

RB.30
University of Maryland University College
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	\$9,363	\$13,512	\$19,319	\$5,806	43.0%
Other Unrestricted Funds	122,178	143,363	153,616	10,253	7.2%
Total Unrestricted Funds	131,541	156,875	172,935	16,059	10.2%
Restricted Funds	<u>8,736</u>	<u>12,500</u>	<u>12,500</u>	<u>0</u>	<u>0.0%</u>
Total Funds	\$140,277	\$169,375	\$185,435	\$16,059	9.5%

- The largest portion of the University of Maryland University College's (UMUC) increase (36.4%) is devoted to information technology-related enhancements.
- The general fund portion of the fiscal 2002 allowance includes a \$3 million scheduled increase agreed to by UMUC and the General Assembly.
- The general fund portion of the allowance puts UMUC at 91% of its fiscal 2002 funding guideline.

Personnel Data

	FY 00	FY 01	FY 02	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	537.90	685.85	685.85	0.00
Contractual FTEs	<u>572.15</u>	<u>628.52</u>	<u>709.16</u>	<u>80.64</u>
Total Personnel	1,110.05	1,314.37	1,395.01	80.64

Vacancy Data: Regular

Budgeted Turnover: FY 02	50.41	7.35%
Positions Vacant as of 12/31/00	10.00	1.50%

- UMUC is requesting approximately 80 contractual positions, including 26 faculty, to accommodate increased enrollment.

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

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Analysis in Brief

Issues

UMUC Company Still in Development: UMUC is reviewing proposals from venture capital firms interested in investing in its for-profit company. **The Department of Legislative Services (DLS) recommends that the President brief the committees on the current status of UMUC's company.**

UMUC to Launch Two Teacher Education Programs: UMUC is launching two new master degree programs in teacher education this summer. The school's mission to provide educational opportunities to non-traditional, working adult students should play a significant role in confronting the anticipated teacher shortage in the State. **DLS recommends that the President discuss how its new teacher education programs will aid the State in confronting the anticipated teacher shortage.**

Recommended Actions

1. Concur with Governor's allowance.

Updates

UMUC Not Awarded Army Distance Learning Contract: UMUC was one of six finalists for the lucrative contract which would have made the institution responsible for the administration of on-line courses to soldiers around the world.

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Operating Budget Analysis

Program Description

University of Maryland University College (UMUC) provides educational programs and services responsive to the career and personal goals of adults, most of whom have job or family commitments and wish to study part-time. UMUC specializes in providing access to public higher education for Maryland's adult learners through traditional and innovative instruction and delivery of bachelor's and master's degree programs, non-credit professional development programs, and conference services.

In addition, UMUC provides for statewide brokering of University System of Maryland (USM) programs for part-time adult students at off-campus sites on an as-needed basis. UMUC conducts courses at more than 20 locations throughout the State and in the Washington metropolitan area and offers special programs in other states. On-line education programs have been offered since 1995 and are the focus of UMUC's public corporation. Overseas, UMUC offers degree programs for U.S. service members and their families, U.S. citizens, and international students. Associate degree programs are offered on military bases, primarily overseas. The overseas or worldwide program accounts for approximately 28% of the fiscal 2002 allowance.

Academic program emphasis includes bachelor of arts and bachelor of science degree programs with over 30 areas of specialization. However, the most extensive offerings are in business and management and computer studies. Master's degrees are offered in management and technology areas that, like the bachelor's degree concentrations, represent fields in which there is a present or anticipated demand for trained professionals. UMUC also offers a non-credit professional development program that emphasizes management and executive development. The college has a major role in renewing and upgrading the experienced workforce.

Governor's Proposed Budget

The fiscal 2002 allowance for UMUC is \$185.4 million, an increase of \$16 million (9.5%) over the fiscal 2001 working appropriation. Current unrestricted funds account for the entire change in the allowance. The general fund portion of the allowance is \$19.3 million, an increase of \$5.8 million (43%) over fiscal 2001. The general fund portion of the allowance puts UMUC at 91% of its fiscal 2002 funding guideline. Tuition revenues are scheduled to increase by 10.4% in fiscal 2002. Tuition costs will increase from \$191 to \$197 per credit hour for Maryland residents and from \$350 to \$364 per credit hour for non-residents. **Exhibit 1** illustrates the major changes in UMUC's fiscal 2002 budget. **Exhibit 2** shows the allocation of those increases.

Exhibit 1

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

How Much It Grows:	General Funds	Other Unrestricted Funds	Total Unrestricted Funds	Restricted Funds	Total
2001 Working Appropriation	\$13,512	\$143,363	\$156,875	\$12,500	\$169,375
2002 Governor's Allowance	19,319	153,616	172,935	12,500	185,435
Amount Change	\$5,807	\$10,253	\$16,059	\$0	\$16,059
Percent Change	43.0%	7.2%	10.2%		9.5%

Where It Goes:

Personnel Expenses

Increments, fiscal 2001 increase phase-in and other, includes 26.5 contractual faculty and 54.1 other contractual positions	\$5,112
Turnover adjustments	518
Other personnel adjustments	(80)
Fiscal 2002 general salary increase	796
Employee and retiree health insurance rate change	142
Workers' compensation premium assessment	31
Retirement contribution rate change	(58)

Programmatic Changes

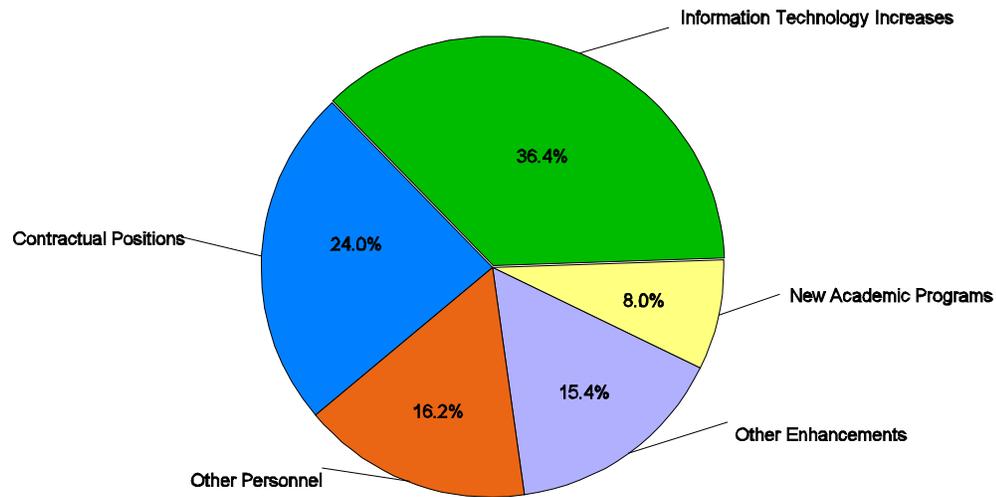
Continued implementation of information systems project and other related information technology enhancements	5,840
Enrollment-related enhancements including new student data bases, 24/7 library services, and brand advertising	1,560
New academic programs, including teacher education master degree programs	1,290
Miscellaneous changes, including research and general marketing initiatives	908

Total **16,059**

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

Exhibit 2

University of Maryland University College Distribution of Increase in Fiscal 2002 Allowance



Source: University of Maryland University College

Personnel Expenses

There are no new positions requested in the allowance, but there is a request for an additional 80.64 full-time equivalent (FTE) contractual positions, 26.5 of which will be teaching faculty and 54.1 various administrative and clerical positions. Contractual salaries increase the budget by \$3.8 million. UMUC includes a 2.5% merit increase for all employees consistent with salary adjustments for other institutions in the USM.

Programmatic Changes

The significant programmatic increases in the fiscal 2002 allowance include funding to: 1) increase the number of contractual faculty and administrative staff to accommodate for the expansion in enrollment; 2) acquire and implement an integrated software system; and 3) launch new academic programs, including two teacher education programs.

RB.30 - USM - University of Maryland University College

UMUC is projected to make up more than half of the enrollment increase for all four year institutions in the state with 777 additional FTE stateside students and 280 additional FTE stateside on-line students. UMUC plans to continue to increase new faculty at a faster rate than the incoming students which will lower the ratio from 23 students per faculty (fiscal 2000) to 22 students, a slight drop of 1.8% over the two-year period. By lowering the ratio, UMUC provides sufficient staff to meet the enrollment growth anticipated with on-line courses.

Another significant programmatic change is the continued acquisition and implementation of UMUC's PeopleSoft information system. This is a five-year phase-in project consisting of UMUC replacing its student information, human resources, payroll, and financial systems at a cost of \$37.7 million. UMUC has completed the human resources component and is currently working on the second phase, student information systems. Approximately \$1.5 million of the student information systems component was cancelled in fiscal 2000 and carried forward due to the component coming in under budget. The fiscal 2001 budget includes an additional \$3.2 million to fund this second phase. UMUC plans to use part of the fiscal 2002 allowance to implement the financial information system component. Other information technology (IT) related programmatic changes include funding for the improvement of the on-line delivery platform to upgrade the institution's on-line services, on-line training for worldwide students, a new academic computing lab in UMUC's Student/Faculty Services Center, and labs open 24 hours a day/7 days a week.

UMUC plans to launch two new master degree level teacher education programs in summer 2001. UMUC is implementing the two teaching programs in response to the anticipated teacher shortage projected in the near future. The two programs consist of a Master of Arts in Secondary Teaching and a Master of Education. UMUC's teacher education initiative will be discussed further in the issue section of this analysis.

Performance Analysis: Managing for Results

Exhibit 4 shows some of UMUC's enrollment data and its Managing for Results (MFR) performance indicators. FTE stateside, non-on-line students have increased by 10% in fiscal 2001 over fiscal 2000. A similar increase is projected for fiscal 2002. The enrollment data included in the Governor's Operating Budget book are based on fall enrollments. This methodology, which more accurately captures FTEs and headcount enrollment at traditional four-year institutions, may not capture UMUC's enrollment as well because of UMUC's rolling enrollment schedule and non-traditional student population.

Exhibit 4

**Program Measurement Data
University of Maryland University College
Fiscal Years**

	<u>Actual 1998</u>	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Ann. Chg. 98-00</u>	<u>Ann. Chg. 00-02</u>
Full-Time Equivalent Students (Worldwide)	18,486	19,004	19,632	20,546	21,603	3.1%	4.9%
Stateside Data							
Full-Time Equivalent Students	7,213*	6,288	7,070	7,777	8,554	-1.0%	10.0%
Full-Time Equivalent Students (on-line)	n/a	1,475	1,569	1,776	2,056	n/a	14.5%
Total Headcount	13,786	14,142	15,673	17,403	19,329	6.6%	11.1%
% Resident	83	80	79	77	75	-2.4%	-2.6%
% Full-Time	11	11	11	11	11	0.0%	0.0%
% Financial Aid	20	20	20	20	21	0.0%	2.5%
% Minority	38	39	42	43	44	5.1%	2.4%
Full-Time Equivalent Faculty	n/a	265	313	377	393	n/a	12.1%
Student/Faculty Ratio	23	24	23	21	22	-1.3%	-1.8%
MFR Indicators							
Number of MD-based on-line enrollments	n/a	14,615	31,000	45,000	60,000	n/a	39.1%
Number of African American students taking MD-based on-line courses	n/a	2,011	3,723	4,723	5,723	n/a	24.0%
Number of MD-based on-line course offerings	n/a	161	247	300	350	n/a	19.0%
Percentage of recent graduates employed in degree-related positions	n/a	82%	83%	84%	85%	n/a	1.2%

RB.30 - USM - University of Maryland University College

	<u>Actual 1998</u>	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Ann. Chg. 98-00</u>	<u>Ann. Chg. 00-02</u>
Percentage of African American graduates employed in degree-related positions	n/a	n/a	79%	80%	81%	n/a	1.3%
Percentage of IT graduates employed in degree-related positions within one year of graduation	n/a	n/a	93%	94%	95%	n/a	1.1%
Percentage of recent graduates reporting satisfaction with job preparation	95%	97%	96%	96%	96%	0.5%	0.0%

* Includes stateside on-line students.

Source: Fiscal 2002 Governor's Operating Budget book

UMUC's MFR submission includes the following four goals: 1) provide the workforce with UMUC degree program graduates; 2) provide satisfactory job preparation for the workforce; 3) broaden access to educational opportunities through on-line education; and 4) increase UMUC's commitment to public service. The institution's MFR indicators show increases for fiscal 2002 in several state-specific categories including number of on-line enrollments (15,000 additional), number of African American students taking on-line classes (1,000 additional), and the number of on-line course offerings (50 additional). These increases in fiscal 2002 would allow UMUC to meet the target numbers under its on-line education access objectives. UMUC also anticipates meeting its fiscal 2002 target percentages in the categories such as recent graduates employed in degree-related positions, African American graduates employed in degree-related positions, and IT graduates employed in degree-related positions.

Issues

1. UMUC Company Still in Development

UMUC has developed a for-profit corporation which will capitalize on an area in which the college is an international leader: on-line education. The company is intended to provide educational services to on-line students living outside of Maryland. The company will screen students through a call center that will determine residency status through identification of the zip code. Prospective out-of-state on-line students would be served by the company. All other Maryland residents and any inquiries from outside of Maryland for classroom-based educational programs will be transferred to the UMUC information or admissions offices to be served. UMUC intends to shift traditional costs, such as marketing and enrollment services, for worldwide students from the school to the company. The company's student services component will be more focused on recruitment and retention than UMUC or other institutions because they are the bases of the company's profits. By focusing on strictly out-of-state on-line students, the company will have the ability to price out-of-state tuition according to market conditions. UMUC provided the company with \$1 million in start-up operating funding in fiscal 2000.

UMUC is currently reviewing proposals from two venture capital firms. The impact of a venture capital investment includes a reduction in the level of ownership in the company by the institution. The two goals of the institution are to use company profits to keep in-state tuition down and to use UMUC's equity ownership of the company as an endowment.

The President should brief the budget committees on the current status of the corporation, including updates on capital investment opportunities and updated enrollment assumptions.

2. UMUC to Launch Two Teacher Education Programs

The projected teacher shortage in the State of Maryland continues to be a great concern to many stakeholders within K-12, higher education, and the General Assembly. The main concerns involve what the State is doing to prepare for this anticipated crisis and how such efforts will be measured to ensure that the goal of increasing the number of certified teachers in shortage areas around the State is attained. In response, UMUC intends to launch two new master degree programs for K-12 teachers. Both programs are available on-line.

The first program, Master of Arts in Secondary Teaching (MAT), is designed to prepare individuals for careers in secondary teaching. Students may be certified in biology, chemistry, computer science, earth/space science, mathematics, physical science, and physics. MAT candidates are required to complete a face-to-face internship in a secondary school. The second program, Master of Education (MED) with a specialization in Instructional Technology, targets teachers and technology educators. The program attempts to fulfill the following three goals: 1) instructional application (incorporating technology into course curricula); 2) technological application (using technology to make the teacher more effective in daily work); and 3) leadership and management application (utilizing technology to improve management systems at the school and district level).

RB.30 - USM - University of Maryland University College

The President should discuss with the committees how the university's initiatives will be effective in confronting the anticipated teacher shortage. The President should provide information on the number of candidates expected to enroll in the two teacher education programs this summer.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. UMUC Not Awarded Army Distance Learning Contract

In December 2000, UMUC was not awarded the U.S. Army University Access On-line (eArmy) program contract. UMUC was one of six corporate higher education partnership finalists competing for the contract. UMUC's team included IBM, which served as coordinating contractor; the University of Oklahoma; and other higher education institutions and private companies. PricewaterhouseCoopers was granted the contract with a bid of \$453 million. If awarded the contract, UMUC would have been responsible for providing associate's, bachelor's, and master's level courses to soldiers around the world. The college already delivers on-line education services to students, including military personnel, worldwide. The Army plans to spend \$700 million over the next five years for soldiers to obtain a degree or a certification on-line with 100 percent tuition assistance. UMUC still intends to play a smaller role in the eArmy program as a provider of on-line courses.

Current and Prior Year Budgets

**Current and Prior Year Budgets
University of Maryland University College
(\$ in Thousands)**

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2000					
Legislative Appropriation	\$10,590	\$109,347	\$119,937	\$7,717	\$127,654
Deficiency Appropriation	\$0	\$0	\$0	\$0	\$0
Budget Amendments	\$0	\$14,507	\$14,507	\$2,000	\$16,507
Reversions and Cancellations*	(\$1,227)	(\$1,677)	(\$2,904)	(\$981)	(\$3,885)
Actual Expenditures	\$9,363	\$122,177	\$131,540	\$8,736	\$140,276
Fiscal 2001					
Legislative Appropriation	\$14,739	\$126,624	\$141,363	\$7,717	\$149,080
Budget Amendments	(\$1,227)	\$16,739	\$15,512	\$4,783	\$20,295
Working Appropriation	\$13,512	\$143,363	\$156,875	\$12,500	\$169,375

* The Department of Budget and Management made a \$1.2 million adjustment in fiscal 2000 in an effort to report the institution's budget consistently over a three-year period.

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

Explanation of Fiscal 2000 Budget Amendments and Cancellations

In fiscal 2000, a budget amendment included a \$14.5 million increase in unrestricted funds of which the largest components included a \$5.3 million restoration of a legislative tuition reduction, \$3.8 million in fiscal 1999 carryforward funds (primarily from tuition and fees), \$2.3 million from additional tuition and fee revenue from distance education courses, \$1.3 million in non-credit contract activity, and \$1.2 million in conference center sales revenue. Another budget amendment included a \$2 million increase in restricted funds due to an increase in expenditures for financial aid.

UMUC cancelled approximately \$2.9 million in unrestricted funds, \$1.5 million of that amount was cancelled due to the student information component of the PeopleSoft information system coming in under budget.

Explanation of Fiscal 2001 Budget Amendments

The fiscal 2001 budget amendment includes a \$15.5 million increase in unrestricted funds which includes a transfer of \$1.2 million in general funds to the USM office for the Shady Grove Center. The overall increase is largely attributable to increases in tuition and fee revenue for distance education classes and overseas programs. The budget amendment also increases the restricted funds by \$4.7 million due to increases in overseas and stateside financial aid expenditures and private and local contracts and grants.

Object/Fund Difference Report
University of Maryland University College

Object/Fund	FY01		FY02 Allowance	FY01 - FY02 Amount Change	Percent Change
	FY00 Actual	Working Appropriation			
Positions					
01 Regular	537.90	685.85	685.85	0	0%
02 Contractual	572.15	628.52	709.16	80.64	12.8%
Total Positions	1110.05	1314.37	1395.01	80.64	6.1%
Objects					
01 Salaries and Wages	\$ 82,994,226	\$ 96,952,775	\$ 103,413,821	\$ 6,461,046	6.7%
02 Technical & Spec Fees	613,129	740,629	740,629	0	0%
03 Communication	3,939,158	5,022,436	5,022,436	0	0%
04 Travel	2,658,912	3,123,605	3,123,605	0	0%
06 Fuel & Utilities	1,025,875	1,140,743	1,150,770	10,027	0.9%
07 Motor Vehicles	335,710	233,482	224,050	(9,432)	(4.0%)
08 Contractual Services	25,853,542	35,052,492	41,604,767	6,552,275	18.7%
09 Supplies & Materials	7,259,089	8,181,560	8,554,360	372,800	4.6%
10 Equip - Replacement	648,608	756,601	1,509,109	752,508	99.5%
11 Equip - Additional	3,044,392	4,041,575	4,491,575	450,000	11.1%
12 Grants, Subsidies, Contr	6,520,902	8,840,231	9,090,231	250,000	2.8%
13 Fixed Charges	2,628,180	2,939,358	3,729,437	790,079	26.9%
14 Land & Structures	2,755,228	2,350,000	2,779,813	429,813	18.3%
Total Objects	\$ 140,276,951	\$ 169,375,487	\$ 185,434,603	\$ 16,059,116	9.5%
Funds					
40 Unrestricted Fund	\$ 131,540,566	\$ 156,875,487	\$ 172,934,603	\$ 16,059,116	10.2%
43 Restricted Fund	8,736,385	12,500,000	12,500,000	0	0%
Total Funds	\$ 140,276,951	\$ 169,375,487	\$ 185,434,603	\$ 16,059,116	9.5%

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

Fiscal Summary
University of Maryland University College

<u>Unit/Program</u>	FY00	FY01	FY01	FY00 - FY01	FY02	FY01
	<u>Actual</u>	<u>Legislative Appropriation</u>	<u>Working Appropriation</u>	<u>% Change</u>	<u>Allowance</u>	<u>%</u>
01 Instruction	\$ 51,568,717	\$ 57,161,421	\$ 61,620,493	19.5%	\$ 66,481,438	7.9%
02 Research	316,126	523,568	604,734	91.3%	731,842	21.0%
03 Public Service	8,000,618	8,231,643	7,796,683	(2.5%)	7,979,381	2.3%
04 Academic Support	19,571,106	17,264,250	24,567,771	25.5%	29,179,329	18.8%
05 Student Services	19,047,894	19,778,029	20,122,550	5.6%	20,675,613	2.7%
06 Institutional Support	21,718,166	27,161,706	30,696,051	41.3%	34,460,442	12.3%
07 Operation And Maintenance Of Plant	7,853,337	8,633,258	9,807,222	24.9%	11,766,575	20.0%
08 Auxiliary Enterprises	6,147,913	6,171,194	6,180,483	0.5%	6,180,483	0%
17 Scholarships And Fellowships	6,053,074	4,155,348	7,979,500	31.8%	7,979,500	0%
Total Expenditures	\$ 140,276,951	\$ 149,080,417	\$ 169,375,487	20.7%	\$ 185,434,603	9.5%
Unrestricted Fund	\$ 131,540,566	\$ 141,363,117	\$ 156,875,487	19.3%	\$ 172,934,603	10.2%
Restricted Fund	8,736,385	7,717,300	12,500,000	43.1%	12,500,000	0%
Total Appropriations	\$ 140,276,951	\$ 149,080,417	\$ 169,375,487	20.7%	\$ 185,434,603	9.5%

16