

R30B22
University of Maryland, College Park
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	FY 02	FY 03	FY 04	FY 03-04	FY 03-04
	<u>Actual</u>	<u>Approp</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$359,339	\$360,483	\$330,499	-\$29,984	-8.3%
FY 2003 Cost Containment	0	-29,984	0	29,984	-100.0%
Adjusted General Funds	\$359,339	\$330,499	\$330,499	\$0	0.0%
Other Unrestricted Funds	474,283	495,929	533,293	37,364	7.5%
Total Unrestricted Funds	833,622	826,429	863,793	37,364	4.5%
Restricted Funds	264,260	298,951	327,654	28,703	9.6%
Adjusted Grand Total	\$1,097,883	\$1,125,380	\$1,191,447	\$66,067	5.9%

- In fiscal 2003 the University of Maryland, College Park (UMCP) experienced reductions in general fund support of almost \$30 million, or 8.3%. The fiscal 2004 allowance provides no additional State support to UMCP.
- Other unrestricted funds increase 7.5% in fiscal 2004, primarily due to tuition and fees and auxiliary revenue.
- Restricted funds increase 9.6% in fiscal 2004. Two-thirds of the increase is from federal contracts and grants.

Personnel Data

	FY 02	FY 03	FY 04	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	7,598.03	7,582.75	7,630.75	48.00
Contractual FTEs	1,953.26	1,544.47	1,724.44	179.97
Total Personnel	9,551.29	9,127.22	9,355.19	227.97

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	280.81	3.68%
Positions Vacant as of 09/31/02	370.68	4.89%

- Fiscal 2003 figures do not include the elimination of 75 regular positions due to cost containment.
- The fiscal 2004 allowance adds 123 new regular positions, including 100 related to contract and grant activity and 23 auxiliary positions.

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

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Analysis in Brief

Major Trends

Achieving National Eminence: The institution has substantially increased its graduate level programs ranked in the nation's top 15 and top 25, achieving and surpassing previous estimates. Despite progress, the institution does not approach the number of programs ranked at its aspirational peers, which are used to determine the funding guideline for UMCP.

Struggling with Retention and Graduation Rates: The institution exceeded slightly its goal for 2002 second-year retention rates among all students but fell short among African American students. The institution has revised its projections downward for African American students and no longer expects to meet its goal of 92% retained in 2004. Disparity in the retention of the two groups has more than doubled since 2000. Disparity in the graduation rates of all students and African American students has also increased since 2000. UMCP's graduation rates for all students and for African American students do not compare well with rates at its peer institutions.

Recommended Actions

1. Concur with Governor's allowance.

R30B22
University of Maryland, College Park
University System of Maryland

Operating Budget Analysis

Program Description

The University of Maryland, College Park (UMCP) is the flagship institution of the University System of Maryland (USM), and it aspires to become one of the nation's preeminent public research universities with nationally and internationally recognized programs and faculty. As the largest public research university and the original land grant institution in Maryland, UMCP has the responsibility within the USM for serving as the State's primary center for graduate study and research and extending service to all regions of the State.

The university admits to its undergraduate programs highly qualified students from all parts of Maryland, other states, and around the world. It recruits graduate students both nationally and internationally. It aspires to provide its students with an enriched educational experience that takes full advantage of the special strengths of a diverse research university and promotes retention and graduation.

Through its research programs, UMCP advances knowledge for the benefit of the State, the nation, and the world. A primary source of support for sponsored research is the federal government, with the National Science Foundation (NSF); the National Aeronautics and Space Administration; and the U.S. Departments of Defense, Energy, and Health and Human Services providing the largest shares. In addition to federal support, the institution hopes to achieve a network of support among alumni and constituents that is the hallmark of an outstanding research institution.

Academic program emphases include baccalaureate, master's, and doctoral degrees in the liberal arts and sciences, social sciences, the arts, applied areas, and in selected professional fields. The university offers certificates in selected upper-level and graduate courses of study and provides university honors, scholars, and departmental honors programs. Priority academic programs include the core arts and sciences, biosciences, engineering, business, journalism, environmental sciences, public policy, and international affairs.

The institution also aims to promote economic development in Maryland and to prepare graduates to be productive members of the labor force, especially in areas of critical need.

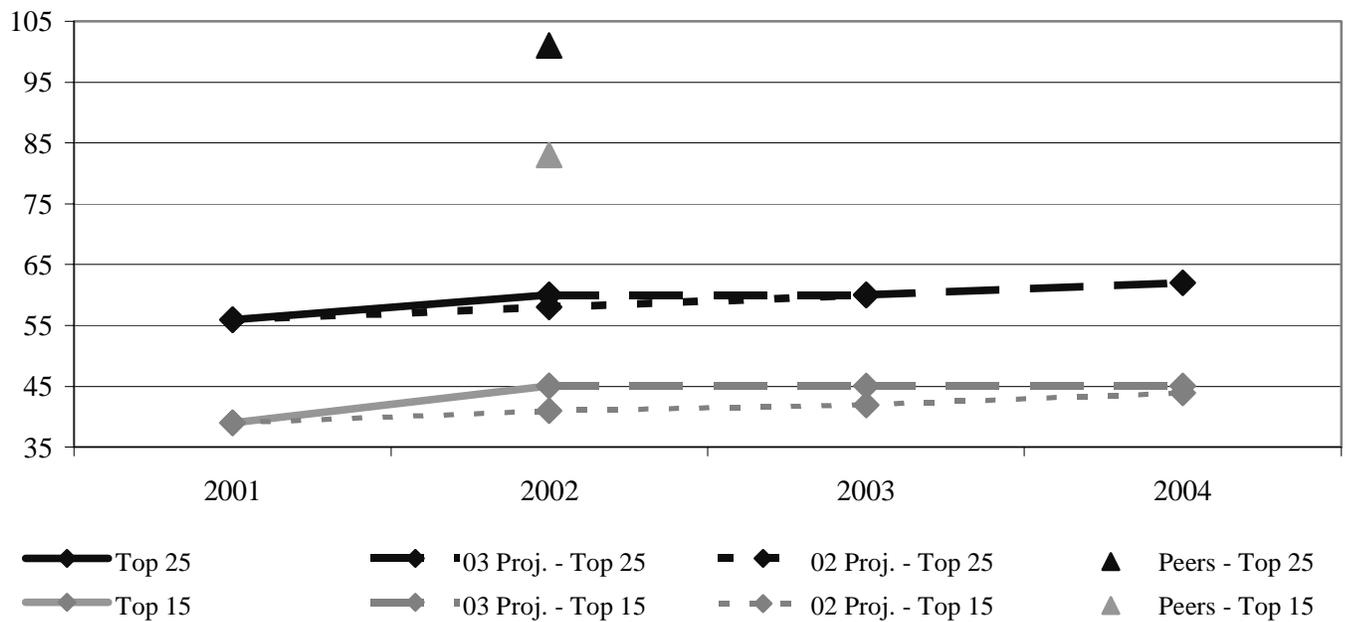
Performance Analysis: Managing for Results

UMCP aims to be a public research university whose programs and faculty are nationally and internationally recognized for excellence. Reflecting a concerted effort by the institution, the number of colleges, programs, or specialty areas ranked among the nation's top 15 and top 25 at the graduate level

continues to increase. As shown in **Exhibit 1**, in fiscal 2002 the institution exceeded by one program its 2004 goal of 44 programs in the top 15 and met its 2003 estimate of programs in the top 25 one year early. Despite progress, the institution does not approach the number of programs ranked at its aspirational peers, which are used to determine the funding guideline for UMCP.

Exhibit 1

**Ranked Colleges, Programs, or Specialty Areas
at the Graduate Level**

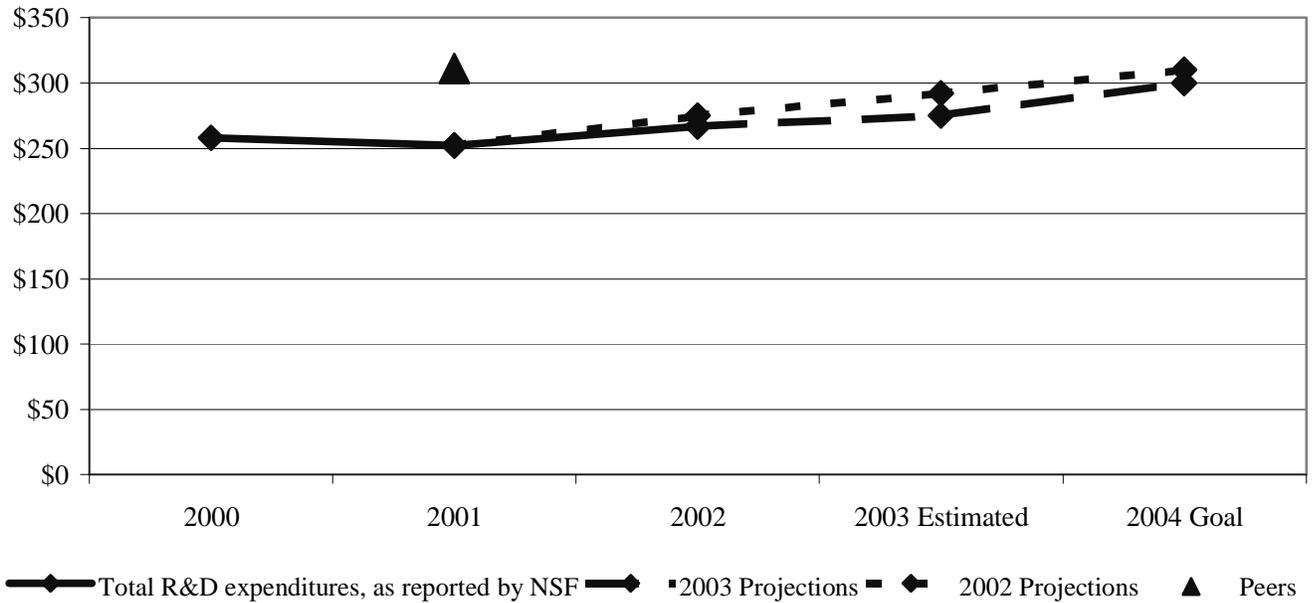


Source: Maryland State Budget Books, fiscal 2003 and 2004

Another indicator of recognition and excellence is total research and development expenditures, as reported by NSF. The institution fell short of its 2002 goal for this measure but only by 3%. It decreased its estimate and goal for 2003 and 2004 due to projected federal budget deficits. More recent expenditure data suggests that the institution will meet its earlier, higher goals after all. The institution's goal for fiscal 2004, before it was lowered, equals the average of the research and development expenditures reported by its peers in fiscal 2001. In fiscal 2001 the five-year average annual growth rate of UMCP's federal research and development expenditures was 57% higher than the growth rate of its peers.

Exhibit 2

**Total Research and Development Expenditures
As Reported by the National Science Foundation
(\$ in Millions)**

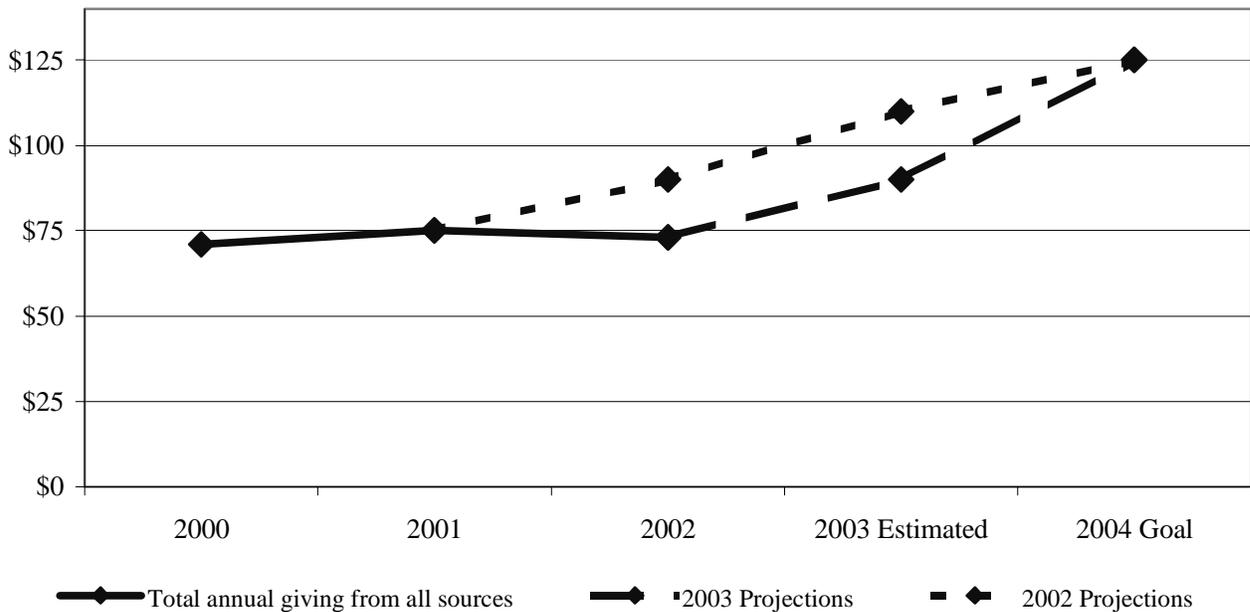


Source: Maryland State Budget Books, fiscal 2003 and 2004

Consistent with its aspiration to be an outstanding research institution, UMCP aims to increase its total annual giving from all sources to \$125 million by 2004. **Exhibit 3** shows actual and projected total annual giving from 2000 through 2004. The institution fell far short of its 2002 goal of raising \$90 million. Despite increasing the number of donors by over 7,000, total annual giving declined from \$75 to \$73 million. The institution has again set a goal of \$90 million for fiscal 2003. **The Department of Legislative Services (DLS) recommends that the President comment on whether projecting increased annual giving in a year of economic difficulty is realistic.**

Exhibit 3

Total Annual Giving from All Sources
(\$ in Millions)



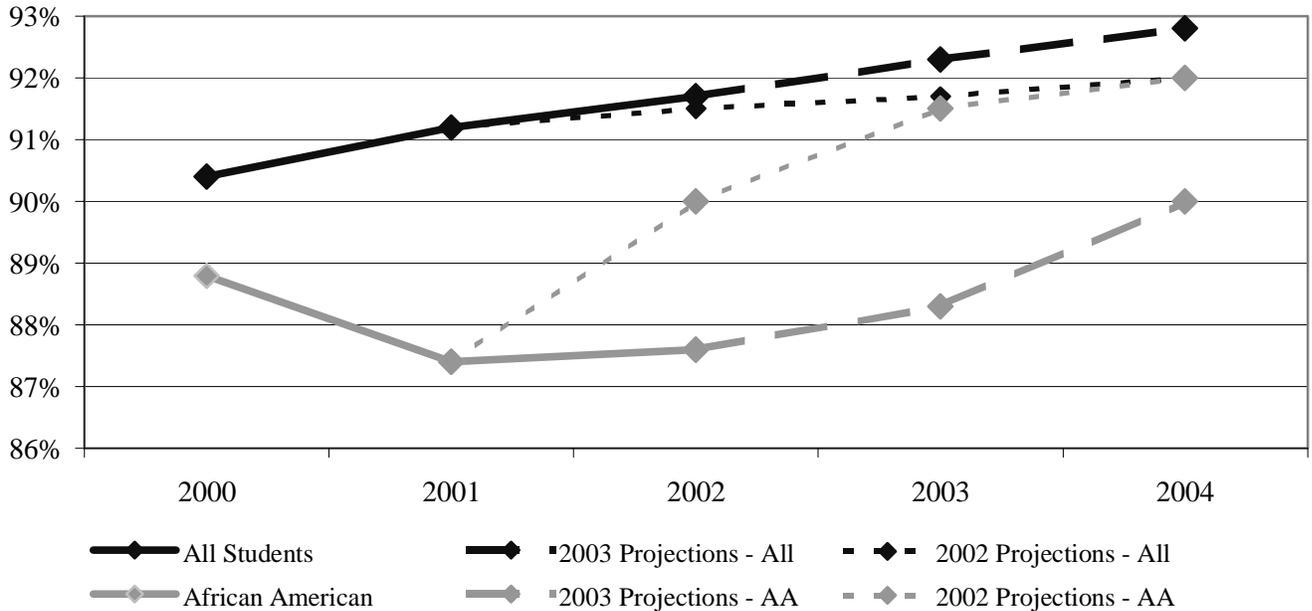
Source: Maryland State Budget Books, fiscal 2003 and 2004

In addition to its aspiration to be a nationally eminent research institution, UMCP has a commitment to provide an education to undergraduate students. It aims to increase the second-year retention rate of all students and African American students to 92% by 2004. Among USM institutions, UMCP already has the highest retention rate for all students and second highest for African American students. As shown in **Exhibit 4**, the institution exceeded slightly its goal for 2002 among all students but fell short among African American students. While it appears to be on course to meet its goal of 92% for all students a year early, the institution has revised its projections downward for African American students and no longer expects to meet its goal of 92% retained in 2004. Disparity in the retention of the two groups has more than doubled since 2000.

Retention rates for African American students are not reported in comparison to UMCP's peer institutions, but for all students, UCMP's retention rate is below its peers' average of 94.8%.

Exhibit 4

**Second-year Retention Rates
All Students and African American Students**



Source: Maryland State Budget Books, fiscal 2003 and 2004

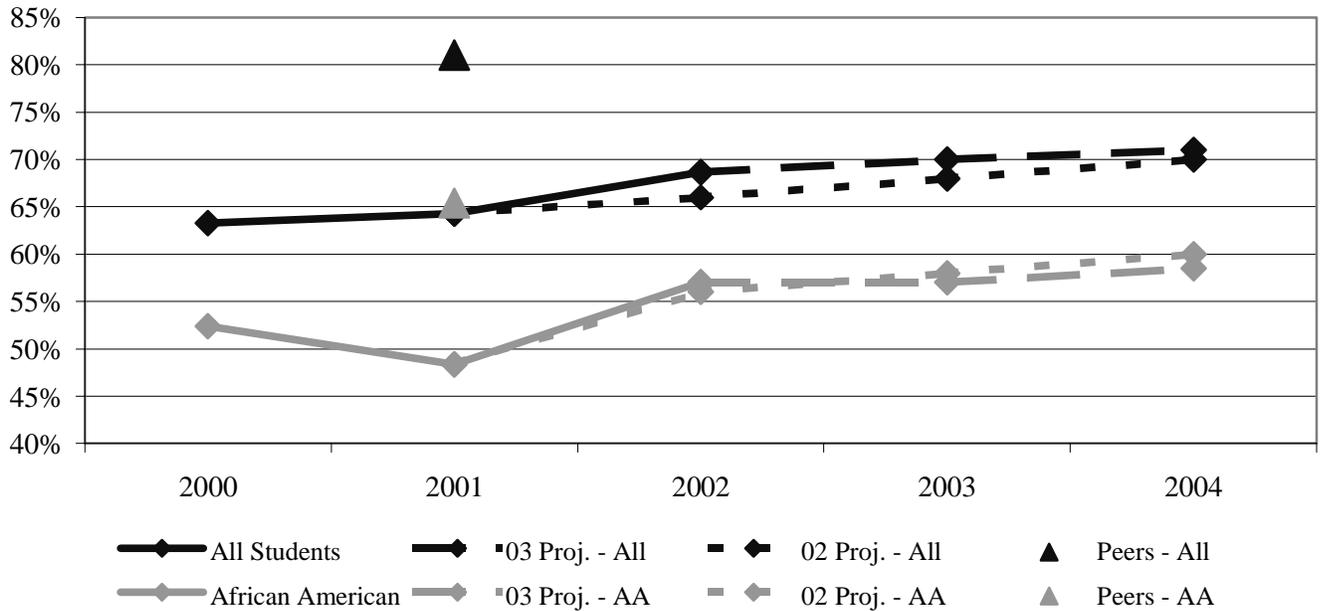
Eventually, the institution hopes to reach a six-year graduation rate of at least 70% for all groups of students. After a slight decline in the graduation rate for African American students last year, the rates for both all students and African American students increased in 2002. The disparity in the graduation of the two groups has increased since 2000. The stated 2004 goals for all students and African American students are 70% and 60%, respectively. While it expects to exceed its goal for all students, it does not expect to reach the goal rate for African American students. According to the institution, its long-term goals for graduation are the same for all groups of students, but policies and actions that affect graduation rates may show results in a time frame longer than the 2004 Managing for Results goal.

UMCP's graduation rates for all students and for African Americans do not compare well with the graduation rates at its peer institutions. The average rate for all students among its peers was 81% in fiscal 2001, 11 percentage points higher than UMCP's goal for all students. The average rate for African American students among its peers was 65.4% in fiscal 2001, again higher than UMCP's stated goal for fiscal 2004 and higher than its rate for all students that year. **DLS recommends that the President comment on UMCP's low graduation rate relative to its peers and when the institution expects to achieve graduation rates comparable to its peers.**

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Exhibit 5

**Six-year Graduation Rates
All Students and African American Students**



Source: Maryland State Budget Books, fiscal 2003 and 2004

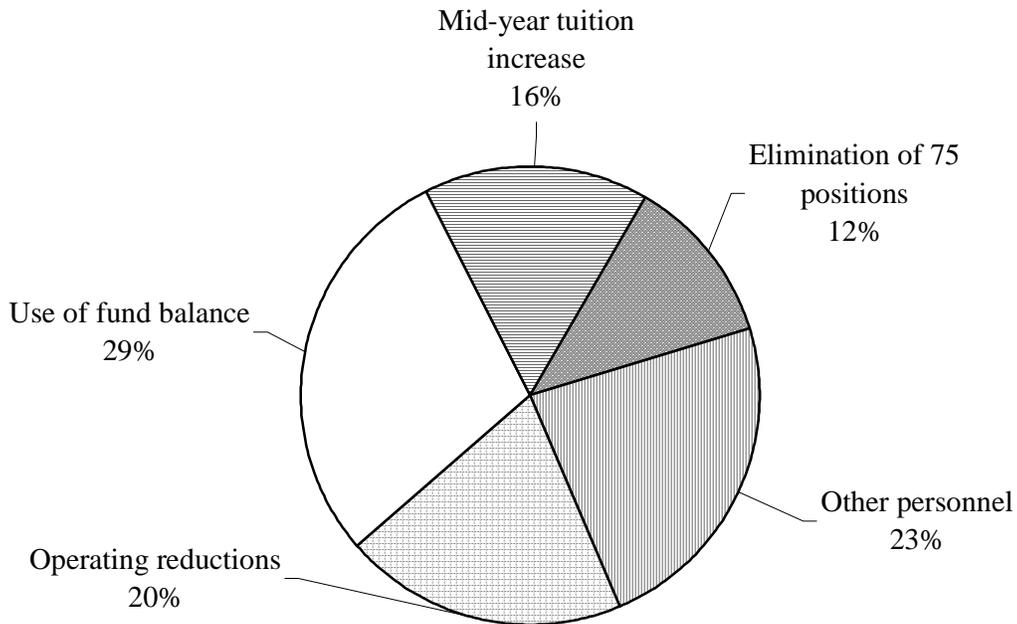
Fiscal 2003 Actions

Impact of Cost Containment

Exhibit 6 illustrates the measures the institution will use to address the reduction of \$30 million in general fund support. The institution will use spending reductions and elimination of vacancies to address 55% of the reduction and new revenue from fund balance and the mid-year tuition increase to address the remaining 45%.

Exhibit 6

Fiscal 2003 Cost Containment Measures
\$29,984,161



Source: University of Maryland, College Park

The spending reductions and elimination of vacancies yield \$16.6 million, or about 3% of the fiscal 2003 State-supported portion of the institution's budget. Spending reductions and elimination of vacancies are not spread evenly among program areas. Those with allocated reductions larger than 3% to the State-supported budget are academic support and plant operations and maintenance; those smaller than 3% are instruction, institutional support, and student services.

The institution will eliminate 75 positions, or one-fifth of the vacancies reported in September 2002. The program areas most affected by the position reduction are the operation and maintenance of plant (reduction of 3% of 2003 regular positions), academic support (2%), and public service (2%). The smallest reductions in regular positions, less than 1%, are in instruction, research, and institutional support.

Governor's Proposed Budget

The allowance for fiscal 2004 continues fiscal 2003 levels of general fund support, reflecting reductions of \$30 million and providing no increase in general funds for UMCP. (See **Exhibit 7**.)

Exhibit 7

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

	FY 02	FY 03	FY 04	FY 03-04	FY 03-04
	<u>Actual</u>	<u>Approp</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$359,339	\$360,483	\$330,499	-\$29,984	-8.3%
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Total Unrestricted Funds	833,622	826,429	863,793	37,364	4.5%
Restricted Funds	264,260	298,951	327,654	28,703	9.6%
Adjusted Grand Total	\$1,097,883	\$1,125,380	\$1,191,447	\$66,067	5.9%

Where It Goes:

Personnel Expenses

100 new contract and grant positions	\$5,493
23 new auxiliary positions	906
Health insurance	5,753

Other Changes

Fiscal 2003 appropriation understates spending as mid-year tuition increase and fund balance is not included	13,430
Office, building, and other equipment and supplies	17,271
Instructional and laboratory equipment and supplies	13,752
Auxiliary enterprise revenue	6,679
Increased scholarships and fellowships	2,410
Other operating adjustments	373

Total **\$66,067**

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

Education and General Revenues

Exhibit 8 shows Education and General (E&G) revenues. E&G funds can be used to examine the primary, mission-related, operating revenues of an institution, excluding restricted funds over which the institution has little or no discretion. E&G funds also exclude auxiliary funds, used in noncore functions such as dining halls, athletics, and dormitories. As shown in Exhibit 8, the E&G revenues at UMCP declined from \$412 million in fiscal 1991 to \$386 million in fiscal 1992, a 6% decrease. After rebounding to 1991 levels in 1994, E&G revenues again declined in 1995, from \$412 million in fiscal 1994 to \$408 million in fiscal 1995, a decline of 1%. In fiscal 1996 E&G revenues recovered, growing 5%, and have grown steadily until the effects of cost containment in fiscal 2003. (The decline in E&G in fiscal 2003 is overstated by the amount of revenue generated by the mid-year tuition increase and any revenues included in the institution's closing budget amendment.) On average, E&G revenues have increased 4.4% per year since 1990.

Exhibit 8 also shows general fund support for UMCP since 1988. From 1990 to 1992, State support declined \$31 million, or 12% and did not rebound to pre-decline levels until fiscal 1999. General fund support declined from fiscal 2002 to 2003 due to cost containment. On average State support for UMCP has increased 1.9% per year since 1990.

The other major portion of E&G revenue, tuition and fees, has increased steadily since 1988, except for a decline in 1995, after which tuition and fee revenue recovered and continued to grow. Tuition and fee revenue is the primary reason E&G revenues increased during the mid-1990s, and the decline in E&G in 1995 coincided with the only decline in tuition and fee revenue. Tuition and fee revenue has increased an average of 7.0% annually since 1990.

Full-time equivalent student (FTES) enrollment at UMCP is projected to be about the same in fiscal 2004 as it was in 1990. As **Exhibit 9** illustrates, FTES enrollment at UMCP declined in the early 1990s but has increased since then. Also since 1990, State support and tuition and fees, considered together, have increased on average 3.7% annually.

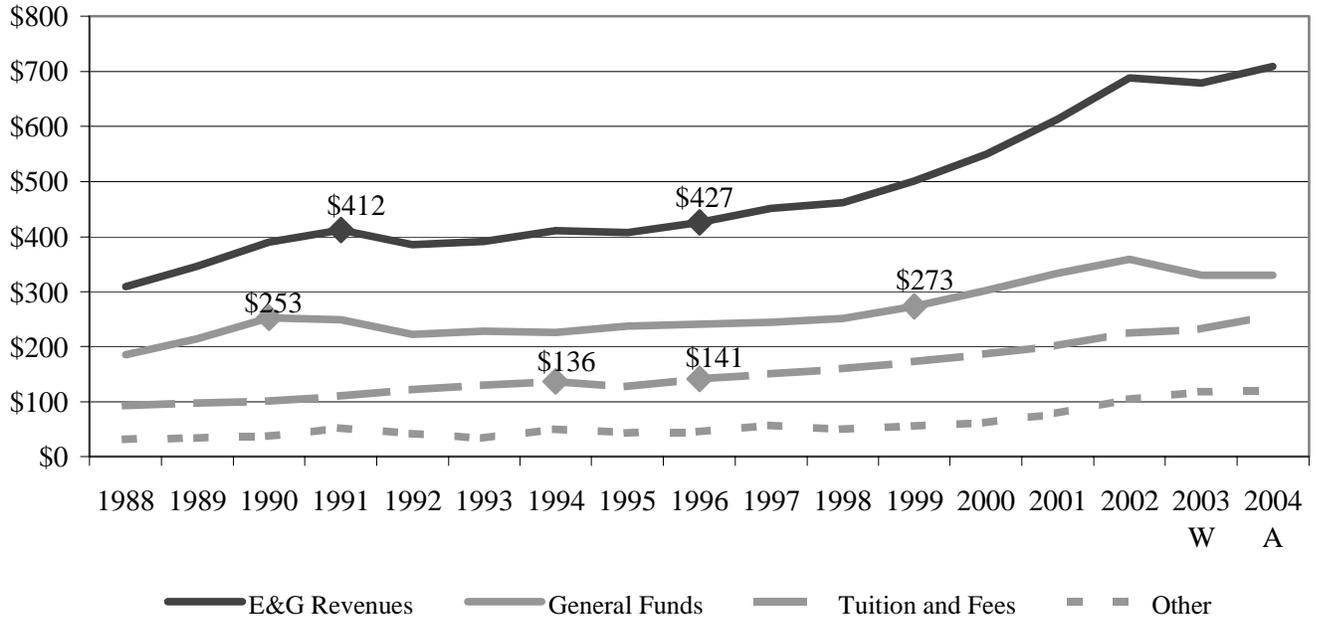
Tuition and Fees in Fiscal 2003 and 2004

UMCP students, both residents and nonresidents, will experience a mid-year tuition increase of 5%, generating additional tuition revenue of \$4.8 million in fiscal 2003. The increase for the spring 2003 semester will be \$114 for residents and \$333 for nonresidents.

Given Board of Regents' action to date related to the fall 2003, tuition and fees for in-state and out-of-state students are expected to increase about 5% in fiscal 2004, to \$5,947 for in-state students and \$15,189 for out-of-state students. The board has indicated it will annualize the January 2003 mid-year tuition increase and may approve a third increase in tuition for fall 2003. The fiscal 2004 allowance for tuition and fee revenue is \$258.6 million, a \$27.8 million, or 12.0% increase over fiscal 2003.

Exhibit 8

**Education and General Revenues
Fiscal 1998 through 2004 Allowance
(\$ in Millions)**

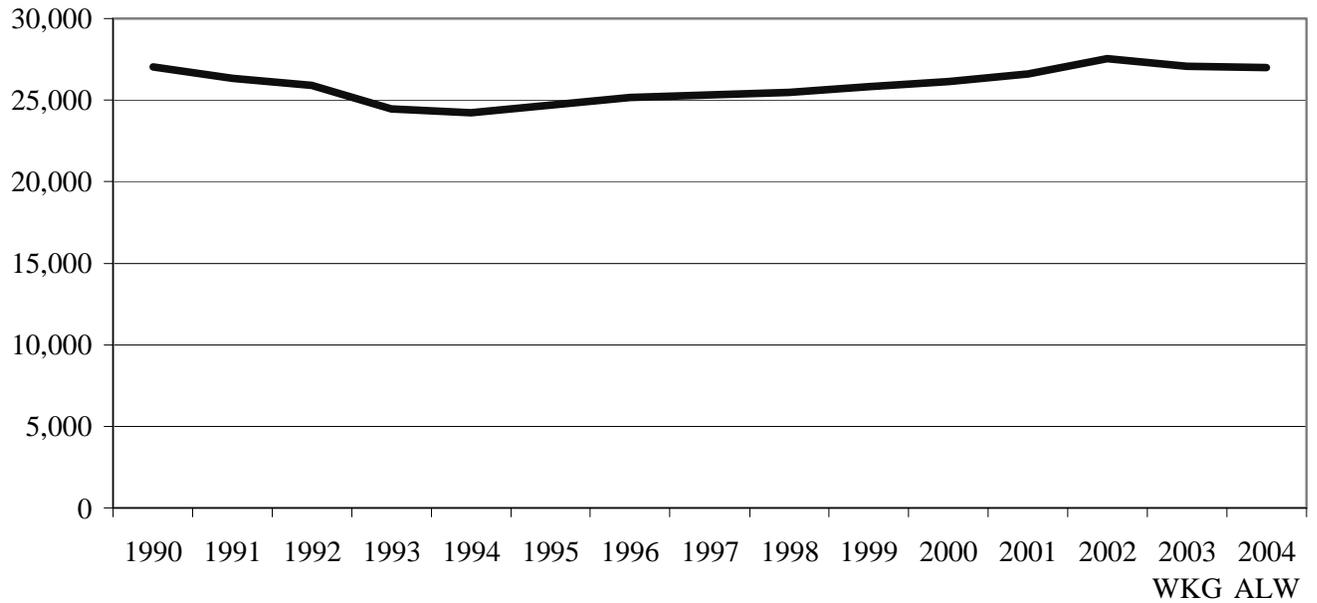


W - Working appropriation adjusted for cost containment; does not reflect mid-year tuition increase.
 A - Allowance.

Source: Maryland State Budgets, fiscal 1990 through 2004; University System of Maryland

Exhibit 9

Full-time Equivalent Student Enrollment



Source: Maryland State Budget Books, fiscal 1992 through 2004; Department of Budget and Management

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$364,516	\$404,294	\$768,810	\$231,635	\$1,000,444
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	79,594	79,594	45,480	125,073
Reversions and Cancellations	-5,177	-9,604	-14,781	-12,854	-27,635
Actual Expenditures	\$359,339	\$474,283	\$833,623	\$264,261	\$1,097,883
Fiscal 2003					
Legislative Appropriation	\$360,483	\$451,156	\$811,640	\$237,454	\$1,049,094
Budget Amendments	0	44,773	44,773	61,497	106,270
Cost Containment	-29,984	0	-29,984	0	-29,984
Working Appropriation	\$330,499	\$495,929	\$826,429	\$298,951	\$1,125,380

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

Fiscal 2002

In fiscal 2002 UMCP expended \$97.0 million more than its legislative appropriation. The institution added almost \$120 million to its spending authority through budget amendments. Budget amendments added unrestricted funds from tuition and fees (\$24.8 million), indirect cost recovery (\$5.6 million), educational activities (\$6 million), auxiliary activities and fund balance (\$39.2 million) and other sources (\$4.0 million). The unrestricted fund budget was reduced by \$5.2 million in general funds due to cost containment and hiring freeze savings. Budget amendments also added restricted funds from federal, State, and local contracts and grants while reducing private contract and grant revenue. UMCP canceled \$9.6 million in unrestricted funds and \$12.9 million in restricted funds due to overestimates of spending.

Fiscal 2003

In fiscal 2003 the institution experienced a general fund reduction of about \$30 million due to cost containment. It has increased other unrestricted funds by \$44.8 million and restricted funds by \$61.5 million through budget amendment. More than one-quarter of the increase, or \$11.9 million in unrestricted funds is attributable to tuition and fee revenue due to increased enrollment, masters/collaborative program fees, growth in the off-campus Master of Business Administration program, and increased revenue from continuing education and special sessions. Another \$14.3 million is related to auxiliary enterprises. Other sources of the increase are sales and services of educational activities, federal indirect cost recovery, and State, local, and private gifts and grants. Over four-fifths of the increase in restricted funds is due to an increase in federally sponsored research.

**Object/Fund Difference Report
USM - University of Maryland, College Park**

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	7598.03	7582.75	7630.75	48.00	0.6%
02 Contractual	1953.26	1544.47	1724.44	179.97	11.7%
Total Positions	9551.29	9127.22	9355.19	227.97	2.5%
Objects					
01 Salaries and Wages	\$ 682,766,868	\$ 719,594,604	\$ 724,793,385	\$ 5,198,781	0.7%
02 Technical & Spec Fees	4,057,314	4,297,342	4,422,342	125,000	2.9%
03 Communication	17,196,016	18,706,025	19,031,500	325,475	1.7%
04 Travel	18,957,961	17,732,363	18,162,363	430,000	2.4%
06 Fuel & Utilities	27,151,618	31,927,902	32,206,664	278,762	0.9%
07 Motor Vehicles	2,594,076	2,919,797	2,878,488	-41,309	-1.4%
08 Contractual Services	115,556,615	126,267,772	129,936,404	3,668,632	2.9%
09 Supplies & Materials	63,728,099	56,672,644	84,634,372	27,961,728	49.3%
11 Equip – Additional	23,362,663	27,269,974	27,830,835	560,861	2.1%
12 Grants, Subsidies, Contr	75,324,489	88,405,734	90,815,827	2,410,093	2.7%
13 Fixed Charges	34,173,344	43,482,099	38,312,656	-5,169,443	-11.9%
14 Land & Structures	33,013,511	18,087,827	18,422,115	334,288	1.8%
Total Objects	\$ 1,097,882,574	\$ 1,155,364,083	\$ 1,191,446,951	\$ 36,082,868	3.1%
Funds					
40 Unrestricted Fund	\$ 833,622,358	\$ 856,412,676	\$ 863,792,676	\$ 7,380,000	0.9%
43 Restricted Fund	264,260,216	298,951,407	327,654,275	28,702,868	9.6%
Total Funds	\$ 1,097,882,574	\$ 1,155,364,083	\$ 1,191,446,951	\$ 36,082,868	3.1%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary
USM - University of Maryland, College Park

<u>Unit/Program</u>	<u>FY 02 Actual</u>	<u>FY 03 Legislative Appropriation</u>	<u>FY 03 Working Appropriation</u>	<u>FY 02 - 03 % Change</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 % Change</u>
01 Instruction	\$ 271,430,049	\$ 263,476,397	\$ 286,423,896	5.5%	\$ 288,635,485	0.8%
02 Research	265,083,275	240,155,541	294,043,919	10.9%	320,744,020	9.1%
03 Public Service	52,895,583	54,781,751	58,249,380	10.1%	58,741,406	0.8%
04 Academic Support	91,951,359	77,926,831	91,769,783	-0.2%	88,744,949	-3.3%
05 Student Services	26,567,494	27,704,881	27,266,742	2.6%	27,133,609	-0.5%
06 Institutional Support	85,833,582	65,216,437	84,942,326	-1.0%	82,561,799	-2.8%
07 Operation and Maintenance of Plant	92,520,208	94,993,065	97,311,222	5.2%	99,220,857	2.0%
08 Auxiliary Enterprises	150,201,876	160,534,705	147,352,979	-1.9%	154,937,897	5.1%
17 Scholarships and Fellowships	61,399,148	64,304,218	68,003,836	10.8%	70,726,929	4.0%
Total Expenditures	\$ 1,097,882,574	\$ 1,049,093,826	\$ 1,155,364,083	5.2%	\$ 1,191,446,951	3.1%
Unrestricted Fund	\$ 833,622,358	\$ 811,639,498	\$ 856,412,676	2.7%	\$ 863,792,676	0.9%
Restricted Fund	264,260,216	237,454,328	298,951,407	13.1%	327,654,275	9.6%
Total Appropriations	\$ 1,097,882,574	\$ 1,049,093,826	\$ 1,155,364,083	5.2%	\$ 1,191,446,951	3.1%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.