R30B25
University of Maryland Eastern Shore
University System of Maryland

Operating Budget Data

($ in Thousands)

	FY 04 Actual	FY 05 Working	FY 06 Allowance	FY 05-06 Change	% Change Prior Year
General Funds	$21,433	$21,830	$22,947	$1,118	5.1%
Other Unrestricted Funds	34,856	37,167	39,007	1,840	5.0%
Total Unrestricted Funds	56,288	58,996	61,954	2,958	5.0%
Restricted Funds	23,681	20,698	21,097	399	1.9%
Total Funds	**$79,970**	**$79,694**	**$83,051**	**$3,358**	**4.2%**
Adjusted Total	**$79,970**	**$79,694**	**$83,051**	**$3,358**	**4.2%**

- General funds increase by $1.1 million, or 5.1% over fiscal 2005.
- General funds of $523,772 for a 2% cost-of-living increase are included in the Department of Budget and Management's allowance.
- Total operating funds, including restricted funds, increase 4.2% in fiscal 2006.

Personnel Data

	FY 04 Actual	FY 05 Working	FY 06 Allowance	FY 05-06 Change
Regular Positions	663.77	670.77	670.77	0.00
Contractual FTEs	60.00	60.00	60.00	0.00
Total Personnel	**723.77**	**730.77**	**730.77**	**0.00**
Vacancy Data: Regular Positions				
Turnover, Excluding New Positions		18.38	2.74%	
Positions Vacant as of 12/31/04		12.00	1.80%	

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

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- Fiscal 2005 included seven fewer regular positions than in fiscal 2004.

- There are no position changes in fiscal 2006.

Analysis in Brief

Issues

Plans Set for Achieving Administrative and Academic Efficiencies: The University System of Maryland (USM) has begun an ambitious efficiency initiative. The University of Maryland Eastern Shore's (UMES) share of the administrative savings in fiscal 2006 is $456,496. Academic efficiencies are expected to support 183 additional students at no cost to the State. Faculty workload increases are a key part of USM's academic efficiencies, but workload at UMES was already near the top of the Board of Regents' range in fiscal 2004.

Affordability in Spotlight at UMES and Across USM: Tuition and fee increases at UMES are less than the USM average in fiscal 2006. UMES institutional aid focuses on merit and mission.

Selected Executive and Mid-level Administrative Salaries Tend to Be Below Median: Three of the five executive and mid-level administrative salaries selected are below the national and regional medians.

Personnel: There were no changes in personnel from fiscal 2005.

Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds: USM has begun a plan to improve institutions' ratio of fund balance to debt after the system's credit rating was downgraded in 2004. At UMES, the fund balance has grown from $2.1 million in fiscal 1999 to $3 million in fiscal 2004.

Recommended Actions

1. Concur with Governor's allowance.

R30B25

University of Maryland Eastern Shore

University System of Maryland

Operating Budget Analysis

Program Description

The University of Maryland Eastern Shore (UMES) is the only research and doctoral degree-granting institution of the University System of Maryland (USM) on the Eastern Shore. Founded as a historically black, land-grant university, UMES promotes the philosophy of the land-grant tradition, which is to make educational opportunities available to all, regardless of race, gender, creed, or socio-economic status. The university emphasizes selected baccalaureate programs in the liberal arts and sciences and career fields with particular relevance to the Eastern Shore and its land-grant mandate, offering programs at the master's and doctoral levels. The distinctive academic emphases at UMES are agriculture, environmental and marine sciences, hospitality, technology, computer sciences, business, and allied health. Research priorities are aligned to serve the needs of the region and the State.

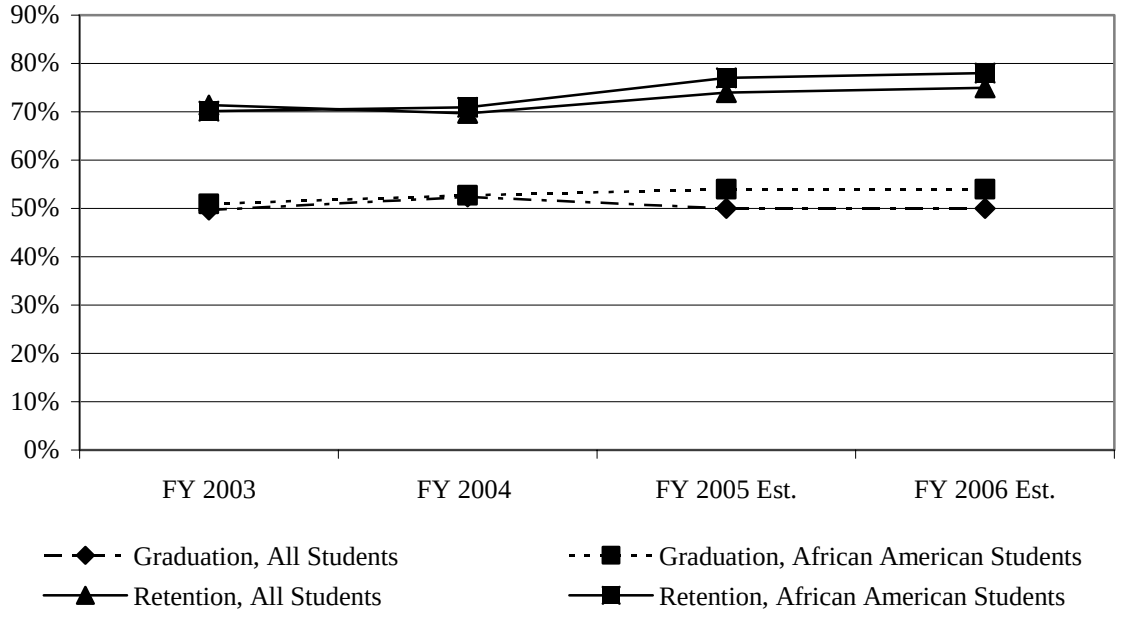
The students served by the university come from across the State of Maryland, over 30 other states, and over 50 foreign countries. More than 22% of the undergraduate enrollment comes from the tri-county area of Somerset, Wicomico, and Worcester counties. In keeping with the university's mission, UMES provides programs to other constituencies through inter-agency agreements and contracts with government and educational agencies, businesses, and industries.

Performance Analysis: Managing for Results

UMES serves a large number of first generation college-goers as part of the land-grant tradition to make educational opportunities available to all. The Managing for Results data focus on tracking the progress of these students, particularly the graduation and retention rates. **Exhibit 1** shows the graduation and retention rates for all students and African American students. Six-year graduation rates for all students are projected to decline slightly from fiscal 2004. UMES's goal of a 48% graduation rate was achieved in fiscal 2003. The graduation rate for African Americans increased in fiscal 2004 and is expected to continue to increase. **The President should comment on revising its graduation rate goals.**

The second-year retention rates for all students are projected to improve from fiscal 2004. However, they would remain below the goal of 78%. There is greater improvement in the retention rate estimated for African American students. However, these rates would also fail to meet the goal. **The President should comment on the utilization of Access and Success funds to improve the two-year retention rates for African American students.**

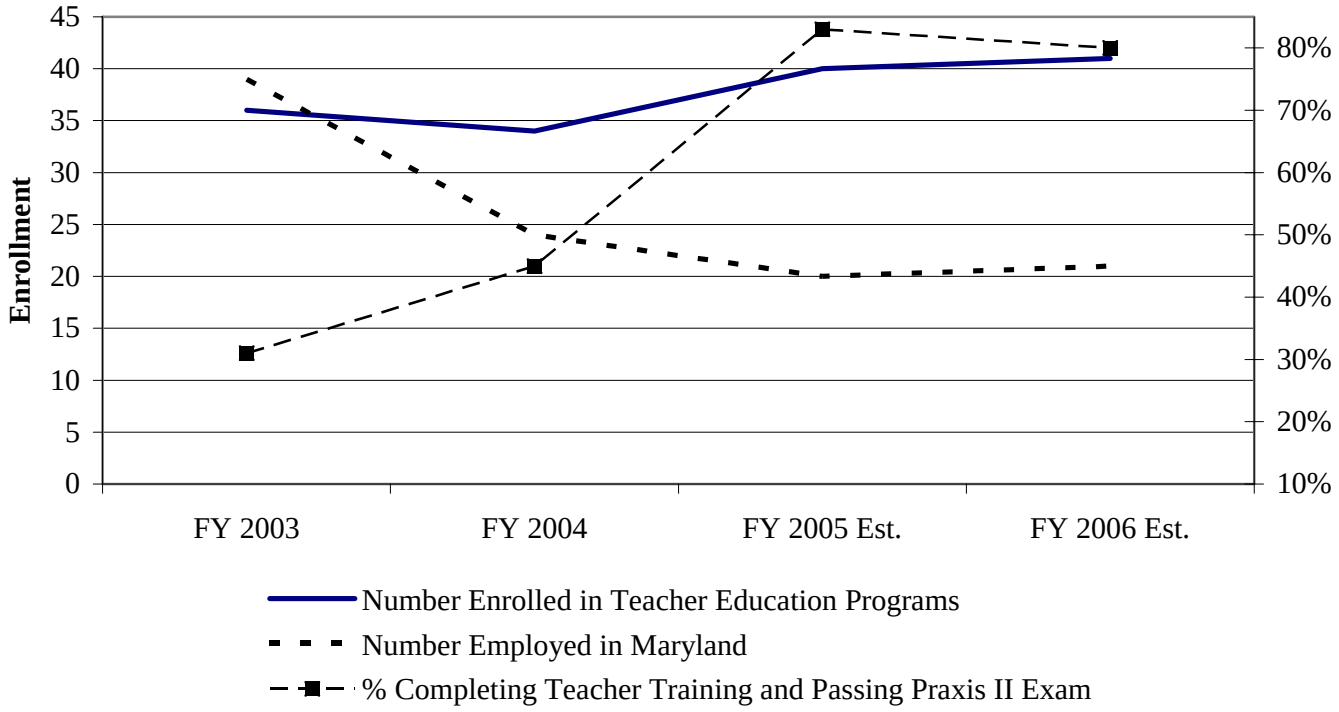
Exhibit 1
Six-year Graduation and Second-year Retention Rates
Fiscal 2003 – 2006



Source: University of Maryland Eastern Shore

The need for teachers in Maryland remains a focus of higher education, and UMES continues to work to increase the number of teacher education graduates in Maryland. The UMES Teacher Program recently earned initial accreditation at the advanced preparation level and provisional accreditation at the initial level after being placed on probation in fiscal 2004. The initial preparation programs will remain on probation until an 80% or better pass rate on the Praxis I and II exams is attained. **Exhibit 2** shows the number of students enrolled each year in teacher education programs, the percent that complete teacher training programs and pass the Praxis II exam, and the number employed in Maryland. As the exhibit shows, only 45% of undergraduates completed teacher training and passed the Praxis II exams in fiscal 2004. The percentage is projected to increase to 83% in fiscal 2005 but is expected to decline to 80% in fiscal 2006. The number of students employed as teachers in Maryland public schools appears to be on a downward trend from fiscal 2003 as well. **The President should comment on efforts to reverse these trends and increase the pass rates and the number of students employed as teachers in Maryland public schools.**

Exhibit 2
Teacher Education Students and Graduates
Fiscal 2003 – 2006



Source: University of Maryland Eastern Shore

Governor's Proposed Budget

As **Exhibit 3** shows, the general fund allowance for fiscal 2006 is $22.9 million. This reflects a $1.1 million increase from the 2005 level, or an increase of 5.1%. The additional general funds will be used primarily to increase need-based aid by $410,000 and cover mandatory costs. Other unrestricted funds grow by 5%, or $1.8 million over fiscal 2005. Tuition and fee revenues account for nearly 52% of other unrestricted funds in fiscal 2006. Overall, the UMES budget increases 4.2%.

Exhibit 3
Governor's Proposed Budget
University of Maryland Eastern Shore
($ in Thousands)

	FY 04 Actual	FY 05 Working	FY 06 Allowance	FY 05-06 $Change	% Change Prior Year
General Funds	$21,433	$21,830	$22,947	$1,117	5.1%
Other Unrestricted Funds	34,856	37,167	39,007	1,840	5.0%
Total Unrestricted Funds	56,288	58,996	61,954	2,958	5.0%
Restricted Funds	23,681	20,698	21,097	399	1.9%
Total Funds	**$79,969**	**$79,694**	**$83,051**	**$3,357**	**4.2%**

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

Budget changes in the allowance by program are shown in **Exhibit 4**. This exhibit considers only unrestricted funds, which are comprised mostly of general funds and tuition and fee revenues. Education and general expenditures increase by $2.9 million, or 6.8% between fiscal 2005 and 2006. Within this expansion, scholarships and fellowships have the largest growth rate (12.8%) over fiscal 2005. This is followed by increases of 8.8% in instruction and 7.5% in operation and plant maintenance due to mandatory expenditures such as debt service, construction management fees, and fuel and utility inflation. The increase in instruction, due in part to costs associated with enrollment, follows a 0.6% decline between fiscal 2002 and 2005. During the same period that instruction expenditures decreased, research, academic support, and scholarship and fellowship expenditures had double digit increases.

As part of the State's agreement with the U.S. Department of Education's Office for Civil Rights (OCR), UMES continues to receive $2.5 million in funds specific to historically black institutions (HBIs). **The President should comment on how the HBI-specific enhancement funds have been and will be utilized in accordance with the OCR agreement.**

Tuition and Fee and General Fund Revenues

Exhibit 5 shows tuition and fee and general fund revenues per full-time equivalent student (FTES) from fiscal 2000 through 2006. Like other Maryland HBIs, tuition and fee revenue at UMES has not exceeded general fund support. However, the gap between the two continues to narrow and tuition and fees may eclipse general funds if the latter does not increase in the next several years. In fiscal 2006, general fund revenue per FTES grows by 1.8% over fiscal 2005, while tuition and fee revenue per FTES increases by 2.9%.

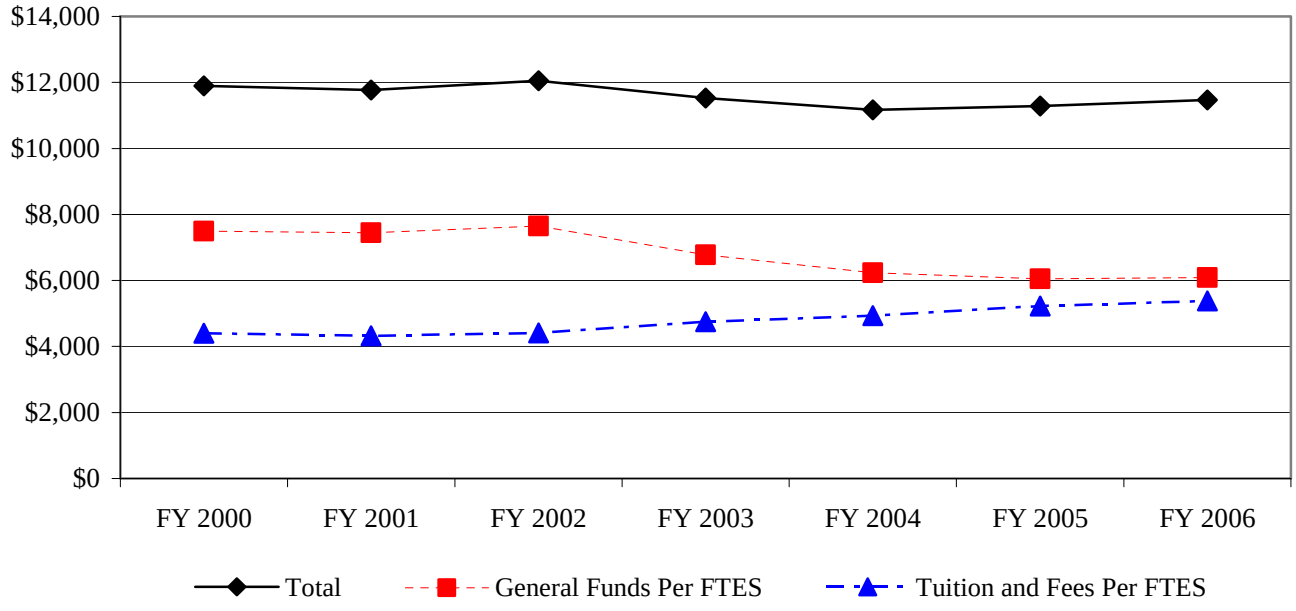
Exhibit 4
Budget Changes for Current Unrestricted Funds by Program
Fiscal 2002, 2005, and 2006
($ in Thousands)

	FY 2002	FY 2005 Working	FY 02-05 % Change	FY 2006 Allowance	FY 05-06 $ Change	FY 05-06 % Change
Expenditures						
Instruction	$15,437	$15,350	-0.6%	16,700	1,350	8.8%
Research	1,110	1,251	12.7%	1,284	33	2.6%
Academic Support	3,977	4,815	21.1%	4,983	168	3.5%
Student Services	2,074	2,034	-1.9%	2,046	12	0.6%
Institutional Support	7,922	7,399	-6.6%	7,690	291	3.9%
Operation and Maintenance of Plant	7,690	8,027	4.4%	8,631	604	7.5%
Scholarships and Fellowships	2,289	3,194	39.5%	3,604	410	12.8%
Subtotal Education and General	**$40,499**	**$42,070**	**3.9%**	**$44,938**	**$2,868**	**6.8%**
Auxiliary Enterprises	12,343	16,926	37.1%	17,017	91	0.5%
Total	**$52,842**	**$58,996**	**11.6%**	**$61,955**	**$2,959**	**5.0%**
Funds Specific to HBIs*	1,125	2,450	117.8%	2,450	0	0.0%
Adjusted Total	**$53,967**	**$61,446**	**13.9%**	**$64,405**	**$2,959**	4.8%
Revenues						
Tuition and Fees	$13,591	$18,526	36.3%	$20,276	$1,750	9.4%
General Funds	23,564	21,830	-7.4%	22,947	1,117	5.1%
Other	3,362	1,714	-49.0%	1,715	1	0.1%
Subtotal	**$40,517**	**$42,070**	**3.8%**	**$44,938**	**$2,868**	6.8%
Auxiliary Enterprises	13,566	17,561	29.4%	17,328	-233	-1.3%
Transfers (to) from fund balance	-1,241	-635	-48.8%	-311	324	-51.0%
Total	**$52,842**	**$58,996**	**11.6%**	**$61,955**	**$2,959**	5.0%
Funds Specific to HBIs*	1,125	2,450	117.8%	2,450	0	0.0%
Adjusted Total	**$53,967**	**$61,446**	**13.9%**	**$64,405**	**$2,959**	4.8%

*Funds for Access/Success program and HBI enhancement funds in MHEC budget.

Source: Governor's Budget Books, fiscal 2004 and 2005

Exhibit 5
General Fund and Tuition and Fee Revenues Per FTES
Fiscal 2000 – 2006
($ in Thousands)



Source: Department of Budget and Management

Issues

1. Plans Set for Achieving Administrative and Academic Efficiencies

Given the continuing constrained State fiscal environment, the USM Board of Regents examined how the system can improve its efficiency. After more than a year of study, USM unveiled its efficiency and effectiveness plan in October 2004. The system will pursue more than a dozen initiatives beginning in fiscal 2006, and some of them will continue through 2008.

In its report, USM estimates fiscal effects for administrative and academic efficiency initiatives. Across USM institutions, administrative cost savings are expected to be $17.1 million in fiscal 2006. These savings are built into the 2006 allowance, meaning estimates of mandatory cost increases would be $17.1 million higher without the efficiency savings.

UMES's share of the administrative savings is estimated at $456,496. To achieve these savings, UMES will eliminate the Office of the Vice President for Information Technology and reallocate the responsibilities to the Vice President for Administrative Affairs and the Vice President for Institutional Advancement. Additional savings will be realized through a partnership with Salisbury University (SU) and Shore Transit to provide transportation for students between UMES and SU. Deferred procurement of new equipment and the consolidation of the undergraduate and graduate admissions offices will also be implemented as cost saving measures.

Academic Initiatives Estimated to Support 183 Additional Students at No Cost to the State

To estimate the fiscal effects of academic initiatives, the USM Office identified the number of additional FTES each institution can serve with existing resource levels as a result of the efficiency efforts. This is in addition to increased enrollment supported with funds in the fiscal 2006 allowance. At UMES, the estimate is 183 additional FTES to be served at no cost to the State in fiscal 2006. (The actual number of additional FTES could vary in any given year of the three-year efficiency initiative.) This translates into $1.2 million in cost avoidance, based on UMES's fiscal 2003 general fund support of $6,778 per FTES. Since these are avoided costs, they are not reflected in the budget.

Faculty Workload at High End of Regents' Range

For the 2003-2004 academic year, the USM Board of Regents' policy called for an expected instructional workload range of 7 to 8 course units per tenured/tenure-track faculty member at USM comprehensive institutions. UMES faculty workload increased in fiscal 2004 to 7.8 average course units taught, as shown in **Exhibit 6**. This places them above the comprehensive average of 7.5.

The President should comment on the challenges and opportunities provided by the efficiency initiatives. The President should also comment on alternative initiatives to achieve academic efficiencies.

Exhibit 6
Course Units Taught by Tenured and Tenure-track Faculty

	1999-2000 Courses/FTEF	2000-2001 Courses/FTEF	2001-2002 Courses/FTEF	2002-2003 Courses/FTEF	2003-2004 Courses/FTEF
UMES	7.4	7.4	5.7	7.6	7.8
All USM Comprehensives	7.1	7.4	7.0	7.0	7.5

Notes: Tenured and tenure-track faculty include those on sabbatical and exclude department chairs.
The Board of Regents standard for instructional workload at comprehensive institutions is 7 to 8 course units annually.

FTEF = full-time equivalent faculty

Source: University System of Maryland

2. Affordability in Spotlight at UMES and Across USM

Affordability continues to be a concern for Maryland public education. In *Measuring Up 2004*, a national report card for higher education, Maryland's grade dropped from D- to F in the affordability category that measures whether students and families can afford to pay for a postsecondary education given income levels, financial aid, and the types of colleges and universities in the State.

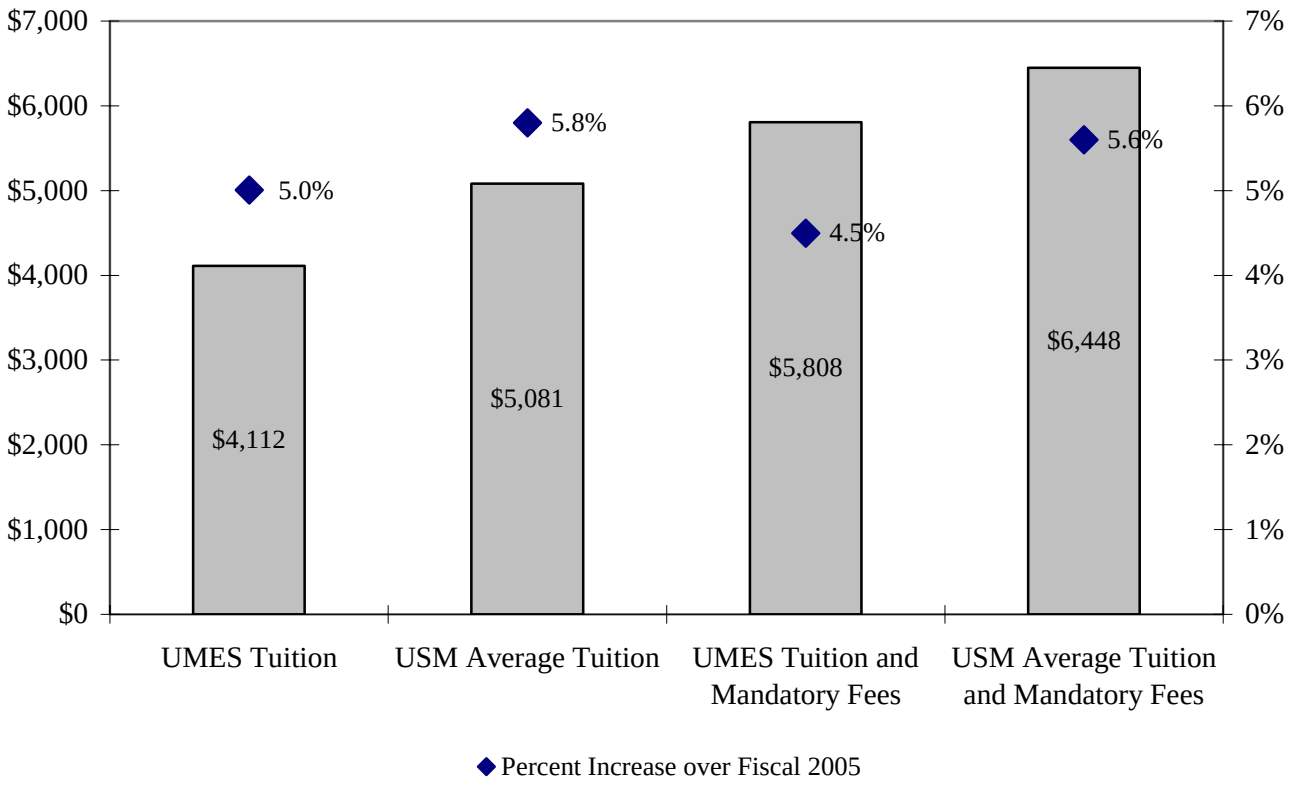
Tuition and Fee Increases Less Than USM Average

A factor that directly affects affordability is tuition and fee rates. For fiscal 2006, the USM weighted average tuition rate increases 5.8% as shown in **Exhibit 7**. By comparison, UMES's tuition rate increases 5%. Considering tuition and mandatory fees combined, the USM weighted average increases 5.6%. UMES tuition and mandatory fees increase 4.5%.

Institutional Aid Focuses on Non-need

Another factor that affects affordability is financial aid. Categories of institutional financial aid include merit, need, athletic, and mission. Data on funding amounts is available only in categories of need, athletic, and a combination of merit and mission. In summer 2004, the USM Chancellor convened a task force on financial aid, which found that much more aid should be directed to the need-based category.

Exhibit 7
University of Maryland Eastern Shore
Tuition and Mandatory Fees for Resident Undergraduates
Fiscal 2006

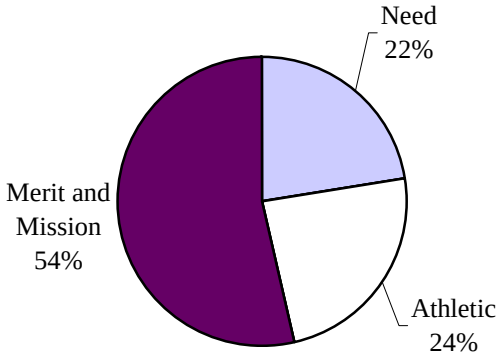


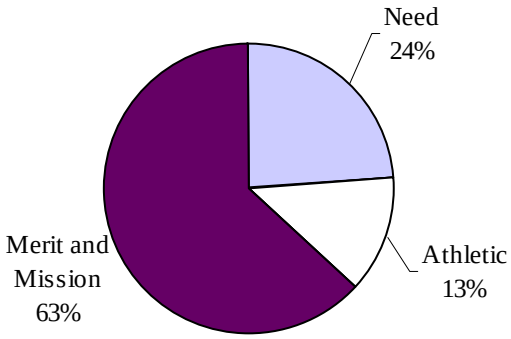
Source: University System of Maryland

At UMES, over half (54%) of institutional aid is merit- and mission-based, 24% is athletic-based, and 22% is need-based as shown in **Exhibit 8**. This distribution is similar to that of USM as a whole where 63% is merit- and mission-based, 24% is need-based, and 13% is athletic. Institutional aid is one type of aid that students receive and may be accompanied by State and federal aid as well. **The President should comment on the distribution of UMES institutional aid and on the school's future financial aid strategies.**

Exhibit 8
Institutional Financial Aid
Fiscal 2003

University of Maryland Eastern Shore **University System of Maryland**





	Need	Athletic	Merit and Mission
UMES	$612,008	$656,692	$1,459,741
USM Total	12,694,130	6,931,735	33,664,525

Source: Maryland Higher Education Commission Financial Aid Information Systems report, September 2004

3. Selected Executive and Mid-level Administrative Salaries Tend to Be Below Median

An analysis of administrative salaries by the Department of Legislative Services found that average faculty salaries at Maryland's four-year public higher education institutions vary widely compared to peers in other states. The administrative salary analysis is based on fiscal 2004 data from the College and University Professional Association (CUPA) for Human Resources. USM uses these salary data for benchmarking. About half of the data is from private institutions, which have higher average salaries than public institutions, so USM is likely benchmarking against a higher paid group that its public peers. Salaries for positions at or above the director level are reported with executive-level data, while positions below the director level are reported in mid-level data.

Executive-level Salaries

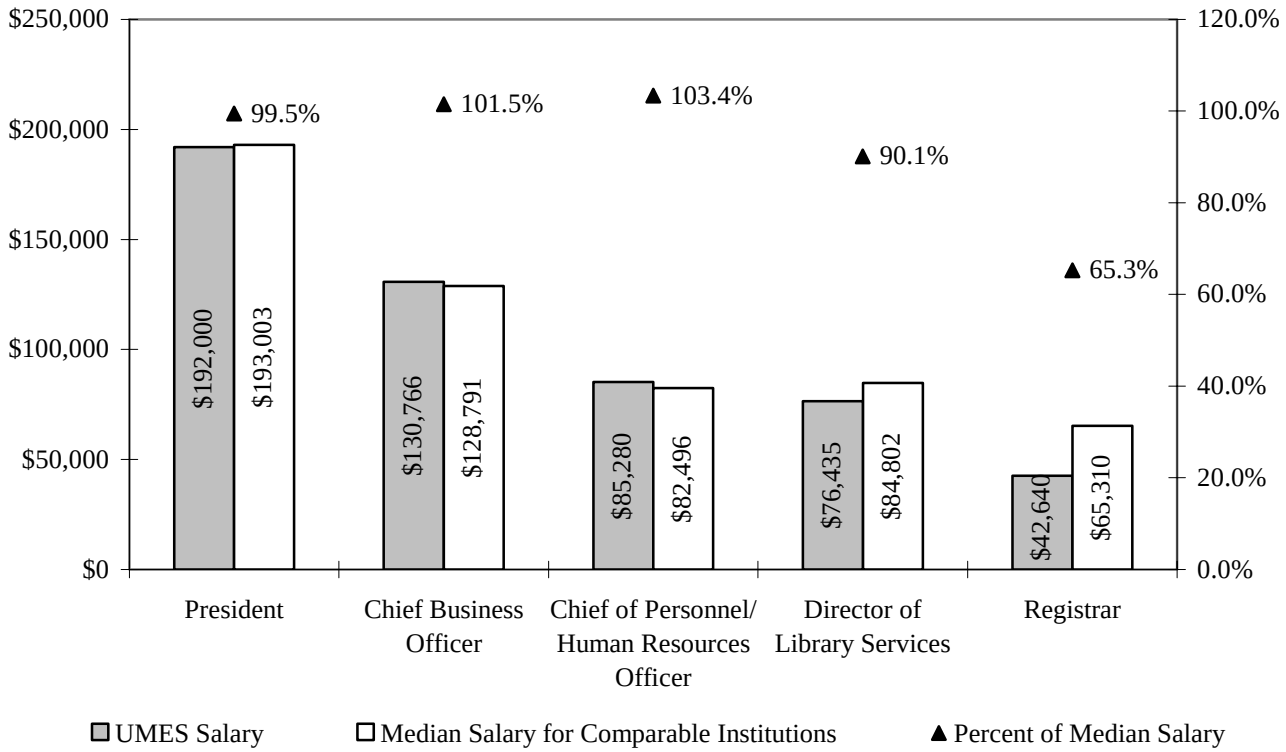
Five executive positions (president, chief business officer, chief of personnel, director of library services, and registrar) were selected for the comparison to represent several functional administrative areas. For executive-level positions, CUPA categorizes institutions according to their operating budget size and compares them on a national level since institutions draw from a nationwide pool to

fill top-level vacancies. The fiscal 2004 data represents 1,379 institutions, of which 52% are public and 48% are private.

A comparison of the fiscal 2004 salaries of five executive positions at UMES and median salaries at similar size institutions is shown in **Exhibit 9**. As the exhibit shows, three of the five reported positions are below the median salaries for comparable institutions. The salary of the president of UMES is approximately $1,000 less than the median comparable salary placing it at 99.5% of the median. The salary for the registrar position is the furthest below comparable median salaries, earning $42,640 compared to $65,310.

The chief business officer and chief of personnel each earn above the comparable median salaries. The chief business officer earns nearly $2,000 above the median, and the chief of personnel earns more than $2,700 above the median. All of these salaries are within the Board of Regents' target range of the 50th to 75th percentile rank for executive positions.

Exhibit 9
University of Maryland Eastern Shore
Executive Salaries
Fiscal 2004



Source: College and University Professional Association for Human Resources; Department of Legislative Services

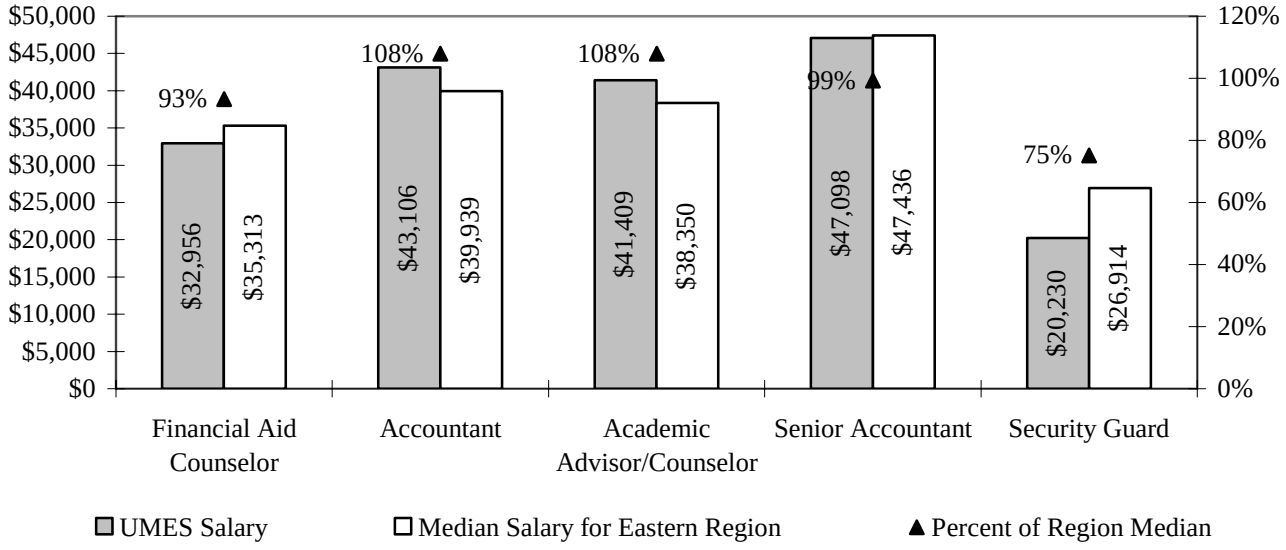
Mid-level Salaries

For mid-level administrative positions, five positions were selected for comparison – financial aid counselor, accountant, academic advisor, senior accountant, and security guard. Like the executive positions, they represent several functional areas. CUPA data for mid-level comparisons are condensed into a regional median since recruitment for these positions is usually regional.

The regional medians reported by CUPA for each position apply to all institutions in the region regardless of their budget sizes. The mid-level salary survey had 1,131 institutions responding, and public and private institutions each accounted for approximately 50% of the sample. For purposes of the survey, the eastern region includes Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

The mid-level administrative data, as shown in **Exhibit 10**, reveals a similar pattern to that of executive salaries. Three of the five positions reported salaries below the median for the region. The salary of the security guard position is nearly $6,700 below the regional median. The accountant and academic positions are both 108% of the region median. As with the selected executive positions, all of these salaries are within the Regent's target range of the 50th to 75th percentile rank for mid-level positions. **The President should comment on the impact of average salaries at UMES on executive and mid-level position recruitment and retention.**

Exhibit 10
University of Maryland Eastern Shore
Mid-level Administrative Salaries
Fiscal 2004



Source: College and University Professional Association for Human Resources; Department of Legislative Services

4. Personnel

The total UMES workforce, regular and contractual, is 731 in the fiscal 2006 allowance. There is no change from fiscal 2005. Regular positions are 1% higher in the allowance than they were in fiscal 2004. These numbers include filled and unfilled positions.

UMES, as of December 2004, has a vacancy rate of 1.8% for regular positions. This is the second lowest vacancy rate of the USM institutions. The system average is 4.8%. There are two vacancies among State-supported faculty, and more vacancies among exempt positions than non-exempt.

Exhibit 11 shows how the composition of filled regular positions has changed from fiscal 2002 to 2005. Filled positions increased a net of 13 from fiscal 2004 to 2005. Instructional personnel – who fulfill the institution's core mission – have increased by 5 full-time equivalent employees (FTEs). Positions were added in auxiliary enterprises, student services, and institutional support in fiscal 2005. Research lost 2 positions over fiscal 2004.

Exhibit 11
Personnel by Budget Program
University of Maryland Eastern Shore
Fiscal 2002, 2004, and 2005

	FY 2002		FY 2004		FY 2005	
Budget Program	**FTEs**	**% FTEs**	**FTEs**	**% FTEs**	**FTEs**	**% FTEs**
Instruction	190.99	29.5%	184.37	28.6%	188.87	28.7%
Research	67.79	10.3%	89.75	13.9%	87.00	13.2%
Public Service	.49	0.1%	0.49	0.1%	0.49	0.1%
Academic Support	71.50	11.0%	68.25	10.6%	68.50	10.4%
Student Services	38.00	5.9%	36.00	5.6%	39.00	5.9%
Institutional Support	94.00	14.5%	88.91	13.8%	92.91	14.1%
Operations and Maintenance of Plant	86.00	13.3%	77.00	11.9%	77.00	11.7%
Auxiliary Enterprises	100.00	15.4%	101.00	15.6%	105.00	15.9%
Scholarships and Fellowships	0.00	0.0%	0.00	0.0%	0.00	0.0%
Total	**647.77**	**100.0%**	**645.77**	**100.0%**	**658.77**	**100.0%**

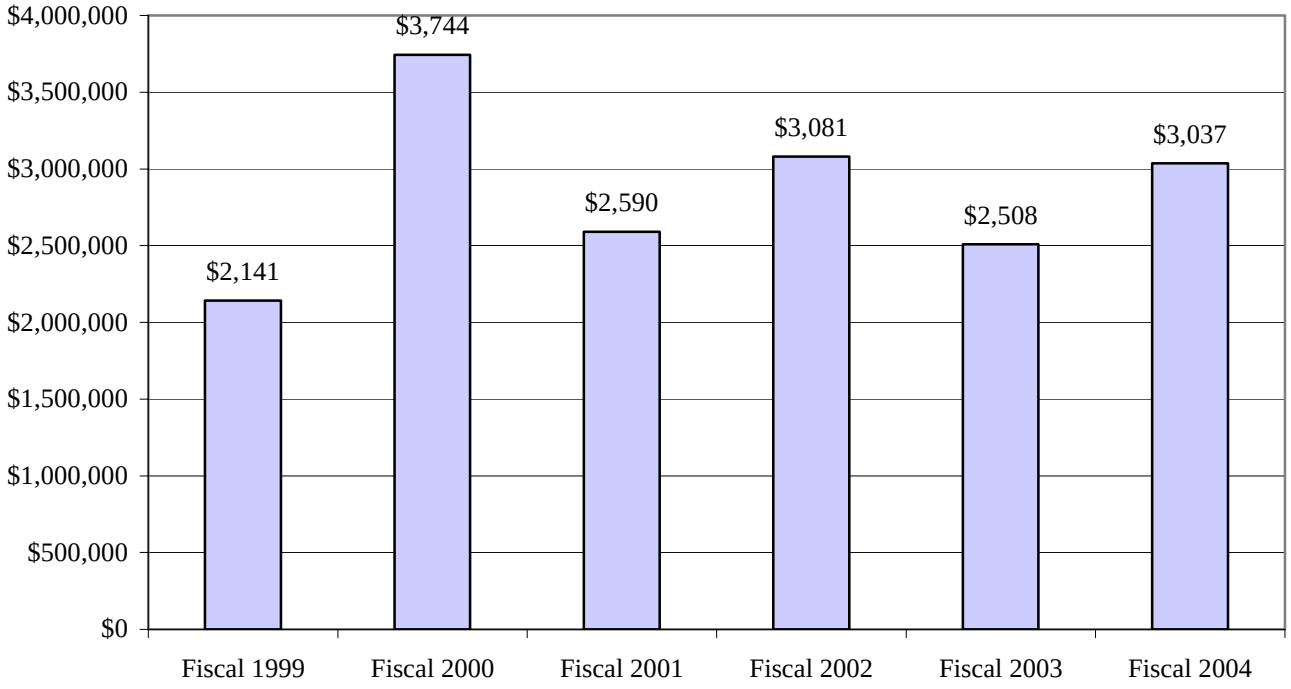
Note: Data are for filled regular positions only.

Source: University System of Maryland

5. Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds

Fund balance is an important part of the assets against which debt is issued. In May 2004, Standard & Poor's Rating Services lowered the rating on USM debt from AA+ to AA. In response, USM has a systemwide program to improve the ratio of fund balance to debt. As shown in **Exhibit 12**, UMES's fund balance has increased from $2.1 million in fiscal 1999 to $3 million in fiscal 2004. Institutions can build up fund balance by not spending all of their unrestricted funds on programs.

Exhibit 12
University of Maryland Eastern Shore
Unrestricted Fund Balance
Fiscal 1999 – 2004



	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Fund Balance	$2,140,822	$3,744,111	$2,589,701	$3,080,819	$2,507,901	$3,037,108
Change		1,603,289	-1,154,410	491,118	-572,918	529,207

Source: Maryland State Budget Books

Facilities maintenance needs also are putting pressure on unrestricted funds. Systemwide, the backlog for facilities maintenance and renewal projects is estimated at $1.7 billion. At UMES, projects that need to be addressed within the next five years are estimated at $6 million, and projects that need to be addressed within the subsequent five years, 2011 to 2016, are estimated at another $6 million.

A 1992 Regents' policy states that each year system institutions are supposed to set aside funds for maintenance in their operating budgets equal to 2% of the replacement value of all capital assets. Systemwide, the spending is about 0.63% in fiscal 2004, including operating funds as well as the capital funds channeled through the USM office. **The President should comment on the outlook for contributing unrestricted funds to fund balance and facilities maintenance.**

Recommended Actions

1. Concur with Governor's allowance.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
University of Maryland Eastern Shore
($ in Thousands)

	General Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Fiscal 2004					
Legislative Appropriation	$22,347	$33,271	$55,618	$17,950	$73,568
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	2,040	2,040	6,894	8,934
Cost Containment	-914	0	-914	0	-914
Reversions and Cancellations	0	-456	-456	-1,163	-1,619
Actual Expenditures	**$21,433**	**$34,856**	**$56,288**	**$23,681**	**$79,970**
Fiscal 2005					
Legislative Appropriation	$21,424	$36,941	$58,365	$18,949	$77,315
Budget Amendments	406	225	631	1,748	2,379
Working Appropriation	**$21,830**	**$37,166**	**$58,996**	**$20,698**	**$79,694**

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

Fiscal 2004

UMES's general funds were reduced $913,845 in fiscal 2004 through the Governor's July 2003 cost containment action. Budget amendments added $2.0 million in other unrestricted funds primarily due to:

- an increase of $1.4 million in sales and services of auxiliary related to dining services and residential contracts;
- an increase of $824,555 in tuition revenue;
- a decrease of $248,979 due to a transfer to fund balance; and
- a decrease of $251,889 to represent the amount of the General Assembly's general fund reduction in fiscal 2004 that was not originally deducted from the total unrestricted fund appropriation.

Other unrestricted funds were further decreased by $455,831 when funds related to contractual services for repairs and maintenance in auxiliary services were cancelled.

Budget amendments added $6.9 million to restricted funds due to:

- an increase of $4,000,000 due to the receipt of new grant funding for grant-funded employees and supplies and materials;
- $2 million increase in contract and grant activity primarily from National Oceanic and Atmospheric Association and Defense Information Systems Agency (DISA); and
- $894,237 increase in Title III grants and State and local grants.

Restricted funds were decreased by $1.1 million in cancellations related to federal grants and contracts, primarily DISA.

Fiscal 2005

Budget amendments added $225,198 in other unrestricted funds primarily due to an increase in auxiliary enterprise activity related to athletics; and $1.7 million in restricted funds due to increased federal and State contracts and grants. General fund additions fund the fiscal 2005 general salary increase for State employees.

Appendix 2

Audit Findings

Audit Period for Last Audit:	September 29, 1997 – December 31, 2000
Issue Date:	August 2001
Number of Findings:	8
Number of Repeat Findings:	5
% of Repeat Findings:	63%
Rating: (if applicable)	

Finding 1: **Internal controls over student refunds and account adjustments were inadequate.**

Finding 2: **The university did not always pursue collection of outstanding student account balances in a sufficient manner.**

Finding 3: **The university did not adequately monitor or restrict access to critical system data.**

Finding 4: The university's computer network was not adequately secured from Internet exposures.

Finding 5: **Student grades and financial aid awards recorded by the university were not sufficiently verified.**

Finding 6: **Critical financial data was not adequately reconciled and analyzed.**

Finding 7: Internal controls over disbursement transactions were not sufficient.

Finding 8: Equipment records were not adequately maintained, and critical employee duties were not properly separated.

*Bold denotes item repeated in full or part from preceding audit report.

Object/Fund Difference Report
USM – University of Maryland Eastern Shore

Object/Fund	FY04 Actual	FY05 Working Appropriation	FY06 Allowance	FY05 - FY06 Amount Change	Percent Change
Positions					
01 Regular	663.77	670.77	670.77	0	0%
02 Contractual	60.00	60.00	60.00	0	0%
Total Positions	**723.77**	**730.77**	**730.77**	**0**	**0%**
Objects					
01 Salaries and Wages	$ 46,531,438	$ 45,348,388	$ 47,396,368	$ 2,047,980	4.5%
02 Technical & Spec Fees	267,319	288,642	288,642	0	0%
03 Communication	627,167	641,227	641,227	0	0%
04 Travel	1,312,165	1,089,419	1,089,419	0	0%
06 Fuel & Utilities	3,035,657	2,687,477	2,987,477	300,000	11.2%
07 Motor Vehicles	109,244	138,523	152,877	14,354	10.4%
08 Contractual Services	6,381,132	6,391,966	6,371,089	-20,877	-0.3%
09 Supplies & Materials	5,185,962	4,355,697	4,431,697	76,000	1.7%
10 Equip - Replacement	169,012	168,480	168,480	0	0%
11 Equip - Additional	1,822,125	2,271,668	2,743,668	472,000	20.8%
12 Grants, Subsidies, and Contributions	8,240,093	7,149,460	7,559,460	410,000	5.7%
13 Fixed Charges	4,941,542	7,815,836	7,873,928	58,092	0.7%
14 Land & Structures	1,346,980	1,346,980	1,346,980	0	0%
Total Objects	**$ 79,969,836**	**$ 79,693,763**	**$ 83,051,312**	**$ 3,357,549**	**4.2%**
Funds					
40 Unrestricted Fund	$ 56,288,463	$ 58,996,098	$ 61,954,475	$ 2,958,377	5.0%
43 Restricted Fund	23,681,373	20,697,665	21,096,837	399,172	1.9%
Total Funds	**$ 79,969,836**	**$ 79,693,763**	**$ 83,051,312**	**$ 3,357,549**	**4.2%**

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

Fiscal Summary
USM – University of Maryland Eastern Shore

Program/Unit	FY04 Actual	FY05 Wrk Approp	FY06 Allowance	Change	FY05 - FY06 % Change
01 Instruction	$ 22,749,675	$ 17,258,208	$ 18,609,185	$ 1,350,977	7.8%
02 Research	9,998,665	12,839,156	13,269,724	430,568	3.4%
03 Public Service	650,155	662,136	663,324	1,188	0.2%
04 Academic Support	5,766,515	6,501,153	6,669,023	167,870	2.6%
05 Student Services	2,188,675	2,690,146	2,701,963	11,817	0.4%
06 Institutional Support	7,568,494	8,016,049	8,307,203	291,154	3.6%
07 Operation and Maintenance of Plant	7,946,481	8,036,025	8,639,539	603,514	7.5%
08 Auxiliary Enterprises	15,523,954	16,926,134	17,016,595	90,461	0.5%
17 Scholarships and Fellowships	7,577,222	6,764,756	7,174,756	410,000	6.1%
Total Expenditures	**$ 79,969,836**	**$ 79,693,763**	**$ 83,051,312**	**$ 3,357,549**	**4.2%**
Unrestricted Fund	$ 56,288,463	$ 58,996,098	$ 61,954,475	$ 2,958,377	5.0%
Restricted Fund	23,681,373	20,697,665	21,096,837	399,172	1.9%
Total Appropriations	**$ 79,969,836**	**$ 79,693,763**	**$ 83,051,312**	**$ 3,357,549**	**4.2%**

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.