

**R30B29**  
**Salisbury University**

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 2002</b> <b><u>Actual</u></b>	<b>FY 2003</b> <b><u>Approp.</u></b>	<b>FY 2004</b> <b><u>Allowance</u></b>	<b>FY 03 - 04</b> <b><u>Change</u></b>	<b>FY 03 - 04</b> <b><u>% Change</u></b>
General Funds	\$29,500	\$29,594	\$27,325	-\$2,269	-7.7%
FY 2003 Cost Containment	0	-740	0	740	
Contingent & Back of Bill Reductions	0	-1,529	0	1,529	
<b>Adjusted General Funds</b>	<b>29,500</b>	<b>27,325</b>	<b>27,325</b>	<b>0</b>	
Other Unrestricted Funds	52,534	53,860	57,328	3,468	6.4%
Total Unrestricted Funds	82,034	81,184	84,653	3,468	4.3%
Restricted Funds	7,421	4,805	5,416	611	12.7%
<b>Adjusted Grand Total</b>	<b>\$89,455</b>	<b>\$85,990</b>	<b>\$90,069</b>	<b>\$4,079</b>	<b>4.7%</b>

- Cost containment reduces fiscal 2003 funding by \$2.3 million, or 7.6%.
- Despite flat support from the State, current unrestricted funds increase \$3.5 million, or 4.3% in fiscal 2004.
- Restricted funds increase \$611,000, or 12.7%.

***Personnel Data***

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	<b>FY 02</b> <b><u>Actual</u></b>	<b>FY 03</b> <b><u>Working</u></b>	<b>FY 04</b> <b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	805.50	827.50	815.50	-12.00
Contractual FTEs	287.50	214.30	283.30	69.00
<b>Total Personnel</b>	<b>1,093.00</b>	<b>1,041.80</b>	<b>1,098.80</b>	<b>57.00</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 04	30.50	3.74%
Positions Vacant as of 09/31/02	55.00	6.65%

- The majority of the new contractual positions are from conversions denied in the fiscal 2003 budget and inadvertently deleted from the position totals.
- The abolished regular positions were positions that were vacant from attrition during the past two years. They will be abolished prior to the close of fiscal 2003.

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

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## ***Analysis in Brief***

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### **Major Trends**

***Six-Year Retention Rate for African American Students Expected to Drop in 2003:*** Salisbury estimates a 5% decrease in the number of African American students graduating in six years between 2002 and 2003.

***Salisbury Produces an Increasing Number of Teachers:*** Salisbury continues to expand its teacher education programs, expecting to graduate 20% more teachers in fiscal 2004 than in fiscal 1999.

### **Issues**

***Audit of Salisbury University Produces Noteworthy Findings:*** The Office of Legislative Audits completed an audit for the university for the period beginning November 6, 1998, and ending October 28, 2001. The audit found significant deficiencies in contract procurement, payments made for non-university business, and several other internal deficiencies regarding financial aid, computer security, and payroll.

### **Recommended Actions**

1. Concur with Governor's allowance.

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**Salisbury University**

***Operating Budget Analysis***

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**Program Description**

Salisbury University (SU) provides a traditional liberal arts and sciences curriculum, as well as undergraduate and graduate, pre-professional, and professional programs for teachers, administrators, and business leaders on Maryland's Eastern Shore. SU organizes all of its teaching, research, and service activities around seven mission goals: development of critical thinking skills, comprehensive general education, conscientious citizenship, preparation for careers and advanced study, graduate education, pursuit of total health, and service to the community.

Although Salisbury emphasizes undergraduate education, it is a major provider of graduate education to teachers in the Delmarva region. Baccalaureate and master's degree programs build upon the arts and sciences and the professional fields of business, education, and nursing. Salisbury students are predominantly traditional high school graduates, many of whom come from the nine counties on the Eastern Shore of Maryland. The university engages in a variety of cooperative efforts across the University System of Maryland (USM), including dual-degree programs with the University of Maryland Eastern Shore (UMES) and the University of Maryland, College Park's College of Engineering, and a joint-degree program with the University of Baltimore Law School.

**Performance Analysis: Managing for Results**

The performance measures for Maryland's four-year public colleges and universities focus on graduation and retention rates for all students and African American students. Due to the shortage of workers in critical fields such as nursing and teaching, higher education institutions are placing importance on tracking students graduating from and entering the workforce in those fields. The following discussion of performance measurements tracks progress over a period of years and compares Salisbury to its nationwide peer group.

*R30B29 - Salisbury University*

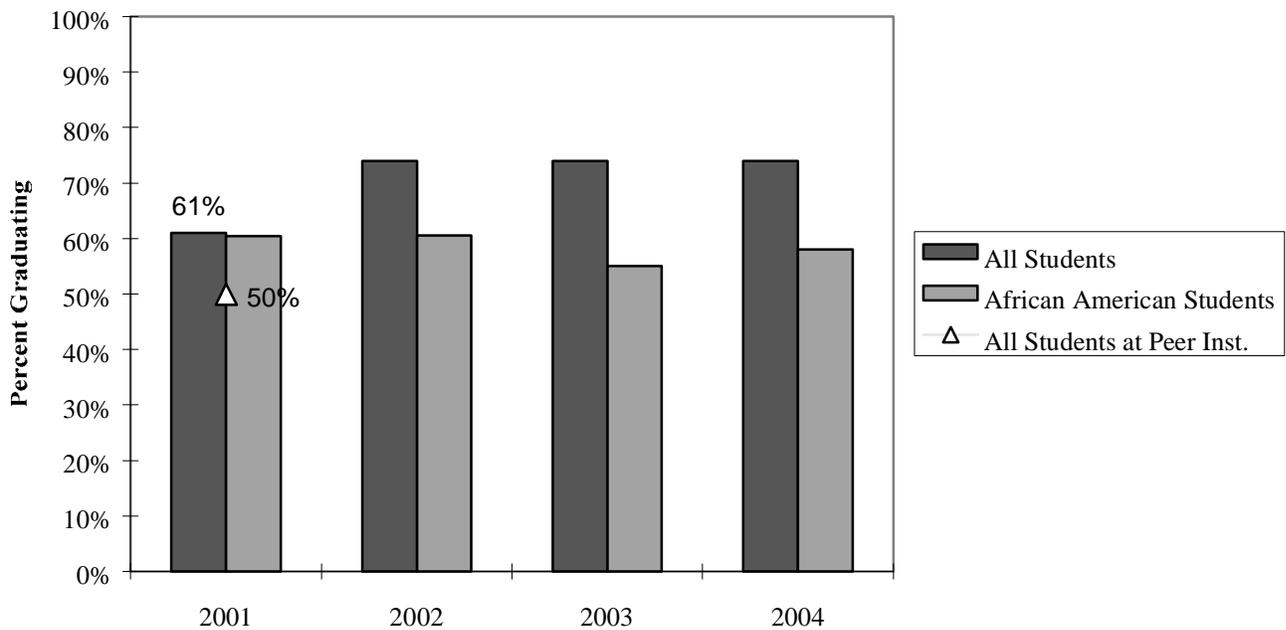
The six-year graduation rate for SU's first-time, full-time freshmen increased 13% between 2001 and 2002 but is projected to remain at 74% for both 2003 and 2004. The following conclusions can be drawn about six-year graduation rates from **Exhibit 1**:

- The six-year graduation rate for African Americans reached 60% in 2001 and 2002 but is still below that of all students.
- Salisbury outperforms its peers for all students by nearly 10% and its peers on African American graduation rate by more than 20% in 2001, the last year actual data is available.

**Exhibit 1**

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**Six-Year Graduation Rates**



Source: Salisbury University

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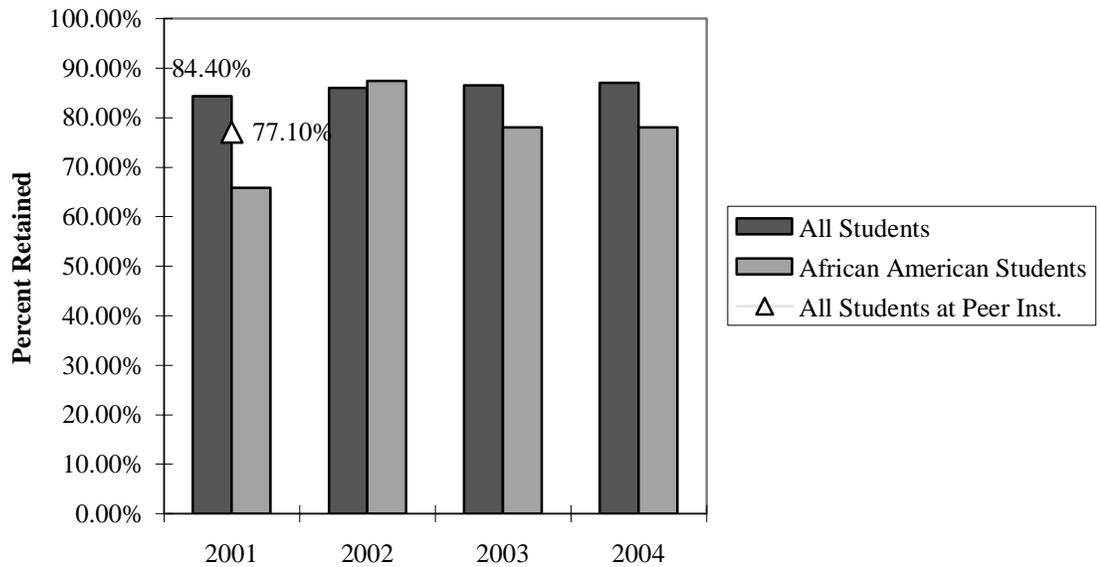
**R30B29 - Salisbury University**

The second-year retention rate for first-time, full-time freshmen is one of the highest in the University System. **Exhibit 2** compares second-year retention rates for all students and African American students, in addition to the average of its peers. SU is expecting to reach its goal for all categories of students by 2004: 87% for all students and 78% for African Americans. Salisbury's peers only provide measures on overall student retention which averages 77% – 7% below that of Salisbury.

**Exhibit 2**

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**Second-Year Retention Rate**



Source: Salisbury University

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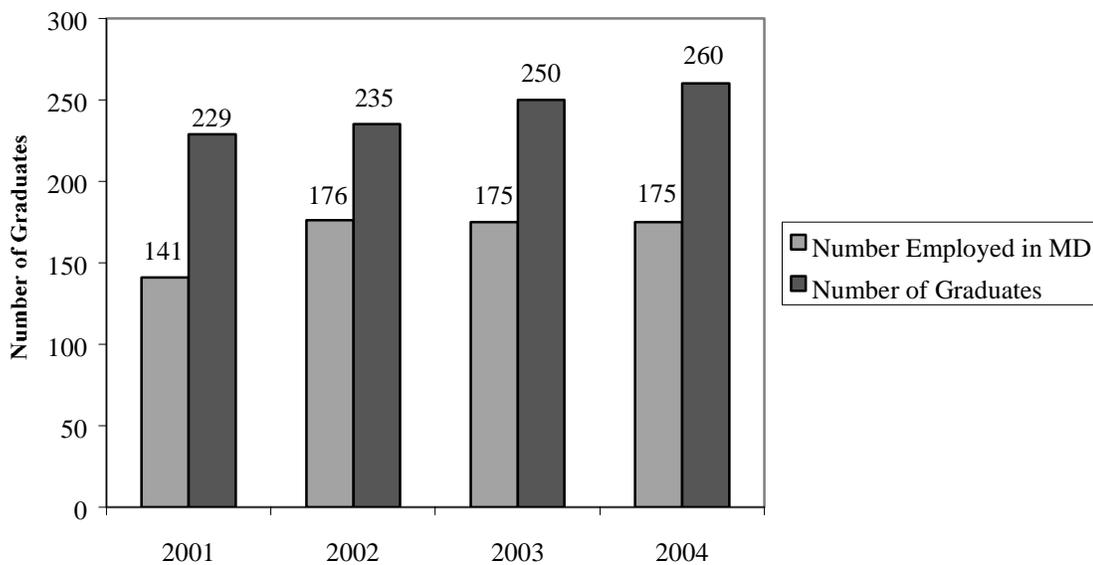
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The academic programs at Salisbury reflect the needs of the State in various areas of workforce shortage. Teachers are an acute State need, and Salisbury has increased its emphasis on teacher programs in recent years. In 1999, SU produced 233 graduates in teacher education and seeks to increase this number 12% by 2004. **Exhibit 3** shows the number of teacher education graduates and the number of teachers employed in Maryland.

**Exhibit 3**

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**Number of Teacher Education Graduates Compared to Those Employed in Maryland**



Source: Salisbury University

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Increasing revenues from non-state sources is a goal of all USM institutions. Through the Campaign for Maryland, Salisbury had hoped to raise \$18.5 million by 2002. SU fell short of its goal by over \$5 million and does not have any projections for 2003 and 2004. **The President should comment on Salisbury’s lack of progress in this area and the estimated revenue for 2003 and 2004. The President should also brief the committees on how Salisbury can improve its performance in this area.**

Salisbury is increasing its annual private, federal, and State grants and sponsored research awards – these awards increased over 150% between 1998 and 2001, from \$2 million to \$5.07 million. For 2003 and 2004, these awards are expected to level off at a total of \$4.5 million.

## **Fiscal 2003 Actions**

### **Impact of Cost Containment**

The fiscal 2003 working appropriation includes a reduction totaling \$2.24 million in general funds for cost containment that was taken in the following areas:

- \$440,000 through attrition and a hiring freeze, including the elimination of 12 vacancies;
- \$100,000 through reduced operating expenditures in various departments;
- \$200,000 from higher than expected enrollment; and
- \$387,000 by delaying the purchase of IT equipment.

The remaining \$1.1 million, half of the total cost containment reduction, will be supplemented through a 5% mid-year tuition increase.

### **Governor's Proposed Budget**

The Governor's allowance totals \$90 million, a 4.7% increase over the fiscal 2003 working appropriation. Salisbury's general funds remain unchanged from the revised fiscal 2003 funding level. Other unrestricted funds increase 6.4%, approximately \$3.5 million, while restricted funds increase 12.7%, or \$611,000. **Exhibit 4** shows the major changes in Salisbury's 2004 budget.

**Exhibit 4**

**Governor's Proposed Budget  
Salisbury University  
(\$ in Thousands)**

	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 03 – 04</u></b>	<b><u>FY 03 – 04</u></b>
	<b><u>Actual</u></b>	<b><u>Approp.</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>
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<b>Adjusted General Funds</b>	<b>29,500</b>	<b>27,325</b>	<b>27,325</b>	<b>0</b>	
Other Unrestricted Funds	52,534	53,860	57,328	3,468	6.4%
Total Unrestricted Funds	82,034	81,184	84,653	3,468	4.3%
Restricted Funds	7,421	4,805	5,416	611	12.7%
<b>Adjusted Grand Total</b>	<b>\$89,455</b>	<b>\$85,990</b>	<b>\$90,069</b>	<b>\$4,079</b>	<b>4.7%</b>

**Where It Goes:**

**Personnel Expenses**

General personnel increases ..... \$1,000

**Other Changes**

Miscellaneous communication charges (19% decrease) ..... -130

Restoration of cost containment reductions/IT equipment and other operating expenditures ..... 927

Auxiliary enterprises (3% increase)..... 717

Research through restricted funds (11% increase) ..... 291

Fiscal 2003 budget does not include funds from mid-year tuition increase..... 1,100

Other ..... 176

**Total** ..... **\$4,079**

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

**Education and General Revenues**

*R30B29 - Salisbury University*

**Exhibit 5** 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 non-core functions such as dining halls, athletics, and dormitories. As shown in Exhibit 5, the E&G funds at Salisbury have actually declined only once since 1988, from \$19.6 million in fiscal 1991 to \$17 million in fiscal 1992, a 13% decrease. E&G revenues rebounded the next year and have grown steadily ever since. On average, E&G revenues have increased 4.8% per year since 1990.

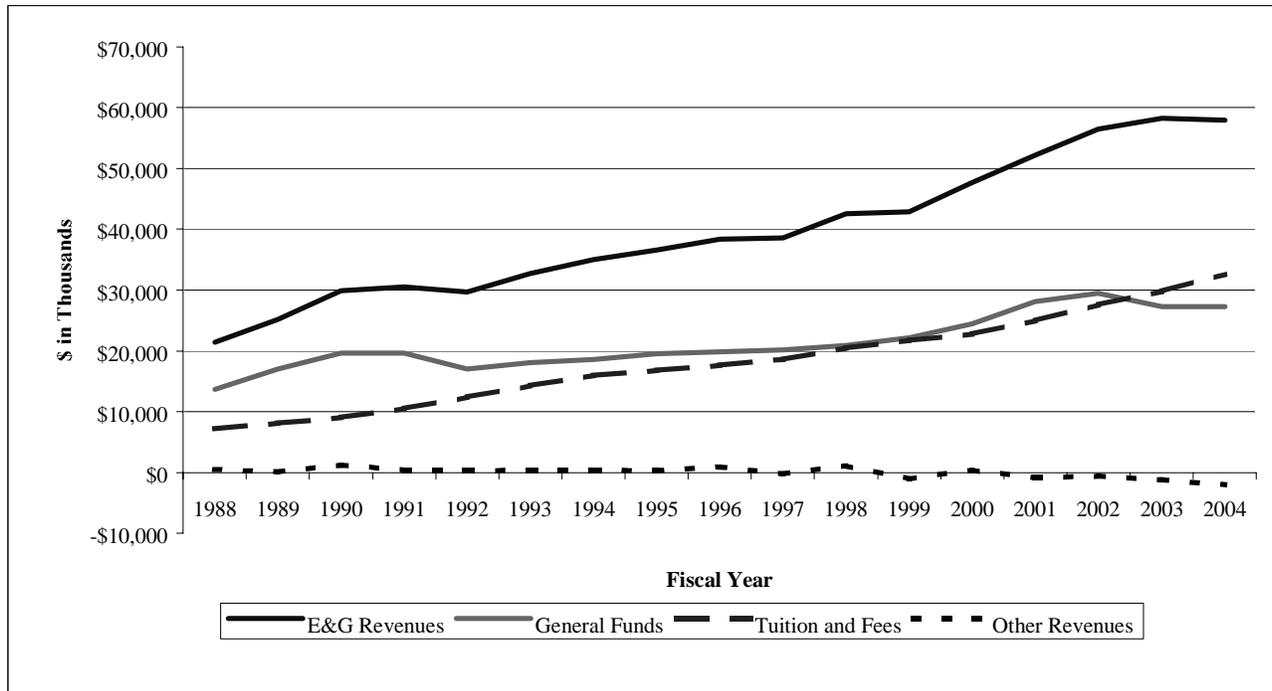
Exhibit 5 also shows general fund support for Salisbury since 1988. In 1992, State support declined \$2.7 million and did not rebound to pre-decline levels until fiscal 1996. On average State support for Salisbury has increased 2.4% per year since 1990.

The other major portion of E&G revenue, tuition and fees, have increased steadily since 1988 and have surpassed general fund support in fiscal 2003 and 2004. This is the primary reason E&G revenues have increased during the mid-1990s. Despite efforts to moderate full-time, resident undergraduate tuition at Maryland's public higher education institutions, tuition and fee revenue has increased an average of 9.6% annually since 1990 and has never been flat or declined.

Full-time equivalent student (FTES) enrollment at Salisbury has increased, on average, 2.4% per year since 1990. As **Exhibit 6** illustrates, FTES enrollment at Salisbury has nearly doubled in the last 14 years. Also since 1990, State support and tuition and fees, considered together, have increased on average 5.4% annually.

Exhibit 5

Education and General Revenues  
Fiscal 1988 through 2004 Allowance

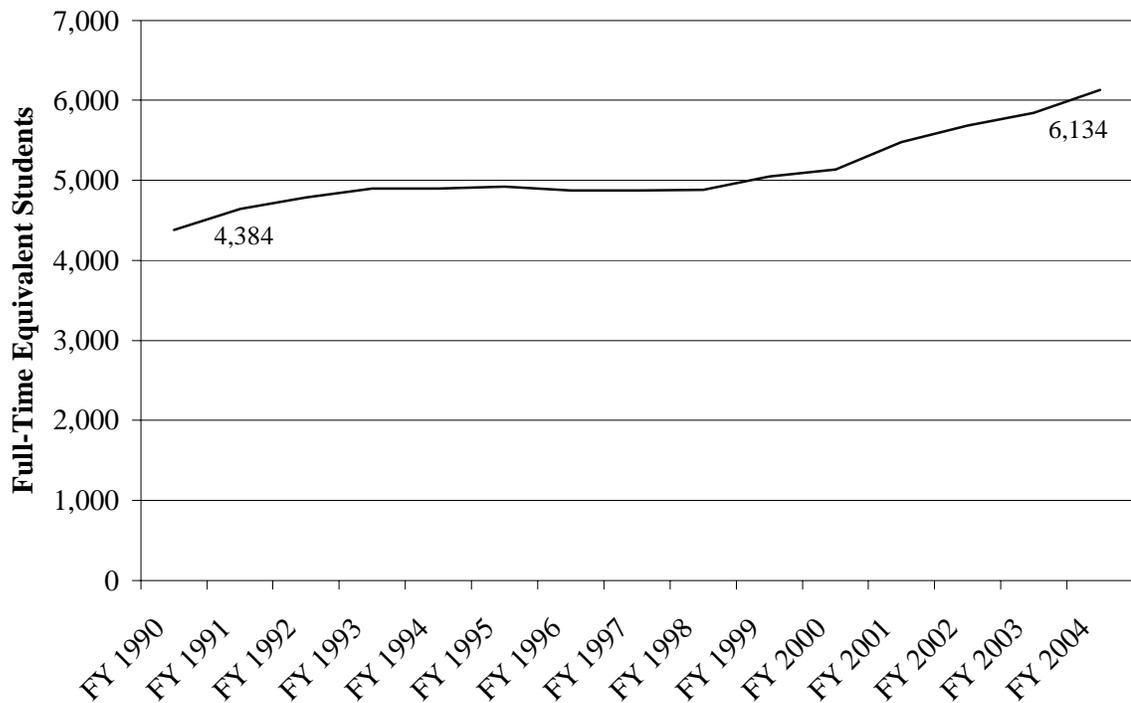


Source: Maryland State Budgets, 1990-2004

Exhibit 6

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**Enrollment Growth  
Fiscal 1990 through Fiscal 2004 Estimate**



Source: Department of Budget and Management

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**Tuition and Fees in Fiscal 2003 and 2004**

The fiscal 2004 allowance for tuition and fee revenue is \$32.6 million, a \$2.8 million, or 9.4% increase, over fiscal 2003. The tuition and fees for both in-state and out-of-state students are expected to increase 4% in fiscal 2004, to \$4,960 for in-state students and \$10,954 for out-of-state students. Salisbury will also implement a mid-year tuition increase of 5%, an \$85 for in-state and \$170 increase for out-of-state students this spring.

## *Issues*

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### **1. Audit of Salisbury University Produces Noteworthy Findings**

The Office of Legislative Audits completed its audit of SU in June 2002. The audit disclosed several areas of oversight and deficiency within the university's administration and business proceedings. Several of these deficiencies are of increased importance in light of cost containment and the recent mid-year tuition increase.

The first issue in the audit addresses contract procurement for copying services. The audit states that the new contract was awarded to the incumbent vendor under price options that did not conform to the university's request for proposal guidelines – the vendor was selected under procedures that limited competition. The University must pay the current vendor \$496,500 over five years for equipment valued at \$380,576 in order to cancel the lease. The university claims that the contract was competitively procured because none of the other vendors filed a protest to the RFP. The university further claims that being unable to pay to end the current contract in a lump sum, the five-year lease was the only option.

The audit also found that the university routinely leased its vehicles to private groups for non-university business, in violation of the university's policy. Claims totaling approximately \$147,000 were paid to settle an accident involving a university vehicle, without advising the State Treasurer and the Board of Public Works, who approved the claims, that the vehicle was on non-university business. During fiscal 2001 the university received approximately \$12,000 in income from vehicle rentals to private groups. The university has implemented new policies disallowing rental to non-university persons but contends that the trip was for university (auxiliary) business.

It was also found that the university did not always require students to provide sufficient documentation to substantiate their Maryland residency for tuition purposes. The audit disclosed that one third of the files it reviewed that were classified as in-state students had characteristics (such as graduating from an out-of-state high school) that conflicted with the Maryland residency classification. Residency determinations are crucial since the annual tuition and fees are approximately \$4,700 higher for out-of-state undergraduates. The university contends that it will continue to generate and review reports of inconsistent characteristics and will include "high school location" in the future. **DLS recommends that the President update the committees on this audit.**

## ***Recommended Actions***

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1. Concur with Governor's allowance.

## *Current and Prior Year Budgets*

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### Current and Prior Year Budgets Salisbury University (\$ in Thousands)

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$29,925	\$45,708	\$75,633	\$3,658	\$79,291
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-425	7,891	7,466	4,000	11,466
Reversions and Cancellations	0	-1,065	-1,065	-237	-1,302
<b>Actual Expenditures</b>	<b>\$29,500</b>	<b>\$52,534</b>	<b>\$82,034</b>	<b>\$7,421</b>	<b>\$89,455</b>
<b>Fiscal 2003</b>					
Legislative Appropriation	\$29,594	\$53,860	\$83,454	4,805	\$88,259
Budget Amendments	0	0	0	0	0
Cost Containment	-2,269	0	-2,269	0	-2,269
<b>Working Appropriation</b>	<b>\$27,325</b>	<b>\$53,860</b>	<b>\$81,185</b>	<b>\$4,805</b>	<b>\$85,990</b>

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

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**Fiscal 2002**

The budget amendments added revenues related to enrollment growth and supported increased expenditures for faculty and staff salaries, student housing and dining, and implementation of PeopleSoft applications. The reversion of approximately \$1,065,000 in unrestricted funds is due to an over-estimation of the final fiscal year appropriation. The restricted fund budget amendment allowed SU to increase the amount of federal and state grants received.

Object/Fund Difference Report  
Salisbury University

Object/Fund	FY02	FY03	FY04	FY03 - FY04	Percent Change
	<u>Actual</u>	<u>Working Appropriation</u>	<u>Allowance</u>	<u>Amount Change</u>	
<b>Positions</b>					
01 Regular	805.50	827.50	815.50	-12.00	-1.5%
02 Contractual	287.50	214.30	283.30	69.00	32.2%
<b>Total Positions</b>	<b>1093.00</b>	<b>1041.80</b>	<b>1098.80</b>	<b>57.00</b>	<b>5.5%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 44,805,210	\$ 46,872,728	\$ 47,852,702	\$ 979,974	2.1%
02 Technical & Spec Fees	11,268,775	8,905,612	9,911,735	1,006,123	11.3%
03 Communication	518,110	674,454	545,198	-129,256	-19.2%
04 Travel	806,775	732,647	764,598	31,951	4.4%
06 Fuel & Utilities	1,995,277	2,208,955	2,208,955	0	0%
07 Motor Vehicles	373,592	402,655	401,688	-967	-0.2%
08 Contractual Services	7,558,684	5,121,770	5,475,524	353,754	6.9%
09 Supplies & Materials	7,626,551	8,870,290	8,675,162	-195,128	-2.2%
10 Equip - Replacement	22,991	941,295	940,245	-1,050	-0.1%
11 Equip - Additional	2,403,388	2,522,513	1,960,193	-562,320	-22.3%
12 Grants,Subsidies,Contr	3,687,536	3,575,345	3,708,372	133,027	3.7%
13 Fixed Charges	6,720,282	6,629,277	6,709,040	79,763	1.2%
14 Land & Structures	1,667,817	801,000	915,000	114,000	14.2%
<b>Total Objects</b>	<b>\$ 89,454,988</b>	<b>\$ 88,258,541</b>	<b>\$ 90,068,412</b>	<b>\$ 1,809,871</b>	<b>2.1%</b>
<b>Funds</b>					
40 Unrestricted Fund	\$ 82,034,205	\$ 83,453,541	\$ 84,652,612	\$ 1,199,071	1.4%
43 Restricted Fund	7,420,783	4,805,000	5,415,800	610,800	12.7%
<b>Total Funds</b>	<b>\$ 89,454,988</b>	<b>\$ 88,258,541</b>	<b>\$ 90,068,412</b>	<b>\$ 1,809,871</b>	<b>2.1%</b>

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

Fiscal Summary  
Salisbury University

<u>Unit/Program</u>	<u>FY02</u>	<u>FY03</u>	<u>FY03</u>	<u>FY03</u>	<u>FY02 - FY03</u>	<u>FY04</u>	<u>FY03 - FY04</u>
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Appropriation</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>
01 Instruction	\$ 25,605,730	\$ 28,341,245	\$ 28,270,040		10.4%	\$ 28,423,251	0.5%
02 Research	5,244,364	1,288,397	2,876,732		-45.1%	3,150,062	9.5%
04 Academic Support	6,290,808	6,955,694	6,796,603		8.0%	6,798,927	0%
05 Student Services	4,347,489	4,369,591	4,208,851		-3.2%	4,237,491	0.7%
06 Institutional Support	11,036,903	10,808,171	10,469,554		-5.1%	10,554,744	0.8%
07 Operation And Maintenance Of Plant	9,008,325	8,541,058	8,405,265		-6.7%	8,635,799	2.7%
08 Auxiliary Enterprises	24,379,414	23,435,776	23,916,991		-1.9%	24,633,633	3.0%
17 Scholarships And Fellowships	3,541,955	3,314,505	3,314,505		-6.4%	3,634,505	9.7%
<b>Total Expenditures</b>	<b>\$ 89,454,988</b>	<b>\$ 87,054,437</b>	<b>\$ 88,258,541</b>		<b>-1.3%</b>	<b>\$ 90,068,412</b>	<b>2.1%</b>
Unrestricted Fund	\$ 82,034,205	\$ 82,249,437	\$ 83,453,541		1.7%	\$ 84,652,612	1.4%
Restricted Fund	7,420,783	4,805,000	4,805,000		-35.2%	5,415,800	12.7%
<b>Total Appropriations</b>	<b>\$ 89,454,988</b>	<b>\$ 87,054,437</b>	<b>\$ 88,258,541</b>		<b>-1.3%</b>	<b>\$ 90,068,412</b>	<b>2.1%</b>

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