

R30B36
University System of Maryland Office
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$21,070	\$22,513	\$29,630	\$7,118	31.6%
Deficiencies and Reductions	0	179	-27	-207	
Adjusted General Fund	\$21,070	\$22,692	\$29,603	\$6,911	30.5%
Special Funds	988	1,055	1,150	95	9.0%
Adjusted Special Fund	\$988	\$1,055	\$1,150	\$95	9.0%
Other Unrestricted Funds	4,869	6,457	5,957	-500	-7.7%
Adjusted Other Unrestricted Fund	\$4,869	\$6,457	\$5,957	-\$500	-7.7%
Total Unrestricted Funds	26,928	30,024	36,737	6,712	22.4%
Deficiencies and Reductions	0	179	-27	-207	
Adjusted Total Unrestricted Funds	\$26,928	\$30,204	\$36,709	\$6,506	21.5%
Restricted Funds	2,467	2,500	2,500	0	
Adjusted Restricted Fund	\$2,467	\$2,500	\$2,500	\$0	0.0%
Adjusted Grand Total	\$29,395	\$32,704	\$39,209	\$6,506	19.9%

- A \$16.5 million fiscal 2016 deficiency appropriation is provided to the University System of Maryland Office (USMO) to cover increases in health insurance at University System of Maryland (USM) institutions. The USMO portion is estimated to be \$179,000.
- The general fund increases \$6.9 million, or 30.5%, in fiscal 2017 after adjusting for the fiscal 2016 deficiency and a \$27,381 across-the-board reduction in health insurance in fiscal 2017. It also includes \$6.8 million in enhancement funds that will be allocated among institutions. The Higher Education Investment Fund increases \$94,795, or 9.0%, in fiscal 2017.
- Overall growth in State funds is \$7.0 million, 29.5%. However, after subtracting the enhancement funds not going to regional higher education centers, growth is only \$2.2 million, 9.3%.

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

For further information contact: Sara J. Baker

Phone: (410) 946-5530

Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	110.00	110.00	110.00	0.00
Contractual FTESs	<u>9.00</u>	<u>6.00</u>	<u>6.00</u>	<u>0.00</u>
Total Personnel	119.00	116.00	116.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	1.80	1.64%
Positions and Percentage Vacant as of 12/31/15	14.00	12.70%

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

Analysis in Brief

Major Trends

Maryland Community College Transfers: The number of Maryland community college transfers to USM institutions fell 5.9% to 11,182 in fiscal 2014 while transfers from other institutions *i.e.*, other Maryland public and private four-year institutions and those from out-of-state, rose 21.6%. This is primarily related to changes in how the University of Maryland University College reports its stateside enrollment.

University System of Maryland Regional Higher Education Centers: Over the past five years, enrollment at the Universities at Shady Grove increased 11.2%, with enrollments in Salisbury University’s programs growing at the highest rate of 139.9%, or 31.9 full-time equivalent students. During the same time period, enrollment at the University System of Maryland at Hagerstown increased 10.0%.

Issues

Chancellor’s Performance Goals and Criteria: Language in the 2015 *Joint Chairmen’s Report* restricted funds until USMO submitted a report on the performance criteria and goals that will be used to evaluate the performance of the incoming Chancellor.

Quasi-endowment Fund: Chapter 266 of 2013 authorized the Board of Regents to establish a quasi-endowment fund to enhance advancement efforts at USM institutions. Unlike endowment funds in which the donor typically places restrictions on the use of funds, a quasi-endowment has no such restrictions placed on its use and, therefore, can be used to support fundraising efforts.

Recommended Actions

	<u>Funds</u>
1. Add language to transfer enhancement funds.	
2. Increase turnover expectancy.	\$ 346,698
3. Reduce health insurance deficiency.	3,200,000
Total Reductions to Fiscal 2016 Deficiency Appropriation	\$ 3,200,000
Total Reductions to Allowance	\$ 346,698

R30B36 – USM – University System of Maryland Office

R30B36
University System of Maryland Office
University System of Maryland

Operating Budget Analysis

Program Description

The University System of Maryland Office (USMO) is the staff agency to the University System of Maryland (USM) Board of Regents. The office advocates on behalf of the 11 institutions, 2 regional higher education centers, and 1 research institution; facilitates collaboration and efficiencies among institutions; and provides information to the public. USMO includes the Chancellor, executive, and administrative staff; and the central services of budget, accounting, auditing, information technology, capital planning, advancement, and public and government relations.

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

The goals of USMO are to:

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

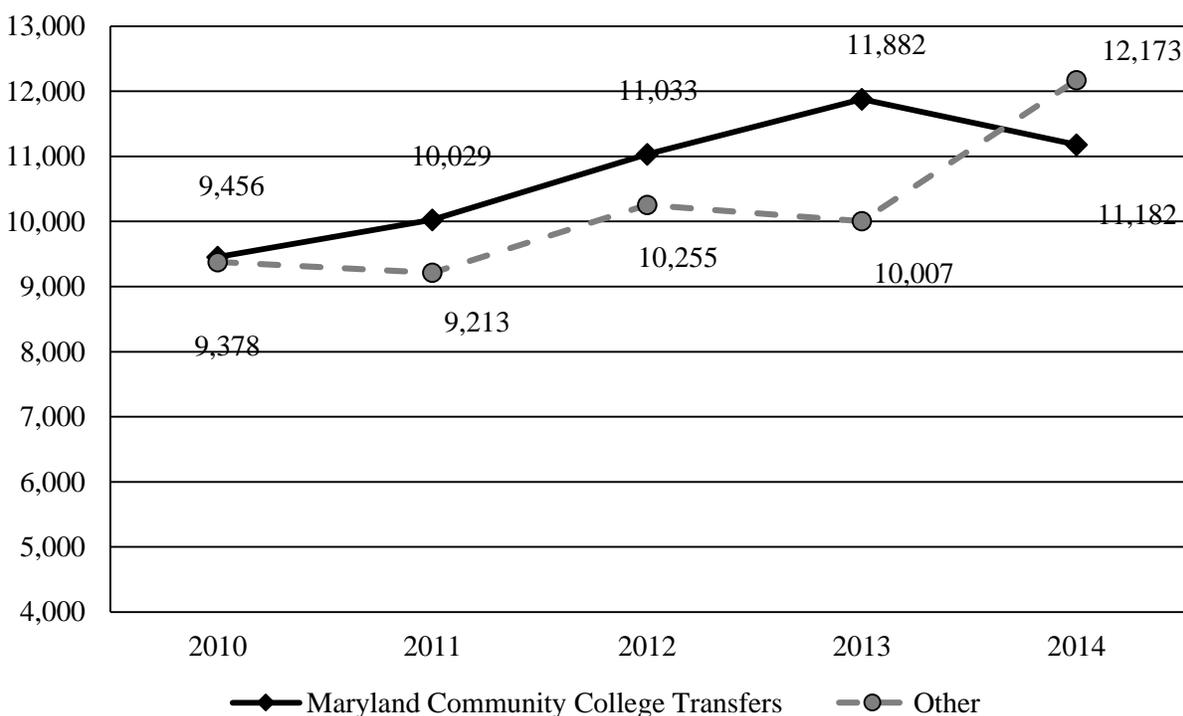
Performance Analysis

1. Maryland Community College Transfers

USMO tracks the number of community college students transferring to USM institutions as a measure of meeting the goal of promoting access to USM institutions. Increasing the number of transfers is a key component to meeting the State's degree completion goal that 55% of Maryland residents ages 25 to 64 years old will hold at least an associate's degree by 2025. After steadily growing to a high of 11,882 in fiscal 2013, the number of Maryland community college transfers fell 5.9% to 11,182 in fiscal 2014, as shown in **Exhibit 1**. This can be attributed to the declining enrollment at the community colleges. Meanwhile the number of transfers from other institutions *i.e.*, other Maryland public and private four-year institutions (including transfers within USM) and those from out-of-state, jumped 21.6% to 12,173, surpassing the number of transfers from Maryland community colleges. This is primarily related to changes in how the University of Maryland University College (UMUC) reports

its stateside enrollment due to revisions in federal reporting requirements. Previously, students enrolled in UMUC online courses managed by the European or Asian offices were not included in the stateside numbers. Now all online courses are administered by the Adelphi office; therefore, the students are included in the stateside numbers. In fiscal 2014, 23,355 students transferred to a USM institution, representing 19.4% of all undergraduate students.

Exhibit 1
Transfer Students to the University System of Maryland Institutions
Fiscal 2010-2014

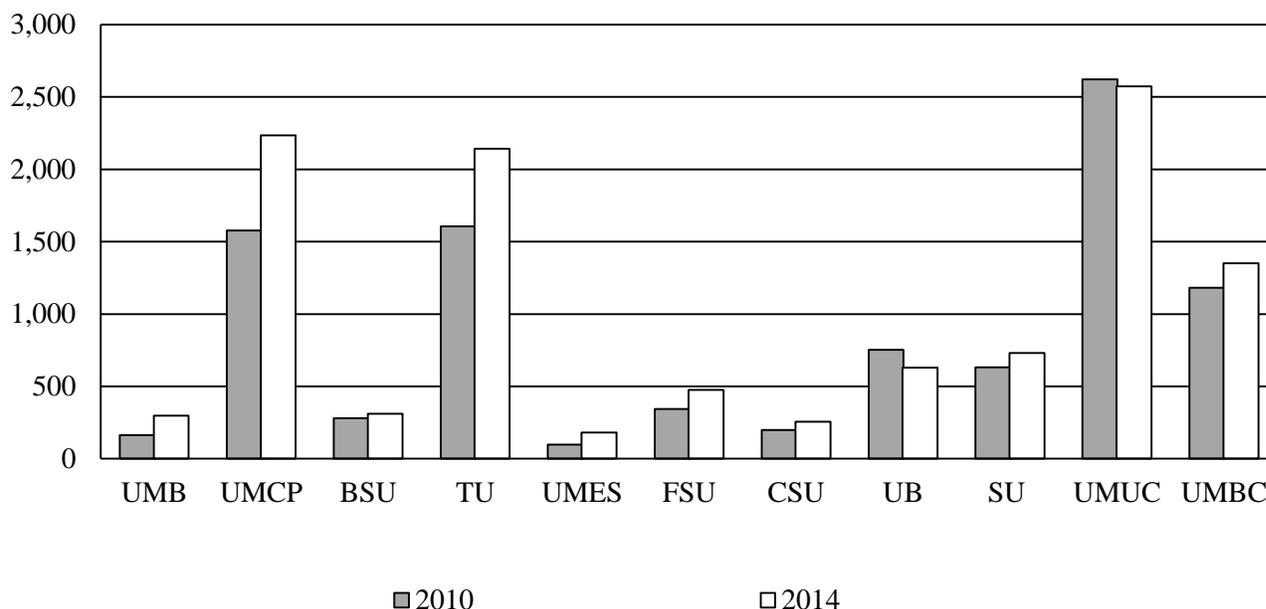


Note: Other includes transfers between public and private four-year institutions and those from out-of-state.

Source: *University System of Maryland Transfer Report*

Four community colleges accounted for 59.9% of transfers to USM institutions in fiscal 2014 – Montgomery College, Community College of Baltimore County, Anne Arundel Community College, and Prince George’s Community College. Of the 11,182 community college transfers, 74.2% enrolled at one of four institutions – UMUC; the University of Maryland, College Park (UMCP); Towson University (TU), and the University of Maryland Baltimore County (UMBC) – as depicted in **Exhibit 2**. Between fiscal 2010 and 2014, two institutions – the University of Baltimore and UMUC – experienced declines of 16.3% and 1.8%, respectively, in transfers from community colleges.

**Exhibit 2
Institutions Receiving Maryland Community College Transfer Students
Fiscal 2010 and 2014**



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

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

Source: University System of Maryland

2. University System of Maryland Regional Higher Education Centers

USM provides access to its institutions through two regional higher education centers – the Universities at Shady Grove (USG) and the University System of Maryland at Hagerstown (USMH). Over the past five years, enrollment at USG increased 11.2%, or 249.2 full-time equivalent students (FTES), as shown in **Exhibit 3**. Enrollments in Salisbury University’s programs grew at the highest rate of 139.9%, or 31.9 FTES, and UMBC had the largest increase in the number of students of 144.1 FTES. However, in the past two years, three institutions – TU, the University of Maryland Eastern Shore (UMES), and University of Baltimore – experienced declines in their enrollment of 38.4%, 13.6%, and 12.2%, respectively.

Exhibit 3
USM Regional Higher Education Centers
Full-time Equivalent Student Enrollment
Fiscal 2010-2015

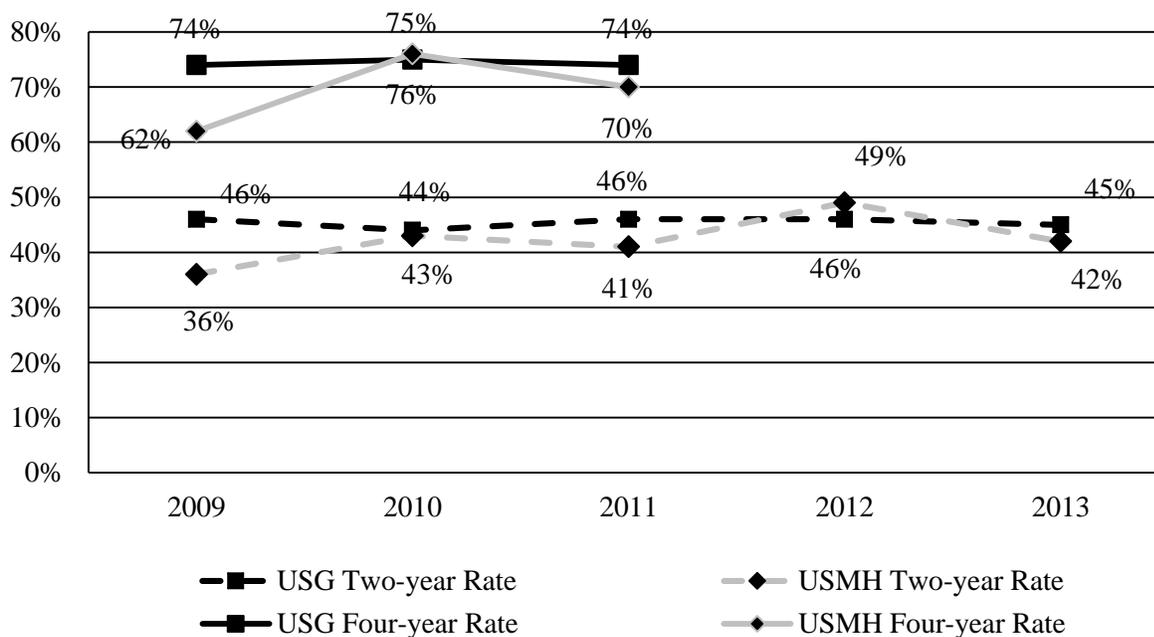
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Universities at Shady Grove						
Bowie State University	15.3	13.0	15.6	11.4	10.0	10.4
Salisbury University	22.8	23.1	19.5	28.3	45.0	54.7
Towson University	108.8	107.8	129	145.3	128.8	89.5
University of Baltimore	61.7	69.4	78.2	78.0	76.8	68.5
University of Maryland, Baltimore	371.9	418.2	428.2	420.3	409.3	458.8
University of Maryland Baltimore County	215.0	243.8	292.5	276.9	331.7	359.1
University of Maryland, College Park	995.8	994.4	999.5	990.0	1,022.7	1,030.3
University of Maryland Eastern Shore	66.7	74.8	79.3	78.9	77.2	68.2
University of Maryland University College	372.2	391.1	383.0	320.1	340.8	339.9
Total	2,230.2	2,335.6	2,424.8	2,349.2	2,442.3	2,479.4
University System of Maryland at Hagerstown						
Frostburg State University	193.6	180.9	160.1	182.9	179.5	186.6
Coppin State University	0.0	0.0	0	0.0	0.0	2.8
Salisbury University	28.5	29.0	33.9	32.5	30.7	41.6
Towson University	47.7	52.7	51.8	61.1	72.4	71.1
University of Maryland, College Park	1.1	7.2	9.0	10.6	9.0	3.0
University of Maryland University College	8.0	10.8	12.2	11.6	10.0	1.6
Total	278.9	280.6	267.0	298.7	301.6	306.7

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

Enrollment at USMH grew 10%, or 27.8 FTES, over the past five years, primarily due to enrollments in TU programs increasing by 23.4 FTES. The decline in the enrollment in the UMCP program is expected as it was offering a doctorate in education leadership in collaboration with Frostburg State University, which is gradually taking over the program. Coppin State University (CSU) began offering two programs in fiscal 2015 – health information science and sports management – which had a total enrollment of 2.8 FTES. It should be noted that classes were originally scheduled for fall 2013 but were cancelled due to a lack of enrollment in either program. Additionally, while CSU received \$50,000 of incentive funding from USMH to defray the cost of bringing programs to Hagerstown, it raises concerns if CSU should be expending resources to expand its programs off site given the current challenges it faces at its Baltimore campus.

USM started collecting data on the graduation rates at USG and USMH starting with the 2009 cohort. The two-year graduation at USG has remained fairly stable at around 45%, while that for USMH fluctuated from 36% with the 2009 cohort to 49% with the 2012 cohort, as illustrated in **Exhibit 4**. Both exceeded the average two-year graduation rate of 13% for Maryland community college transfers at USM institutions. The four-year graduation rate at USG is fairly stable around 74% while for USMH, the rate varied from a low of 62% with the 2009 cohort to a high of 76% with the 2010 cohort. However, the rate subsequently dropped to 70% with the subsequent cohort. In general, students at the centers are graduating at the same or higher rates than first-time, full-time new freshmen at USM institutions, for which the comparable six-year rate for the fall 2008 cohort was 62%.

Exhibit 4
Maryland Community College Transfers Graduation Rates
at USM Regional Higher Education Centers
Fall 2009-2013 Cohorts



USMH: University System of Maryland at Hagerstown
 USG: Universities at Shady Grove

Note: Rates reflect students graduating at any University System of Maryland institution. Regional center students are and will continue to be included in the overall transfer numbers of the home institution.

Source: University System of Maryland, Transfer Students to the University System of Maryland

Fiscal 2016 Actions

Proposed Deficiency

A fiscal 2016 deficiency provides USMO with \$16.5 million to cover an increase in health insurance costs at all USM institutions (see USM Overview for further discussion and allocation among the institutions). The shortfall in health insurance is attributable to how the State calculated retiree health insurance for higher education and not accurately reflecting more employees moving to more expensive health insurance plans. When calculating the amount of the deficiency, the Department of Budget and Management (DBM) included a half-year 3% increase in health insurance expenditures, totaling \$3.2 million, assuming costs would increase January 1 due to open enrollment now being based on a calendar year. However, DBM had already anticipated this increase in the rates used to develop the fiscal 2016 budget. **Consequently, the January 1 increase is already reflected in the USM fiscal 2016 budget; therefore, the Department of Legislative Services (DLS) recommends reducing the fiscal 2016 deficiency by \$3.2 million.**

Cost Containment

Cost containment measures in fiscal 2016 resulted in a 2%, or \$0.5 million, reduction in the UMISO appropriation of which \$188,262 was allocated to USG, \$39,951 to USMH, and \$7,684 to teachers' education. The remaining \$240,575 was taken at USMO, which was met by reducing support to expand programs to non-USM regional higher education centers (\$100,000), facilities renewal (\$100,000), and general operating expenses (\$40,575).

Proposed Budget

As shown in **Exhibit 5**, the general fund allowance for fiscal 2017 is 9.3%, \$2.1 million, higher than in fiscal 2016 after including the fiscal 2016 deficiency and adjusting the fiscal 2017 allowance for the across-the-board reduction in health insurance and the allocation of enhancement funds not going to USG and USMH to the institutions. The Higher Education Investment Fund (HEIF) increases 9.0%, or \$94,795, over fiscal 2016, resulting in an overall growth in State funds of 9.3%, \$2.2 million.

The fiscal 2017 allowance includes \$6.8 million in enhancement funding that the Chancellor will allocate to institutions (see USM Overview for allocation) of which \$2.0 million will remain in the USMO budget with \$1.75 million allocated to USG and \$0.25 million to USMH. USG will use \$750,000 of its enhancement funding to expand enrollment in high-demand programs, specifically the TU education programs and UMES Hospitality and Tourism Management and Construction Management programs. However, as previously discussed, enrollment in TU and UMES programs has declined over the past two years while enrollment increased in programs offered by other institutions. This may indicate the programs offered by TU and UMES are not in as high demand by those transferring to USG. **The Chancellor should comment on the allocation of \$750,000 to USG for the purpose of expanding enrollment for high-demand programs offered by TU and UMES when enrollment in those programs has declined over the past two years.**

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

	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 16-17</u>	<u>% Change</u>
	<u>Actual</u>	<u>Adjusted</u>	<u>Adjusted</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$21,070	\$22,513	\$29,630		
Deficiencies		179			
Across-the-board Reductions			-27		
Allocation of Enhancement Funds			-4,800		
Total General Funds	\$21,070	\$22,692	\$24,803	\$2,111	9.3%
Higher Education Investment Funds	988	1,055	1,150	94,795	9.0%
Total State Funds	22,059	23,747	25,953	2,206	9.3%
Other Unrestricted Funds	4,869	6,457	5,957	-500	-7.7%
Total Unrestricted Funds	26,928	30,204	31,909	1,706	5.6%
Restricted Funds	2,467	2,500	2,500	0	0.0%
Total Funds	\$29,395	\$32,704	\$34,409	\$1,706	5.2%

Note: Fiscal 2016 general funds are adjusted to reflect the University System of Maryland Office estimated portion of the health insurance related deficiency. Fiscal 2017 is adjusted to reflect the across-the-board reduction and the allocation of enhancements funds to other institutions. Numbers may not sum to total due to rounding.

Source: Governor’s Budget Books, Fiscal 2017, Department of Legislative Services

USG will also receive \$1.0 million in enhancement funds to offer two new science, technology, engineering, and mathematics (STEM) programs – Translational Life Science Technology (UMBC) and Information Science (UMCP). USMH will receive \$0.3 million to expand its program offerings by bringing the UMES Hospitality and Tourism program to Hagerstown. USG and USMH will distribute the \$2.0 million of enhancement funds to TU, UMES, UMCP, and UMBC. The institutions are responsible for all aspects of program delivery from providing faculty to teach the courses to program quality. In addition, the institutions will only receive the funding for a few years until the program is up and running after which USG and USMH will then use the funds to bring other programs to their location. However, the institutions still bear the financial burden of providing the programs in which the tuition revenue may not cover the costs of operating a program at the center. **Therefore, DLS recommends that the \$2.0 million in enhancement funds may not be allocated to USG and USMH but instead the funds be transferred directly to the institutions as follows:**

R30B36 – USM – University System of Maryland Office

- **\$1.0 million, with the Chancellor determining the allocation, to UMCP to offer the Information Science program and UMBC to offer the Translational Life Science Technology program at USG;**
- **\$750,000, with the Chancellor determining the allocations, to institutions experiencing enrollment growth in their programs, and restricting the use of the funds until a report is submitted on the rationale for which programs are to receive funding; and**
- **\$250,000 to UMES to offer its Hospitality and Tourism Management program at USMH.**

The allowance also provides for a salary increment, which is included in the DBM budget. The increments total \$0.4 million of which the general fund portion is \$0.3 million with the remaining \$0.1 million to be funded from other current unrestricted and restricted revenues.

Issues

1. Chancellor’s Performance Goals and Criteria

Language in the 2015 *Joint Chairmen’s Report* restricted funds until USMO submitted a report on the performance criteria and goals that will be used to evaluate the performance of the incoming Chancellor. The USM Board of Regents (BOR) submitted a report on September 1, 2015, identifying seven goals and criteria that will be used to evaluate the performance of the new Chancellor:

- Meet with key internal USM constituencies and external stakeholders and launch a statewide listening tour.

Criteria: Feedback, data gathered, and press/media coverage.

- Review the structure and organization of BOR committees and workgroups, USM Council of University System Presidents, Chancellor’s Council, and USM office.

Criteria: Information provided on review, decisions rendered, and recommendations made.

- Continue to advance the USM strategic plan, in particular meeting Maryland’s 55% completion goal and strengthening Maryland’s competitiveness in the innovation economy.

Criteria: Retention rates, completion rates, STEM enrollments and graduates, and technology transfers and commercialization statistics.

- Significantly enhance and more effectively leverage USM economic development activities.

Criteria: Regular reports from presidents involved with MPowering and other collaborations on progress.

- Implementation of Effectiveness and Efficiency (E&E) 2.0.

Criteria: Annual report of E&E dashboard indicators.

- Fully support and enhance closing the achievement gap efforts.

Criteria: Annual closing the achievement gap institutional reports.

- Build on the standing of USM as a leader by addressing critical issues in the capacity of the USM Chancellor and in affiliation with national associations and advocacy groups.

Criteria: Major addresses, publications, service on national boards.

BOR may award a performance bonus up to 15% of the Chancellor’s base annual salary, which for the first year could total \$90,000, based on his performance on the above mentioned criteria.

2. Quasi-endowment Fund

Chapter 266 of 2013 authorized BOR to establish a quasi-endowment fund to enhance advancement efforts at USM institutions. Unlike endowment funds on which the donor typically places restrictions on the use of funds (*e.g.*, endow professorships or chair, or scholarships), a quasi-endowment has no such restrictions placed on its use and, therefore, can be used to support fundraising efforts.

State agencies are generally required to maintain all cash and investments with the State Treasurer who invests and manages all funds. These funds typically yield a lower rate of return since they are conservatively invested. The concept behind the quasi-endowment fund is that by investing in riskier investments, USM can yield a higher rate of return on the principal than it could through the Treasurer’s Office. Quasi-endowment funds are generally invested similar to endowment funds, which are invested and managed to last in perpetuity with the interest being used to support advancement activities.

USM established the fund at the end of fiscal 2014 with a one-time \$50.0 million transfer from the non-State supported portion if its fund balance – \$40.0 million from the institutions and \$10.0 million from USMO. Institutions’ relative contributions to the fund were based on the size of their budgets compared to the total USM budget with the distribution of annual spendable income, as determined by BOR policy on spendable income (estimated to be \$1.7 million annually based on a return of 4.25%), proportionate to their contributions, which is shown in **Exhibit 6**. In fiscal 2015, institutions used \$1.7 million to fund a variety of activities including hiring advancement personnel, engaging fundraising consulting firms, establishing websites, sponsoring events, and providing more direct mailings to alumni. It should be noted that the CSU contribution to the fund was \$750,198. However, due to nearly depleting its fund balance in order to cover operating expenses in the prior year, USMO provided the funds to CSU so they could participate in the endowment. CSU agreed to reimburse USMO once enrollment returned to more “historical” levels. It was agreed that CSU would pay back USMO within a five-year timeframe.

The \$10.0 million contributed by USMO is projected to have an annual return of \$425,000, which will be allocated to institutions based on a competitive grant process. Only one grant per institution will be considered each year with a maximum award of \$75,000. The funds cannot be used to replace existing or budgeted funds. In fiscal 2016, eight institutions received awards, as shown in **Exhibit 7**.

Exhibit 6
Institutions Share and Project Income of Quasi-endowment

	<u>Allocated</u> <u>Portion</u>	<u>Estimated</u> <u>Annual</u> <u>Income*</u>
University of Maryland, Baltimore	\$8,632,485	\$366,881
University of Maryland, College Park	14,680,036	623,902
Bowie State University	893,895	37,990
Towson University	3,602,469	153,105
University of Maryland Eastern Shore	1,090,234	46,335
Frostburg State University	872,740	37,091
Coppin State University	750,198	31,883
University of Baltimore	1,044,125	44,375
Salisbury University	1,402,193	59,593
University of Maryland University College	3,555,207	151,096
University of Maryland Baltimore County	3,106,134	132,010
University of Maryland Center for Environmental Science	370,284	15,737
Total	\$40,000,000	\$1,700,000

*Projected annual income is based on a 4.25% rate of return on the investment, actual spendable income will be annually determined based on the Board of Regents policy on endowment fund spending rule.

Note: The University System Office's \$10.0 million contribution is expected to generate approximately \$0.4 million annually in spendable income to be spent at the direction of the Advancement Committee. Numbers may not sum to total due to rounding.

Source: University System of Maryland

Exhibit 7
Fiscal 2016 Grants

<u>Institution</u>	<u>Award</u>	<u>Description</u>
University of Maryland, Baltimore	\$22,000	Phone survey, online estate planning seminar, personalized planned giving solicitations
University of Maryland, College Park	30,000	Endowed funds donor recognition website
Bowie State University	75,000	Grant writing initiative, matching gift campaign, alumni engagement and planned giving initiative
University of Maryland Eastern Shore	40,000	Stewardship videos and coordinator
Coppin State University	58,000	Continued support for faith-based and planned giving initiative
University of Baltimore	75,000	Planned giving position
Salisbury University	50,000	Continue partial funding of planned giving position
University of Maryland Center for Environmental Science	75,000	Continue funding assistant director for development position
Total	\$425,000	

Source: University System of Maryland

Recommended Actions

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

, provided that \$1,750,000 of this appropriation made for the purpose of providing enhancement funds to the Universities at Shady Grove (USG) may not be spent for that purpose but may only be transferred as follow: \$1,000,000 to the University of Maryland, College Park and the University of Maryland Baltimore County to offer new science, technology, engineering and math courses at USG, the allocation between the institutions to be determined by the Chancellor.

Further provided that \$750,000 of this appropriation made for the purpose of expanding enrollment of Towson University and University of Maryland Eastern Shore programs may not be spent for that purpose but may only be transferred to institutions to support programs at USG experiencing enrollment growth, with the allocation to be determined by the Chancellor. Funding may only be transferred after the Chancellor submits a report to the budget committees on the rationale for those programs to receive funds. The committees shall have 45 days to review and comment on the report prior to the transfer of the funding. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

Further provided that \$250,000 of this appropriation made for the purpose of providing enhancement funds to the University System of Maryland, Hagerstown (USMH) may not be spent for that purpose but may only be transferred to the University of Maryland Eastern Shore to provide a new program at USMH. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

Explanation: The language transfers \$1.75 million and \$0.25 million in enhancement funds for USG and USMH, respectively, to the institutions that will be expanding their program offerings at the sites. The allowance provides the University System of Maryland \$6.8 million in enhancement funds, which the Chancellor allocated to institutions to fund student completion initiatives. USG is to receive \$1.0 million to support the University of Maryland, College Park and the University of Maryland Baltimore County in offering two new programs. USMH is to receive \$0.3 million to support UMES in establishing a new program in Hagerstown. Since USG and USMH will be transferring these funds to the institutions who are responsible for all aspects of offering a program at the sites, the funds should go directly to those institutions providing the programs. In addition, the \$750,000 allocated to USG to expand enrollment in high-demand programs offered by Towson University and UMES may only be transferred to institutions to support programs at USG experiencing enrollment growth and requires the Chancellor to submit a report on the rationale of why particular programs were selected.

R30B36 – USM – University System of Maryland Office

Information Request	Author	Due Date
Report on institutions to receive enhancement funds to grow enrollment at the Universities at Shady Grove	University System of Maryland Office	45 days before the release of funds

	<u>Amount Reduction</u>	
2. Increase turnover expectancy to 4.0%. The current vacancy rate is 12.7%, and the budgeted turnover expectancy is 1.64%, requiring 1.8 positions. As of January 1, 2016, the number of vacant positions is 14.0. A turnover of 4.0% requires 4.4 vacant positions.	\$ 346,698	UF
3. Reduce the general fund deficiency related to under budgeting of health insurance costs by \$3.2 million. When calculating the deficiency, a 3% increase was included reflecting an assumption costs would increase January 1 due to open enrollment being based on a calendar year. Since this increase was anticipated and included in the health insurance rates when developing the fiscal 2016 budget, it is already reflected in the University System of Maryland budget.	3,200,000	UF
Total Reductions to Fiscal 2016 Deficiency	\$ 3,200,000	
Total Unrestricted Fund Reductions to Allowance	\$ 346,698	

Current and Prior Year Budgets

Current and Prior Year Budgets

University System of Maryland Office

(\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2015							
Legislative Appropriation	\$18,852	\$3,933	\$0	\$5,718	\$28,503	\$3,595	\$32,099
Deficiency Appropriation	0	0	0	0	0	0	0
Cost Containment	-855	0	0	0	-855	0	-855
Budget Amendments	3,073	-2,945	0	0	128	0	128
Reversions and Cancellations	0	0	0	-848	-848	-1,129	-1,977
Actual Expenditures	\$21,070	\$988	\$0	\$4,869	\$26,928	\$2,467	\$29,395
Fiscal 2016							
Legislative Appropriation	\$22,257	\$1,055	\$0	\$5,718	\$29,029	\$3,595	\$32,625
Budget Amendments	256	0	0	739	995	-1,095	-100
Working Appropriation	\$22,513	\$1,055	\$0	\$6,457	\$30,024	\$2,500	\$32,524

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The fiscal 2015 legislative appropriation for USMO decreased by \$2.7 million. General funds increased by \$2.2 million, which included \$0.1 million related to a 2% cost-of-living adjustment and

R30B36 – USM – University System of Maryland Office

\$2.9 million that was offset by a corresponding decrease in the special fund appropriation which is comprised of the HEIF. The increase was partially offset by \$0.9 million in cost containment measures, which was met by a reduction in general operating expenses.

Cancellations of unrestricted funds amounted to \$0.8 million due to expenditures for the Maryland Research and Education Network (MREN) (which provides network services to K-12, non-USM institutions, and community colleges) being less than anticipated.

Cancellation of restricted funds totaled \$1.1 million due to contract and grant expenditures being less than anticipated.

Fiscal 2016

To date in fiscal 2016, the USMO legislative appropriation has been reduced by \$0.1 million. General funds increased \$0.3 million by a budget amendment to offset a 2% pay reduction. Other unrestricted funds increased \$0.7 million due to a \$0.5 million transfer from fund balance related to a performance based contractual stipulation with the outgoing Chancellor, \$0.2 million from institutions for overhead, and \$89,104 for MREN.

Current restricted funds decreased \$1.1 million due to aligning federal and private contracts and grants with current projections.

Audit Findings

Audit Period for Last Audit:	March 31, 2011 – June 30, 2014
Issue Date:	May 2015
Number of Findings:	3
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: Network workstations and servers were not sufficiently protected against malware.

Finding 2: The USMO network was not adequately secured from untrusted traffic.

Finding 3: USMO did not ensure compliance with certain reporting requirements intended to help it monitor affiliated foundations as detailed in the BOR Policy on Affiliated Foundations.

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

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

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	110.00	110.00	110.00	0.00	0%
02 Contractual	9.00	6.00	6.00	0.00	0%
Total Positions	119.00	116.00	116.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 14,839,091	\$ 16,303,163	\$ 16,727,188	\$ 424,025	2.6%
02 Technical and Spec. Fees	27,133	10,000	20,921	10,921	109.2%
03 Communication	561,736	640,738	909,997	269,259	42.0%
04 Travel	168,663	178,646	178,646	0	0%
07 Motor Vehicles	4,728	8,610	8,620	10	0.1%
08 Contractual Services	11,996,557	13,731,012	19,623,536	5,892,524	42.9%
09 Supplies and Materials	198,900	170,961	170,961	0	0%
11 Equipment – Additional	3,576	30,082	30,082	0	0%
12 Grants, Subsidies, and Contributions	925,384	507,515	507,515	0	0%
13 Fixed Charges	383,738	407,224	422,970	15,746	3.9%
14 Land and Structures	285,480	536,405	636,405	100,000	18.6%
Total Objects	\$ 29,394,986	\$ 32,524,356	\$ 39,236,841	\$ 6,712,485	20.6%
Funds					
40 Unrestricted Fund	\$ 26,928,194	\$ 30,024,356	\$ 36,736,841	\$ 6,712,485	22.4%
43 Restricted Fund	2,466,792	2,500,000	2,500,000	0	0%
Total Funds	\$ 29,394,986	\$ 32,524,356	\$ 39,236,841	\$ 6,712,485	20.6%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions

Fiscal Summary
University System of Maryland Office

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
04 Academic Support	\$ 10,659,162	\$ 11,427,696	\$ 11,435,319	\$ 7,623	0.1%
06 Institutional Support	18,735,824	21,096,660	27,801,522	6,704,862	31.8%
Total Expenditures	\$ 29,394,986	\$ 32,524,356	\$ 39,236,841	\$ 6,712,485	20.6%
Unrestricted Fund	\$ 26,928,194	\$ 30,024,356	\$ 36,736,841	\$ 6,712,485	22.4%
Restricted Fund	2,466,792	2,500,000	2,500,000	0	0%
Total Appropriations	\$ 29,394,986	\$ 32,524,356	\$ 39,236,841	\$ 6,712,485	20.6%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions