

RB.21
University of Maryland, Baltimore
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	FY 00	FY 01	FY 02		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$127,344	\$139,484	\$161,690	\$22,207	15.9%
Other Unrestricted Funds	146,956	168,128	171,271	3,143	1.9%
Total Unrestricted Funds	274,300	307,611	332,961	25,350	8.2%
Restricted Funds	<u>161,190</u>	<u>173,761</u>	<u>186,900</u>	<u>13,139</u>	<u>7.6%</u>
Total Funds	\$435,490	\$481,373	\$519,861	\$38,489	8.0%

- A fiscal 2001 deficiency of \$400,000 is requested for the university to purchase two Wellmobiles.
- General funds are the largest component of the university's budget and represent 58% of the total increase. General funds represent 89.4% of the funding guideline for fiscal 2002.
- Another large component of the university's overall budget increase is due to an expectation of increased federal (10%) and State grant (5%) activity.

Personnel Data

	FY 00	FY 01	FY 02	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	3,488.09	3,528.09	3,528.09	0.00
Contractual FTEs	<u>447.00</u>	<u>470.31</u>	<u>470.31</u>	<u>0.00</u>
Total Personnel	3,935.09	3,998.40	3,998.40	0.00

Vacancy Data: Regular

Budgeted Turnover: FY 02	190.87	5.41%
Positions Vacant as of 12/31/00	138.25	3.92%

- Personnel costs increase \$16.9 million and constitute 44% of the net increase. Included in the increase are general salary, merit and recruitment, and retention efforts.

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

For further information contact: Terri Bacote-Charles

Phone: (410) 946-5530

Analysis in Brief

Recommended Actions

	<u>Funds</u>
1. Reduce sales and services of educational activities revenues to reflect overstated attainment of funds.	\$ 3,900,000
Total Reductions	\$ 3,900,000

Updates

Joint Chairmen's Study Results in Bill to Establish the Davidge Scholars Program: The university's response to a Joint Chairmen's request to study scholarships for graduate and professional students in the areas of health, social work, and law results in the introduction of HB 267 which would establish the Davidge Scholars Program.

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Operating Budget Analysis

Program Description

The University of Maryland, Baltimore (UMB) is located in downtown Baltimore, and houses the professional schools of dentistry, law, medicine, nursing, pharmacy, social work, and allied health. Along with its three major partners -- the University of Maryland Medical Systems (UMMS), the Veterans Administration Medical Center, and the Medical Biotechnology Center -- the university is one of the fastest growing biomedical research centers in the nation.

Academic program emphasis includes baccalaureate, master's, doctoral, and first professional degree program within its major programs of health professions, applied health, biomedical science and technology, social work, and law. Most of the university's programs are designed for full-time students. However, the Schools of Law, Nursing, and Social Work and the Graduate School have a significant number of part-time students. The School of Nursing offers programs that enable nurses in educationally underserved areas to earn both undergraduate and graduate degrees at numerous outreach sites throughout the State.

The campus is a source of basic health information, screening, and legal and social services for the citizens of Maryland, such as the following: including visits to the legal and dental clinics and community outreach services; calls to the Maryland Poison Control Center; and outpatient and inpatient visits to the various health care practices, such as UMMS and the Veterans Administration Medical Center. The university is also involved in public-private partnerships with emerging biotechnology companies. UMB actively encourages its faculty, staff, and students to volunteer their services in the community surrounding the urban campus.

Proposed Deficiency

The fiscal 2002 allowance includes a fiscal 2001 deficiency appropriation of \$400,000 for the purchase of two Wellmobiles (a replacement and an additional vehicle). The Wellmobiles are used by the School of Nursing. The Wellmobiles travel to schools in the State to provide well child care, sick care, and health education to students who might otherwise not see a health provider.

Governor's Proposed Budget

Changes between the fiscal 2001 working appropriation and the fiscal 2002 allowance are highlighted in **Exhibit 1**. The fiscal 2002 allowance for UMB is \$519.9 million, an increase of \$38.5 million, or 8%, above the fiscal 2001 working appropriation. Current unrestricted funds make up 64% of the total budget and increase by 8.2%. The general fund appropriation is \$161.7 million, an increase of 15.9% and represents a large component of the university's budget. The general fund increase will support ongoing

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campus operating obligations such as debt service on academic revenue bonds, and in part the personnel expenses including the cost-of-living increases (fiscal 2001 annualization and fiscal 2002), a 2.5% merit increase, and fringe benefits adjustments. Additionally, general funds will be used for the following institutional priorities: operating funds to support the Wellmobile program, equipment for the new buildings (Law/Social Work, Howard Hall and Health Science Facility II), recruitment and retention efforts, establishment of a new Bioethics program, and information technology projects.

Exhibit 1

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

How Much It Grows:	General Funds	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
2001 Working Appropriation	\$139,484	\$168,128	\$307,611	\$173,761	\$481,373
2002 Governor's Allowance	<u>161,690</u>	<u>171,271</u>	<u>332,961</u>	<u>186,900</u>	<u>519,861</u>
Amount Change	\$22,207	\$3,143	\$25,350	\$13,139	\$38,489
Percent Change	15.9%	1.9%	8.2%	7.6%	8.0%

Where It Goes:

Personnel Expenses

Fiscal 2001 general salary increase phase-in	\$3,214
Fiscal 2002 general salary increase	2,915
Faculty and staff merit increase (52% general funds and 48% other)	6,246
Faculty and staff recruitment and retention	5,404
Employee and retiree health insurance rate change	3,656
Retirement contribution rate change	(976)
Workers' compensation premium assessment	255
Turnover adjustments	(2,832)
Other fringe benefit adjustments	(970)

Institutional Priorities

Increase in federally sponsored projects	8,239
Information technology projects	5,622
New equipment for new buildings	2,003
Increase expected in private gifts and endowment income	2,866
Increase in State contract with Department of Health & Mental Hygiene (DHMH)	1,306
Increase in UMMS contract	728

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Where It Goes:

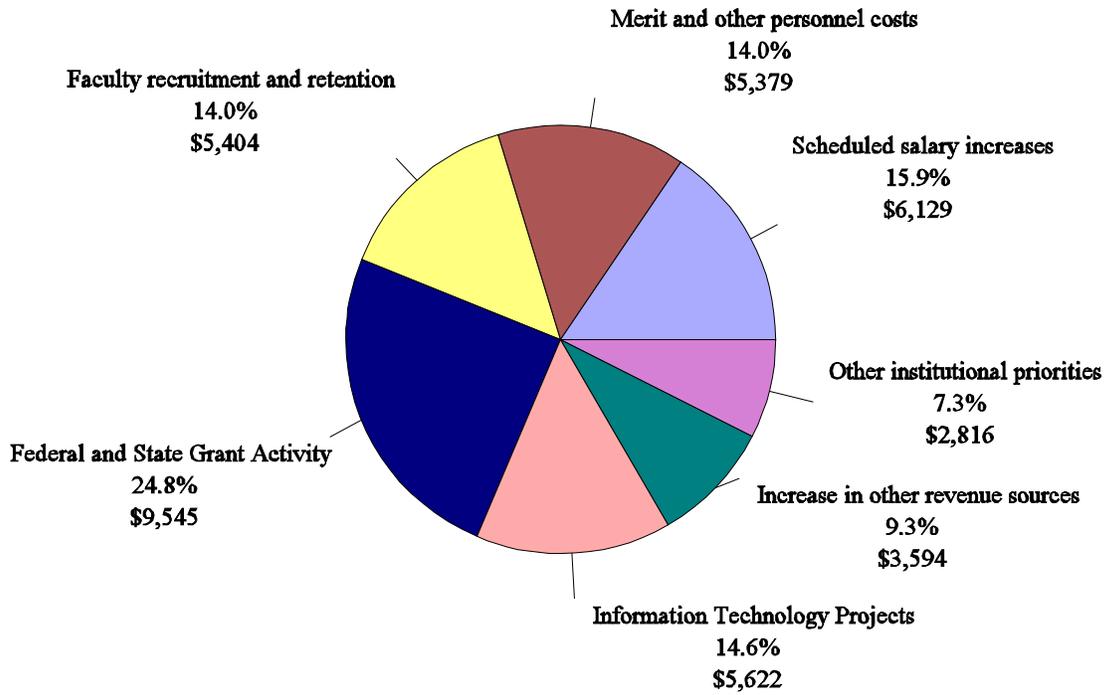
New facilities support (Law/Social Work Building)	627
Debt service on academic revenue bonds	248
Operating funds for the Wellmobile program	200
Bioethics Initiative	200
Other operating adjustments	(462)
Total	\$38,489

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

Tuition and fee revenues are estimated to increase by 3%. Sales of educational service and materials (university's revolving funds and UMMS contract) increase \$4.1 million and represent about \$110.5 million of the total budget. Current restricted funds also show an increase of \$13.1 million, or 7.6%. This increase is primarily a result of revenues derived from research projects. Federal grants and contracts are the third largest component (47% of total restricted) of the university's budget and have been estimated to increase by 10%, or by \$8.2 million, due to additional grant and contract activity. Similarly, the university anticipates an increase in State grants, in particular with DHMH. The allowance provides for an increase in funds from the UMMS contract, private gifts, and endowment income. **Exhibit 2** provides the distribution of new funds by major categories, and **Exhibit 3** provides the fiscal 2002 allowance by revenue source.

Exhibit 2

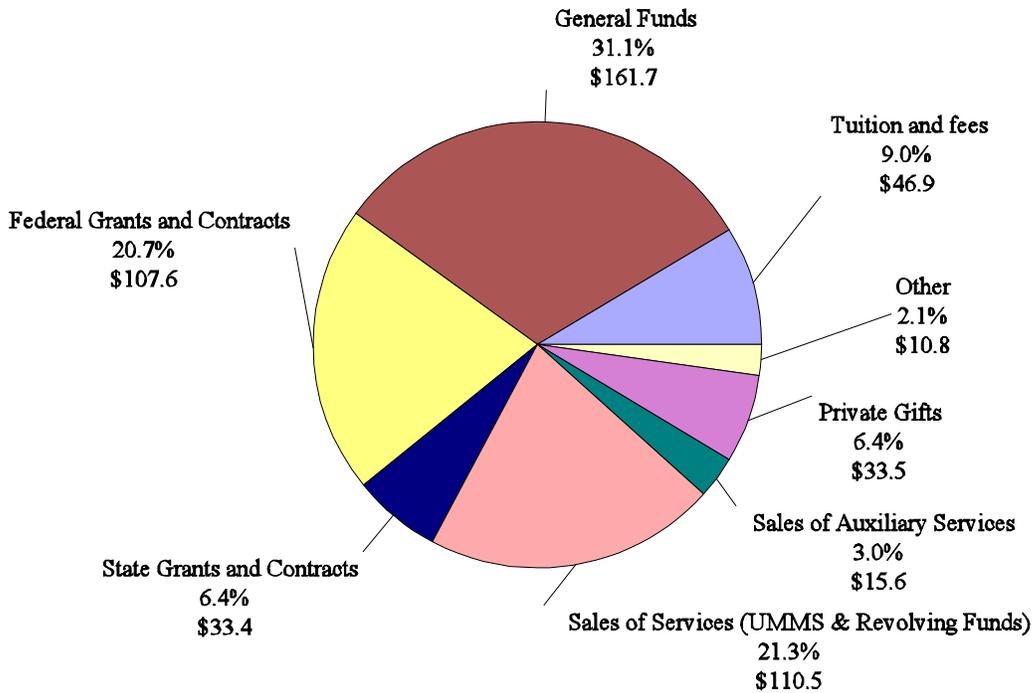
Distribution of New Funds in Fiscal 2002
University of Maryland, Baltimore
(\$ in Thousands)



Note: Numbers may not sum to total due to rounding.
Source: University of Maryland, Baltimore.

Exhibit 3

**Fiscal 2002 Allowance
University of Maryland, Baltimore
(\$ in Millions)**



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

Source: Maryland Budget Books

Personnel

Personnel costs increase \$ 16.9 million, or 5.1%, and constitute 44% of the net increase. The fiscal 2002 general salary increase and the annualization of the fiscal 2001 general salary increase add \$6.1 million in the budget, or 16% of the total budgetary increase. The planned 2.5% merit increase for faculty and staff accounts for \$6.2 million and another \$5.4 million is allocated for the recruitment and retention efforts. These costs are somewhat offset by adjustments such as turnover and other fringe benefits.

Bioethics Initiative

The allowance contains \$200,000 in general funds to establish a multidisciplinary bioethics academic and research program. The program is to build on the strengths of existing programs such as the Law Schools' Health Care Program and the School of Medicine's research program. The focus will be to develop research (add to current body of scholarship) and curricular development (enhance the preparation of professionals) that speaks to the legal, ethical, and policy issues related to the development and clinical use of new and emerging technologies.

Information Technology

The information technology funding (\$5.6 million) is to provide: access to the USM Library Information Management System for the UMB Law Library and the Health Sciences and Human Services Library; a new Human Resource and Financial Management System; and the upgrading of the campuswide network (replace cabling to allow for high-speed access and purchase and implement an on-line campuswide security system). This will enable the campus to better support distance education.

Performance Analysis: Managing for Results

The university's goal and vision to be a leading research university which maintains its competitive edge and meets the critical needs of the State for professionals are well represented in its Managing for Results (MFR) performance indicators. In general, the measures selected will adequately express achievement; however, there are some instances where the university may want to consider raising its target performance. Those areas include scholarly productivity as measured by refereed publications per faculty member, and the number and dollar amount of grants and contracts. This will be especially important to modify over time as the university gains more research space which is expected to have a positive impact on scholarly productivity. By raising its targeted performance, the university will demonstrate its ability to remain competitive for federal research dollars.

Another performance area that should have a more aggressive target relates to the goal of the university to contribute to the State's economic development. The university should raise the target for number of licenses issued per year and the number of start-up companies. By setting a more aggressive target it serves to reinforce the goal of being on the leading edge. Additionally, there is an expectation that although the university reports aggregate performance, it will monitor the individual schools performance on key areas.

Exhibit 4 presents a sample of the performance indicators included in UMB's MFR submission. As the data show, the university intends to reverse the declining trend of enrollment in many of the shortage areas. This performance supports the goal to increase access in order to meet the professional needs of the State. In contrast, the data presented on the goal to be recognized for research and to contribute to the State's economic health do not yield as positive a result. For the four indicators shown (number of refereed publications, technology licenses, start-up companies, and total awards), the university is reporting a decline in the anticipated annual increase. This in part may be due to the maximization of

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current research space. **The university should comment on the expected decline in the increase for each indicator, especially in light of the growing availability of federal research dollars.**

Exhibit 4

**Program Measurement Data
University of Maryland, Baltimore
Fiscal 1999 through 2002**

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Ann. Chg. FY 99-00</u>	<u>Ann. Chg. FY 01-02</u>
Enrollment (shortage areas):						
Nursing	632	604	633	648	4.4%	2.4%
Pharmacy	389	367	383	393	-5.7%	2.6%
Graduation Rates:						
Dental	92	95	95	95	3.3%	0%
Law	92	92	92	94	0%	2.2%
Medicine	95	97	97	97	2.1%	0%
Nursing	92	90	92	92	-2.2%	0%
Employer Satisfaction with Graduates*	n/a	1.65	1.60	1.55	n/a	-3.1%
Graduates' Satisfaction with Education (Nursing)	91%	95%	93%	95%	4.4%	2.2%
Grants/Contract Awards (\$ in Millions)	\$165	\$204	\$224	\$247	23.4%	10.0%
Number of Refereed Publication/FT Faculty	2.3	2.5	2.7	2.9	8.7%	7.4%
Number of Technology Licenses	7	8	8	9	14.3%	12.5%
Number of Start-up Companies	4	6	6	7	50.0%	16.7%
Number of Registrants in Off-campus Courses	573	635	670	700	10.8%	4.5%

Note: *Scale 1-5 with 1 as best
Source: Maryland Budget Books

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce sales and services of educational activities revenues by \$3.9 million due to an overly optimistic budget estimates. The allowance contains \$77 million, an increase of nearly \$3.4 million in revolving fund activity. Fiscal years 1999 and 2000 actuals show a two-year average of \$68.5 million in sales revenues. Moreover, the first five months of actual revenues for fiscal 2001 have resulted in a projection of \$3.1 million in under-attainment (estimated \$70.6 million). The remaining allowance provides for \$73 million which is nearly 4% over the current fiscal 2001 projection and 7% over fiscal 2000 actuals. If actual sales and services of educational activities revenues exceed the estimate appropriated through this act, these funds may be restored through budget amendment.	\$ 3,900,000	UF
Total Unrestricted Fund Reductions	\$ 3,900,000	

Updates

1. Joint Chairmen's Study Results in Bill to Establish the Davidge Scholars Program

Legislation has been introduced to establish the Davidge Scholars Program (HB 267). The program will provide scholarships to UMB professional and graduate students committed to public service careers. The scholarship program, if enacted, would be administered by MHEC's Scholarship Administration. The program's aim is to attract and retain professional and graduate students who will be the future faculty and researchers. Additionally, it is to provide some economic relief to the student's heavy debt burden, thereby reducing the disincentive to pursue advanced studies.

The rationale for the creation of a Davidge Scholars Program is based on the university's response to a Joint Chairmen's request to study scholarships for graduate and professional students in the areas of health, social work, and law at UMB. The committees, in requesting the study, recognized the high level of debt incurred by these students and the need to address growing shortages in health and human service areas.

The findings of the study indicate that students pursuing advanced degrees incur a heavy debt load from federal loans to cover the high costs of the programs. The average is as follows: for nursing and social work \$35,000 to \$38,000; law and pharmacy \$48,000 to \$56,000; and dentistry and medicine \$84,000 to \$87,000. Due to the intensity and length of advanced educational programs, a student is usually prevented from working even part-time. This further contributes to the indebtedness. Hence, the high debt level becomes a disincentive to pursue advanced degrees and may hinder low-income and minority students from entering these professions. Moreover, the lower salaries awaiting the graduate in public service jobs, combined with working with underserved or underrepresented population, makes it difficult to attract and retain professional and graduate students.

Currently, the bulk of State scholarships are for undergraduate students. Less than 2% of State scholarship are provided to UMB graduate and professional students. Federal grants (less than 1%) are also not a big financial source of help for these students. Thus, the Davidge Scholarship Program is structured to provide aid to attract talented students to pursue advanced studies and remove a portion of the heavy debt load which is often a substantial obstacle. The university contributes nearly \$6 million in institutional and private support to provide scholarships to students seeking advanced degrees. However, this has not been able to keep pace with demand. As a result, students are choosing to go elsewhere because of attractive financial aid packages.

Current and Prior Year Budgets

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

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Unrestricted</u> <u>Fund</u>	<u>Total</u> <u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u>
Fiscal 2000					
Legislative Appropriation	\$127,004	\$162,279	\$289,283	\$158,090	\$447,373
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	340	3,434	3,774	9,950	13,724
Reversions and Cancellations	0	(18,757)	(18,757)	(6,851)	(25,607)
Actual Expenditures	\$127,344	\$146,956	\$274,300	\$161,189	\$435,490
Fiscal 2001					
Legislative Appropriation	\$139,484	\$163,665	\$303,148	\$166,442	\$469,590
Budget Amendments	0	4,463	4,463	7,319	11,782
Working Appropriation	\$139,484	\$168,128	\$307,611	\$173,761	\$481,372

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

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The fiscal 2000 actual expenditure was \$435.5 million, approximately \$11.9 million less than the legislative appropriation. The cancellation of \$18.8 million represents the university overestimating unrestricted fund revenue. Specifically, tuition and fees fell short due to a lower percentage of non-resident students, and the anticipated increase in revolving fund activity did not materialize. Also contributing to the cancellation are auxiliary expenditure curtailments to support building a new garage. The unrestricted cancellation was partially offset by higher-than-expected expenditures of restricted funds. Budget amendments totaling \$9.95 million were made available from the physician service contract, private gifts, and grant funds such as Walter P. Carter, Andrew Goldberg, and Eugene Albright.

In fiscal 2001 budget amendments totaling nearly \$11.8 have been approved. The funds represent revolving funds, funds carried forward from fiscal 2000, private gifts, and physician services.

Object/Fund Difference Report
University of Maryland, Baltimore

Object/Fund	FY01		FY02 Allowance	FY01 - FY02 Amount Change	Percent Change
	FY00 Actual	Working Appropriation			
Positions					
01 Regular	3488.09	3528.09	3528.09	0	0%
02 Contractual	447.00	470.31	470.31	0	0%
Total Positions	3935.09	3998.40	3998.40	0	0%
Objects					
01 Salaries and Wages	\$ 300,770,785	\$ 334,114,589	\$ 351,026,856	\$ 16,912,267	5.1%
02 Technical & Spec Fees	1,386,973	1,363,420	1,503,420	140,000	10.3%
03 Communication	3,438,049	3,355,716	3,459,599	103,883	3.1%
04 Travel	3,534,469	3,376,480	3,381,980	5,500	0.2%
06 Fuel & Utilities	10,362,675	10,375,203	11,007,646	632,443	6.1%
07 Motor Vehicles	913,425	1,094,929	1,109,490	14,561	1.3%
08 Contractual Services	58,512,044	69,382,778	81,428,109	12,045,331	17.4%
09 Supplies & Materials	25,570,701	25,987,671	28,785,556	2,797,885	10.8%
10 Equip - Replacement	257,482	681,240	687,240	6,000	0.9%
11 Equip - Additional	4,115,038	4,723,729	8,862,799	4,139,070	87.6%
12 Grants, Subsidies, Contracts	13,354,203	13,118,486	14,680,630	1,562,144	11.9%
13 Fixed Charges	11,993,526	12,517,956	12,647,687	129,731	1.0%
14 Land & Structures	1,280,315	1,280,315	1,280,315	0	0%
Total Objects	\$ 435,489,685	\$ 481,372,512	\$ 519,861,327	\$ 38,488,815	8.0%
Funds					
40 Unrestricted Fund	\$ 274,300,071	\$ 307,611,334	\$ 332,961,327	\$ 25,349,993	8.2%
43 Restricted Fund	161,189,614	173,761,178	186,900,000	13,138,822	7.6%
Total Funds	\$ 435,489,685	\$ 481,372,512	\$ 519,861,327	\$ 38,488,815	8.0%

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary
University of Maryland, Baltimore

<u>Unit/Program</u>	FY01		FY01		FY00 - FY01 <u>% Change</u>	FY02 <u>Allowance</u>	FY01 - FY02 <u>% Change</u>
	<u>FY00 Actual</u>	<u>FY01 Legislative Appropriation</u>	<u>Working Appropriation</u>	<u>FY00 - FY01 % Change</u>			
01 Instruction	\$ 146,291,064	\$ 158,667,282	\$ 163,292,590	11.6%	\$ 172,304,529	5.5%	
02 Research	110,512,032	117,828,698	116,709,912	5.6%	129,233,009	10.7%	
03 Public Service	24,205,204	22,129,505	26,398,000	9.1%	27,971,842	6.0%	
04 Academic Support	28,575,155	29,993,572	31,105,502	8.9%	33,270,552	7.0%	
05 Student Services	2,570,662	2,670,262	2,653,296	3.2%	2,832,975	6.8%	
06 Institutional Support	29,779,897	34,856,109	37,686,606	26.6%	44,463,464	18.0%	
07 Operation and Maintenance of Plant	36,622,528	39,152,522	38,648,140	5.5%	42,966,973	11.2%	
08 Auxiliary Enterprises	13,166,338	15,781,513	16,025,229	21.7%	16,451,490	2.7%	
17 Scholarships and Fellowships	10,652,129	10,116,921	10,468,421	(1.7%)	12,027,565	14.9%	
18 Hospitals	33,114,676	38,393,708	38,384,816	15.9%	38,338,928	(0.1%)	
Total Expenditures	\$ 435,489,685	\$ 469,590,092	\$ 481,372,512	10.5%	\$ 519,861,327	8.0%	
Unrestricted Fund	\$ 274,300,071	\$ 303,148,268	\$ 307,611,334	12.1%	\$ 332,961,327	8.2%	
Restricted Fund	161,189,614	166,441,824	173,761,178	7.8%	186,900,000	7.6%	
Total Appropriations	\$ 435,489,685	\$ 469,590,092	\$ 481,372,512	10.5%	\$ 519,861,327	8.0%	