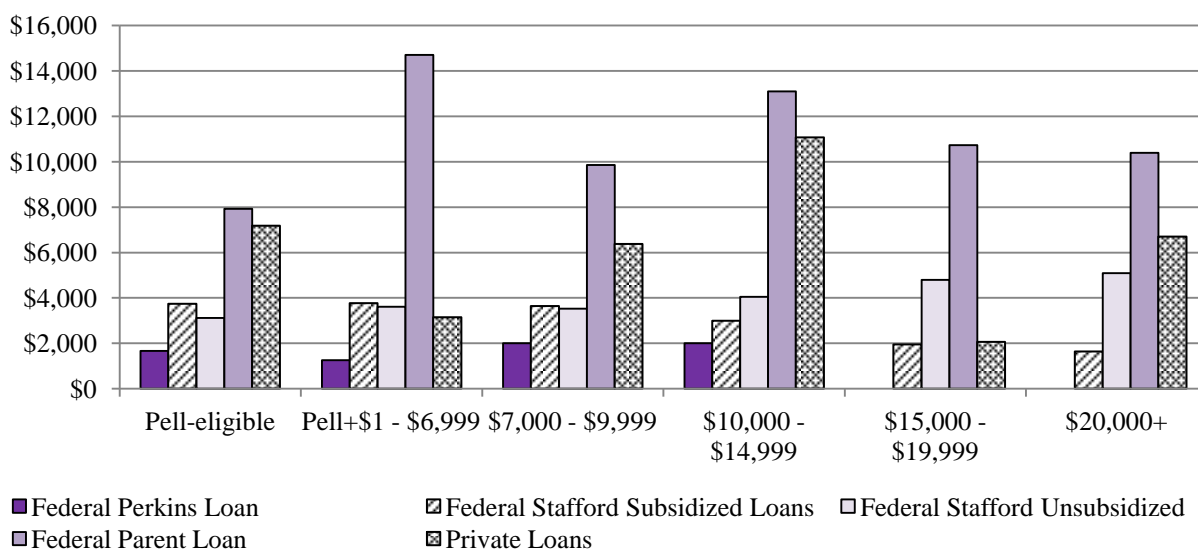
Source: Maryland Higher Education Commission

While the students with the greatest financial need typically receive Pell and institutional aid, it is still not enough to cover the costs of college. As shown in **Exhibit 10**, students in all EFC categories take out various types of loans to finance their education. There are three types of loans:

- federal subsidized loans are based on financial need with the government paying the interest while the student is enrolled in school (Perkins and Stafford loans);
- federal unsubsidized loans generally for those who do not demonstrate financial need with the interest added to the balance of the loan while the student is enrolled in school; and
- private loans.

In fiscal 2012, of the 2,734 Pell-eligible students, 71.2% used a Stafford subsidized loan to help pay for their education with an average loan of \$3,734. While students in all EFC categories took out a parent plus or private loans, only 153 students used these loans to pay for college.

Exhibit 10
Mean Loan Amount by Type and Expected Family Contribution
Fiscal 2012



Source: Maryland Higher Education Commission

2. Transforming Coppin

Formation of a Special Review Committee

While CSU has received significant State support in both the operating and capital budgets and offers some successful academic programs such as nursing, criminal justice, and applied psychology, it continues to struggle with poor student performance and a declining enrollment. Given these issues, coupled with a change in leadership, USM BOR decided it was an appropriate time to take actions to address the various issues affecting CSU's overall performance. Accordingly, in December 2012, USM BOR appointed a Special Review Committee comprised of 14 members representing CSU's various stakeholders to conduct a comprehensive review of CSU and recommend strategies and action to improve overall performance.

Findings of the Committee

The committee, chaired by University of Maryland Baltimore County's President Freeman A. Hrabowski III, presented its findings to BOR on May 15, 2013. Overall, the committee found that

across campus there is a lack of strong leadership, ineffective and inefficient use of resources, and a lack of accountability. Other findings included:

- Transfer and older nontraditional students graduate at higher rates than traditional FT/FT students, and in fiscal 2012, accounted for 65% of the bachelor's degrees.
- Despite an enrollment decline of 3% between 2002 and 2012, 20 new academic programs were added, and the number of faculty grew 49%, while professional and staff positions increased 92 and 14%, respectively.
- Student services are not well integrated, timely, or adequately focused to ensure that students receive needed assistance to maximize academic success.
- Student center services were inadequate, recreational programs were insufficient, and access to the new sports complex for recreational use was limited.
- Poor customer service at various student support offices, including financial aid, bursar, registrar, and admissions, reflects a lack of culture of support and commitment to student service and success.
- While, on average, the faculty teaching load is the highest among USM's comprehensive institutions, CSU faculty generate the lowest number of student credit hours, which is attributed to a large number of programs being offered to a small number of students.

Revelation of Continuing Budget Shortfall

The committee also learned that "in spite of its high per-student funding, CSU has been struggling with an ongoing operating budget deficit" and had concerns regarding budget planning, expenditure controls, implementation of PeopleSoft, and audit reviews. While legislators and legislative staff were aware of CSU's current budget shortfall, they were not previously aware of how long CSU has been operating with a deficit.

CSU has been grappling with financial difficulties since at least fiscal 2007, as shown in **Exhibit 11**, when non-auxiliary or education and general (E&G) expenditures exceeded revenues by \$1.0 million despite an increase of \$9.6 million in State funds. Spending in all program areas grew 29.7%, or \$11.0 million with 74.8% of the spending occurring in operations and maintenance (\$3. million); instruction (\$2.5 million); and institutional support (\$2.3 million). In fiscal 2008, due to CSU not accounting for outstanding student debt in prior years, \$5.3 million of debt was written off, resulting in \$3.5 million decrease in tuition and fee revenues; however, despite the overall \$2.1 million decline in revenues, spending increased \$1.4 million. Other significant spending increases over the past six years include (1) in fiscal 2009, instruction grew 27.5%, or \$4.3 million; and (2) in fiscal 2010, operations and maintenance of plant rose 41.2%, or \$3.5 million, which can be attributed to the opening of the physical education complex.

Exhibit 11
Unrestricted Revenues and Expenditures and Fund Balance
Fiscal 2006-2013
(\$ in Thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012*</u>	<u>2013</u>
E&G Unrestricted Revenues								
Tuition and Fees	\$16,068	\$15,674	\$12,185	\$16,980	\$16,490	\$17,154	\$15,885	\$15,465
General Fund/HEIF	20,802	30,428	31,813	34,669	37,899	37,775	37,943	38,157
Other	401	832	787	598	639	514	307	427
Total Unrestricted	\$37,271	\$46,933	\$44,786	\$52,247	\$55,029	\$55,443	\$54,135	\$54,048
Expenditures								
Instruction	\$12,384	\$14,912	\$15,557	\$19,843	\$18,116	\$18,142	\$19,296	\$18,073
Academic Support	2,910	3,178	5,096	5,694	5,590	6,312	6,631	6,470
Student Services	3,380	5,488	5,381	4,983	5,826	5,370	4,958	4,698
Institutional Support	12,477	14,738	12,696	11,511	12,651	13,689	14,662	12,983
Operations and Maintenance	5,340	8,765	9,744	8,701	12,290	12,623	10,841	11,122
Scholarship	445	839	811	866	1,098	1,425	2,297	2,717
Total	\$36,937	\$47,922	\$49,286	\$51,597	\$55,571	\$57,561	\$58,686	\$56,063
E&G Surplus/Deficit	\$335	-\$988	-\$4,500	\$650	-\$543	-\$2,118	-\$4,551	-\$2,015
Auxiliary								
Revenues	\$8,217	\$7,866	\$8,688	\$10,979	\$11,405	\$12,206	\$12,646	\$12,539
Expenditures	6,754	6,354	7,651	9,675	8,228	9,182	9,479	9,656
Auxiliary Surplus	\$1,463	\$1,512	\$1,037	\$1,303	\$3,178	\$3,024	\$3,167	\$2,883
State-supported Fund Balance								
Beginning	\$4,825	\$6,254	\$5,266	\$2,219	\$2,678	\$1,444	\$1,621	\$237
Ending	6,254	5,266	2,219	2,678	1,444	1,621	237	738

E&G: education and general
HEIF: Higher Education Investment Fund

*Fiscal 2011 tuition freeze was lifted; fiscal 2012 out-of-state tuition was reduced 35.8% from \$6,417 to \$4,117.

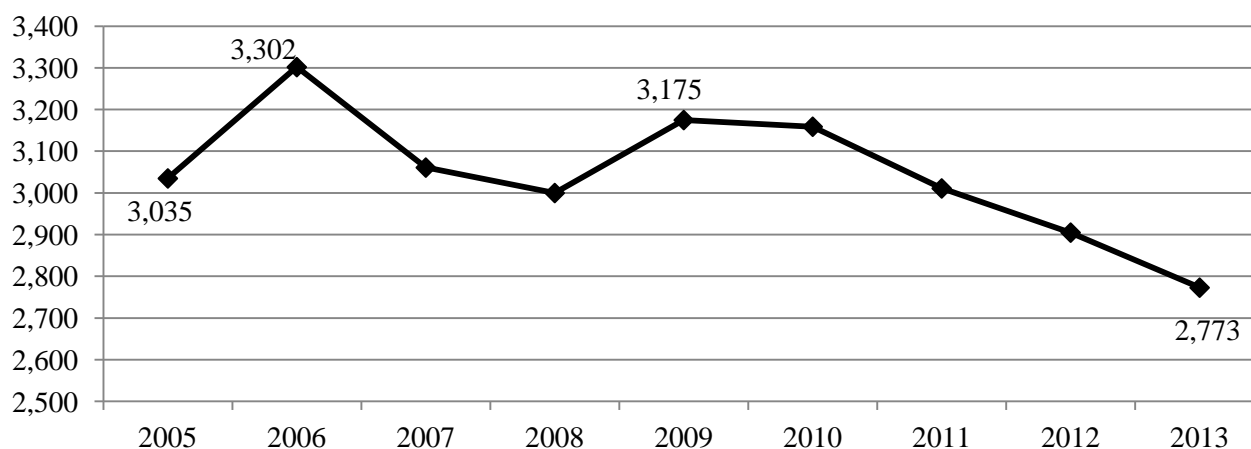
Source: Governor's Budget Books; Coppin State University

In order to cover this persistent budget shortfall, CSU appears to have relied on a combination of fund balance transfers and auxiliary revenues. The use of the State-supported portion of the fund balance is evident with the balance declining from \$6.2 million in fiscal 2007 to almost being depleted in fiscal 2013 with a balance of \$0.2 million. Since auxiliary enterprises are self-supporting, they typically generate a "profit," which is generally transferred to the fund balance to be used to

fund future projects such as renovations and construction of auxiliary-related facilities. In times when E&G revenues may not cover academic expenses, institutions will use excess auxiliary revenues to help with the shortfall. It appears auxiliary funds were used in fiscal 2008 and fiscal 2010 through 2013 to cover the deficit on the academic side.

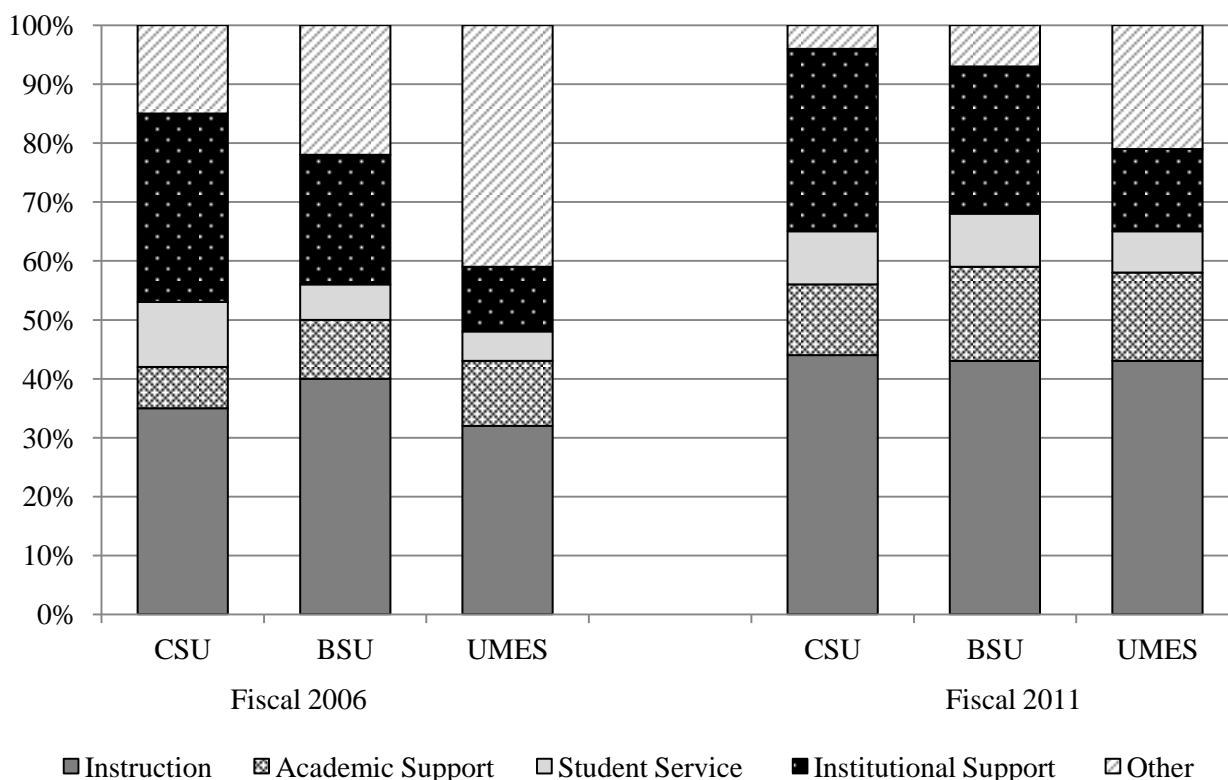
The two years CSU did not have a deficit (fiscal 2006 and 2009) were the only years enrollment increased, as shown in **Exhibit 12**. Despite a continual decline in enrollment and tuition and fee revenues, CSU continued to increase its spending, as shown in **Exhibit 13**, which compares program expenses to total core expenses in fiscal 2006 and 2011. During this time period, enrollment declined 8.8%. In fiscal 2006, 35.0% of CSU's core expenditures were in instruction, which increased to 44.0% in fiscal 2011, equivalent with Bowie State University (BSU) and the University of Maryland Eastern Shore (UMES). Academic support (those activities and services that support the institution's primary missions of instruction *e.g.*, academic deans but not department chairpersons, information technology, and libraries) increased from 7.0 to 12.0% of core expenditures. While institutional support (expenses related to day-to-day operations, *e.g.*, general administrative services, executive level activities including management, planning, legal, fiscal operations, human resources, and procurement) declined 1 percentage point, it accounted for 31.0% of total expenditures, exceeding BSU and UMES by 6 and 17 percentage points, respectively. The other category includes research, public service, scholarships, and other expenditures. Given UMES' research mission, about 20.0% of the expenditures are related to research. While the percentage of "other" expenditures declines in fiscal 2011 for all the institutions, this may be a result of a change in reporting.

Exhibit 12
Full-time Equivalent Student Enrollment
Fiscal 2005-2013



Source: Governor's Budget Books

Exhibit 13
Comparison of Expenses as a Percent of Total Core Expenses
Fiscal 2006 and 2011



Note: Core expenses are total expenses for the essential educational activities of the institutions; excludes auxiliary. Other includes research, public service, scholarships and fellowships, and other core expenditures.

Source: Integrated Postsecondary Education System

There are concerns that CSU is not able to adequately maintain its facilities, especially the new physical education complex or new science and technology center scheduled to open in February 2015. According to USM, total costs for opening the physical education complex between fiscal 2009 and 2011, were \$9.7 million, as shown in **Exhibit 14**. However, expenditures on operations and maintenance of plant increased \$3.9 million during that time period, while the number of filled positions declined from 46.0 to 42.5 full-time equivalents. In fiscal 2015, as previously discussed in the proposed budget section, expenditures for operations and maintenance increase \$3.6 million, of which \$2.4 million is related to the opening of the new science center. Given the continuing annual operating deficit in the academic enterprise, there are concerns about how CSU can manage the costs of not only opening and operating a new facility but also perform regular and routine maintenance on existing facilities.

Exhibit 14
Expenditures on Operations and Maintenance of Plant
Fiscal 2008-2013
(\$ in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
New Facilities Cost		\$1,249	\$2,471	\$5,941		
Operations and Maintenance	\$9,744	\$8,701	\$12,290	\$12,623	\$10,841	\$11,122
Change in Expenditures	979	-1,044	3,590	333	-1,782	281
Filled FTE Positions*	39.0	46.0	44.0	42.5	43.0	41.5

FTE: full-time equivalent

*Number of filled positions as of October 15.

Source: University System of Maryland; Coppin State University

In fiscal 2013, USM and CSU took actions to align expenditures with revenues. CSU closed fiscal 2013 with an overall surplus of \$0.5 million that was transferred to the fund balance. CSU has assured BOR that it will operate with a balanced budget each year and stated that the fiscal 2014 budget is on track to close with a small overall surplus of approximately \$0.7 million. In both years, however, auxiliary revenues are used to cover E&G expenses.

Recommendations and Implementation Plan

The committee emphasized that the overriding priority is the academic success of the students, and to that end, the recommendations fall under three goals: (1) to improve student retention and graduation rates and increase enrollment; (2) to strengthen academic programs and faculty; and (3) to improve administrative operations and shared governance practices. An implementation plan was developed establishing a definitive, detailed plan with timelines for the recommended actions to be completed along with accountability measures. An implementation team was established to provide oversight, guidance, and feedback on carrying out the recommendations. Overall, 50 targeted actions were identified to address and take corrective actions to achieve efficiencies in the academic enterprise, improve operations, and change and improve the process.

Actions in the implementation plan were assigned completion timeframes from immediate (to be completed by August 31, 2013) to long term (over the next five years), with most being completed within 12 to 18 months. Of the 50 targeted actions, 23 are completed or underway. Accomplishments by goal include:

Higher Graduation and Retention Rates

- implemented intensive faculty advising in which every student has been assigned a faculty advisor;
- launched a new marketing campaign;
- opened a child care center to help retain students who are parents; and
- currently developing dual enrollment programs with Coppin Academy and two community colleges.

Stronger Academic Programs

- restricted the academic enterprise by reorganizing six schools to four colleges, and consolidating academic departments/programs from 17 to 12, resulting in the elimination of 2 deans and 5 department chair positions;
- appointed a new provost; and
- expanded STEM through the appointment of a STEM coordinator and establishment of a STEM center.

Improve Financial Stability/Administrative Operations

- appointed a vice president for Administration and Finance;
- balanced the fiscal 2013 and 2014 budgets;
- instituted a hiring freeze resulting in 35 vacant positions;
- conducted mandatory customer service training for faculty and staff to improve delivery of service to students; and
- updated critical operational and governance policies.

Furthermore, the committee expressed expectations that there will be regular reporting on progress toward completing the actions. CSU will be reporting bi-monthly to USM and every six months to BOR and the Maryland General Assembly.

CSU noted challenges to improving the academic and financial situation including:

- lack of financial resources due to under enrollment – CSU's has the campus capacity for 5,000 to 6,000 but declining enrollment has resulted in less tuition revenue to support programs; therefore, plans are to increase enrollment to 5,000 by 2020;
- competitive environment for FT/FT and transfer students – expand recruitment efforts and more timely and strategic use of financial aid; and
- graduation rates do not include performance of transfer and returning students.

The President should comment on the feasibility of increasing enrollment to 5,000 in the next six years, despite that the highest enrollment (graduate and undergraduate) that CSU experienced was 4,306 in fall 2005. The President should also address how CSU will manage the costs of not only maintaining its current facilities but also the costs of opening and operating the new science and technology center.

While BOR has taken action to improve the situation at CSU, persistent poor student performance, declining enrollment, and years of budgetary problems raise issues and concerns of BOR oversight of institutions. As staff to BOR, it also brings into question USM Office's role, given its function is to coordinate academic programs, assist with long-range planning and resource management, and provide financial stewardship.

The Chancellor should address the adequacy of BOR and USM oversight of institutions and their roles of ensuring not only the financial stability of institutions but also that students have the opportunity to succeed.

3. Repeat Audit Findings

The Joint Audit Committee (JAC) continues to be concerned about the number and frequency of repeat findings in audits conducted by the Office of Legislative Audits (OLA). In November 2013, OLA released an audit for CSU, which contained 12 findings including 5 repeat findings.

The three findings pertaining to student accounts receivable were repeat findings, which included not taking action on collecting outstanding student account balances and allowing students with delinquent accounts to register for classes; lack of controls over credit adjustments and refunds; and lack of controls over adjustments to student accounts, student refunds, and third-party billings. The other two repeat findings included lack of control over collections received in the Bursar's Office and an information technology-related finding that CSU did not ensure appropriate user access restrictions over the recordation of student accounts and purchasing transactions.

In an effort to see these findings satisfactorily resolved, JAC asked the budget committees to consider action in agencies' budgets for those having four or more repeat findings. **Therefore, the Department of Legislative Services (DLS) recommends \$100,000 of CSU's appropriation be restricted until OLA has determined that each finding has been corrected.**

The other eight findings relate to student financial aid awards, contract compliance, equipment inventory, software security, and employee compensation procedures. A complete list of findings is shown in **Appendix 2**.

The President should comment on the status of actions taken to correct the repeat audit findings.

Recommended Actions

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

, provided that since Coppin State University (CSU) has had four or more repeat findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$100,000 of this agency's administrative appropriation may not be expended unless:

- (1) CSU has taken corrective action with respect to all repeat audit findings on or before November 1, 2014; and
- (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days to review and comment to allow for funds to be released prior to the end of fiscal 2015.

Explanation: The Joint Audit Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each such agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of repeat findings.

Information Request	Author	Due Date
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

Current and Prior Year Budgets

Current and Prior Year Budgets

Coppin State University

(\$ in Thousands)

Fiscal 2013	General	Special	Federal	Other	Total	Restricted	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Legislative							
Appropriation	\$35,441	\$2,427	\$0	\$30,072	\$67,940	\$22,760	\$90,700
Deficiency							
Appropriation	0	0	0	0	0	0	0
Budget							
Amendments	-37	325	0	-2,130	-1,842	0	-1,842
Reversions and							
Cancellations	0	0	0	-100	-100	-5,405	-5,505
Actual							
Expenditures	\$35,404	\$2,753	\$0	\$27,841	\$65,998	\$17,355	\$83,353
Fiscal 2014							
Legislative							
Appropriation	\$39,058	\$2,712	\$0	\$28,246	\$70,017	\$22,988	\$93,005
Budget							
Amendments	449	-40	0	-276	134	-4,988	-4,854
Working							
Appropriation	\$39,507	\$2,672	\$0	\$27,971	\$70,150	\$18,000	\$88,150

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

For fiscal 2013, the general fund decreased by \$36,920 through a budget amendment to fund the Non-USM Regional Center Incentive Grants related to language in the fiscal 2013 budget bill.

The special fund appropriation, which included \$776,759 in Budget Restoration Funds created during the 2012 special session, increased \$317,079 for a half year 2% COLA adjustment and \$8,235 in the HEIF as authorized in the fiscal 2013 budget bill.

Other unrestricted funds declined \$2.1 million by way of a budget amendment including:

- \$1.8 million of additional funds transferred to the fund balance related to 39 layoffs, contract nonrenewals, and freezing positions mostly in administration and finance;
- \$754,021 in tuition and fee revenues from a reduction in out-of-state tuition rates and aligning with current enrollment;
- \$312,422 from other sources; and
- \$125,000 in indirect cost recovery.

There is an increase of \$830,519 in auxiliary operations due to increased collections from the bookstore and food services.

Cancellations of unrestricted funds totaled \$100,466 due to a reduction in spending to meet a balanced budget goal.

Cancellations of restricted funds amounted to \$5.4 million due to lower than anticipated grants expenditures related to an enrollment decline and non-renewal of some major grants.

Fiscal 2014

For fiscal 2014, general funds increase \$449,104 through a budget amendment related to a half year 3% COLA. The special fund decreases \$39,788 related to language in the fiscal 2014 budget bill that transfers a portion of the HEIF to St. Mary's College of Maryland. Decreases of \$0.3 million in other unrestricted funds include:

- \$1.0 million in auxiliary operations to realign expenditures with current projections;
- \$458,887 in tuition and fee revenues; and
- \$2,000 in federal indirect cost recovery.

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These decreases are offset by an increase of \$1.1 million by reducing the amount of a planned transfer to the fund balance and \$107,000 in other sources.

Current restricted funds decrease \$5.0 million primarily due to \$4.6 million decline in federal grants and contracts related to the loss of several grants and Pell awards, and a \$0.6 million in State grants and contracts. There is an increase of \$195,500 in private grants and contracts.

Audit Findings

Audit Period for Last Audit:	July 1, 2009 – March 26, 2012
Issue Date:	November 2013
Number of Findings:	12
Number of Repeat Findings:	5
% of Repeat Findings:	41.7%
Rating: (if applicable)	n/a

- Finding 1:** Lack of control over the referral of delinquent accounts to the State's Central Collections Unit, and CSU did not ensure that students with unpaid balances were prohibited from registering for classes.
- Finding 2:** Lack of control to ensure the propriety of non-cash credit adjustments, student refunds, and tuition waivers.
- Finding 3:** Lack of control to ensure the propriety of third-party billings and receipts related to student accounts.
- Finding 4:** Insufficient internal control over electronic wire transfers for federal direct loans.
- Finding 5:** Lack of proper control over financial aid awards posted to student accounts.
- Finding 6:** Reduced the required commission payments from its food service vendor without adequate support and did not ensure the completion of required capital improvements.
- Finding 7:** Lack of adequately monitoring certain contractors to ensure compliance with contract terms.
- Finding 8:** Lack of adequate procedures to account for and control equipment inventory.
- Finding 9:** Lack of control to safeguard collections received at the Bursar's Office.
- Finding 10:** Did not ensure adequate system controls existed over recordation of student accounts and purchasing transactions.
- Finding 11:** Controls over a critical application's accounts, database monitoring and passwords need to be strengthened.

Finding 12: Salary payments were made to an individual using methods that circumvented processes designed to enforce the earning limitations for State retirees.

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

**Object/Fund Difference Report
USM – Coppin State University**

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	475.50	475.50	458.50	-17.00	-3.6%
02 Contractual	189.61	184.41	193.27	8.86	4.8%
Total Positions	665.11	659.91	651.77	-8.14	-1.2%
Objects					
01 Salaries and Wages	\$ 40,102,835	\$ 41,791,538	\$ 42,821,312	\$ 1,029,774	2.5%
02 Technical and Spec. Fees	9,282,447	8,970,995	9,174,376	203,381	2.3%
03 Communication	308,095	308,068	458,043	149,975	48.7%
04 Travel	1,040,541	1,063,273	1,050,765	-12,508	-1.2%
06 Fuel and Utilities	2,912,342	3,297,371	3,590,214	292,843	8.9%
07 Motor Vehicles	240,743	133,112	130,248	-2,864	-2.2%
08 Contractual Services	9,928,605	11,052,071	11,434,640	382,569	3.5%
09 Supplies and Materials	1,005,817	1,694,752	1,412,020	-282,732	-16.7%
10 Equipment – Replacement	187,042	487,034	487,056	22	0%
11 Equipment – Additional	481,638	516,472	481,640	-34,832	-6.7%
12 Grants, Subsidies, and Contributions	13,872,476	14,724,375	15,311,623	587,248	4.0%
13 Fixed Charges	3,944,707	4,111,411	5,826,280	1,714,869	41.7%
14 Land and Structures	45,857	0	268,203	268,203	N/A
Total Objects	\$ 83,353,145	\$ 88,150,472	\$ 92,446,420	\$ 4,295,948	4.9%
Funds					
40 Unrestricted Fund	\$ 65,997,759	\$ 70,150,472	\$ 73,546,420	\$ 3,395,948	4.8%
43 Restricted Fund	17,355,386	18,000,000	18,900,000	900,000	5.0%
Total Funds	\$ 83,353,145	\$ 88,150,472	\$ 92,446,420	\$ 4,295,948	4.9%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
USM – Coppin State University

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
01 Instruction	\$ 21,853,533	\$ 23,038,963	\$ 23,090,917	\$ 51,954	0.2%
02 Research	56,768	53,984	52,905	-1,079	-2.0%
03 Public Service	149,356	0	0	0	0%
04 Academic Support	7,321,562	7,326,732	7,345,060	18,328	0.3%
05 Student Services	5,565,683	5,782,811	5,859,328	76,517	1.3%
06 Institutional Support	15,238,157	16,778,226	16,778,198	-28	0%
07 Operation and Maintenance of Plant	11,162,327	11,647,266	15,212,595	3,565,329	30.6%
08 Auxiliary Enterprises	10,113,207	11,234,388	10,879,208	-355,180	-3.2%
17 Scholarships and Fellowships	11,892,552	12,288,102	13,228,209	940,107	7.7%
Total Expenditures	\$ 83,353,145	\$ 88,150,472	\$ 92,446,420	\$ 4,295,948	4.9%
Unrestricted Fund	\$ 65,997,759	\$ 70,150,472	\$ 73,546,420	\$ 3,395,948	4.8%
Restricted Fund	17,355,386	18,000,000	18,900,000	900,000	5.0%
Total Appropriations	\$ 83,353,145	\$ 88,150,472	\$ 92,446,420	\$ 4,295,948	4.9%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.