

**R30B25**  
**University of Maryland Eastern Shore**  
**University System of Maryland**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 14</u></b> <b><u>Actual</u></b>	<b><u>FY 15</u></b> <b><u>Working</u></b>	<b><u>FY 16</u></b> <b><u>Allowance</u></b>	<b><u>FY 15-16</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Funds	\$33,013	\$36,191	\$38,564	\$2,372	6.6%
Deficiencies and Reductions	0	-1,227	-2,764	-1,537	
<b>Adjusted General Fund</b>	<b>\$33,013</b>	<b>\$34,965</b>	<b>\$35,800</b>	<b>\$835</b>	<b>2.4%</b>
Special Funds	1,920	1,641	1,731	89	5.4%
<b>Adjusted Special Fund</b>	<b>\$1,920</b>	<b>\$1,641</b>	<b>\$1,731</b>	<b>\$89</b>	<b>5.4%</b>
Other Unrestricted Funds	59,979	69,172	70,389	1,217	1.8%
<b>Adjusted Other Unrestricted Fund</b>	<b>\$59,979</b>	<b>\$69,172</b>	<b>\$70,389</b>	<b>\$1,217</b>	<b>1.8%</b>
Total Unrestricted Funds	94,912	107,005	110,684	3,679	3.4%
Deficiencies and Reductions	0	-1,227	-2,764	-1,537	
<b>Adjusted Total Unrestricted Funds</b>	<b>\$94,912</b>	<b>\$105,778</b>	<b>\$107,920</b>	<b>\$2,142</b>	<b>2.0%</b>
Restricted Funds	26,929	33,545	33,679	134	0.4%
<b>Adjusted Restricted Fund</b>	<b>\$26,929</b>	<b>\$33,545</b>	<b>\$33,679</b>	<b>\$134</b>	<b>0.4%</b>
<b>Adjusted Grand Total</b>	<b>\$121,841</b>	<b>\$139,323</b>	<b>\$141,599</b>	<b>\$2,276</b>	<b>1.6%</b>

Note: The fiscal 2015 working appropriation reflects the Board of Public Works reductions. The fiscal 2016 allowance reflects back of the bill reductions to the University System of Maryland, which were allocated to institutions based on the Department of Legislative Services estimates.

- The general fund increases \$0.8 million, or 2.4%, in fiscal 2016 after adjusting for a fiscal 2015 Board of Public Works reduction and \$2.8 million in back of the bill reductions in fiscal 2016.
- The Higher Education Investment Fund increases \$89,389, or 5.4%, in fiscal 2016, resulting in an overall growth of 2.5%, or \$0.9 million, in State funds above fiscal 2015.

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

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## ***Personnel Data***

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	<b><u>FY 14 Actual</u></b>	<b><u>FY 15 Working</u></b>	<b><u>FY 16 Allowance</u></b>	<b><u>FY 15-16 Change</u></b>
Regular Positions	797.82	794.82	794.82	0.00
Contractual FTEs	<u>135.00</u>	<u>135.00</u>	<u>135.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>932.82</b>	<b>929.82</b>	<b>929.82</b>	<b>0.00</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	16.20	2.04%
Positions and Percentage Vacant as of 12/31/14	55.00	6.90%

- The allowance does not provide for any new regular positions.

## ***Analysis in Brief***

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### **Major Trends**

***Enrollment:*** Undergraduate enrollment grew 1.1% in fall 2014. A 23.4% increase in first-time (full- and part-time) students was partially offset by a 4.0% and 3.9% decline in continuing and transfer students, respectively. Overall, since fall 2012, undergraduate enrollment is down 5.0%.

***Student Performance:*** After increasing to 68.6% with the 2008 first-time, full-time cohort, the second-year retention rate of the 2009 cohort dropped to 64.4%. While it improved to 68.9% with the 2011 cohort, it dropped to 67.8% with the 2012 cohort. After the four-year transfer graduation rate increased to a high point of 51.5% with the 2008 cohort, it fell to 47.8% with the 2009 cohort. Meanwhile, the six-year first-time, full-time rate declined to 36.0% with the 2005 cohort but improved to 38.6% with the 2007 cohort.

***Degree Production Efficiency:*** After declining to the lowest point of 12.1 in fiscal 2009, the undergraduate degrees per 100 full-time equivalent student ratio improved to 16.8 degrees in fiscal 2012. However, the ratio decreased to 14.1 the next year due to a decline in enrollment and the number of degrees awarded. Education and related expenditures per degree declined by \$13,663 per degree between fiscal 2009 and 2011, falling to a low of \$83,242 per degree.

### **Issues**

***Meeting College Expenses:*** In fiscal 2014, expenditures on institutional aid decreased \$0.5 million. The amount going toward need-based aid declined \$0.7 million despite the fiscal 2014 supplemental budget providing \$324,000 to be used specifically to increase the amount spent on need-based aid over fiscal 2013. In fiscal 2015, expenditures on need-based aid increase \$1.2 million due to increasing awards by \$1,500 (from \$3,000 to \$4,500) for students with an expected family contribution of under \$500.

***Audit Findings:*** In November 2014, the Office of Legislative Audits released an audit for the University of Maryland Eastern Shore which included 13 findings, 1 of which was a repeat finding. Four of the findings pertained to the affiliated foundation and business entity or foundation, in which it was found there was a general lack of effective oversight.

### **Recommended Actions**

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

***R30B25 – USM – University of Maryland Eastern Shore***

**R30B25**  
**University of Maryland Eastern Shore**  
**University System of Maryland**

## ***Operating Budget Analysis***

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### **Program Description**

The University of Maryland Eastern Shore (UMES) is the State's 1890 land-grant institution, and as such, it maintains a legacy of a historically black college and university offering equal education opportunities to all students who qualify for admission. UMES emphasizes selected baccalaureate programs in liberal arts and sciences and career fields with particular relevance to its land-grant mandate including agriculture, marine and environmental science, hospitality, and technology.

UMES serves the education and research needs of government agencies, business and industry, while focusing on the economic development needs of the Eastern Shore. UMES aspires to become an educational model of a teaching/research institution and will continue to enhance its interdisciplinary curriculum-sponsored research, outreach to the community, and expand its collaborative arrangement within the system and with external agencies and constituencies.

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

#### **Fall 2014 Undergraduate Enrollment Headcount**

Male	1,607
Female	1,964
<b>Total</b>	<b>3,571</b>

#### **Fall 2014 Graduate Enrollment Headcount**

Male	272
Female	438
<b>Total</b>	<b>710</b>

#### **Fall 2014 New Students Headcount**

First-time	806
Transfers/Others	197
Graduate	187
<b>Total</b>	<b>1,190</b>

#### **Campus (Main Campus)**

	745 (on campus)
Acres	384.6 (off campus)
Buildings	92
Average Age	37
Oldest	1940

#### **Programs**

Bachelor's	37
Master's	13
Doctoral	7

#### **Degrees Awarded (2013-2014)**

Bachelor's	585
Master's	68
Doctoral	101
<b>Total Degrees</b>	<b>754</b>

#### **Proposed Fiscal 2016 In-state Tuition and Fees\***

Undergraduate Tuition	\$5,005
Mandatory Fees	\$2,620

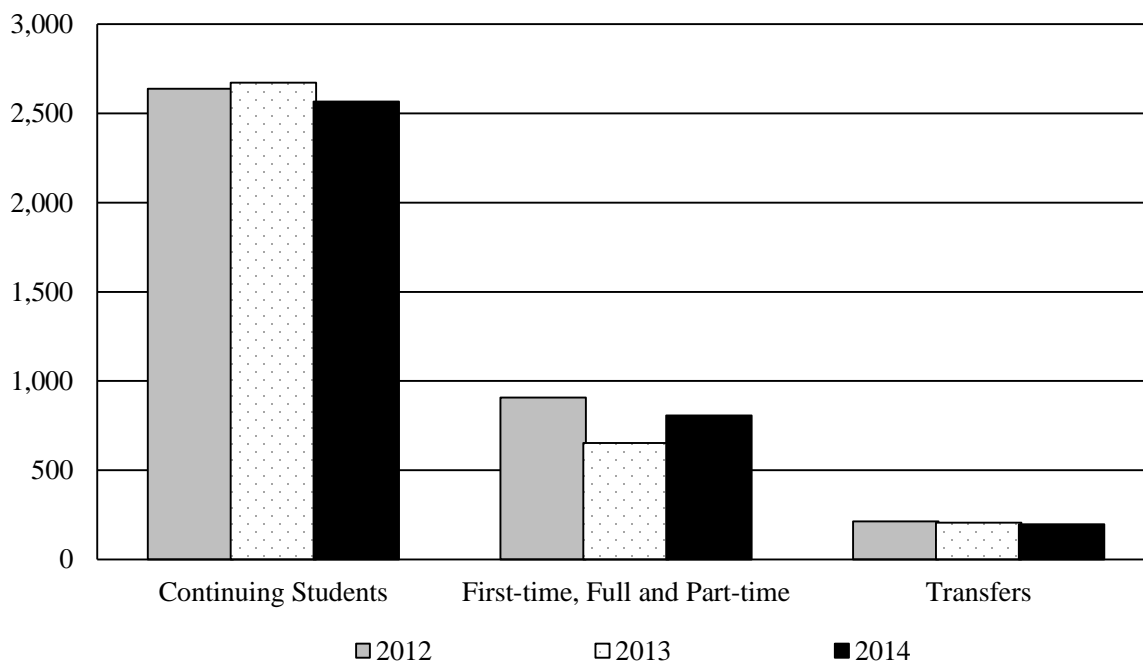
\*Contingent on Board of Regents approval.

## Performance Analysis

### 1. Enrollment

Undergraduate enrollment grew 1.1% in fall 2014. A 23.4% increase in first-time (full- and part-time) students was partially offset by a 4.0% and 3.9% decline in continuing and transfer students, respectively, as shown in **Exhibit 1**. The increase in first-time students partially offsets the 28.1% drop in fall 2013, but enrollment of these students since fall 2012 is down 11.2%. Overall, since fall 2012, undergraduate enrollment is down 5.0%. Graduate enrollment increased 2.6% in fall 2014 resulting in total enrollment growth of 1.6%. **The President should comment on the enrollment trend of first-time students and if it is projected to stabilize in the out-years.**

**Exhibit 1**  
**Undergraduate Headcount Enrollment**  
**Fall 2012-2014**

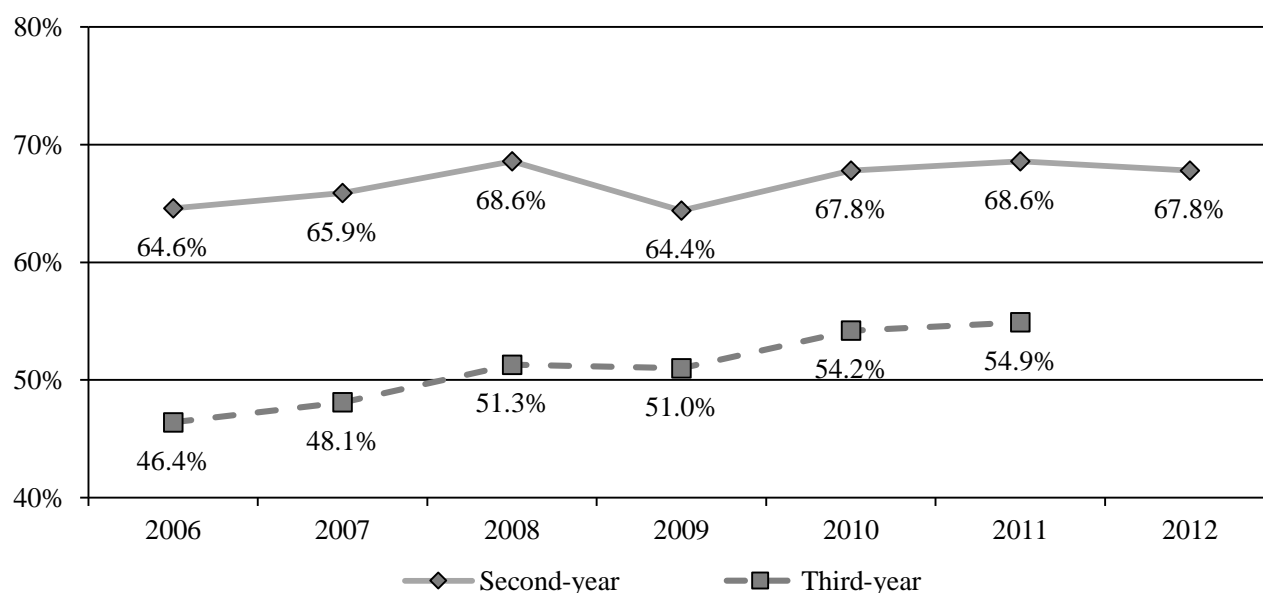


Source: University System of Maryland

## 2. 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**, after increasing to 68.6% with the 2008 cohort, the second-year rate of the 2009 cohort dropped 4.2 percentage points to 64.4%. While the rate improved reaching 68.6% with the 2011 cohort, it dropped back to 67.8% with the 2012 cohort. As expected, the trend in the third-year rate mirrors that of the second-year rate. While the second-year rate improved by 4 percentage points from the 2006 to 2011 cohort, the third-year rate increased by 8.5 percentage points. Overall, the third-year rate improved from 46.4% (2006 cohort) to 54.9% (2011 cohort).

**Exhibit 2**  
**Second- and Third-year Retention Rates**  
**First-time, Full-time**  
**2006-2012 Cohorts**

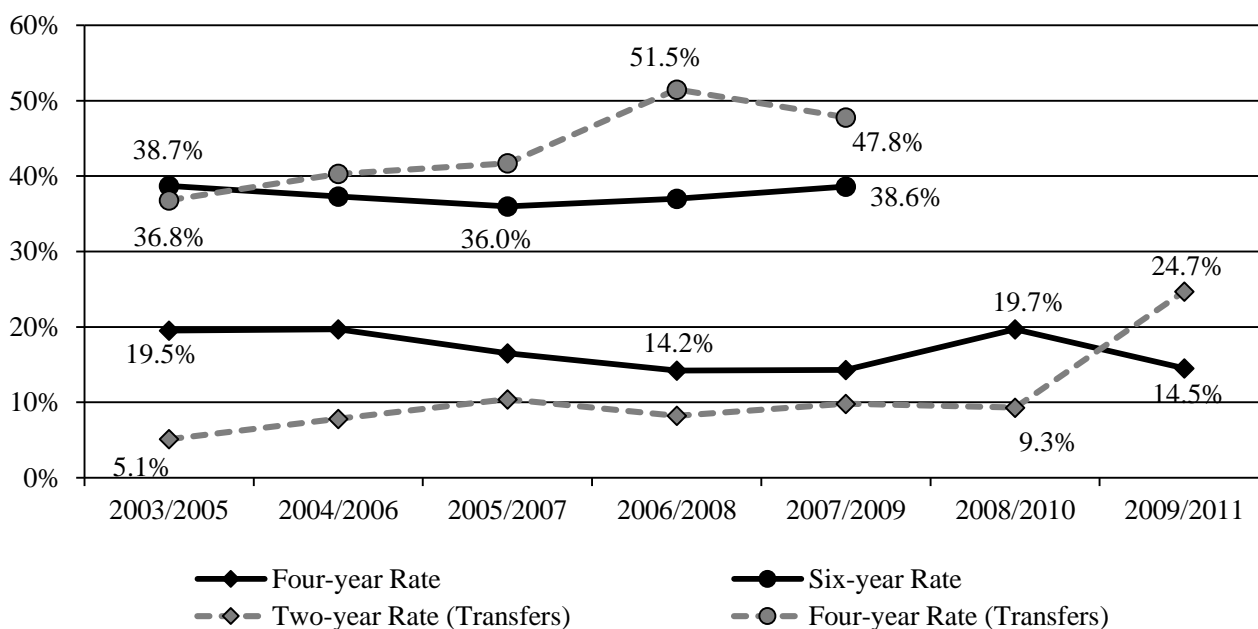


Source: Maryland Higher Education Commission, *Retention and Graduation Rates at Maryland Four-year Institutions*, October 2014

Completion or graduation rates are greatly influenced by time – the longer it takes a student to graduate, the more likely (s)he will drop out as other priorities compete with classes. Longer completion time translates into increased costs, not only for the student, but the institution and the State as well. According to the most recent data, time to degree for the first-time, full-time (FT/FT) 2006 cohort increased from 9.2 to 9.3 semesters, slightly over four and a half years.

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 students and the equivalent rate for transfer students: the two- and four-year graduation rates. In general, while the FT/FT students graduate at a higher rate than transfers after four years, the trend reverses when comparing the six- and four-year rates with the transfer students graduating at a higher rate. After falling to 14.2%, the four-year FT/FT rate jumped to 19.7% with the 2008 cohort but fell to 14.5% with the 2009 cohort, corresponding with the trend in the retention rates of these cohorts, shown in Exhibit 2. The two-year transfer rate spiked 15.4 percentage points to 24.7% with the 2011 transfer cohort. After the four-year transfer rate increased to a high point of 51.5% with the 2008 cohort, the rate fell to 47.8% with the 2009 cohort. Meanwhile, the six-year FT/FT rate declined to 36.0% with the 2005 cohort but improved to 38.6% with the 2007 cohort, slightly below the rate of the 2003 cohort of 38.7%. **The President should comment on reasons for the increase in the two-year transfer graduation rate from 9.3% with the 2010 cohort to 24.7% with the 2011 cohort.**

**Exhibit 3**  
**Graduation Rate of First-time, Full-time and**  
**Maryland Community College Transfer Students**  
**2003-2011 Cohorts**



Note: The graduation rates for the first-time, full-time cohort includes those 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.

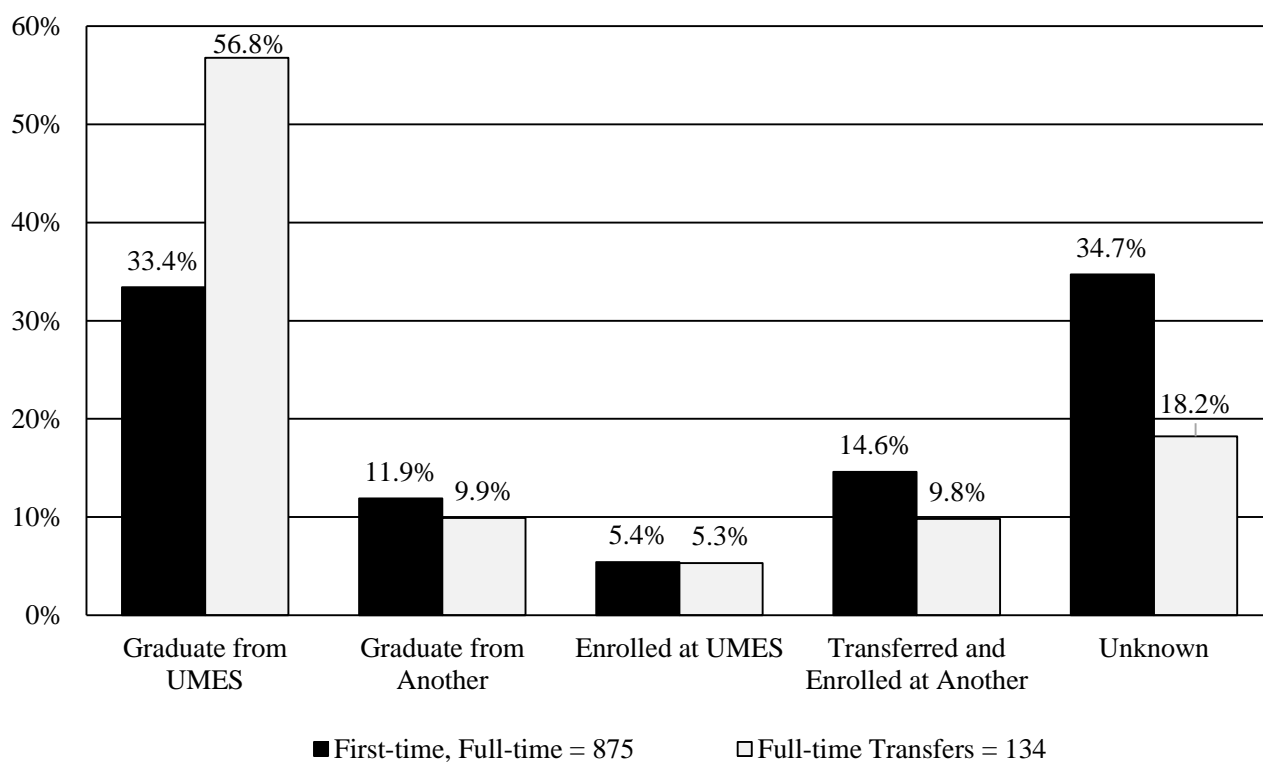
Source: Maryland Higher Education Commission, *Retention and Graduation Rates at Maryland Four-year Institutions*; University System of Maryland, *Transfer Students to the University System of Maryland*



Traditionally, retention and graduation rates, as previous discussed, only measure the progress of FT/FT students and do not account for students who enroll in multiple institutions over the course of their college career. One in five students who complete a degree will do so at a different institution than the one they first enrolled in, according to the National Student Clearinghouse. Student Achievement Measures provides a more comprehensive picture of a student's progression to completion by tracking student movements across institutions. Overall, for the 2007 cohort, transfer students performed better than FT/FT students after six years of enrolling at UMES with a graduation rate of 56.8% compared to 33.4%, respectively, as shown in **Exhibit 4**. After six years, 26.5% of the FT/FT students graduated from or were enrolled at another institution while the status was not known for 34.7% of the students. **The President should comment on the reasons for the high percentage of FT/FT being unknown.**

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**Exhibit 4**  
**Six-year Graduation Rate for First-time, Full-time and First-time Transfers**  
**Seeking a Bachelor's Degree**  
**Fall 2007 Cohort**



UMES: University of Maryland Eastern Shore

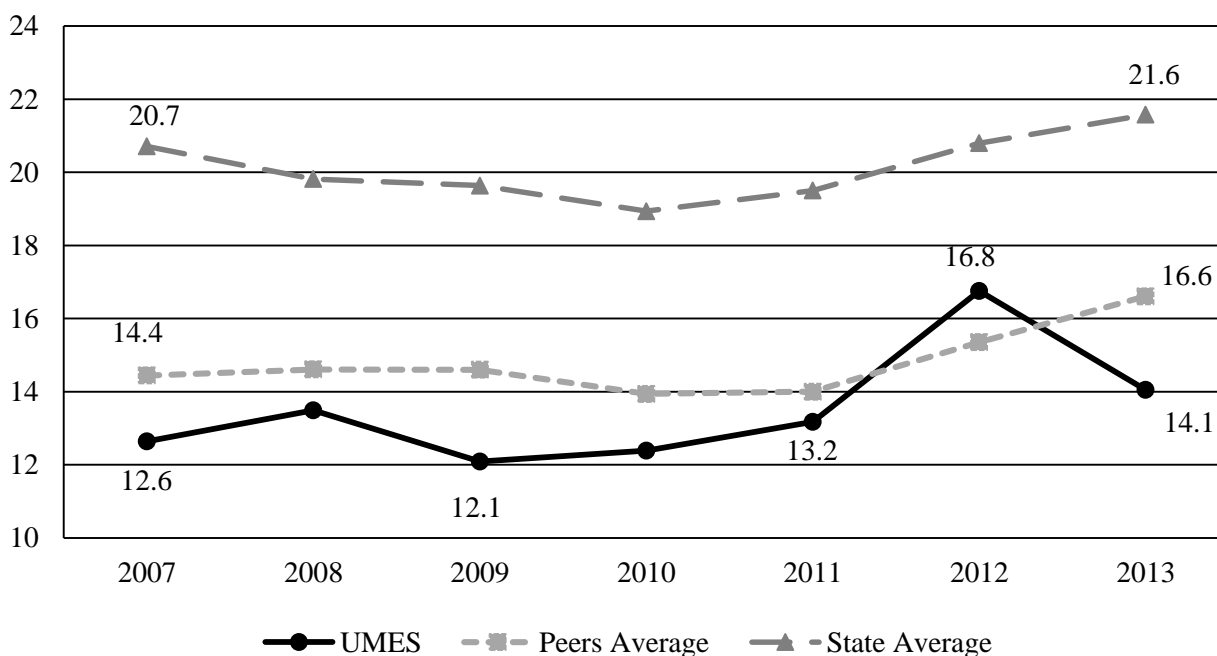
Source: Student Achievement Measures

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### 3. 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 (FTES) show if an institution is being more or less productive in graduating students. Ideal performance on this indicator would be 25 completions per 100 FTES since, in general, one-quarter of all students enrolled would graduate each year. **Exhibit 5** compares UMES' ratio to the average of its peers and the State's public four-year institutions. Peer institutions are those used to benchmark UMES' performance in the University System of Maryland's (USM) Dashboard Indicators. After declining to a low of 12.1 in fiscal 2009, UMES' ratio steadily improved to 13.2 in fiscal 2013 and then jumped to 16.8 degrees in fiscal 2012. This increase can be attributed to a decline in enrollment coupled with an increase in the number of degrees awarded. However, a continuing decline in enrollment along with a decrease in the number of degrees awarded resulted in the ratio dropping to 14.1 in fiscal 2013. UMES' ratio, except for fiscal 2012, consistently falls below the average of its peers and the State.

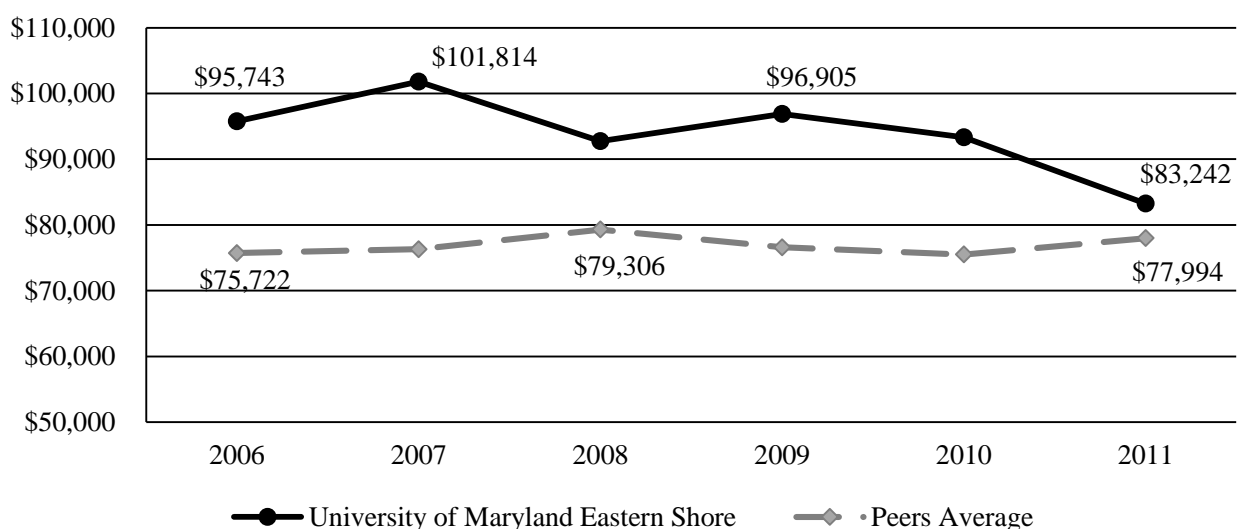
**Exhibit 5**  
**Undergraduate Degrees Per 100 Full-time Equivalent Students**  
**Fiscal 2007-2013**



Source: Integrated Postsecondary Education System; Department of Legislative Services

Education and related expenditures per degree measure the cost of producing a degree, showing if an institution is becoming more or less productive over time in using its resources to produce degrees. Therefore, the lower the expenditures, the more efficient an institution is in producing degrees. As shown in **Exhibit 6**, expenditures per degree fluctuated between 2006 and 2009 then subsequently declined by \$12,663 per degree over the next two years, falling to the lowest level since fiscal 2006 of \$83,242 in fiscal 2011. While UMES continues to exceed the average of its peers, the differences in costs per degree shrank to \$5,248 in fiscal 2011.

**Exhibit 6**  
**Education and Related Expenditures Per Degree Completed**  
**Academic Year 2006-2011**



Note: Education and related expenditures include direct spending on instruction; student services; education share of spending on academic and institutional support; and operations and maintenance. All dollar amounts are reported in 2011 dollars (Higher Education Price Index adjusted).

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

## **Fiscal 2015 Actions**

### **Cost Containment**

The Board of Public Works (BPW) has approved two rounds of cost containment measures in fiscal 2015 resulting in total reductions of \$1.4 million to UMES' State appropriation. In July 2014, BPW reduced UMES' State appropriation by \$0.2 million which was met by reducing expenditures on facilities renewal projects. In addition, 1 vacant position was eliminated, which did not have any associated salary and wages.

In January 2015, BPW approved a \$1.2 million reduction of UMES' State appropriation. UMES plans to meet this reduction by not filling 15 positions (\$0.7 million) and reducing spending on facilities renewal (\$0.5 million).

## Proposed Budget

As shown in **Exhibit 7**, the general fund allowance for fiscal 2016 is 2.4%, or \$0.8 million, higher than fiscal 2015 after including the fiscal 2015 cost containment actions and adjusting for across-the-board reductions in the fiscal 2016 allowance. The across-the-board reductions include a general 2% reduction, elimination of employee increments, and a 2% pay reduction. The Department of Legislative Services estimates UMES' share of these reductions to be \$2.8 million. The Higher Education Investment Fund (HEIF) increases 5.4%, or \$89,389 over fiscal 2015, resulting in an overall growth in State funds of 2.5%, or \$0.9 million, to \$37.5 million. Other unrestricted funds grow 1.8%, or \$1.2 million, due to tuition and fees revenues increasing \$1.0 million partly due to a planned 5.0% increase in resident undergraduate tuition.

**Exhibit 7**  
**Proposed Budget**  
**University of Maryland Eastern Shore**  
**(\$ in Thousands)**

	<b><u>FY 14</u></b>	<b><u>FY 15</u></b>	<b><u>FY 16</u></b>	<b><u>FY 15-16</u></b>	<b><u>% Change</u></b>
	<b><u>Actual</u></b>	<b><u>Adjusted</u></b>	<b><u>Adjusted</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Funds	\$33,013	\$36,383	\$38,564		
July 2014 Board of Public Works		-192			
January 2015 Board of Public Works		-1,227			
Across the Board			-2,764		
<b>Total General Funds</b>	<b>\$33,013</b>	<b>\$34,965</b>	<b>\$35,800</b>	<b>\$835</b>	<b>2.4%</b>
Higher Education Investment Fund	1,920	1,641	1,731	89	5.4%
<b>Total State Funds</b>	<b>\$34,933</b>	<b>\$36,606</b>	<b>\$37,531</b>	<b>\$925</b>	<b>2.5%</b>
Other Unrestricted Funds	59,979	69,172	70,389	1,217	1.8%
<b>Total Unrestricted Funds</b>	<b>\$94,912</b>	<b>\$105,778</b>	<b>\$107,920</b>	<b>\$2,142</b>	<b>2.0%</b>
Restricted Funds	26,929	33,545	33,679	134	0.4%
<b>Total Funds</b>	<b>\$121,841</b>	<b>\$139,323</b>	<b>\$141,599</b>	<b>\$2,276</b>	<b>1.6%</b>

Note: The fiscal 2016 allowance is adjusted to reflect the University of Maryland Eastern Shore's (UMES) portion of the University System of Maryland's (USM) across-the-board reductions: \$0.8 million related to the 2% reduction was based on UMES' share of USM's total State appropriations; \$0.8 million for the fiscal 2015 cost-of-living adjustment (COLA) was calculated by annualizing the half-year fiscal 2015 COLA; and \$1.2 attributed to salary increments was based on UMES' portion of fiscal 2016 salary increments as estimated by the Department of Legislative Services.

Source: Governor's Budget Books, Fiscal 2016, Department of Legislative Services

The allowance provides \$1.0 million in additional other current unrestricted funds for expenses related to new facilities (\$0.6 million); financial aid (\$0.2 million); fuel and utilities (\$99,126); debt service (\$60,235 million); and library information systems (\$47,654). However, no additional funds are included related to the costs of implementing the revised sexual misconduct policy, in which one of the requirements is the training of all faculty, staff, and students. **The President should comment on how UMES is able to comply with the Title IX requirements within its existing budget.**

Budget changes by program area in the allowance are shown in **Exhibit 8**. This data includes unrestricted funds only, the majority of which consist of general funds, the HEIF, and tuition and fees revenue. Expenditures in all program areas, except scholarships and fellowship, increase in fiscal 2015 due to (1) growth in personnel expenditures (*e.g.*, annualization of the fiscal 2014 salary increments and the cost-of-living adjustment (COLA), the fiscal 2015 COLA and salary increments, and adding positions in response to enrollment growth); and (2) a freeze on spending in fiscal 2014, which included delaying the filling of vacant positions and facilities renewal projects until fiscal 2015. This was due to a 3.9% decline in enrollment. In addition, a transfer of \$0.7 million from the fund balance was needed to cover the revenue shortfall. The increase in spending in academic support is also related to the conversion to a new financial system and an account that was previously classified as restricted was changed to unrestricted. The decline in student services reflects that the expenditures of the student government were included in fiscal 2014 but are excluded in the fiscal 2015 budget. Institutional support decreases due to a clearing account not being reallocated prior to the close of the year, which caused expenses in fiscal 2014 to be more than the amount budgeted for fiscal 2015.

In terms of revenues, the decline in other unrestricted funds in fiscal 2015 is related to the decline in enrollment. The 30.8% increase in auxiliary enterprises is related to the conversion to the new financial system, in which it was not realized until the end of the year that for reporting purposes object codes were rolled up differently.

In fiscal 2014, education and general expenditures totaled \$69.5 million, exceeding revenues excluding those from auxiliary enterprises by \$1.1 million despite UMES' cost containment actions implemented in response to the decline in enrollment. In order to cover this shortfall, UMES used the auxiliary enterprise surplus of \$0.4 million and transferred \$0.7 million from the fund balance.

Total expenditures grow 2.3%, or \$2.5 million, in fiscal 2016 after adjusting for across-the-board reductions of \$2.8 million. However, since at this time it is not known how UMES will allocate the reduction across the program areas, it is difficult to compare the difference in expenditures between fiscal 2015 and 2016. **The President should comment on the institutional priorities when determining how the budget reductions will be allocated over the program areas and in particular minimizing the impact on financial aid.**

**Exhibit 8**  
**UMES Budget Changes for Unrestricted Funds by Program**  
**Fiscal 2014-2016**  
**(\$ in Thousands)**

	<u>FY 2014</u>	<u>Adjusted Working FY 2015</u>	<u>% Change FY 14-15</u>	<u>Adjusted 2016</u>	<u>\$ Change FY 15-16</u>	<u>% Change FY 15-16</u>
<b>Expenditures</b>						
Instruction	\$28,278	\$29,175	3.2%	\$30,468	\$1,294	4.4%
Research	1,706	2,108	23.6%	2,168	59	2.8%
Academic Support	7,646	8,913	16.6%	9,128	214	2.4%
Student Services	2,881	2,555	-11.3%	2,662	107	4.2%
Institutional Support	10,539	10,445	-0.9%	11,006	561	5.4%
Operation and Maintenance of Plant	12,325	14,106	14.5%	15,185	1,079	7.7%
Scholarships and Fellowships	6,142	7,016	14.2%	7,213	196	2.8%
Cost Containment/ATB Reductions		-1,227		-2,764		
Funds Specific to HBCUs		1,247		1,615	368	29.5%
<b>Subtotal Education and General</b>	<b>\$69,517</b>	<b>\$74,339</b>	<b>6.9%</b>	<b>\$76,681</b>	<b>\$2,342</b>	<b>3.2%</b>
Auxiliary Enterprises	25,395	32,686	28.7%	32,854	168	0.5%
<b>Total</b>	<b>\$94,912</b>	<b>\$107,025</b>	<b>12.8%</b>	<b>\$109,535</b>	<b>\$2,510</b>	<b>2.3%</b>
<b>Revenues</b>						
Tuition and Fees	\$30,512	\$33,865	11.0%	\$34,913	\$1,049	3.1%
General Funds	33,013	34,965	5.9%	35,800	835	2.4%
Higher Education Investment Fund	1,920	1,641	-14.5%	1,731	89	5.4%
Other Unrestricted Funds	2,972	2,621	-11.8%	4,237	369	9.5%
Funds Specific to HBCUs		1,247		1,615	368	29.5%
<b>Subtotal</b>	<b>\$68,417</b>	<b>\$74,339</b>	<b>8.7%</b>	<b>\$76,681</b>	<b>\$2,342</b>	<b>3.2%</b>
Auxiliary Enterprises	25,798	33,736	30.8%	33,958	222	0.7%
Transfers (to) from Fund Balance	697	-1,050		-1,104		
<b>Total</b>	<b>\$94,912</b>	<b>\$107,025</b>	<b>12.8%</b>	<b>\$109,535</b>	<b>\$2,510</b>	<b>2.3%</b>

ATB: across the board

HBCU: Historically Black Colleges and Universities

Note: Fiscal 2015 general funds reflect \$1.2 million of cost containment actions. Fiscal 2016 general funds are adjusted by \$2.8 million to reflect across-the-board reductions.

Source: Governor's Budget Books, Fiscal 2016, Department of Legislative Services

## *Issues*

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### 1. Meeting College Expenses

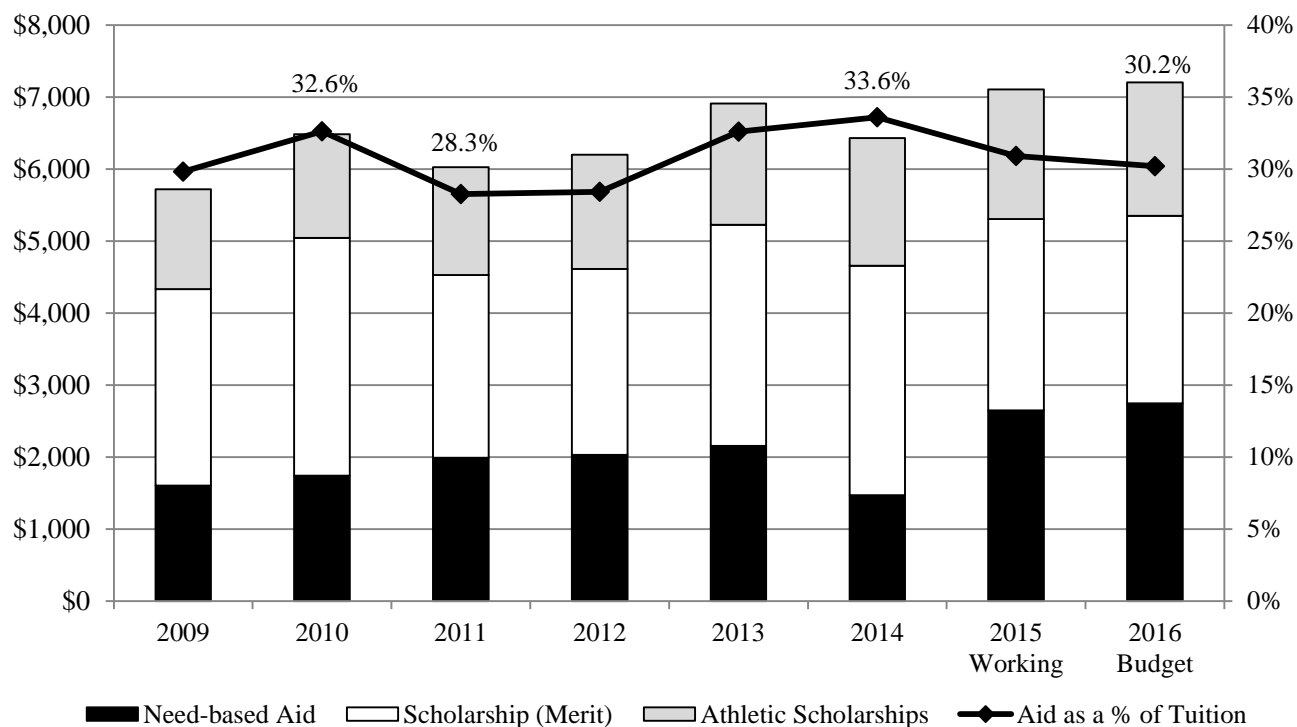
The lack of financial resources frequently contributes to a student's decision to stop or drop out of college. As the costs of a college education continue to escalate, students and families are relying more on various types of financial aid, *e.g.*, federal, State, and institutional, to effectively 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 at UMES in fiscal 2013 was \$20,587 (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 \$12,750, a 38.1% reduction in the net cost of attendance.

In fiscal 2014, 48.8% of UMES undergraduate students receive Pell awards, which are given to those who otherwise could not afford college and have an expected family contribution (EFC) of less than a specific amount, which was, \$5,081, in fiscal 2014. 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 aid.

Expenditures on institutional aid fluctuated from a low of \$5.7 million in fiscal 2009 to a high of \$6.9 million in fiscal 2013, as shown in **Exhibit 9**, but decreased \$0.5 million in fiscal 2014. The amount spent on need-based aid declined \$0.7 million despite the fiscal 2014 supplemental budget providing \$324,000 to be used specifically to increase the amount spent on need-based aid over fiscal 2013. According to UMES, \$0.5 million of the decline was due to the elimination of a diversity grant in fiscal 2014 and not including foster care and the homeless student waivers in need-based aid expenditures even though funds were disbursed from this budget. In fiscal 2015, expenditures on need-based aid increased \$1.2 million due to UMES increasing awards by \$1,500 (from \$3,000 to \$4,500) for students with an EFC of under \$500. This resulted in spending on need-based aid increasing \$0.5 million over fiscal 2013. **The President should comment on why funds provided specifically to increase spending on need-based aid over the fiscal 2013 level were not spent in fiscal 2014 given that almost half the students are Pell-eligible.**

The USM Board of Regents 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 undergraduate tuition fell to its lowest level of 28.3%, it increased to its highest level of 33.6% in fiscal 2014, but is projected to decline to 30.2% in fiscal 2016.

**Exhibit 9**  
**Institutional Aid and Aid as a Percentage of Undergraduate Tuition Revenue**  
**Fiscal 2009-2016**  
**(\$ in Thousands)**

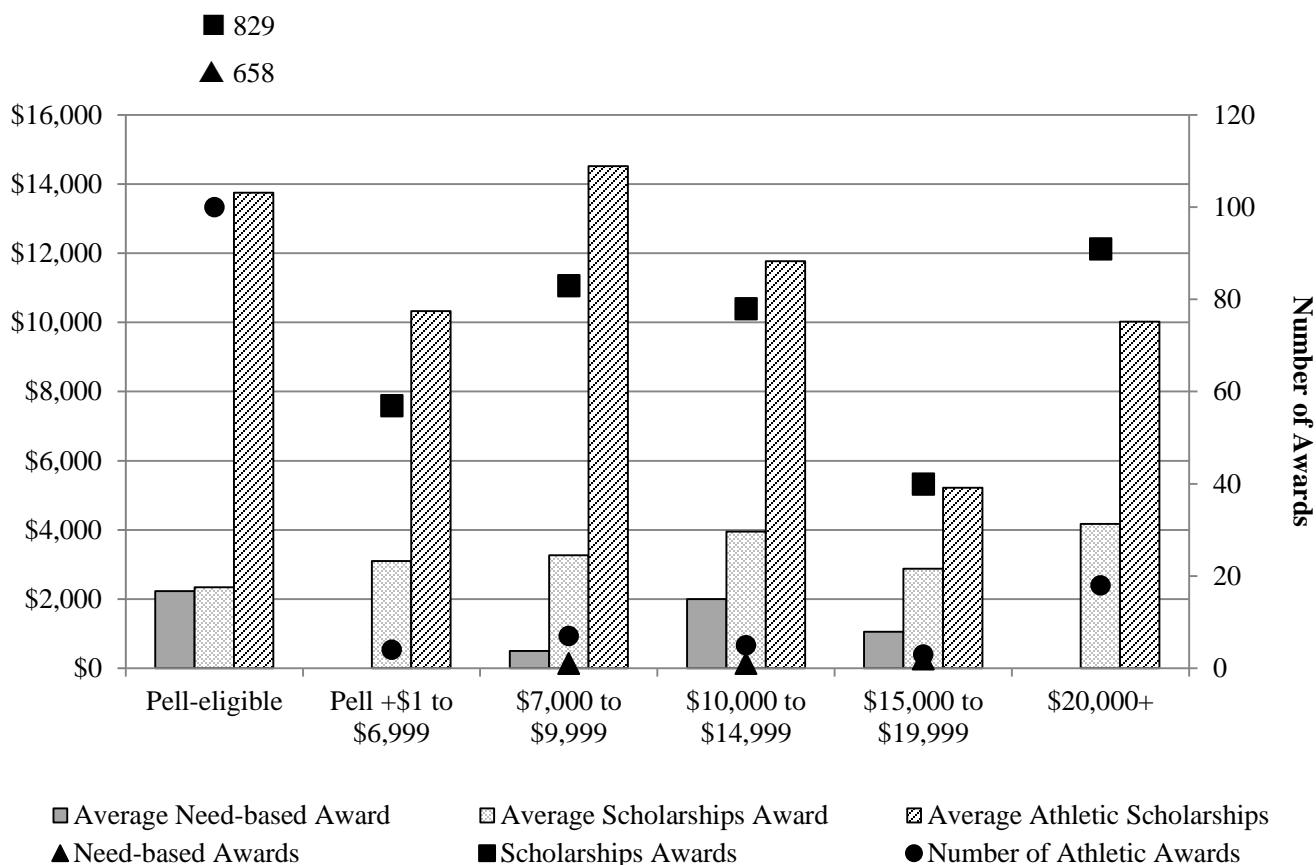


Source: University System of Maryland; Department of Legislative Services

In fiscal 2014, 99.4% of those receiving need-based institutional aid were Pell-eligible students who received an average award of \$2,233, as shown in **Exhibit 10**. While students in all EFC categories received institutional scholarships (or merit), of the 1,178 awards, 70.4% went to Pell-eligible students who received an average award of \$2,335.



### Exhibit 10 Number and Average Amount of Institutional Aid Received Per Recipient

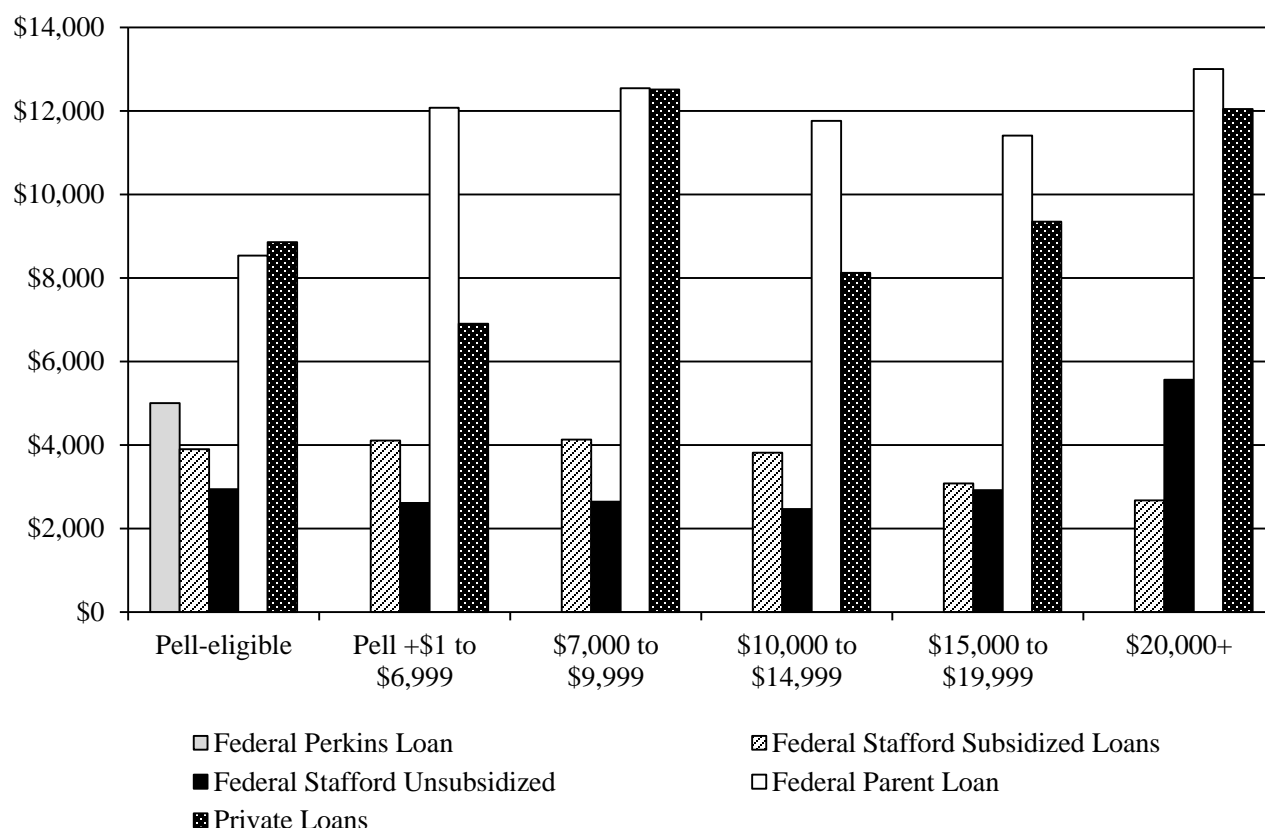


Source: University System of Maryland

While the students with the greatest financial need typically receive Pell and institutional aid, it is still not enough to cover the cost of college. As shown in **Exhibit 11**, 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.

**Exhibit 11**  
**Mean Loan Amount by Type and Expected Family Contribution**  
**Fiscal 2014**



Source: University System of Maryland

In fiscal 2014, of the 2,008 Pell-eligible students, 67.5% and 71.8% used Stafford subsidized and unsubsidized loans, respectively, to help finance their college education with average loans of \$3,902 and \$2,942. On average, the highest loans taken out for all EFC categories were the federal plus parent loans, with those with an EFC of over \$20,000 taking out the highest average loan of \$13,005. In addition, 45 Pell-eligible students took out a private loan, which are typically a more expensive way to finance college, with an average loan amount of \$8,860.

**The President should comment on if financial literacy or other programs are offered to students to educate them about options and implications of using various methods to finance their college education.**

## **2. Audit Findings**

In November 2014, the Office of Legislative Audits (OLA) released an audit for UMES which included 13 findings, 1 of which was a repeat finding, as shown in **Exhibit 12**. Four of the findings pertained to the affiliated foundation and business entity or foundation, in which it was found there was a general lack of effective oversight. In particular, UMES allowed two of its management employees, who at different times served as the foundation’s executive director, to have complete control over the grant transactions of the foundation and the institution. In addition, UMES disbursed \$385,000 of federal funds related to a revolving loan fund to the foundation, which were not used as specified by federal regulations and could result in federal fiscal sanctions. UMES also provided grant funding to the foundation in advance of expenditures being incurred and did not obtain documentation to ensure funds were spent as intended. Due to this lack of accountability, it was found that a \$25,000 grant payment was deposited in a bank other than the one used by the foundation. OLA referred this matter to the Office of the Attorney General – Criminal Division. Furthermore, a UMES management employee who served as the executive director conducted business with the foundation through a limited liability company the employee owned but did not report this relationship with UMES or file financial disclosure statements with the State Ethics Commission.

There were five findings related to information systems security and control including insufficient controls over accounts and passwords, inappropriately storing sensitive personally identifiable information in clear text, not adequately securing the internal network, and needed improvement in installing and monitoring anti-malware software. Two findings related to student accounts receivable with a repeat finding regarding not establishing adequate controls over certain aspects of its student accounts receivables. The last two findings dealt with (1) a lack of accessibility and control over its cash collections that relate to certain student account balances not being reconciled to its records; and (2) not monitoring certain vendors to ensure compliance with related contract terms and USM policies.

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

**Exhibit 12**  
**Audit Findings**

Audit Period for Last Audit:	August 9, 2010 – December 1, 2013
Issue Date:	November 2014
Number of Findings:	13
Number of Repeat Findings:	1
% of Repeat Findings:	7.7%
Rating: (if applicable)	n/a

- Finding 1:** UMES did not exercise effective oversight of grants awarded to its affiliated foundation to ensure grant funds were used appropriately and were properly accounted for.
- Finding 2:** A UMES management employee was involved in business activities that were not formally disclosed to UMES as required raising questions regarding a potential conflict of interest, and the employee did not always file financial disclosure statements with the State Ethics Commission.
- Finding 3:** UMES disbursed \$385,000 of federal funds to its affiliated foundation which, according to applicable regulations, was inappropriate because the funds were not used for certain specified purposes.
- Finding 4:** UMES and its affiliated foundation did not comply with certain USM Board of Regents policy.
- Finding 5:** **UMES had not established proper controls over financial aid awards, certain noncash credits, and changes to student residency status.**
- Finding 6:** Proper controls were not established to ensure all delinquent student accounts were referred to the Department of Budget and Management – Central Collection Unit.
- Finding 7:** UMES did not ensure capabilities assigned to individuals on the financial management systems were adequately restricted over recordation of cash receipts, student accounts, and financial aid transactions.
- Finding 8:** Controls over UMES accounts and passwords were insufficient to properly protect information.
- Finding 9:** Sensitive personally identifiable information was inappropriately stored in clear text.
- Finding 10:** UMES' internal network was not adequately secured.

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- Finding 11:** Procedures for installing and monitoring anti-malware software on network computers need improvement.
- Finding 12:** UMES did not establish sufficient accountability and control over its collections and had not reconciled certain student spending account balances.
- Finding 13:** UMES' execution of certain lease agreements and contract extensions did not comply with USM and UMES policies.

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

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## ***Recommended Actions***

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

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

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### **Current and Prior Year Budgets USM – University of Maryland Eastern Shore (\$ in Thousands)**

	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Other Unrestricted Fund</b>	<b>Total Unrestricted Fund</b>	<b>Restricted Fund</b>	<b>Total</b>
<b>Fiscal 2014</b>							
Legislative Appropriation	\$33,553	\$2,303	\$0	\$66,380	\$102,236	\$32,925	\$135,161
Deficiency Appropriation	-999	0	0	-129	-1,128	0	-1,128
Budget Amendments	559	-34	0	208	732	205	937
Reversions and Cancellations	-100	-348	0	-6,479	-6,927	-6,201	-13,129
<b>Actual Expenditures</b>	<b>\$33,013</b>	<b>\$1,920</b>	<b>\$0</b>	<b>\$59,979</b>	<b>\$94,912</b>	<b>\$26,929</b>	<b>\$121,841</b>
<b>Fiscal 2015</b>							
Legislative Appropriation	\$36,063	\$1,550	\$0	\$67,763	\$105,376	\$33,548	\$138,924
Cost Containment	-192	0	0	0	-192	0	-192
Budget Amendments	320	91	0	1,410	1,821	-3	1,818
<b>Working Appropriation</b>	<b>\$36,191</b>	<b>\$1,641</b>	<b>\$0</b>	<b>\$69,172</b>	<b>\$107,005</b>	<b>\$33,545</b>	<b>\$140,550</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

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## **Fiscal 2014**

For fiscal 2014, the general fund decreased \$0.5 million, which included \$1.0 million in reductions by deficiency appropriations related to health insurance, retirement, and the State Personnel System. Budget amendments added \$0.6 million related to a 3% COLA. Language in the fiscal 2014 budget bill transferred funds to the Maryland Higher Education Commission to provide additional funding for the Educational Assistance Grants. However, since the funds were not used for this purpose, \$0.1 million were reverted to the general fund.

The special fund appropriation decreased \$34,165 related to language in the fiscal 2014 budget bill that transferred a portion of the HEIF to St. Mary's College of Maryland, and by an additional \$0.3 million due to a cancellation resulting from the underattainment of the HEIF.

Other unrestricted funds decreased \$6.4 million, which included a reduction of \$0.1 million in deficiency appropriations related to retirement. Budget amendments added \$0.2 million including \$0.3 million in tuition and fee revenue related to a change in the enrollment mix of undergraduate and graduate students and \$31,536 in miscellaneous income. Increases were partially offset by a reduction of \$0.1 million in the sales and services of auxiliary enterprises related to converting some campus housing from double to single units, resulting in a loss of 300 beds. Cancellations of unrestricted funds amounted to \$6.5 million due to tuition and fee and sales of auxiliary enterprises being less than budgeted due to enrollment not meeting projections.

Current restricted funds decreased \$6.0 million. A budget amendment adds \$0.3 million in private, State, and local grants and contracts, and \$20,717 in endowment income, which was offset by a decrease of \$81,099 in federal Pell grant awards. Cancellations of restricted funds totaled \$6.2 million due to expenditures on contracts and grants being less than anticipated.

## **Fiscal 2015**

For fiscal 2015, general funds for UMES increased \$0.2 million. Budget amendments added \$0.4 million related to the fiscal 2015 2% COLA partially offset by \$0.2 million in cost containment measures, and a \$91,349 decrease is offset by a corresponding increase in HEIF. Increases of \$1.4 million in other unrestricted funds included:

- \$1.2 million is related to accounting methods reclassifying Office of Civil Rights (OCR) funds from restricted to unrestricted funds;
- \$70,808 in sales and services of auxiliary enterprises;
- \$66,899 in tuition and fees related to a change in the enrollment mix with out-of-state enrollment being more than anticipated;



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- \$15,790 less being transferred to the fund balance; and
- \$9,088 in miscellaneous income.

Restricted funds that decrease \$2,926 by way of budget amendment include \$1.2 million related to reclassifying OCR funds as unrestricted and \$0.3 million in State and local contracts to realign expenditures with activity. The decrease was offset by increases of \$1.4 million in federal Pell grant awards and \$0.2 million in federal grants and contracts to realign the budget with actual activity.

**Personnel by Budget Program**  
**University of Maryland Eastern Shore**  
**Fiscal 2006, 2014, and 2015**

<b><u>Budget Program</u></b>	<b><u>2006</u></b>		<b><u>2014</u></b>		<b><u>2015</u></b>		<b><u>Change in Share of Total 2006-2015</u></b>
	<b><u>FTEs</u></b>	<b><u>%FTEs</u></b>	<b><u>FTEs</u></b>	<b><u>%FTEs</u></b>	<b><u>FTEs</u></b>	<b><u>%FTEs</u></b>	
Instruction	216.3	35.2%	272.0	36.1%	270.8	37.6%	25.2%
Research	58.4	9.5%	61.0	8.1%	51.8	7.2%	-11.4%
Public Service	0.8	0.1%	8.0	1.1%	5.0	0.7%	532.9%
Academic Support	67.5	11.0%	87.0	11.6%	86.1	12.0%	27.6%
Student Services	34.0	5.5%	43.0	5.7%	41.9	5.8%	23.2%
Institutional Support	87.4	14.2%	89.0	11.8%	93.2	12.9%	6.6%
Operations and Maintenance of Plant	61.0	9.9%	73.0	9.7%	78.0	10.8%	27.9%
Auxiliary Enterprises	89.0	14.5%	120.0	15.9%	93.5	13.0%	5.1%
<b>Total</b>	<b>614.4</b>	<b>100.0%</b>	<b>753.0</b>	<b>100.0%</b>	<b>720.3</b>	<b>100.0%</b>	

FTE: full-time equivalent

Note: Data are for filled positions only. All data are self-reported and unaudited.

Source: University of Maryland Eastern Shore

**Object/Fund Difference Report**  
**USM – University of Maryland Eastern Shore**

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	797.82	794.82	794.82	0.00	0%
02 Contractual	135.00	135.00	135.00	0.00	0%
<b>Total Positions</b>	<b>932.82</b>	<b>929.82</b>	<b>929.82</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 71,108,749	\$ 78,680,241	\$ 80,557,281	\$ 1,877,040	2.4%
02 Technical and Spec. Fees	173,862	288,142	288,142	0	0%
03 Communication	419,787	602,306	602,302	-4	0%
04 Travel	2,729,608	1,915,361	1,915,361	0	0%
06 Fuel and Utilities	6,225,170	5,189,913	5,289,039	99,126	1.9%
07 Motor Vehicles	222,840	180,137	183,197	3,060	1.7%
08 Contractual Services	9,760,554	8,625,898	9,921,362	1,295,464	15.0%
09 Supplies and Materials	7,990,912	7,597,465	7,403,933	-193,532	-2.5%
10 Equipment – Replacement	100,476	151,666	151,666	0	0%
11 Equipment – Additional	922,406	2,948,994	3,332,933	383,939	13.0%
12 Grants, Subsidies, and Contributions	16,645,981	19,546,430	19,742,759	196,329	1.0%
13 Fixed Charges	5,536,718	10,570,022	10,611,321	41,299	0.4%
14 Land and Structures	4,200	4,253,083	4,363,285	110,202	2.6%
<b>Total Objects</b>	<b>\$ 121,841,263</b>	<b>\$ 140,549,658</b>	<b>\$ 144,362,581</b>	<b>\$ 3,812,923</b>	<b>2.7%</b>
<b>Funds</b>					
40 Unrestricted Fund	\$ 94,912,287	\$ 107,004,877	\$ 110,683,634	\$ 3,678,757	3.4%
43 Restricted Fund	26,928,976	33,544,781	33,678,947	134,166	0.4%
<b>Total Funds</b>	<b>\$ 121,841,263</b>	<b>\$ 140,549,658</b>	<b>\$ 144,362,581</b>	<b>\$ 3,812,923</b>	<b>2.7%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

**Fiscal Summary**  
**USM – University of Maryland Eastern Shore**

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 Instruction	\$ 31,305,619	\$ 32,223,409	\$ 33,525,558	\$ 1,302,149	4.0%
02 Research	11,832,946	18,704,955	18,865,749	160,794	0.9%
03 Public Service	1,260,857	1,342,440	1,354,958	12,518	0.9%
04 Academic Support	9,927,410	10,639,192	10,859,460	220,268	2.1%
05 Student Services	3,964,901	3,784,101	3,896,064	111,963	3.0%
06 Institutional Support	10,780,630	10,570,768	11,132,465	561,697	5.3%
07 Operation and Maintenance of Plant	12,347,188	14,114,630	15,193,902	1,079,272	7.6%
08 Auxiliary Enterprises	25,439,080	32,686,437	32,854,370	167,933	0.5%
17 Scholarships and Fellowships	14,982,632	16,483,726	16,680,055	196,329	1.2%
<b>Total Expenditures</b>	<b>\$ 121,841,263</b>	<b>\$ 140,549,658</b>	<b>\$ 144,362,581</b>	<b>\$ 3,812,923</b>	<b>2.7%</b>
Unrestricted Fund	\$ 94,912,287	\$ 107,004,877	\$ 110,683,634	\$ 3,678,757	3.4%
Restricted Fund	26,928,976	33,544,781	33,678,947	134,166	0.4%
<b>Total Appropriations</b>	<b>\$ 121,841,263</b>	<b>\$ 140,549,658</b>	<b>\$ 144,362,581</b>	<b>\$ 3,812,923</b>	<b>2.7%</b>

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.