
University System of Maryland Fiscal 2002 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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Analysis in Brief

Issues

New Residency Policy Impacts Revenue Estimates: The Board of Regents, in late November, approved a new residency policy in response to a court challenge. The implementation of the new policy is expected to result in a reduction in tuition revenues. **The Department of Legislative Services (DLS) recommends a reduction in current unrestricted funds to reflect the anticipated loss in tuition revenues from the revised residency policy.**

USM Completes Strategic Plan: During the 1999 legislative session, the General Assembly passed Chapter 515 (Senate Bill 682) which directed the Chancellor of University System of Maryland (USM) to develop a strategic plan that incorporates the priorities of the State Plan. USM adopted a ten-year plan entitled "The USM in 2010." **DLS recommends that the Chancellor discuss the budgetary implications of implementing the new strategic plan.**

USM Adopts an e-Learning Initiative: During the 2000 legislative session, USM was instructed to examine its technology needs. As its response, the Board of Regents adopted a strategic five-year information technology plan called e-learning Maryland. **DLS recommends that the Chancellor update the committees on the contents of the Information Technology plan which has a number of components. Moreover, DLS recommends a phase-in of the individual components of the plan.**

Full Funding of Guidelines Achievable with a Stable Phase-in: When the Maryland Higher Education Commission adopted operating funding guidelines in 1999, it was accepted that full funding of the guidelines was not immediately possible. Thus, a phase-in approach was adopted. The State in fiscal 2001 took its first step toward that goal by providing an average increase of 10.8% to the USM institutions. Because of that commitment, the full funding goal is within reach by 2005. It can be accomplished by maintaining a 10% average rate of increase. The fiscal 2002 allowance provides for a 14% increase. **DLS recommends that the State increase its level of support at an average rate of 10%.**

Recommended Actions

1. Add language to reduce overstated tuition and fee revenues.
2. Add language to reduce general and current unrestricted funds to reflect phase-in of the Information Technology plan.
3. Add language to reduce general and unrestricted funds to moderate growth.

Updates

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USM Receives Title II Teacher Quality Enhancement Grant: USM receives a grant from the U.S. Department of Education to create a partnership to improve teacher quality in Prince George's County.

USM Maintains that the Core Faculty Workload Will Rise With Funding Increases: USM's Joint Chairmen's Response indicates that as a result of the increased funding it will continue to hire additional core faculty to improve the percentage of courses taught by core faculty.

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Overview: University System of Maryland

Program Description

Title 12 of the Education Article established the University System of Maryland (USM) Board of Regents as the governing body of the USM. The board consists of 17 members, including the Secretary of Agriculture ex-officio; the Secretary is the only member who is not appointed by the Governor with the advice and consent of the Senate. The board chooses from among the membership a chairman and any other officers. The board appoints the Chancellor who serves as the chief executive officer of the system and the chief of staff to the Board of Regents. The Chancellor and staff coordinate system planning; advise the board on systemwide policy; coordinate and arbitrate among system institutions; and provide technical, legal, and financial assistance.

The Board of Regents is charged with fostering development of a consolidated higher education system, improving the quality of higher education, and encouraging institutions to use resources in the most economical way. The board is authorized in statute to merge, consolidate, or close any member institution.

The Board of Regents establishes funding standards for the system which are to consider the size and mission of the institutions. These standards are to be used when the board reviews and approves the consolidated operating and capital budget requests for the system, which are then forwarded to the Governor, the Maryland Higher Education Commission (MHEC), and the General Assembly.

Governor's Proposed Budget

The fiscal 2002 allowance for USM totals nearly \$2.7 billion or \$180.6 million greater than the fiscal 2001 working appropriation. Current unrestricted revenues increase 8.3% (of which 73% are tuition and fees and general funds) and restricted revenues by 3.6%. Of the total allowance, general funds constitute 33.8% which is up from 31.8% in fiscal 2001. The fiscal 2002 general fund allowance for USM is \$910.8 million, an increase of \$112.5 million, or 14.1%, above the fiscal 2001 appropriation. **Exhibit 1** shows that the general fund increase is primarily allocated to ongoing obligations including debt service on academic revenue bonds, increasing enrollment, the scheduled UMUC funding enhancement, general inflation adjustments, and continuation of fiscal 2001 institutional priorities. General funds also support obligations such as personnel expenses including merit and general salary increases for fiscal 2001 and 2002. Additionally, the general funds will be used to support planned enhancements such as faculty recruitment and retention, improving academic, and support programs and equipping the new UMB building. Also among the planned enhancements are the implementation of USM e-learning information technology plan and the establishment of a Bioethics Program at the University of Maryland Baltimore and a Bioscience Program at the University of Maryland College Park (UMCP). The e-learning initiative will be discussed further in the Issue section of the analysis.

The percentage increases in general funds vary across the system from a low of 5.5% at the University of Maryland Biotechnology Institute to 43% at UMUC. According to USM, the framework for the

Exhibit 1

**Governor's Proposed Budget
University System of Maryland
(\$ in Thousands)**

	General Fund
How Much It Grows:	
2001 Working Appropriation	\$798,292
2002 Governor's Allowance	<u>910,836</u>
Amount Change	\$112,544
Percent Change	14.1%
Where It Goes:	
Operations	
Academic revenue bond debt service	\$4,328
Enrollment Growth -- Coppin State College (SCS) and UMBC	956
Continue fiscal 2001 institutional priorities and general inflation	25,238
Scheduled University of Maryland University College enhancement	3,000
Wellmobile and Collaborative Occupational Therapy Programs	659
Personnel	
Fiscal 2001 cost-of-living adjustment annualization	16,034
Fiscal 2002 general salary increase	16,958
Planned Enhancements for Fiscal 2002	
New program initiatives (Bioethics/UMB and Bioscience/UMCP)	4,577
Information Technology -- e-learning initiative	25,900
Faculty recruitment and retention	7,978
Equipment purchases for new UMB buildings	2,003
Enhance Academic and Support programs	3,289
Increase scholarships at Frostburg State University and CSC	350
Other miscellaneous enhancements and/or adjustments	1,274
Total	\$112,544

*Total includes current unrestricted and restricted revenues.

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

allocation of these funds was, for the first time, guided by the funding guidelines. The allocation of State funds to each institution appears in **Appendix 1**.

The 14.1% growth in State support surpasses the percentage growth experienced in the fiscal 2001 budget, which, at the time, was the highest growth since fiscal 1990. On a per student basis the

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percentage increase proposed for fiscal 2002 is the highest over the last 14 years. A history of general fund support for USM appears in **Appendix 2**.

The Governor's allowance also includes funding in other budgets for the institutions. MHEC will provide \$875,000 apiece to CSC, Bowie State University (BSU), and University of Maryland Eastern Shore (UMES) under the Access/Success program. There are also two separate grants totaling \$600,000 for Coppin State University and BSU. The Coppin State University grant (\$250,000) is part of the Office for Civil Rights (OCR) agreement and will fund the independent study to develop a comprehensive strategic plan for revitalization. The grant for BSU (\$350,000) will be used to develop a campus master plan. The allowance for the Board of Public Works (BPW) includes \$228.1 million in general funds for capital projects throughout the system.

Personnel Costs

There are two statewide personnel increases supported through the general fund appropriation. The first is the annualization of the fiscal 2001 general salary increase, which increases costs by \$16 million. The second is the fiscal 2002 general salary increase, a 4% increase beginning January 1, 2002, which increases the budget by \$17 million. These salary costs apply only to positions supported by general funds; salary costs associated with positions supported by other fund sources, such as auxiliary revenues or research grants, are funded from those revenues. Systemwide there are 18,958 permanent positions, an increase of 480 over fiscal 2001, of which 201 are contractual conversions and the remainder are for new facilities and program enhancements. Language included in the budget bill allows the system to increase the total number of positions up to the ceiling of 19,526. Any positions created in excess of the ceiling must be approved by the Board of Public Works. **Appendix 4** shows the history of personnel growth for fiscal 1996 through 2002.

Performance Analysis: Managing for Results

USM continued its pattern from last year by presenting an incomplete submission in terms of reporting actual performance data or estimations of current and/or future performance. Also of continued concern is USM's reliance solely on performance indicators that simply represent an aggregation of the reported institutional data. Although it is important to provide and report systemwide trends, such as the percent of USM graduates employed in Maryland, the system also needs to take the next step and assess its performance based on its ability to ensure that within reasonable parameters (recognizing the uniqueness of each institution) there is little variation among the institutions in meeting key performance indicators. For as a system, it is a much more powerful statement of performance to report not only the overall average but also to provide, for example, that 10 of the 11 institutions have a minority graduation rate that exceeds the national average. **USM should look to report measures in a way that will relay not only a systemwide average but also illustrate the range of performance found within the system for that reported key performance indicator.**

Exhibit 2 provides the very limited performance data submitted by USM for Managing for Results. The complete submission contains many more indicators that USM intends to provide data for future

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submissions. The reported data trend actual performance between fiscal 1999 and 2000. Of particular

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Exhibit 2

**Program Measurement Data
University System of Maryland
Fiscal 1999 through 2002**

	<u>Actual FY 99</u>	<u>Actual FY 00</u>	<u>Est. FY 01</u>	<u>Est. FY 02</u>	<u>Ann. Change FY 99-00</u>
Number of graduates certified to teach	1,826	1,625	n/a	n/a	-11.0%
Number of graduates hired by Maryland schools	1,061	1,232	n/a	n/a	16.1%
Number of off-campus enrollments	29,130	33,327	n/a	n/a	14.4%
Amount raised for USM campaign (\$ in Millions)	\$467	\$730	n/a	n/a	56.3%
Number of days spent in public service (faculty)	46,059	48,187	n/a	n/a	4.6%
Number of awards given to USM faculty	43	42	n/a	n/a	-2.3%

Source: Maryland State Budget Book

interest are two indicators that play a pivotal role in addressing the State's shortage of quality teachers. USM reports a 16% increase in the number of graduates hired by our school systems; however, it also reports a 11% decline in graduates certified to teach. If USM intends to play a leading role in addressing this critical issue, it will have to improve its performance in these two areas and develop strategies not only to increase the available pool of graduates but also to produce qualified teachers that can be hired by Maryland schools.

Issues

1. New Residency Policy Impacts Revenue Estimates

The Board of Regents of USM approved a new residency policy (late November) as a result of a recent Maryland Court of Appeals ruling that invalidated a part of the former policy. That policy was challenged in court by a graduate of UMCP (Frankel case) who was denied residency status. The graduate maintained residency in Maryland but received financial support from a parent who resided out-of-state. According to the courts, USM's former policy automatically denied resident status to students who receive the majority of their financial support from an out-of-state parent. This absolute prohibition was determined to be arbitrary and discriminatory.

The new policy modifies the definition of "State resident." Under that revised definition, USM will consider the source of a student's financial support as one of the many factors (nine) used when determining residency. This multi-factor review eliminates the absolute prohibition and serves to prevent students who are clearly not State residents from qualifying for lower in-state tuition.

The budgetary impact of this revised residency policy is a loss of tuition revenue. This loss in revenue will vary across institutions depending on the number of out-of-state students, the number of petitions for in-state residency status, and the price differential between in-state and out-of-state tuition. USM estimates the impact to be \$26.5 million. This represents nearly 3,400 petitions for residency status being granted. The fiscal 2002 allowance for tuition does not reflect this anticipated loss in the revenue source. **The Department of Legislative Services (DLS) recommends a \$26.5 million reduction in current unrestricted funds to reflect the anticipated loss in tuition and fee revenues due to the revised residency policy. This reduction should be taken against the entire system and allocated by the Board of Regents. If additional tuition and fee revenues are realized, USM may bring these funds in through budget amendment. To implement this reduction, DLS recommends the adoption of the following budget bill language:**

RB.00 University System of Maryland

The appropriation herein for University System of Maryland institutions shall be reduced by \$26,500,000 of current unrestricted funds to reflect overstated estimates of tuition and fee revenues. The allocation of this reduction shall be determined by the University System of Maryland Board of Regents. It is the intent of the General Assembly that, to the extent that actual tuition and fee revenues exceed the estimates appropriated through this act, these funds may be restored through budget amendment.

Explanation: This language reduces the appropriation to reflect overestimated tuition and fee revenues. The reduction is based on the projected impact of the revised residency policy.

2. USM Completes Strategic Plan

As required by a legislative mandate (Chapter 515, Acts of 1999) USM completed its ten- year strategic plan entitled “The USM in 2010”. The plan discusses the critical issues of how to improve the quality of higher education and outlines each institution’s role in contributing to the State’s economic health by delivering an educated citizenry. Moreover, the plan sets three main goals which can be summarized as follows: meet the educational needs of an increasingly diverse population, position the State as a leader in science and technology, and manage the system growth. Highlighted below are a few of the Plan’s key objectives and strategies.

Plan’s Primary Objectives

Increase the overall number of Marylanders holding baccalaureate degrees, especially in high-demand occupations (teaching, technology, and health professionals) and place special emphasis on the participation and achievement of minority students.

Continually improve the quality of higher education in terms of the learning experience.

To achieve these objectives USM intends to:

<u>Targets</u>	<u>Strategies</u>
Increase the number of graduates by 25% and encourage growth at selected institutions and regional centers, as well as off-campus education.	<ul style="list-style-type: none">• Accommodate 7,600 more full-time in-state undergraduates over the next ten years, increase the level of out-of-state students.• Intensify recruitment efforts and implement more articulation agreements.• Enhance regional centers’ course offerings and coordinate and expand offerings in both distance education and online learning.• Focus on the undergraduate experience through a review of current initiatives to improve retention, graduation and student satisfaction rates, and improve or replace ineffective academic support programs.
Increase participation in efforts aimed at easing minority transition and improving achievement.	<ul style="list-style-type: none">• Increase K-16 partnership activities, increase articulation programs with community colleges, and increase academic and student support services.

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<u>Targets</u>	<u>Strategies</u>
Encourage program development based on the educational market needs.	<ul style="list-style-type: none">• Utilize market data to determine demand for new programs and review enrollment data to eliminate programs which fail to meet minimum enrollment standards.• Work independently and in collaborative partnerships to meet demands such as those found for the teacher education programs.
Recruit and retain a high quality diverse workforce who can deliver quality instruction.	<ul style="list-style-type: none">• Continue to move toward achievement of the 85th percentile for mean faculty salaries, pursue hiring practices to enhance diversity, and focus on faculty recruitment and retention strategies including staff development.

Many of the strategies outlined will require additional resources to accomplish. USM should comment explicitly on how it intends to budgetarily accomplish the initiatives outlined in the strategies (within the current funding guideline process or other means). In addition, USM should discuss how it plans to monitor commitment and progress toward achievement of the strategic plan.

A third objective is to expand research efforts which contribute to the State's continued economic growth. To advance this objective, USM will:

<u>Target</u>	<u>Strategies</u>
Improve research capabilities to enhance economic development.	<ul style="list-style-type: none">• Increase research facility space, including labs and equipment; attract and retain high quality research faculty; increase research partnerships; and encourage more technology transfer to the private sector for development.• Support the establishment of a \$50 million Research and Development fund at the Maryland Technology, Engineering, and Development Corporation.

USM should comment on the potential competition for resources between the more traditional student-based instructional learning component and the fast emerging and very resource-intensive (building infrastructure to attract external funds and promote entrepreneurial activities) academic research component. The discussion should include how USM plans to coordinate and allocate resources among these two major components to ensure that its mission is accomplished and its resources are maximized.

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The final objective is to increase access by limiting tuition increases to remain affordable. To implement this objective USM plans to:

Targets

Keep resident tuition at moderate levels.

Offer more financial aid to qualifying students as tuition rates rise.

Strategies

- Maintain the limit on undergraduate tuition increases to a maximum of 4% annually and limit academic fees until institutions reach 100% of funding guidelines and thereafter, further limit tuition growth.

USM should comment on the budgetary implications of implementing these access initiatives. Moreover, USM should discuss its plans for moderating mandatory fees in the future given the significant difference in the annual rate of growth between tuition and mandatory fees. From fiscal 2001 to 2002, the rate of growth in fees was over two and half times greater than the tuition component (8.6% compared to 3.3%).

3. USM Adopts an e-Learning Initiative

During the 2000 legislative session, USM was instructed to examine the technology needs of the system with a focus toward making USM institutions more competitive. The Board of Regents charged its technology committee with the task of working with the institutions to identify what was needed to bring them up-to-date technologically. The committee produced a comprehensive report entitled “e-learning Maryland.” The report’s findings are underpinned by USM’s vision of ensuring that all graduates have the skills to function effectively in a technological society and supporting the statewide initiative of eMaryland (electronic government initiative).

The report contains a strategic five-year information technology plan (fiscal 2002 to 2006) totaling \$300.7 million for the system. Of that amount, about 32%, or \$95.2 million, will be one-time expenses with the remainder representing recurring costs. Recurring costs are those continuing cost items such as staffing, maintenance, replacement (three- or four-year cycle), and training. When reviewing the proposed sources for funding the plan, USM has identified \$192.5 million (64%) in new general funds, \$58.5 million from reallocating existing resources (19.5%), and \$49.7 million from tuition and technology fees (16.5%). **Exhibit 3** shows the five-year proposed plan by source of funds.

Exhibit 3

**Proposed Funding Plan
Fiscal 2002 through 2006
(\$ in Millions)**

<u>Fund Type</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Five-year Total</u>
New General Funds	\$25.9	\$34.9	\$43.9	\$43.9	\$43.9	\$192.5
Tuition and Technology Fee	0.0	5.7	11.4	16.3	16.3	49.7
Base-fund Reallocation	11.7	11.7	11.7	11.7	11.7	58.5
Total	\$37.6	\$52.3	\$67.0	\$71.9	\$71.9	\$300.7

Source: University System of Maryland

The information technology plan (IT) is broken down into two major categories: Minimum IT Standards and Infrastructure Upgrades. Each of the categories has specific IT projects and activities.

Minimum IT Standards

The Board of Regents on April 7, 2000, adopted a minimum IT Standard. This standard requires each institution to provide a minimum level of IT on its campus. The standard has nine components; however, the primary component requires that each campus provide universal access (students, faculty, and staff) to networked workstations 24 hours a day, seven days a week. This includes providing the appropriate technical support and training services. Additionally, the standard includes a requirement that each institution lower barriers to student computer ownership or develop programs to assure access.

To meet this standard, USM has estimated a cost of \$27 million in one-time expenses and \$100 million in recurring costs over the next five years. Some of the projects to be undertaken are: enhancing the public computer labs, establishing laptop university initiatives, and leasing and subsidizing computers.

Infrastructure Upgrades

There are three major activities that comprise the infrastructure upgrade component of the IT plan. Each activity seeks to enhance the higher educational experience through greater use of technology. They are:

- ***Campus and Inter-campus Network Infrastructure*** -- to enable and improve access to electronic teaching/learning/campus services and applications. Projects include installing cabling in residence halls, and improving off-campus access through an enhanced University System of Maryland Academic Telecommunications System (UMATS).

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- **Customer Services System** -- to enable more efficient operations in a customer-oriented (student information) and online manner. Project includes migrating from 1970's IT administrative systems to an integrated customer services and course management information system.
- **Classroom Enhancements** -- integrate technology to enhance the learning experience.

Exhibit 4 shows the five-year proposed spending plan by the major IT plan components.

Exhibit 4

Proposed Spending Plan						
Fiscal 2002 through 2006						
(\$ in Millions)						
<u>IT Activity</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>Five-year Total</u>
Minimum IT Standard						
One Time	2.9	4.6	6.5	6.5	6.5	27.0
Recurring	7.0	9.0	18.7	25.7	39.7	100.1
Smart Classrooms						
One Time	1.0	4.0	5.1	2.0	0.0	12.1
Recurring	0.5	1.0	1.5	2.0	2.0	7.0
Network Infrastructure						
One Time	3.8	4.8	4.8	5.8	6.8	26.0
Recurring	3.9	4.9	4.9	6.9	8.4	29.0
Customer Service System						
One Time	3.6	7.0	8.5	6.0	5.0	30.1
Recurring	14.9	17.0	17.0	17.0	3.5	69.4
Subtotal						
One Time	11.3	20.4	24.9	20.3	18.3	95.2
Recurring	26.3	31.9	42.1	51.6	53.6	205.5
Total	37.6	52.3	67.0	71.9	71.9	300.7

Source: University System of Maryland

The Chancellor should brief the committees on the e-learning initiative and discuss the issues impacting upon its full implementation (budgetary and management).

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Fiscal 2002

Within the fiscal 2002 allowance, there is \$25.9 million in new general funds to meet the first year of the spending plan objectives. Also, USM intends to reallocate \$11.7 million toward technology. Specifically, according to the plan, the combined amount of \$37.6 million will be used to provide \$18.5 million in customer service system enhancement (49%), \$7.7 million in network infrastructure upgrades (21%), \$1.5 million in developing smart classrooms (4%), and \$9.9 million for ensuring that the minimum IT standard is met (26%). One-time expenses represent 30% of the total with the remaining \$26.3 million for annual recurring costs.

As expressed in the plan, USM's foremost IT priorities are to enhance learning and teaching and to expand access to information technology. The IT efforts targeted at network and classroom enhancements to meet the minimum IT Standard are consistent with and contributory to that priority. Moreover, those activities are straightforward and can be designed and implemented within a two-year period because the needed technology knowledge for implementation (local design, contracting for services, and managing those contracts) is available on the campuses.

In contrast, the replacement of outdated customer service systems do not meet the priority threshold when budgetary constraints are considered. Additionally, the complexity of implementing the customer service project makes it a likely candidate for deferral to another year. The project requires a team consisting of internal functional staff, internal technical staff, and outside consulting specialists with experience in the particular application and tools being implemented. In fact, the plan, in recognition of the complexity of the undertaking, provides for the rolling out on a few campuses within three years and on those remaining within five years. Although deferral may well result in a loss in business efficiency, the concentration of the State's significant IT investment on enhancing learning and access should allow USM to maintain competitiveness.

DLS recommends a phase-in of the IT plan components due to the need to moderate State expenditure growth, USM's inability to establish another revenue source (tuition set-aside or technology fees) for this initiative until fiscal 2003, and the potential management issues of simultaneously monitoring the implementation of a number of IT plan components. To facilitate this phase-in, DLS recommends a \$12,770,000 reduction in general funds earmarked for implementation of the USM Strategic Information Technology Plan (e-learning). USM may allocate this reduction based on its own institutional priority setting. To implement this reduction, DLS recommends the adoption of the following budget bill language:

RB.00 University System of Maryland

The appropriation herein for the University System of Maryland institutions shall be reduced by \$12,770,000 in current unrestricted funds and \$12,770,000 in general funds to reflect the reduction in State support for the e-learning information technology initiative. The allocation of the reduction shall be determined by the University System of Maryland Board of Regents.

Explanation: The language reduces the appropriation to phase in the implementation of e-learning.

4. Full Funding of Guidelines Achievable with a Stable Phase-in

MHEC adopted operating funding guidelines totaling \$961.5 million for Maryland’s public institutions (excluding Morgan State University and St. Mary’s College) in fiscal 2002. The fiscal 2002 funding guideline amount includes an increase of \$55.2 million, or 6.1%, over the fiscal 2001 (\$906.3 million) amount. This increase is due primarily to the enrollment growth and inflation among the peer-based institutions.

The fiscal 2001 general fund working appropriation for the USM institutions is \$786.3 million, which represents 86.8% of the fiscal 2001 funding guideline amount. The fiscal 2002 allowance for USM institutions totals nearly \$897.3 million and exceeds the fiscal 2001 working appropriation by \$110.9 million. That additional \$110.9 million to increases the overall USM percentage of the fiscal 2002 funding guidelines by nearly 6.6 percentage points to 93.3%. **Appendix 3** provides the fiscal 2002 allowance and operating guidelines by institution.

A phase-in approach to achieving 100% of the funding guidelines was contemplated when MHEC adopted the funding guidelines for USM in September 1999. The multi-year phase-in was required due to the substantial State investment needed to bring the USM institutions to 100% of the full funding guideline amount (\$196.7 million) in fiscal 2001. The State’s investment of an additional \$76.7 million (10.8% over fiscal 2000) between fiscal 2000 and 2001 lowered the full funding gap to \$175.2 million. Moreover, the investment has resulted in an average of 86.8% of the funding guideline amount and that places the State in position to obtain 100% of the full funding guideline amount in 2005 by simply staying the present course and continuing with a sustainable investment of an additional 10% per year (very similar to the 10.8% provided in fiscal 2001). This estimation, as shown in **Exhibit 5**, assumes that the funding guideline amount will continue to increase at 6% per year (includes 3.4% for the higher education price index and increasing enrollment) and that the State increases the percent funded at a rate of 3.3 percentage points per year.

Exhibit 5

Five-year Phase-in of Operating Guidelines* **Fiscal 2001 through 2005**

	<u>FY 2001**</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Estimated USM Total Guideline Amount (\$ in Thousands)	906,335	961,530	1,020,087	1,082,210	1,148,117
Estimated USM General Fund Support (\$ in Thousands)	786,334	866,050	952,557	1,046,389	1,148,117
% of Guideline Funded	86.76	90.07	93.38	96.69	100.00

*Assumes 10% annual increase in general fund support.

**Fiscal 2001 represents actual guideline amount and working appropriation.

Source: Department of Legislative Services

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The fiscal 2002 allowance of \$897.3 million which increases funding by \$110.9 million (14.1%) over fiscal 2001, represents an acceleration toward the full funding guideline goal. A more stable phase-in is both fiscally prudent and provides USM with adequate funding. **DLS recommends a reduction in the amount of \$18,440,000 to maintain a stable phase-in of the full funding guideline amount. USM may allocate this reduction according to institutional priorities; however, each institution must meet or exceed 87% of its funding guideline amount. With this reduction and the proposed phase-in of e-learning, USM institutions will remain at an average of 90% of the fiscal 2002 operating funding guideline amount. To implement this reduction, adoption of the following budget bill language is recommended:**

RB.00 University System of Maryland

The appropriation herein for the University System of Maryland institutions shall be reduced by \$18,440,000 in current unrestricted funds and \$18,440,000 in general funds. The allocation of the reduction shall be determined by the University System of Maryland Board of Regents.

Explanation: The language reduces the appropriation in order to decelerate the rate of growth to better reflect a five-year phase-in schedule for full funding of the operating guidelines.

Recommended Actions

1. Add the following language:

RB.00 University System of Maryland

Provided that the appropriation herein for University System of Maryland institutions shall be reduced by \$26,500,000 of current unrestricted funds to reflect overstated estimates of tuition and fee revenues. The allocation of this reduction shall be determined by the University System of Maryland Board of Regents. It is the intent of the General Assembly that, to the extent that actual tuition and fee revenues exceed the estimates appropriated through this act, these funds may be restored through budget amendment.

Explanation: This language reduces the appropriation to reflect overestimated tuition and fee revenues. The reduction is based on the projected impact of the revised residency policy.

2. Add the following language:

RB.00 University System of Maryland

The appropriation herein for the University System of Maryland institutions shall be reduced by \$12,770,000 in current unrestricted funds and \$12,770,000 in general funds to reflect the reduction in State support for the e-learning information technology initiative. The allocation of the reduction shall be determined by the University System of Maryland Board of Regents.

Explanation: The language reduces the appropriation to phase in implementation of e-learning.

3. Add the following language:

RB.00 University System of Maryland

The appropriation herein for the University System of Maryland institutions shall be reduced by \$18,440,000 in current unrestricted funds and \$18,440,000 in general funds. The allocation of the reduction shall be determined by the University System of Maryland Board of Regents.

Explanation: The language reduces the appropriation in order to decelerate the rate of growth to better reflect a five-year phase-in schedule for full funding of the operating guidelines.

Updates

1. USM Receives Title II Teacher Quality Enhancement Grant

In September 2000, USM received a \$4.2 million grant from the U.S. Department of Education. This grant will cover a five-year period and will create a partnership between USM, Prince George's County Public Schools (PGCPS), and Prince George's Community College for improved teacher recruitment retention and quality in Prince George's County. The participating USM institutions are: UMCP, Towson University, and BSU. These institutions have committed to providing matching funds at a rate of 25% the first year, 35% the second year, and 50% in each of the last three years. Also participating in the partnership is the American Association for the Advancement of Science and Oracle Corporation which will contribute hardware, software and technology training. Specifically, the monies will be used in support of the following activities:

- creating a mentoring and induction program for new teachers -- Project LINC (Learning in Communities);
- redesigning teacher education through professional development schools and collaboration between arts and sciences and education faculty -- each participating university will create a professional development school in partnership with PGCPS; and
- recruiting additional math and science teachers into the county school system through scholarships and stipends -- Towson University will develop a program in collaboration with PGCC to create an 2+2 pipeline for prospective teachers who will be recruited through the community college.

2. USM Maintains that the Core Faculty Workload Will Rise with Funding Increases

In response to budget committee narrative that expressed concern with a percentage decline in the number of courses taught by core faculty and its impact on the quality of education both in terms of content and atmosphere, USM indicated that it fully expects to continue efforts to hire additional core faculty with increased funding. These additional core faculty members will teach courses, thereby increasing the overall number of course units taught by core faculty. According to USM, the *1999 Workload of the USM Faculty Report* reflected data that preceded the additional funding and the institutions renewed efforts at recruiting high-quality full-time core faculty.

USM's response outlined some of the factors that affect the percentage reported in the 1999 report, such as the exclusion of department chairs and other core faculty who serve in administrative roles; the effect of efforts to reduce class size; and a one-time early-retirement option for faculty. Moreover, the submitted response provides each degree-granting institutions' plan for increasing the percentage of student credit hours taught by core faculty. Some items specifically mentioned in these plans include decreasing the overall number of non-core faculty assigned to teach, reviewing core-faculty teaching assignments and enforcing curriculum-management plans, increasing the ratio of faculty teaching above the standard load, and decreasing the number of core faculty granted course exceptions.

USM - Fiscal 2002 Budget Overview

The *2000 Workload of the USM Faculty Report* reveals that the percentage of core faculty teaching the standard load or more remained stable at 86%; while the number of credit hours generated by core faculty for lower and upper division declined slightly from 47% and 57% to 46% and 56% respectively. The latter numbers are impacted by the overall USM enrollment increases.

The report concludes with a commitment to increase the teaching and the non-instructional productivity of the USM faculty. It also notes that while the number of course units produced per full-time equivalent faculty remains stable, the external funds attracted and the scholarly productivity continue to increase. From the perspective of the Regents, these measures demonstrate the most important principles of faculty productivity.

USM - Fiscal 2002 Budget Overview

Appendix 1

**General Fund Support for USM
Fiscal 2000 through 2002 Allowance
(\$ in Thousands)**

<u>Institution</u>	<u>FY 1998 Actual</u>	<u>FY 2000 Actual</u>	<u>FY 2001 Revised</u>	<u>FY 2002 Allow.</u>	<u>\$ Incr. 2001-2002</u>	<u>% Incr. 2001- 2002</u>
University of Maryland, Baltimore	\$109,387	\$127,344	\$139,484	\$161,690	\$22,206	15.9%
University of Maryland, College Park	251,782	301,984	333,110	377,558	44,448	13.3%
Bowie State University	14,862	18,604	21,311	23,692	2,381	11.2%
Towson University	48,268	58,798	64,181	70,551	6,370	9.9%
University of Maryland Eastern Shore	17,108	20,488	22,474	24,563	2,089	9.3%
Frostburg State University	20,559	24,305	26,569	30,194	3,625	13.6%
Coppin State College	13,832	16,038	18,623	21,664	3,041	16.3%
University of Baltimore	19,630	21,666	23,476	25,281	1,805	7.7%
Salisbury State University	20,940	24,477	28,100	31,017	2,917	10.4%
University of Maryland University College	9,363	9,363	13,512	19,319	5,807	43.0%
University of Maryland Baltimore County	47,057	59,360	66,474	80,499	14,025	21.1%
University of Maryland Center for Environmental Science	9,115	11,693	12,777	14,101	1,324	10.4%
University of Maryland Biotechnology Institute	18,358	15,536	16,244	17,135	891	5.5%
University System of Maryland Headquarters	7,293	10,313	11,958	13,573	1,615	13.5%
Total University System of Maryland	\$607,554	\$719,969	\$798,293	\$910,837	\$112,544	14.1%

Note: Figures do not include support provided through the Maryland Higher Education Commission or capital projects included under Board of Public Works appropriations.

Source: Maryland State Budget, fiscal 2000 through 2002

**History of General Fund Support for the University System of Maryland
Fiscal 1989 through 2002**

<u>Fiscal Year</u>	<u>GF Appropriation</u>	<u>% Change</u>	<u>FTES</u>	<u>GF/FTES</u>	<u>% Change</u>
1989	\$516,559,769		69,442	\$7,439	
1990	608,714,153	17.8%	74,176	8,206	10.3%
1991	592,891,061	-2.6%	75,306	7,873	-4.1%
1992	523,861,262	-11.6%	76,358	6,861	-12.9%
1993	525,718,423	0.4%	75,653	6,949	1.3%
1994	520,776,199	-0.9%	74,964	6,947	0.0%
1995	551,481,013	5.9%	75,740	7,281	4.8%
1996	563,253,054	2.1%	76,523	7,361	1.1%
1997	580,430,450	3.1%	77,279	7,511	2.0%
1998	602,491,508	3.8%	78,444	7,681	2.3%
1999	651,602,543	8.2%	79,643	8,182	6.5%
2000	719,968,583	10.5%	80,403	8,954	9.4%
2001*	798,292,358	10.9%	81,698	9,771	9.1%
2002**	910,835,774	14.1%	82,944	10,981	12.4%

GF - general funds

FTES - full-time equivalent students

*Does not include deficiency request

**Governor's allowance

Note: Figures do not include support provided through the Maryland Higher Education Commission or capital projects included under Board of Public Works appropriations.

Source: Maryland State Budget, fiscal 1991 through 2002

Comparison of General Fund Support to MHEC's Operating Funding Guidelines

Fiscal Years
(\$ in Thousands)

<u>Institution</u>	<u>FY 01 Rev. GF</u>	<u>FY 02 GF in Allow.</u>	<u>% Chg FY 01-02</u>	GF as %		Change in % of OFG Funds
				<u>of FY 01 OFG</u>	<u>of FY 02</u>	
UM, Baltimore	\$139,484	\$161,690	15.92%	80.60%	89.36%	8.76%
UM, College Park	333,110	377,558	13.34%	89.17%	94.26%	5.09%
Bowie State University	21,311	23,692	11.17%	93.79%	98.63%	4.84%
Towson University	64,181	70,551	9.93%	91.24%	95.06%	3.82%
UM Eastern Shore	22,474	24,563	9.29%	97.92%	111.54%	13.62%
Frostburg State University	26,569	30,194	13.65%	89.27%	93.57%	4.30%
Coppin State College	18,623	21,664	16.33%	88.16%	94.74%	6.58%
University of Baltimore	23,476	25,281	7.69%	88.01%	99.33%	1.32%
Salisbury State University	28,100	31,017	10.38%	89.54%	94.65%	5.11%
UM University College	13,512	19,319	42.97%	63.91%	91.37%	27.46%
UM Baltimore County	66,474	80,499	21.10%	80.70%	86.63%	5.93%
UM Center for Env. Science	12,777	14,101	10.36%	88.70%	91.81%	3.11%
UM Biotechnology Inst.	16,244	17,135	5.48%	96.42%	100.78%	4.36%
Total	\$786,335	\$897,263	14.11%	86.76%	93.32%	6.56%
OFG	\$906,335	\$961,530	6.09%			

OFG - Operating Funding Guideline
GF - General Fund

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

Source: Maryland Higher Education Commission

USM - Fiscal 2002 Budget Overview

**History of Personnel Positions for USM
Fiscal 1996 through 2002**

	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01*</u>	<u>FY 02**</u>	Ann % Change FY 96- 02	Ann % Chg FY 00- 02
Permanent	15,288	16,415	17,032	17,427	17,872	18,478	18,958	3.67%	2.85%
Contractual	4,791	4,740	4,792	4,958	5,133	5,004	5,271	1.64%	2.12%
Total	20,079	21,155	21,824	22,385	23,005	23,482	24,229	3.22%	2.75%

*Represents fiscal 2001 working appropriation.

**Represents fiscal 2002 allowance.

Source: Maryland Budget Books fiscal 1998 through 2002