University System of Maryland
Fiscal 2007 Budget Overview

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

February 2006

For further information contact: Erika S. Schissler Phone: (410) 946-5530

R30B00
University System of Maryland
Fiscal 2007 Budget Overview

Operating Budget Data

($ in Thousands)

	FY 05 Actual	FY 06 Working	FY 07 Allowance	FY 06-07 Change	% Change Prior Year
General Funds	$757,698	$808,680	$909,974	$101,294	12.5%
Other Unrestricted Funds	1,625,128	1,760,713	1,861,481	100,768	5.7%
Total Unrestricted Funds	2,382,826	2,569,393	2,771,455	202,062	7.9%
Restricted Funds	804,231	864,351	908,453	44,102	5.1%
Total Funds	**$3,187,057**	**$3,433,744**	**$3,679,908**	**$246,164**	**7.2%**

- General funds increase $101.3 million, or 12.5%, in the fiscal 2007 allowance.
- Other unrestricted funds grow mostly from a tuition and fee revenue increase of $57.9 million, which is 5.9% above the fiscal 2006 level.

Personnel Data

	FY 05 Actual	FY 06 Working	FY 07 Allowance	FY 06-07 Change
Regular Positions	19,298.65	19,710.63	20,298.21	587.58
Contractual FTEs	5,223.48	5,069.96	5,057.33	-12.63
Total Personnel	**24,522.13**	**24,780.59**	**25,355.54**	**574.95**
Vacancy Data: Regular Positions				
Turnover, Excluding New Positions		803.81	3.96%	
Positions Vacant as of 12/31/05		587.79	2.98%	

- The fiscal 2007 allowance includes 588 additional regular positions and 13 fewer contractual positions.
- The total University System of Maryland (USM) workforce increases 2.3% over the fiscal 2006 level.

Analysis in Brief

Major Trends

For Workforce Education, Teacher Employment Below Objective, and Nurse Employment Above Objective: The number of enrolled students in teaching programs declines. The number of enrolled students in nursing programs levels off after at least four years of steady increases. However, the number of teaching and nursing graduates that are employed in Maryland is increasing.

Increase in Retention Gap Has Leveled; Graduation Gap Remains Wide: Systemwide, institutions are on track in terms of African American enrollment. The increase in the gap between retention rates for African American students and all students has leveled off in fiscal 2005, meeting the objective. However, the gap between graduation rates for African American students and all students has increased since fiscal 2004, falling short of the objective.

Faculty Achievement Declined; Other Eminence Measures Are Solid: The number of USM faculty receiving prestigious awards declined from 84 in fiscal 2004 to 69 in fiscal 2005. The University of Maryland, College Park and the University of Maryland, Baltimore have more graduate level colleges, schools, programs, or specialty areas nationally ranked in the top 25 than they did in fiscal 2004.

Issues

Tuition and Fee Increases: In response to general fund cost containment measures, USM increased tuition and fees. From fiscal 2002 to 2005, there was a 33.8% increase systemwide. The increase in the fiscal 2007 general fund allowance is $101.3 million. Tuition and fee revenue increases $58.3 million. On average, tuition and fee rates have increased 4.8% in fiscal 2007.

Efficiency Initiatives in First Year: In October 2004, USM unveiled more than a dozen efficiency initiatives that it expects will result in $18.7 million in savings during fiscal 2007. Initiatives focus on increasing the faculty workload, shortening the time to degree, technology use, and collaboration among system institutions. Some of these initiatives will continue through fiscal 2008.

Faculty Workload Contributes to Efficiencies: Increasing faculty workload is a key component of the efficiency initiatives. USM reports that faculty workload increased for fiscal 2005.

Personnel Continues to Grow: In looking at changes since fiscal 2002, regular employees now exceed the 2002 level prior to cost containment measures. Contractual positions remain below the fiscal 2002 level. Also, the composition of personnel has changed since 2002, with instructional personnel accounting for a smaller proportion of the total. Research personnel have increased their share of the total more than any other program category.

System Office Devising Plans to Address Facilities Maintenance: The Board of Regents adopted a new policy to increase the operational spending of institutions towards facility renewal and to address the facility maintenance backlog of $1.7 billion.

Review of Fundraising Performance: USM is preparing to unveil an ambitious capital campaign in early 2006. USM has spent the past three years preparing for the campaign. During this time, institutions have continued to raise funds.

Recommended Actions

1. Add language limiting the University System of Maryland undergraduate in-state tuition increase to 0% over fiscal 2006.
2. Add language that would reduce unrestricted funds if any University System of Maryland institution increases the undergraduate in-state tuition rates for the 2006-2007 academic year above the undergraduate in-state tuition rates in the 2005-2006 academic year.
3. Adopt narrative requesting continued reporting on the efficiency initiative's fiscal effects and implementation.
4. Adopt narrative requesting continued reporting on faculty workload.

Updates

Joint Masters of Business Administration Program Approved: The Maryland Higher Education Commission has approved the joint Masters of Business Administration program between Towson University and the University of Baltimore. The commission upheld its decision despite an appeal made by Morgan State University objecting to the program.

Institutional Mission Statements Updated: The majority of USM institutions' core mission statements have remained unchanged. The University of Baltimore (UB) has changed its mission statement to reflect that UB is moving toward a four-year undergraduate program. Two new regional higher education centers have adopted a mission statement for the first time.

PeopleSoft Technology Update: Oracle has recently taken over management of the PeopleSoft software program used by most USM institutions. They are under contract to provide support services to USM through 2014. An update of which components of the PeopleSoft program have been implemented at each USM institution has been provided.

R30B00

University System of Maryland

Fiscal 2007 Budget Overview

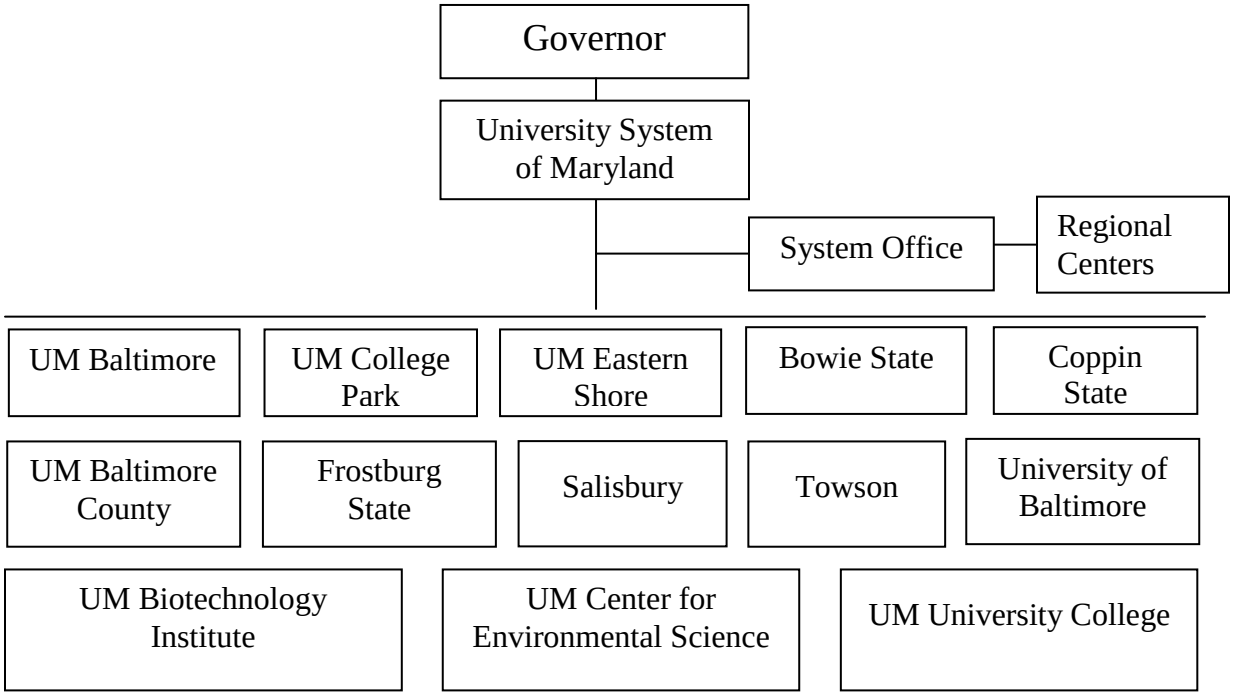
Operating Budget Analysis

Program Description

Title 12 of the Education Article establishes the University System of Maryland (USM) to "foster the development of a consolidated system of public higher education, to improve the quality of education, to extend its benefits, and to encourage the economical use of the State's resources." USM consists of 11 degree-granting institutions, two research centers, and the system office which operates two regional higher education centers. **Exhibit 1** illustrates the structure of the system.

Exhibit 1

University System of Maryland



Source: Department of Legislative Services

The Board of Regents is the governing body of USM. The board consists of 17 members, including the Secretary of Agriculture (ex officio); the Secretary is the only member not appointed by the Governor with the advice and consent of the Senate. The board appoints the Chancellor, who serves as the chief executive officer of the system and the chief of staff to the board. The Chancellor and staff coordinate system planning; advise the board of systemwide policy; coordinate and arbitrate among system institutions; and provide technical, legal, and financial assistance.

The board reviews, modifies, and approves a system strategic plan developed by the Chancellor in consultation with institution presidents. The board is charged with assuring that programs offered by the institutions are not unproductive or unreasonably duplicative. Other board activities include review and approval of new programs, review of existing programs, setting minimum admission standards, and determining guidelines for tuition and fees. The board is supposed to monitor the progress of each system institution toward approved goals and hold each president accountable for the progress. The board may delegate any of its responsibilities to the Chancellor.

The goals of USM, consistent with the State Plan for Higher Education, are to:

- create and maintain a well-educated workforce;
- promote economic development;
- increase access for economically disadvantaged and minority students; and
- achieve and sustain national eminence in providing quality education, research, and public service.

Performance Analysis: Managing for Results

Many USM performance objectives are on track. Economic development and national eminence measures are solid. Some workforce education measures are strong, but graduating enough teachers and nurses continues to be a concern. Retention and graduation rates of undergraduate students as a whole are on track, but the gap between retention of African American students and all students has grown since fiscal 2001, and the gap in graduation rates remains wide. Distance learning enrollment increases rapidly.

For Workforce Education, Employment in Maryland Increasing but Still Below 2005 Objective

USM's first goal is to create and maintain a well-educated workforce. The total number of undergraduates enrolled and the number of bachelor's degrees awarded by USM institutions continues to climb. Enrollment increased to more than 93,500 students in fiscal 2005, an increase of approximately 2,000 students over fiscal 2004, and USM institutions graduated more than 17,700

students with a bachelor's degree, an increase of approximately 1,000 students over fiscal 2004. Notably, the University of Maryland University College (UMUC) accounts for most of this growth. However, future growth is expected to be more dispersed among other comprehensive institutions as they all have plans to increase enrollment.

The employment rate of USM graduates and how many graduates are employed in Maryland is measured as part of the workforce education goal. These data are captured by a survey conducted every three years by the Maryland Higher Education Commission (MHEC). The most recent survey was conducted in 2005. It showed that the employment rate of USM graduates fell slightly from 95% in the 2002 survey to 94% currently. However, the percentage of USM graduates employed in Maryland increased from 57% in 2002 to 65% in 2005.

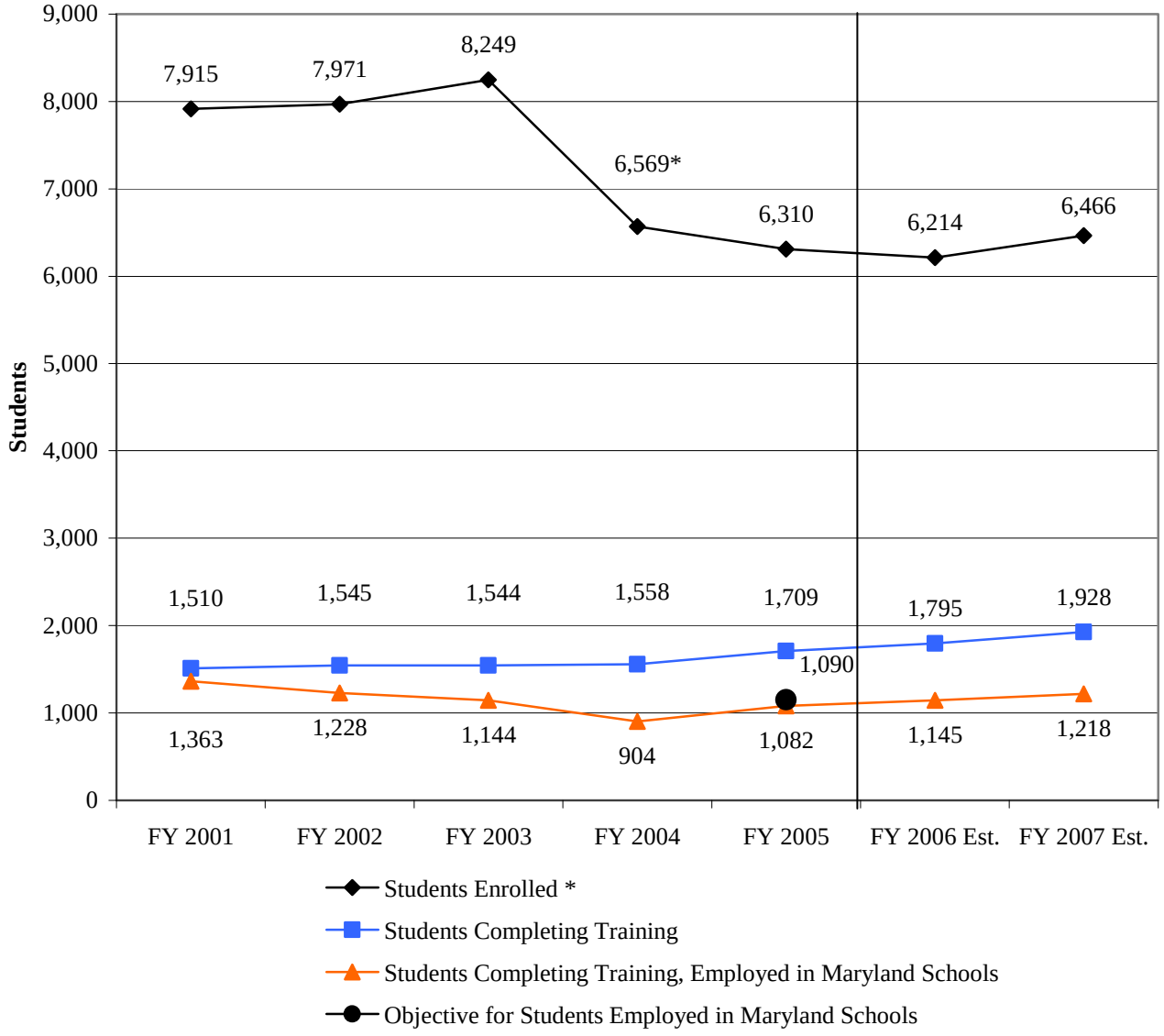
Teacher Enrollment

USM specifically measures its efforts to educate students in several high-demand fields, including teaching. Nine USM institutions offer teaching programs in Maryland. The State Department of Education estimates that the school systems will need approximately 13,000 new teachers by 2007. However, the number of teacher candidates prepared in Maryland institutions was 2,553 in fiscal 2004. USM institutions prepared 1,558 of those students.

As shown in **Exhibit 2**, the number of students that have successfully completed training and are employed as teachers in Maryland has been declining since fiscal 2001 despite the fact that the number of students completing training has increased during that time. However, fiscal 2005 showed a slight rebound with 1,082 graduates employed in Maryland schools. This number fell short of the fiscal 2005 objective of 1,090 graduates employed in Maryland schools but is an increase from the fiscal 2004 level of 904 graduates employed in Maryland. It is predicted that this measure will continue to increase at least through fiscal 2007. Additionally, the number of students completing training is also predicted to continue increasing. USM attributes the increase partly to an increase in teacher hiring in Maryland as well as the increase in the number of students completing teacher education training and the professional development school partnership.

It is important to note that some USM institutions have changed the way they measure the number of students enrolled in teacher education programs. However, the number of students enrolled in teacher education programs systemwide has been declining since fiscal 2003 despite these changes. USM attributes this drop to decreased enrollment at the following four institutions: University of Maryland, College Park (UMCP); University of Maryland Baltimore County (UMBC); Salisbury University (SU); and Bowie State University (BSU). For instance, at SU there was a delay in constructing a new education facility, which USM reports negatively affected enrollment. Similarly, UMCP has restructured its education program by downsizing elementary education and increasing its secondary education program as well as creating alternative ways for students to become teachers. USM reports that this reconfiguration has temporarily led to decreased enrollment. **The Chancellor should comment on the decline in teacher education enrollment and when enrollment is expected to rebound to fiscal 2003 levels.**

Exhibit 2
USM Students Enrolled in and Graduating from Teacher Training Programs Employed in Maryland Public Schools
Fiscal 2001 – 2007



*Beginning with fiscal 2004, student enrollment data reflect a revised definition and count of masters/post-baccalaureate teacher education students at some USM institutions. For instance, Towson University now only includes those students officially accepted into the program. Data for prior years have not been changed.

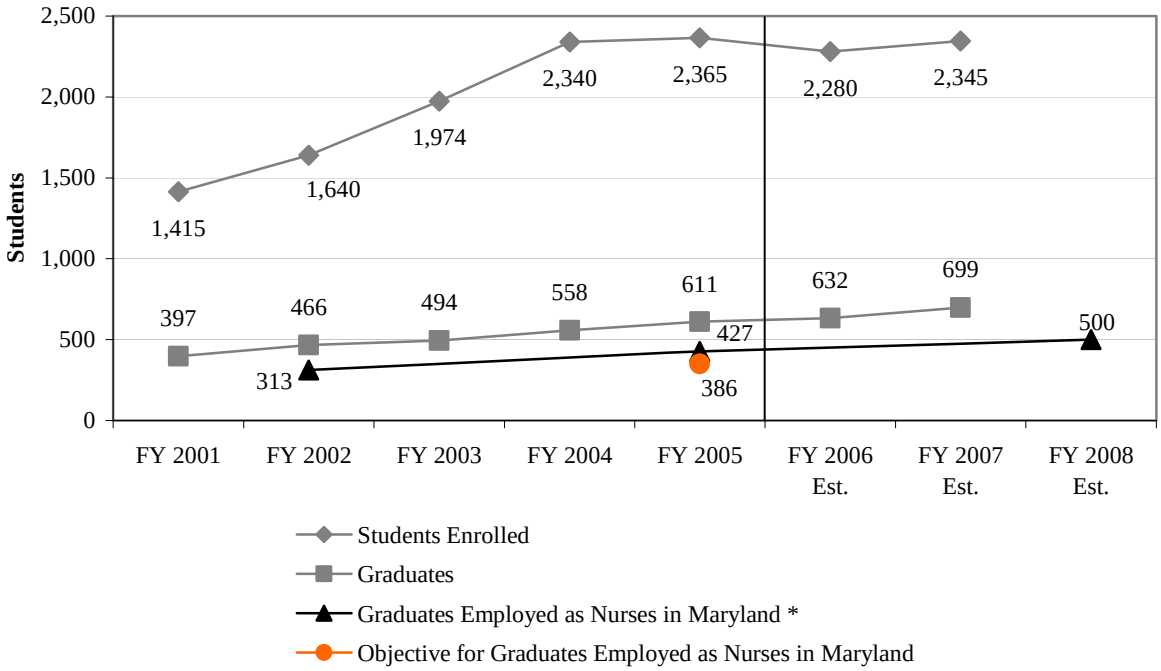
Source: University System of Maryland

Enrollment and Graduation of Nurses

Nursing is another area in which USM tracks its education efforts. Nursing programs are offered by five USM institutions. The State Department of Labor, Licensing, and Regulation predicted that there will be a need for nearly 15,000 new registered nurses in Maryland through 2010. The number of nurses currently graduating from Maryland colleges and universities will not satisfy this demand.

However, enrollment in nursing programs at USM institutions has grown by two-thirds from fiscal 2001 to 2004. Specifically, as shown in **Exhibit 3**, there were 1,415 nursing students enrolled in fiscal 2001 and 2,340 students enrolled in fiscal 2004. However, the rate of increase leveled out in fiscal 2005 and is expected to temporarily decline in fiscal 2006. USM reports that the decline is due in part to the University of Maryland, Baltimore (UMB) transitioning into an accelerated nursing program. Nursing enrollment is expected to rebound to fiscal 2004 levels in fiscal 2007.

Exhibit 3
USM Students Enrolled in and Graduating from Nursing Programs Employed as Nurses in Maryland
Fiscal 2001 – 2008



*Data from a triennial survey of recent graduates conducted by MHEC.

Note: Fiscal 2002 – 2007 data for students enrolled incorporate TU's and CSU's new measurement.

Source: University System of Maryland

According to the triennial survey that is conducted by MHEC, the number of nursing graduates that are employed as nurses in Maryland continues to increase. The fiscal 2002 survey showed that 313 graduates were employed as nurses in Maryland and the fiscal 2005 survey showed that there are now 427 graduates employed in Maryland – an almost 40% increase since fiscal 2002 – bringing the levels close to the fiscal 2000 survey level of 431 graduates. The fiscal 2005 level exceeded the objective of 386 nursing graduates employed in Maryland. USM attributes this to its new reporting system which now includes all five USM institutions that have nursing programs. Previous data only included four institutions which reported nursing data in their Managing for Results (MFR). It is estimated that the fiscal 2008 survey will show a continuing increase with 500 nursing graduates employed in Maryland.

Economic Development Activities Carry On

USM's second goal is to promote economic development. Currently, two USM institutions – UMCP and UMBC– are operating business incubator programs. USM's objective is to graduate at least five companies from their incubator programs every year. This year USM met this objective.

This objective is predicted to decrease slightly in fiscal 2007. USM reports that one of the companies in UMCP's incubator program experienced an unanticipated level of growth. This growth created time and space constraints, which created a bottleneck in available space for new companies. This company is expected to graduate from the incubator program this year thus freeing the space for new programs. UMCP reports that it has recently accepted new companies.

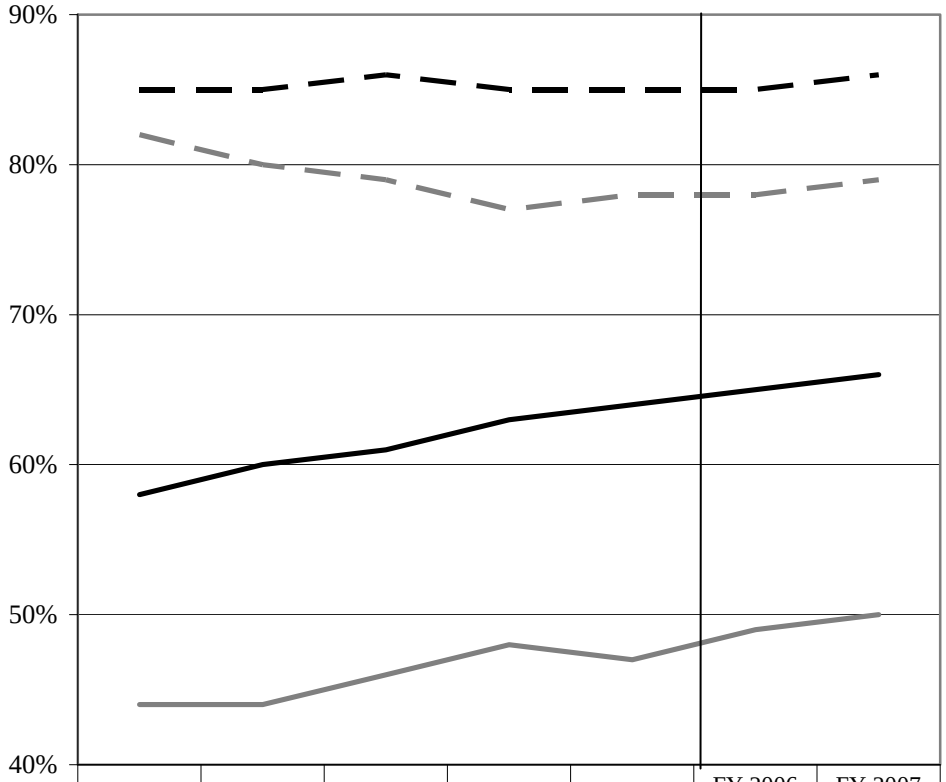
Other USM institutions have business development activities in their communities, although they may not be measured as part of the MFR process. In 2005 the BioPark at UMB and the M Square research park at UMCP began operating. UMBC's bwtech@umbc opened a new building in 2005, which increased the number of tenant companies. The Allegany Business Center, affiliated with Frostburg State University (FSU), is nearly ready for development.

Wide Gap Still Exists in Retention and Graduation Rates

Another goal of USM is to increase access for economically disadvantaged and minority students. Systemwide, institutions are on track in terms of the percentage of economically disadvantaged undergraduate students enrolled in USM institutions. Minority students' share of total enrollment remains steady at 38% and is estimated to rise to 40% by fiscal 2009. African American students' share of total enrollment also remains steady at 25% but is estimated to reach 27% by fiscal 2009. This would bring the percentage of African Americans enrolled in USM institutions in line with the percentage of African Americans in Maryland.

In terms of helping students stay in school, USM institutions have a second-year retention rate of minority students that is holding steady at 82%. As shown in **Exhibit 4**, the retention rate for African American students systemwide decreased from 82% in fiscal 2001 to 77% in fiscal 2004. In fiscal 2005 the retention rate of African Americans increased to 78%. The gap between the retention rate of African American students and all students has increased during that same time

Exhibit 4
USM Retention and Graduation Rates
All Students and African American Students
Fiscal 2001 – 2007



	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Est.	FY 2007 Est.
Retention – All Students	85%	85%	86%	85%	85%	85%	86%
Retention – African American	82%	80%	79%	77%	78%	78%	79%
Graduation – All Students	58%	60%	61%	63%	64%	65%	66%
Graduation – African American	44%	44%	46%	48%	47%	49%	50%

Source: University System of Maryland

period from 3 percentage points in fiscal 2001 to 7 percentage points in fiscal 2005. However, this gap has decreased by 1 percentage point since fiscal 2004 and meets USM's objective for fiscal 2005. USM reports that it expects the retention gap to continue shrinking as a result of the recruitment and retention programs that institutions have implemented over the past four years.

A wide achievement gap in six-year graduation rates between all students and African American students remains. The graduation rate for African American students increased from 44% in fiscal 2001 to 48% in fiscal 2004. In fiscal 2005 the graduation rate decreased slightly to 47% falling short of the 49% objective. However, the graduation rate for all students has been increasing steadily from 58% in fiscal 2001 to 64% in fiscal 2005 exceeding the objective of 63%. Therefore, the gap between graduation rates of African American students and all students has increased from 14 percentage points in fiscal 2001 to 17 percentage points in fiscal 2005. If USM had met its 2005 objective for the African American graduation rate, then the gap would have been 15 percentage points. USM reports that many of its institutions have made progress in closing this gap, but that the graduation rate of African American students at UMCP and the University of Maryland Eastern Shore (UMES) declined in fiscal 2005. UMCP's graduation rate has since increased, but the progress will not be reflected in MFR data until next year. USM reports that this decline caused the increase in the systemwide gap in graduation rates. **The Chancellor should explain what system institutions are doing to decrease retention and graduation gaps.**

Faculty Achievement and Other Eminence Measures Are Solid

Achieving and sustaining national eminence in providing quality education is another USM goal. Retention and graduation rates indicate performance in this area, and USM retention and graduation objectives for undergraduates, considered as a whole, are on track. Faculty achievement also illustrates eminence. As of fiscal 2005, the number of prestigious awards and national academy memberships held by USM faculty was 69. Examples of awards include Fulbright Scholarships, Guggenheim Fellowships, and Sloan Foundation Fellowships, among others. This is a decrease from 84 in fiscal 2004, but the objective is predicted to increase through at least fiscal 2007.

USM also tracks rankings specifically for UMCP and UMB. In fiscal 2005, these two institutions had 76 graduate level colleges, schools, programs, or specialty areas ranked among the top 25 nationally, according to *U.S. News and World Report*, *Financial Times*, *Business Week*, *Success*, and the National Research Council. This has increased from 71 in fiscal 2004 and exceeded the 2005 objective.

Governor's Proposed Budget

The general fund allowance for fiscal 2007 is $101.3 million above the 2006 level, an increase of 12.5%, as shown in **Exhibit 5**. Other unrestricted funds grow from a tuition and fee revenue increase of $57.9 million, which is 5.9% above the fiscal 2006 level. Other unrestricted funds also include increases in sales and services of educational activities and auxiliary enterprises.

Restricted funds, including federal and State grants and contracts, increase 5.1% in the allowance. Federal grants and contracts increase 7.7% while other grants and contracts increase slightly. When considering all funds, the USM budget increases 7.2%.

Exhibit 5
Governor's Proposed Budget
University System of Maryland
($ in Thousands)

	FY 05 Actual	FY 06 Working	FY 07 Allowance	FY 06-07 Change	% Change Prior Year
General Funds	$757,698	$808,680	$909,974	$101,294	12.5%
Other Unrestricted Funds	1,625,128	1,760,713	1,861,481	100,768	5.7%
Total Unrestricted Funds	2,382,826	2,569,393	2,771,455	202,062	7.9%
Restricted Funds	804,231	864,351	908,453	44,102	5.1%
Total Funds	**$3,187,057**	**$3,433,744**	**$3,679,908**	**$246,164**	**7.2%**

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

The general fund increase in the USM budget, however, understates the total general fund support proposed for USM institutions in fiscal 2007 by over $20 million as shown in **Exhibit 6**. Certain USM institutions receive funds through other State agency budgets. In addition, the Administration has proposed a 2% cost-of-living adjustment for State employees that would also apply to USM employees. Taking into account this additional funding, USM institutions are slated to receive $122.3 million in general funds in fiscal 2007.

The USM budget provides $101.3 million of these new general funds. This amount includes $1.5 million that will be dedicated to financial aid for BSU, UMES, and Coppin State University (CSU). Each institution will receive $0.5 million. The $101.3 million also includes debt relief for CSU in the amount of $3.8 million. Funds for the Access and Success program at BSU, UMES, and CSU were previously budgeted in the MHEC budget. However, this year the funds will be budgeted in each of the institution's budgets. Funds provided for USM through other State agency budgets, include increases in two grants from MHEC – an increase of $525,000 for the UMB-WellMobile, bringing the total grant to $820,500 and a $2 million increase for the UMBC Aging Studies School for a total of $3.5 million in fiscal 2007. Additionally, there is $2.5 million for the USM Nanotechnology research initiative incorporated into the Department of Business and Economic Development budget.

Exhibit 6
USM General Fund Increase
Fiscal 2007
($ in Thousands)

	Amount
New Unearmarked General Funds	$73,281
Financial Aid for BSU, UMES, CSU	1,500
Debt Relief for CSU	3,800
Transfer of Access and Success from MHEC Budget*	4,500
Fundraising Initiative Systemwide	3,275
USM Enrollment Initiative	14,938
Subtotal USM Budget	***$101,294***
Grant for UMB-WellMobile (through MHEC Budget)	$525
USM Nanotechnology Research Initiative (through DBED Budget)	2,500
Grant for UMBC Aging Studies School (through MHEC Budget)	2,000
Total New General Funds	**$106,319**
Adjusted for Access and Success*	-$4,500
Adjusted Total New General Funds *	**$101,819**
Employee cost-of-living adjustment (COLA) Funds Received through the Department of Budget and Management Budget	$20,442
Total Increase Annual Funds Including COLA	**$122,261**
% Increase Over Fiscal 2006 Including COLA	**15.1%**

*$4.5 million for the Access and Success program, which in the past has been budgeted in MHEC, is transferred to the individual budgets of BSU, UMES, and CSU. Each institution has received $1.5 million annually since fiscal 2003. The total new general funds has been adjusted to reflect this.

Source: Department of Budget and Management; University System of Maryland

The allowance provides USM $43.7 million in funds available for enhancements and enrollment growth, as shown in **Exhibit 7**. To begin with, the fiscal 2007 estimated "mandatory" or current services cost increases are $117 million, or 6.5% over fiscal 2006 tuition and fee and general fund revenue. These costs are related to salary increases, facility renewal, utility inflation, and additional financial aid, among others. Including the cost of the cost-of-living adjustment (COLA) and efficiency savings, which are discussed in Issue 2, increases the base current services costs to

Exhibit 7
USM Revenues Available for Program Enhancements and Enrollment
Fiscal 2007
($ in Thousands)

	$ Amount
Expenditure Growth	
USM Estimated Current Services Cost Increases	$117,013
Employee COLA	33,136
Costs Saved through Efficiency Initiative	-18,680
Revised Estimated Current Services Costs	**$131,468**
Revenue Growth	
New General Funds*	$96,794
COLA Funds Received through DBM Budget	20,442
New Tuition and Fee Revenues	57,924
New General Fund and Tuition Revenues	**$175,160**
Funds Available for Enhancements/Enrollment Growth (Revenues Less Expenditures)	**$43,691**
Additional Dedicated Funds (UMB-WellMobile, USM Nanotechnology, UMBC Aging Studies School)	**$6,526**

*****This does not include the $4.5 million for to the Access and Success program previously budgeted in MHEC, or dedicated funds for WellMobile, Nanotechnology, or the Aging Studies School.

Source: University System of Maryland; Department of Budget and Management; Department of Legislative Services

$131.5 million. New general fund revenues, new tuition and fee revenues, and the State-supported COLA total $175.2 million. The difference of $43.7 million is available for enhancements and enrollment growth.

USM intends to spend revenues available for enhancements on a fundraising initiative (discussed further in Issue 6 of this analysis), academic program enhancements, financial aid at UMCP, facility renewal at UMCP, the Center for Advanced Research in Biotechnology II Good Manufacturing Practice Bio-Manufacturing program at the University of Maryland Biotechnology Institute (UMBI), regenerative medicine at UMB, faculty recruitment and retention at FSU and the University of Baltimore (UB), and the Schools of Public Health, Bioengineering, and Public Policy at UMCP.

USM is also planning to increase enrollment in fiscal 2007 by adding 3,386 full-time equivalent students (FTES). Each campus is projected to take on additional students as shown in **Exhibit 8**. UMUC is projected to add 1,325 FTES in fiscal 2007. In prior years, the bulk of enrollment growth has been carried by UMUC. However, this year the enrollment growth is shared by all campuses. For instance, Towson University (TU) is expected to add 805 FTES in fiscal 2007. These new students are in addition to the number of students that each school is expected to support with no additional State funding as part of the efficiency initiative, as discussed in Issue 2.

Exhibit 8
USM Enrollment Growth by Campus
Fiscal 2007

	Enrollment Projections	General Funds for Enrollment
Univ. of MD, Baltimore	50	$600,000
Univ. of MD, College Park	250	2,400,000
Bowie State Univ.	96	537,943
Towson Univ.	805	4,427,528
Univ. of MD Eastern Shore	123	876,082
Frostburg State Univ.	16	96,451
Coppin State Univ.	102	686,100
Univ. of Baltimore	100	623,906
Salisbury Univ.	323	1,775,510
Univ. of MD Univ. College	1,325	1,426,718
Univ of MD Baltimore County	196	1,487,839
USM	**3,386**	**$14,938,077**

Source: University System of Maryland

The USM projections for enrollment growth differ from the MHEC projections for enrollment growth. MHEC has predicted that USM will have 2,313 additional FTES in fiscal 2007. USM has predicted that there will be 3,386 new enrollments in fiscal 2007. Again, this total does not include the additional students that USM expects to support with no cost to the State. When comparing the USM projection for new enrollments (including the 709 efficiency initiative students) and the MHEC projection, USM's projection is 77% higher than MHEC's fiscal 2007 predicted enrollment growth.

Budgets for Physical Plant Operations, Financial Aid, and Instruction Show Highest Rates of Increase

Budget changes by program in the allowance are shown in **Exhibit 9**. This exhibit considers only unrestricted funds, of which general funds and tuition and fees are the majority. Expenditures for physical plant operations increase at the highest rate (14.5%, or $42.5 million) from fiscal 2006 to 2007. Utilities account for $18.8 million of these funds, and $8.7 million will go toward the new Board of Regents facility renewal policy that requires institutions to increase operational spending on facilities renewal at a rate of 0.2% of the replacement value of all capital assets.

Exhibit 9
USM Budget Changes for Unrestricted Funds by Program
Fiscal 2002 – 2007
($ in Thousands)

	FY 2002 Actual	FY 2006 Working	FY 02-06 % Change	FY 2007 Allowance	FY 06-07 % Change
Expenditures					
Instruction	$699,076	$814,933	16.6%	$881,766	8.2%
Research	139,781	168,892	20.8%	181,416	7.4%
Public Service	37,232	47,707	28.1%	48,140	0.9%
Academic Support	219,680	260,306	18.5%	273,171	4.9%
Student Services	92,547	109,538	18.4%	114,816	4.8%
Institutional Support	275,690	319,144	15.8%	340,226	6.6%
Operation and Maintenance of Plant	227,747	293,612	28.9%	336,161	14.5%
Scholarships and Fellowships	83,211	124,002	49.0%	140,240	13.1%
Hospitals (UMB)	4,485	25,683	472.6%	25,807	0.5%
Education and General Total	**$1,779,449**	**$2,163,817**	**21.6%**	**$2,341,743**	**8.2%**
Auxiliary Enterprises	$338,368	$405,576	19.9%	$429,712	6.0%
Grand Total	**$2,117,817**	**$2,569,393**	**21.3%**	**$2,771,455**	**7.9%**
Revenues					
Tuition and Fees	$656,900	$982,545	49.6%	$1,040,469	5.9%
General Funds	864,765	808,680	-6.5%	909,974	12.5%
Other Unrestricted Funds	275,566	378,556	37.4%	408,113	7.8%
Subtotal	**$1,797,231**	**$2,169,781**	**20.7%**	**$2,358,556**	**8.7%**
Auxiliary Enterprises	$334,546	$409,684	22.5%	$434,412	6.0%
Transfer to/from Fund Balance	-13,960	-10,072	-27.9%	-21,513	113.6%
Grand Total	**$2,117,817**	**$2,569,393**	**21.3%**	**$2,771,455**	**7.9%**

Note: Unrestricted funds only. All programs. USM institutions only.

Source: Maryland State Budget

Scholarship and fellowship expenditures have the next highest rate of increase at 13.1%. (Institutional financial aid trends are discussed in the Department of Legislative Services Higher Education Overview analysis.) Expenditures for instruction have the third highest rate of increase at 8.2%.

Transfers to fund balance increase 114%. USM sets a goal for each campus to set aside 1% of their current unrestricted funds to transfer to the fund balance. Systemwide this would have been $25.7 million for fiscal 2006 and $27.7 million for fiscal 2007. Campuses are given some flexibility from year to year to allow for the individual needs of the campus. For instance, a campus may need to set aside more funds in one year in anticipation of a project for which fund balance will be needed for the next year. In fiscal 2007 some of the campuses with a large increase in transfer to fund balance include UMB, BSU, and TU, among others. Most of the fiscal 2007 fund balance transfers are from education and general revenues ($16.8 million).

Issues

1. Tuition and Fee Increases

In fiscal 2003, USM increased tuition and fees to make up for the decrease in State general funds due to cost containment. From fiscal 2002 to fiscal 2005, tuition and fees increased an average of 33.8% systemwide.

Tuition and Fee and General Fund Revenue Increases

Exhibit 10 shows the increase in general fund revenue and tuition and fee revenue from fiscal 2002 to 2007. The fiscal 2007 allowance for general fund revenue increases $101.3 million from fiscal 2006. This is the highest increase since at least fiscal 2002 and is similar to increases provided in fiscal 2000 ($68.4 million, or 10% over fiscal 1999) and fiscal 2001 ($78.7 million, or 11% over fiscal 2000). The fiscal 2007 tuition and fee allowance increases $57.9 million over fiscal 2006, or 5.9% and the general fund allowance increases 13% over fiscal 2006. Considering the total new funds from tuition and fees and general funds, USM will receive $159.2 million in new funds in fiscal 2007, or 9% more than in fiscal 2006.

Exhibit 10
USM Tuition and Fee and General Fund Revenue Increases
Fiscal 2002 – 2007
($ in Millions)

	New Tuition and Fee Revenue	New General Fund Revenue	Total	% Growth from Prior Year
Fiscal 2002 Actual	$61.1	$66.1	$127.2	9.1%
Fiscal 2003 Actual	73.6	-63.9	9.7	0.6%
Fiscal 2004 Actual	111.3	-54.7	56.6	3.7%
Fiscal 2005 Actual	57.3	11.5	68.8	4.3%
Fiscal 2006 Working	83.5	51.0	134.5	8.1%
Fiscal 2007 Allowance	57.9	101.3	159.2	8.9%

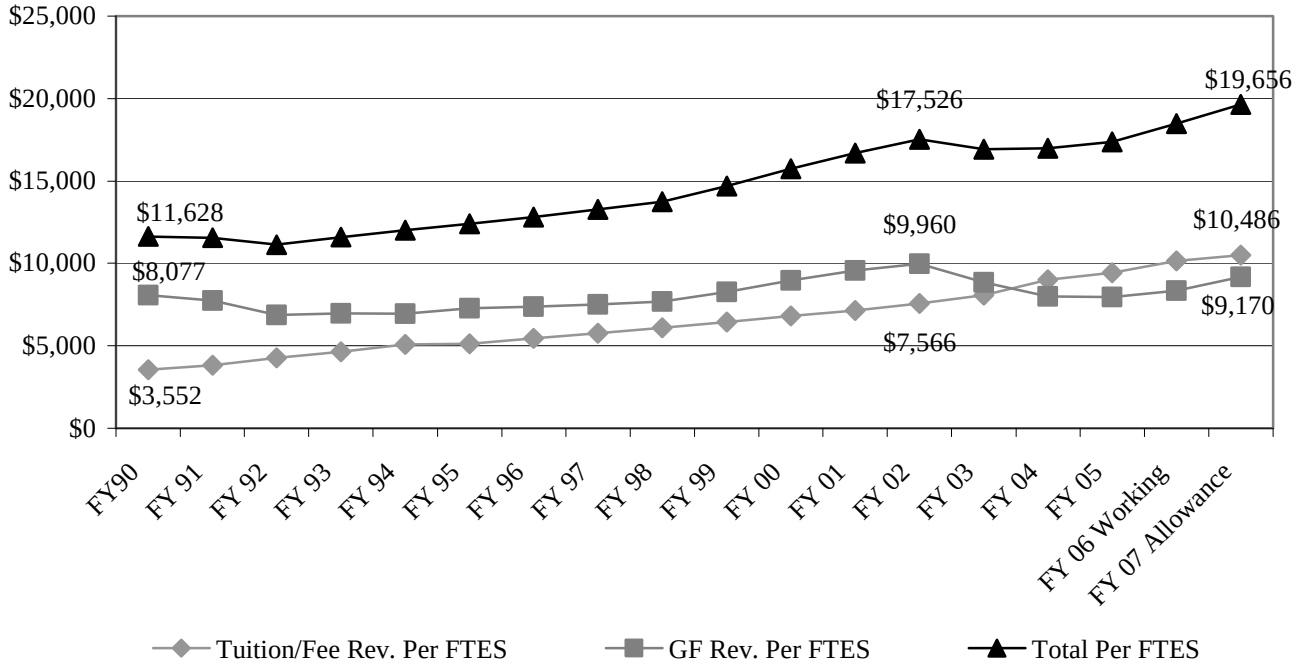
Source: Maryland State Budget Books

The exhibit shows that new general funds in the fiscal 2007 allowance increase by $101.3 million and tuition and fee revenue increase $57.9 million, respectively. In 2006 the general fund increase was $51 million, or a 7% increase, and the tuition and fee increase was $83.5 million, or a 9% increase over fiscal 2005. The fiscal 2006 budget still left over $17 million available for enhancements.

Tuition and Fee and General Fund Revenue Per Full-time Equivalent Student

As shown in **Exhibit 11**, tuition and fee revenue per FTES has been steadily increasing since fiscal 1990. The fiscal 2007 allowance is $10,486 in tuition and fees per FTES. The general fund revenue per FTES was at its highest level in fiscal 2002 at $9,960 per FTES. General fund revenue then decreased for several years. The fiscal 2007 general fund allowance is $9,170 per FTES. In fiscal 2006 total revenue per FTES ($18,478) exceeded the fiscal 2002 level. Total revenue per FTES in the fiscal 2007 allowance is $19,656, an increase of 6.4% over fiscal 2006 and $2,130 more than the $17,526 in fiscal 2002.

Exhibit 11
USM Tuition and Fee and General Fund Revenues Per FTES
Fiscal 1990 – 2007



Source: Maryland State Budget Books; Department of Budget and Management; Maryland Higher Education Commission; Department of Legislative Services

Increase in Tuition and Fees in Fiscal 2007

Exhibit 12 shows the history of tuition increases from fiscal 2002 to 2007. During cost containment activity, annual tuition increases averaged 10.3% for USM institutions. The tuition increases from fiscal 2005 to 2006 averaged 5.7%, and the average increase from fiscal 2006 to 2007 is 4.3%. Most USM institutions' tuition increases 4.5%. Tuition at UMES increases 4%, and tuition at CSU increases 3%.

When considering tuition together with fees, annual tuition increases from fiscal 2002 to 2005 averaged 10.2% for USM institutions, as shown in **Exhibit 13**. Tuition and fees increased an average of 5.3% in fiscal 2006, and the average increase in 2007 is 4.8%. BSU has the highest increase of 8.1%, and CSU has the lowest increase of 2.9%.

Exhibit 12
USM Increase in In-state Full-time Undergraduate Tuition
Fiscal 2002 – 2007

	Tuition Annual Average % Change FY 02-05	Tuition % Change FY 05-06	Tuition % Change FY 06-07	Tuition FY 07
Bowie State Univ.	11.2%	5.9%	4.5%	$4,479
Coppin State Univ.	6.9%	5.9%	3.0%	3,632
Frostburg State Univ.	11.1%	5.9%	4.5%	5,224
Salisbury Univ.	12.2%	5.9%	4.5%	5,030
Towson Univ.	10.7%	5.9%	4.5%	5,414
Univ. of Baltimore	10.9%	5.9%	4.5%	5,565
Univ. of Maryland Baltimore County	11.8%	5.9%	4.5%	6,776
Univ. of Maryland Eastern Shore	10.9%	5.0%	4.0%	4,276
Univ. of Maryland University College	3.9%	4.1%	4.5%	5,768
Univ. of Maryland, Baltimore[1]	10.9%	5.9%	4.5%	7,200
Univ. of Maryland, College Park	12.7%	5.9%	4.5%	6,861
USM Average*	**10.3%**	**5.7%**	**4.3%**	**$5,475**

[1] School of Nursing.

*Not a weighted average.

Source: University System of Maryland

Exhibit 13
USM Increase in Undergraduate In-state Full-time Tuition and Mandatory Fees
Fiscal 2002 – 2007

	Tuition and Fee Annual Average % Change FY 02-05	Tuition and Fee % Change FY 05-06	Tuition and Fee % Change FY 06-07	Tuition and Fee FY 07
Bowie State Univ.	11.3%	5.0%	8.1%	$5,923
Coppin State Univ.	8.6%	5.8%	2.9%	4,850
Frostburg State Univ.	11.1%	6.9%	6.2%	6,616
Salisbury Univ.	10.0%	6.7%	4.0%	6,628
Towson Univ.	10.2%	6.4%	4.3%	7,398
Univ. of Baltimore	12.7%	5.4%	4.1%	7,074
Univ. of Maryland Baltimore County	10.7%	0.0%	4.6%	8,914
Univ. of Maryland Eastern Shore	10.4%	4.5%	4.5%	6,072
Univ. of Maryland University College	3.9%	6.3%	4.4%	5,888
Univ. of Maryland, Baltimore[(1)]	11.3%	5.8%	4.8%	7,942
Univ. of Maryland, College Park	11.5%	5.5%	4.9%	8,201
USM Average*	**10.2%**	**5.3%**	**4.8%**	**$6,864**

[(1)] School of Nursing.

*Not weighted.

Source: University System of Maryland; Maryland State Budget Books

General funds provided in excess of the amount required for current services costs can be used either for enhancements and initiatives or to moderate tuition growth. Although the allowance almost doubles the general fund increase compared to fiscal 2006, the impact on tuition rates is quite modest. From fiscal 2002 to 2006, undergraduate full-time resident tuition increased an average of 42%. **Given this high rate of increase and the significant increase in general fund support proposed for fiscal 2007, DLS recommends freezing undergraduate resident tuition rates at fiscal 2006 levels. Freezing tuition rates will reduce USM revenues by $18.9 million. After this loss of revenue, USM would still have $24.8 million to fund enhancements and enrollment growth.**

2. Efficiency Initiatives in First Year

In October 2004, USM completed a major study to improve the efficiency and effectiveness of its institutions to reduce costs and accommodate future enrollment growth. The plan included more than a dozen initiatives that would generate financial benefits in the form of cash savings, cost avoidance, attainment of new revenues, and reallocation of resources. In 2005 USM began implementing many of the efficiency initiatives identified in the study, resulting in cost savings and avoidance of $17.8 million in fiscal 2005 and an estimated $17.1 million in fiscal 2006. For fiscal 2007, the estimated efficiency savings is $18.7 million, or 1% of USM's State-supported budget. As shown in **Exhibit 14**, each institution and the USM Office has a target amount to save in fiscal 2006 and 2007. Each institution has discretion as to how they will achieve the savings. No data are available on year-to-date savings achieved in fiscal 2006. Many efficiency initiatives are still being developed with recommendations expected at the end of fiscal 2006. Some initiatives will continue through 2008.

Exhibit 14
USM Institution Efficiency Savings
Fiscal 2006 – 2007

	Est. FY 2006	Est. FY 2007
Univ. of Maryland, Baltimore	$2,305,322	$2,640,910
Univ. of Maryland, College Park	6,451,048	6,994,483
Bowie State Univ.	477,081	504,026
Towson Univ.	1,691,676	1,770,655
Univ. of Maryland Eastern Shore	456,496	485,147
Frostburg State Univ.	515,344	541,575
Coppin State Univ.	504,424	544,744
Univ. of Baltimore	626,885	670,665
Salisbury Univ.	700,764	733,021
Univ. of Maryland Univ. College	1,407,095	1,678,884
Univ. of Maryland Baltimore County	1,501,890	1,581,791
Univ. of Maryland Center for Envir. Sciences	148,597	155,803
Univ. of Maryland Biotechnology Institute	195,768	216,316
University System of Maryland Office	144,459	162,259
USM Total	**$17,126,849**	**$18,680,279**

Source: University System of Maryland

Some initiatives include accommodating higher enrollment through higher faculty workloads, expanding on-line learning, moving undergraduate students through their courses of study more quickly, increasing collaboration among institutions, and boosting the use of technology. One of the ways to measure efficiency savings is in terms of how many additional FTES are served with no additional State support. In fiscal 2005, USM served 739 students at no additional cost to the State. For fiscal 2006 through 2008, USM has established the goal of accommodating an additional 2,127 students at its institutions at no additional cost to the State, as shown in **Exhibit 15**. Following the spring 2006 semester, USM will calculate the actual number of additional students served in fiscal 2006.

Exhibit 15
USM Additional Students at No Additional Cost to the State
Fiscal 2006 – 2008

	FY 2006 Estimated	FY 2007 Estimated	FY 2008 Estimated	FY 06-08 Total
Bowie State Univ.	0	0	0	0
Coppin State Univ.	0	0	0	0
Frostburg State Univ.	14	14	14	43
Salisbury Univ.	85	85	85	255
Towson Univ.	312	312	312	936
Univ. of Baltimore	9	9	9	27
Univ. of Maryland, Baltimore	n/a	n/a	n/a	n/a
Univ. of Maryland Baltimore County	91	91	91	273
Univ. of Maryland, College Park	137	137	137	410
Univ. of Maryland Eastern Shore	61	61	61	183
Univ. of Maryland Univ. College	n/a	n/a	n/a	n/a
Total	**709**	**709**	**709**	**2,127**

Notes: Includes additional students from increased time to degree and auxiliary semester enrollments.
Numbers may not sum to total due to rounding.

Source: University System of Maryland

The 12 areas in which fiscal savings are expected include:

- ***Faculty Course Loads:*** The Board of Regents policy requires tenured/tenure-track faculty at research institutions to carry a workload of 5-6 course units, while comprehensive faculty should carry a workload of 7-8 course units. Each institution is charged with meeting the mid-point of workload standards for the 2005-2006 academic year (fiscal 2006). Therefore,

research institution faculty should teach 5.5 course units and comprehensive institution faculty should teach 7.5 course units. This will generally result in a 10% increase in faculty course load. Faculty course loads are further discussed in Issue 3.

- ***Capacity/Time to Degree*:** In February 2005 the Board of Regents adopted policies effective for the 2005-2006 academic year to (1) require first-time freshmen to complete 12 course credits on average outside the classroom through experiences such as on-line education, independent study, and internships before they graduate; (2) limit most baccalaureate degree requirements to 120 credits; and (3) strongly encourage students admitted as first-time freshmen in the spring semester to complete 12 credits toward their degree prior to attending the spring semester. These initiatives will accommodate expanded enrollment and promote faster degree completion.

- ***Manage Enrollment:*** The Board of Regents will devise an enrollment strategy to channel more undergraduate enrollments to institutions with excess capacity and lower cost. This initiative is ongoing. The Board of Regents has developed a demand enrollment model that is under review.

- ***Enrollment Services:*** Institutions will use best practice models to streamline enrollment services, including consolidating undergraduate and graduate admissions processes; promoting on-line admission procedures; and automating grading and billing practices. This initiative is ongoing. A systemwide committee reviewed best practices and implemented several enrollment initiatives.

- ***Information Technology and Administrative Systems:*** New procurement for the licensing of Microsoft products was awarded in fiscal 2005 resulting in savings of $5 million over five years. A new support agreement for PeopleSoft products was awarded in fiscal 2005 resulting in savings of $7 million over 10 years. Security and identity management initiatives are ongoing.

- ***Energy Purchasing and Demand Management:*** This initiative focuses on systemwide cooperative purchasing of energy to reduce costs. USM issued a request for proposal for electricity, and a contract was awarded effective July 2005 resulting in expected cost savings of 10 to 15%, or about $5 million. However, energy prices have increased since the contract was awarded, which could result in additional savings. A request for proposal for natural gas is under review, and procurement is expected to begin July 2006. Additionally, installations of a variety of lighting technologies will be evaluated, and the best technology will be implemented systemwide.

- ***Real Property:*** This initiative focuses on ensuring that each campus is using its property efficiently. If it is found that property can be used more efficiently, USM develops and investigates options. In 2005 the board has approved plans to increase efficient use of property on some campuses. This effort will be ongoing.

- ***Administrative Economies of Scale:*** USM will study whether a shared services center could decrease transaction costs related to accounts payable and travel, among others. In-house processing of payroll and accounts payable also will be studied. This effort is ongoing.

- ***Technology Commercialization:*** USM will generate new revenues and commercial ventures with additional research funds and intellectual property. This initiative is ongoing, and a new workgroup was proposed to review current practices.

- ***Consolidation of University Police Forces:*** The Board of Regents' Effectiveness and Efficiency Work Group has recently added the consolidation of institution police forces to the list of efficiency initiatives under review. This initiative will be under study in fiscal 2006.

- ***Organizational Structure:*** A Board of Regents' workgroup studied four institutions to see if their performance could benefit from a new structure. The workgroup made recommendations that are discussed below.

- ***On-line Learning:*** Distance learning provides an opportunity for higher education institutions to educate students through non-traditional methods, which will decrease the time to degree. The use of distance learning allows institutions to provide education without needing to use traditional academic spaces such as classrooms. Since 1999 the number of distance learning credit courses offered by Maryland colleges and universities has nearly doubled to slightly over 4,000 during the 2003-2004 academic year. USM provided 1,339 credit courses through distance learning to 34,974 students in academic year 2003-2004. UMUC, alone, served the majority of these students or 30,789.

  As part of the efficiency initiatives, USM institutions have developed plans for increasing on-line educational opportunities. During the 2005-2006 academic year, the primary focus will be on conducting workshops and creating faculty relationships to promote effective electronic teaching and communication of faculty educational opportunities available at other USM institutions. Each USM institution has completed an on-line learning strategic plan. Some examples of the initiatives that the institutions will be implementing include developing more fully on-line and hybrid on-line courses for summer, winter and regular terms; training for faculty in developing on-line courses; creating policies for on-line courses; creating pilot programs for fully on-line degree programs; and incorporating instructional technology to enhance classroom courses.

  USM as a whole also has a strategic plan for on-line learning. The plan outline initiatives in the following six areas: faculty development, best practices collaboration, intellectual property issues, access to learning resources, assessment of on-line courses, and investigating emerging technologies. USM has created a variety of committees and subcommittees to develop and implement these areas.

Results of Structural Study of Four Institutions

As part of the system's efficiency initiative, a review of the organization of the following four institutions was conducted: UMUC, UB, UMBI, and University of Maryland Center for Environmental Sciences (UMCES). These four institutions are considered special purpose institutions because each has characteristics that make it different from a traditional degree granting university. Meetings between the Board of Regents and the president of each institution took place prior to drawing conclusions about the structure.

The Board of Regents made the following recommendations:

- UMUC's mission and structure should remain the same, but that UMUC needed greater autonomy from State rules and regulations. Many of the changes that required legislative action were made during the 2005 session. Other changes are being reviewed by the Board of Regents in an ongoing effort.

- UB should expand its programs to include lower division courses and become a four-year institution. UB developed a proposal to expand its mission, which was approved by the Board of Regents. This proposal was recently approved by the MHEC education policy committee. The full commission must approve the recommendation before the decision becomes final.

- UMBI should remain a USM institution. However, the Institute for Human Virology (IHV) should perhaps be realigned with another institution such as UMB. USM is leading a review of the recommendation and a conclusion will be made as to the best administrative association for the IHV during fiscal 2006.

- UMCES should continue to be a part of USM.

3. Faculty Workload Contributes to Efficiencies

Increasing faculty workload is a key part of the USM efficiency initiatives discussed above. USM reports that the average faculty workload increased in fiscal 2005. **Exhibit 16** shows the detail. The Board of Regents policy requires tenured/tenure-track faculty at research institutions to carry a workload of 5-6 course units, while comprehensive faculty should carry a workload of 7-8 course units. As part of the efficiency initiative, each institution is charged with meeting the mid-point of workload standards in fiscal 2006. Therefore, research institution faculty should teach 5.5 course units and comprehensive institution faculty should teach 7.5 course units.

Exhibit 16
USM Faculty Workload
Fiscal 2001 – 2005

	2000-2001 Courses/ FTEF	2001-2002 Courses/ FTEF	2002-2003 Courses/ FTEF	2003-2004 Courses/ FTEF	2004-2005 Courses/ FTEF
Comprehensive Institutions					
Bowie State Univ.	8.0	7.3	8.2	8.4	8.2
Coppin State Univ.	9.2	9.2	7.9	8.8	9.0
Frostburg State Univ.	7.5	7.3	7.4	7.9	7.8
Salisbury Univ.[1]	7.2	7.2	7.1	7.8	7.9
Towson Univ.[1]	7.1	6.6	6.6	6.9	7.3
Univ. of Baltimore[1]	6.5	7.8	7.0	7.0	6.9
Univ. of MD Eastern Shore	7.4	5.7	7.6	7.8	7.5
USM All Comprehensive Inst.	**7.4**	**7.0**	**7.0**	**7.5**	**7.7**
Research Institutions					
Univ. of MD Baltimore	n/a	n/a	n/a	n/a	n/a
Univ. of MD Baltimore County[2]	5.0	5.1	5.0	5.2	5.7
Univ. of MD College Park[2]	4.9	5.0	5.0	5.1	5.1
USM All Research Institutions	**5.0**	**5.0**	**5.0**	**5.1**	**5.3**

[1] Calculations for SU, TU, and UB omit the schools of business and law because accreditation standards requires law faculty to teach 4.0 course units and business faculty to teach 6.0 course units.

[2] State-supported full-time equivalent faculty.

Note: The USM averages are weighted averages.

FTEF = full-time equivalent faculty

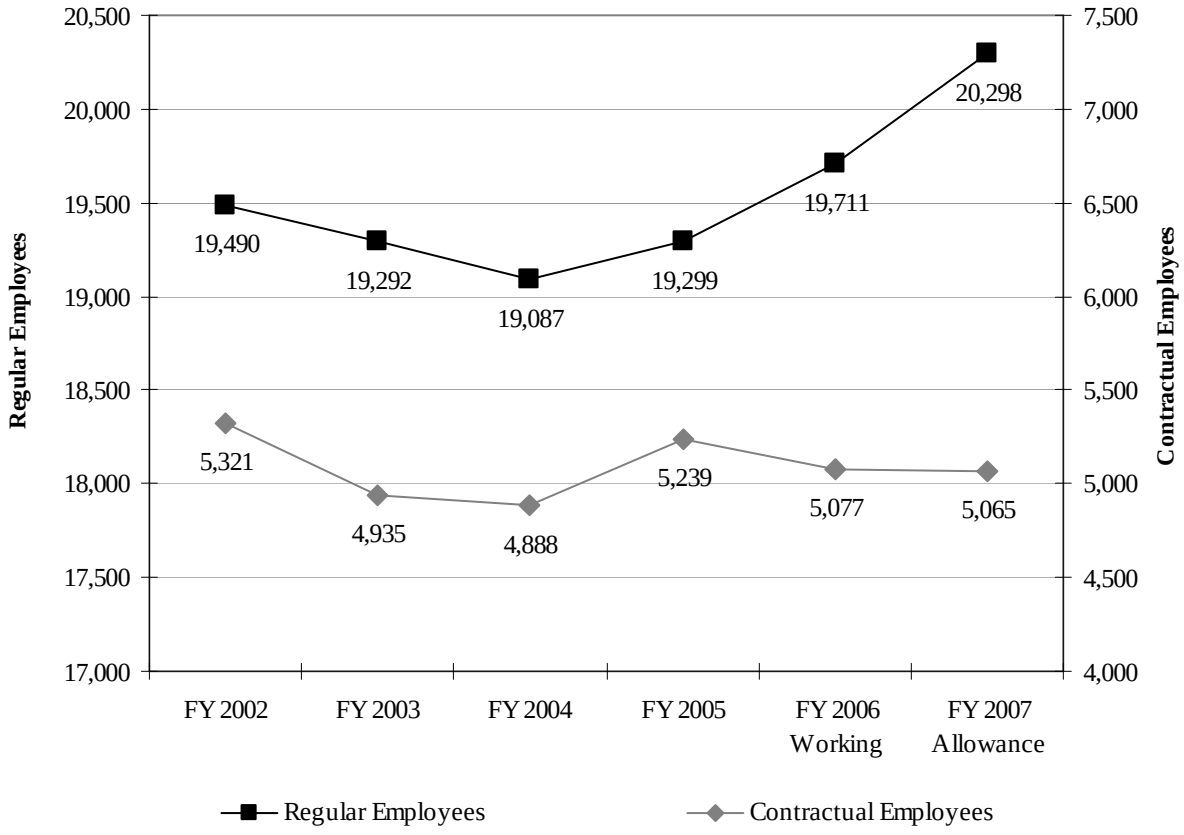
Source: University System of Maryland

While the efficiency initiative calls for the mid-point to be met during fiscal 2006, most of the comprehensive institutions have already met or exceeded the target of 7.5 course units taught per tenured/tenure track faculty in fiscal 2005. Only TU and UB – with 7.3 and 6.9 course units taught, respectively – have not already achieved the objective. Of the two research institutions, UMBC had already exceeded the target of 5.5 course units in fiscal 2005 with faculty teaching 5.7 course units. UMCP, however, averaged 5.1 course units per full-time faculty. Systemwide, comprehensive institutions averaged 7.7 course units, and research institutions averaged 5.3 course units.

4. Personnel Continues to Grow

The total USM workforce, regular and contractual, is 25,363 in the fiscal 2007 allowance, as shown in **Exhibit 17**. This represents a 2.3% increase over fiscal 2006. In looking at the changes over six years, the regular employee workforce has surpassed the point where it was before recent cost containment measures. In fiscal 2006, there are 1.1% more regular employees than in fiscal 2002. The fiscal 2007 allowance for regular employees increases 3.0% over fiscal 2006. There are 5,065 contractual employees in the fiscal 2007 allowance. This is a decrease of 0.2% from fiscal 2006 and has not reached the point where it was in fiscal 2002. The Board of Regents adopted a policy to convert long standing contractual positions to regular positions in 2001 and has been phasing in the contractual conversions as finances allow.

Exhibit 17
USM Regular and Contractual Employees
Fiscal 2002 – 2007



Source: Maryland State Budget

The fiscal 2007 allowance provides USM with 588 additional regular positions. As shown in **Exhibit 18**, there are 383 State-supported positions that are allocated to specific programs – specifically, instruction (208), institutional support (55), maintenance of plant (39), academic support (31), research (24), student services (24), and public service (2). There are also 204 additional non-state-supported personnel. These personnel are funded by auxiliary activities or grants. Specifically, there are 123 new personnel in the research program and 81 in the auxiliary program. USM also categorizes personnel by classification as faculty, exempt, or non-exempt. Exempt personnel generally are higher paid administrators and managers and are exempt from overtime pay. Of the total new positions 317 are faculty, 127 are exempt, and 143 are non-exempt.

Exhibit 18
Summary of USM Additional Positions
Fiscal 2007

State-supported Positions	
Instruction	208
Research	24
Public Service	2
Academic Support	31
Student Services	24
Institutional Support	55
Operations, Maintenance of Plant	39
Total State-supported	**383**
Non-state-supported Positions*	
Research	123
Auxiliary	81
Total Non-state-supported	**204**
USM Total New Positions	**588**

*Funded by auxiliary revenue and grants.

Source: University System of Maryland

USM is carrying fewer vacant positions that called for in its fiscal 2006 budget. The budget allows for a vacancy rate of 3.14%, or 749 positions, but USM had a vacancy rate of 3.0%, or 588 positions, as of December 2005. The fiscal 2007 allowance, excluding new positions, provides a vacancy rate of 3.96%, or 804 positions.

Instructional Share of Personnel Decreases from Fiscal 2002

The composition of USM personnel has changed from fiscal 2002 to 2006, as shown in **Exhibit 19** (the data in this chart are for filled regular positions only). Instructional personnel – who fulfill the institutions' core mission – have increased by 227 full-time equivalent employees (FTEs). In fiscal 2006 these personnel account for 32.7% of the total personnel, dropping below fiscal 2002 share levels. Research personnel's share of the total personnel is 3.3% higher than it was in fiscal 2002. The total number of regular personnel has increased from 17,487 in fiscal 2002 to 18,610 in fiscal 2006, or 6.4%.

Exhibit 19
USM FTE Personnel by Budget Program
Fiscal 2002, 2005, and 2006

	Fiscal 2002		Fiscal 2005		Fiscal 2006		
	FTEs	% of Total FTEs	FTEs	% of Total FTEs	FTEs	% of Total FTEs	Change in Share of Total 02-06
Instruction	5,858	33.5%	5,835	32.9%	6,085	32.7%	-0.8%
Research	2,455	14.0%	2,926	16.5%	3,227	17.3%	3.3%
Public Service	689	3.9%	716	4.0%	753	4.0%	0.1%
Academic Support	1,937	11.1%	1,783	10.1%	1,920	10.3%	-0.8%
Student Services	945	5.4%	899	5.1%	1,026	5.5%	0.1%
Institutional Support	2,427	13.9%	2,412	13.6%	2,369	12.7%	-1.2%
Operations and Maintenance of Plant	1,558	8.9%	1,452	8.2%	1,439	7.7%	-1.2%
Auxiliary	1,368	7.8%	1,431	8.1%	1,494	8.0%	0.2%
Hospitals	248	1.4%	281	1.6%	297	1.6%	0.2%
Total	**17,487**	**100.0%**	**17,734**	**100.0%**	**18,610**	**100.0%**	

Notes: Data are for filled positions only. Data do not include the USM office. All data are self-reported and unaudited. For UMB fiscal 2002 data, only the total FTEs are known. The percentage breakdowns from fiscal 2004 were used to estimate the FTE breakdown by budget program.
Numbers may not sum to total due to rounding.

Source: University System of Maryland Institutions

5. System Office Devising Plans to Address Facilities Maintenance

In 1992 the Board of Regents adopted a policy on facility renewal that required USM institutions to spend 2% of the current replacement value of their capital assets on facility renewal. The policy stipulated that this spending level be reached in 5 years or as soon as funding levels allowed. After 13 years, the average systemwide spending for facility renewal is still less than 1% of the replacement value. USM institutions have, therefore, accumulated a $1.7 billion backlog of facility maintenance needs.

The Board of Regents has adopted a new policy aimed at steadily moving towards the 2% goal in a timely manner. The new policy stipulates that each institution will annually increase its operating expenditures by 0.2% (annual five-year average) of the replacement value of all capital assets until they reach the 2% goal. For institutions at which tuition represents less than 25% of the State-supported budget (UMBI and UMCES), the increment will be half of that, or 0.1%. To address the $1.7 billion backlog of renovation and renewal projects, capital spending towards reducing the backlog will be targeted to equal 50% of the fiscal 2008 capital budget. The new policy does not account for variances among institutions such as the age and condition of the buildings on the campus. **The Chancellor should comment on how the policy will be applied in such instances.**

As shown in **Exhibit 20**, no USM institutions are currently meeting the 2% goal. In fiscal 2006, CSU reached 1.9% and, under the new policy, will reach the 2% requirement next year. UMBC has the lowest percent of spending, 0.3%. Assuming that each institution increases its annual spending on facilities renewal by 0.2% each year, it will take an average of six years to reach the 2% requirement. CSU will reach the target in the shortest amount of time – one year – while UMBC will need nine years.

The fiscal 2007 impact of the stipulated increase of 0.2% in facility spending is shown in **Exhibit 21**. The systemwide increase in facility renewal spending in fiscal 2007 will be $8.7 million. This will increase facility renewal spending from $28.8 million in fiscal 2006 to $37.5 million in fiscal 2007. The USM increase in facility renewal spending is 30.2%.

Exhibit 20
USM Institutional Facilities Renewal Spending
Fiscal 2003 – 2006

	FY 2003	FY 2004	FY 2005	FY 2006	Estimated # of Years to Reach 2%
Univ. of MD, College Park	1.0%	1.1%	0.8%	0.7%	7
Univ. of MD Baltimore County	0.6%	0.3%	0.3%	0.3%	9
Univ. of MD, Baltimore	0.7%	0.4%	0.5%	0.4%	8
Bowie State Univ.	1.2%	0.6%	0.8%	1.1%	5
Coppin State Univ.	0.5%	0.4%	1.9%	1.9%	1
Frostburg State Univ.	1.1%	1.3%	0.8%	0.9%	6
Salisbury Univ.	0.5%	0.5%	0.5%	0.6%	7
Towson Univ.	0.5%	0.4%	0.5%	0.5%	8
Univ. of Baltimore	1.2%	0.4%	1.4%	0.8%	6
Univ. of MD Eastern Shore	0.4%	0.4%	0.5%	0.4%	8
USM Average	**0.8%**	**0.6%**	**0.8%**	**0.8%**	**6**

Note: All percentage values are percent of current replacement value of all capital assets of the institution. Estimated number of years to reach the 2% spending level is based on the fiscal 2006 spending level increasing by 0.2% annually.

Source: University System of Maryland; Department of Legislative Services

Exhibit 21
USM Facility Renewal Spending Increases
Fiscal 2006 – 2007

	Total Facility Renewal FY 2006	Required for 0.2% RV Increase	Total Facility Renewal FY 2007	% Increase FY 06-07
Univ. of MD, College Park	$15,995,054	$3,162,524	$19,157,578	19.8%
Univ. of MD Baltimore County	1,072,945	782,939	1,855,884	73.0%
Univ. of MD, Baltimore	3,018,011	1,707,697	4,725,708	56.6%
Bowie State Univ.	948,295	238,291	1,186,586	25.1%
Coppin State Univ.	1,511,431	268,203	1,779,634	17.7%
Frostburg State Univ.	1,055,438	281,336	1,336,774	26.7%
Salisbury Univ.	890,866	242,625	1,133,491	27.2%
Towson Univ.	1,962,993	917,194	2,880,187	46.7%
Univ. of Baltimore	1,115,080	295,099	1,410,179	26.5%
Univ. of MD Eastern Shore	1,035,087	383,352	1,418,439	37.0%
UMBI*[1]	0	200,000	200,000	n/a
UMCES*	216,723	225,975	442,698	104.3%
USM Total $ and % Increase	**$28,821,923**	**$8,705,235**	**$37,527,158**	**30.2%**

*These institutions are required to increase their facility renewal spending by 0.1% of the replacement value (RV) of their capital assets each year.

[1]Fiscal 2007 is the first year in which UMBI is receiving funds planned for facility renewal.

Source: University System of Maryland

6. Review of Fundraising Performance

USM's last capital campaign ended in fiscal 2002 resulting in $902 million raised over seven years. The system will be kicking off its next capital campaign in early 2006 with a target of raising over $1.7 billion in seven years as shown in **Exhibit 22**. The exhibit also shows funds in the fiscal 2007 fundraising initiative. Each institution is given funds to enhance their fundraising abilities. A total of $3.3 million has been allocated systemwide.

Exhibit 22
USM Fundraising Campaign Goals
($ in Thousands)

	FY 2007 Fundraising Initiative	New Campaign Goal
Univ. of MD, Baltimore	$833	$550,000
Univ. of MD, College Park	567	850,000
Bowie State Univ.	100	10,000
Towson Univ.	250	42,000
Univ. of MD Eastern Shore	150	14,000
Frostburg State Univ.	150	15,000
Coppin State Univ.	100	12,651
Univ. of Baltimore	250	35,000
Salisbury Univ.	200	24,500
Univ. of MD Univ. College	150	20,000
Univ. of MD Baltimore County	375	100,000
Univ. of MD Ctr. for Envir. Sci.	50	8,000
Univ. of MD Biotechnology Instit	100	22,500
Univ. System of MD Office	0	6,000
Total	**$3,275**	**$1,709,651**

Notes: The fundraising initiative is money that USM has budgeted for fiscal 2007 to aid in the fundraising efforts of each institution.

The fundraising goals may be revised.

Source: University System of Maryland

Over the past three years, USM has been working on developing the infrastructure, staff, and resources that will be needed to carry out the campaign. During this planning stage of the campaign, USM and its institutions raised $164 million in 2003, $159 million in 2004 and $226 million in 2005, as shown in **Exhibit 23**. Overall, the research institutions raise more funds than the comprehensive institutions. College Park was the most successful during the past three fiscal years, raising $287 million. The most successful comprehensive institution was Towson University, which raised $21 million.

Exhibit 23
USM Institutional Fundraising
Fiscal 2003 – 2005

	FY 2003	FY 2004	FY 2005	Total
Comprehensive Institutions				
Bowie State Univ.	$301,931	$316,873	$469,525	**$1,088,329**
Coppin State Univ.	1,203,790	1,394,857	1,730,120	**$4,328,767**
Frostburg State Univ.	1,451,718	900,644	1,055,139	**$3,407,501**
Salisbury Univ.	2,659,603	1,308,693	2,164,079	**$6,132,375**
Towson Univ.	3,531,588	3,764,602	13,628,938	**$20,925,128**
Univ. of Baltimore	5,950,074	1,858,475	7,348,913	**$15,157,462**
Univ. of MD Eastern Shore	594,714	732,884	3,475,942	**$4,803,540**
Univ. of MD Univ. College	3,193,331	2,249,597	5,201,678	**$10,644,606**
Research Institutions				
Univ. of MD, Baltimore	48,565,367	46,024,660	52,509,445	**$147,099,472**
Univ. of MD Baltimore County	14,382,969	13,361,436	13,309,667	**$41,054,072**
Univ. of MD, College Park	81,068,182	85,706,574	121,859,273	**$288,634,029**
Univ. of MD Biotechnoloy Inst.	240,469	75,816	2,194,119	**$2,510,404**
Univ. of MD Ctr. for Envir. Sci.	455,597	1,471,438	360,518	**$2,287,553**
Univ. System of MD Office	367,392	152,244	239,316	**$758,952**
USM Total	**$163,966,725**	**$159,318,793**	**$225,546,672**	**$548,832,190**

Source: University System of Maryland

Exhibit 24 shows the undergraduate alumni giving rate for USM institutions as compared to their performance peers. Four institutions perform at or near their peer giving rate. Three institutions perform better than their peers. Most notable is UMB which has a 37% giving rate while its peers average a 13.6% giving rate. Four institutions perform below their peers. Most notable are UMES which has a 3% giving rate while its peers average a 14.8% giving rate, and UMBC which averages 7% alumni giving while its peers average 17%.

Exhibit 24
USM Undergraduate Alumni Giving Rate
Fiscal 2005

	Institution Rate	Peer Rate	Difference
Comprehensive Institutions			
Bowie State Univ.	9.0%	8.8%	0.2
Coppin State Univ.	17.0%	13.3%	3.7
Frostburg State Univ.	12.0%	12.5%	-0.5
Salisbury Univ.	9.0%	11.7%	-2.7
Towson Univ.	7.0%	7.4%	-0.4
Univ. of Baltimore	10.0%	7.0%	3.0
Univ. of MD Eastern Shore	3.0%	14.8%	-11.8
Univ. of MD Univ. College	3.0%	9.0%	-6.0
Research Institutions			
Univ. of MD, Baltimore	37.0%	13.6%	23.4
Univ. of MD Baltimore County	7.0%	17.0%	-10.0
Univ. of MD, College Park *	16.0%	16.0%	0.0

*UMCP's peer group is composed of its aspirational peers.

Notes: The institution rate is the two-year average undergraduate alumni giving rate.
The peer rate is the average undergraduate giving rate of the institution's performance peers.

Source: Maryland Higher Education Commission Funding Guidelines Peer Performance Analysis

Recommended Actions

1. Add the following language:

   The appropriation herein for University System of Maryland (USM) institutions shall be reduced by $18,898,865 in unrestricted funds attributable to tuition revenues for resident undergraduate students. The allocation of the reduction shall be determined by the USM Board of Regents and adopted in a public meeting. The Board of Regents shall report to the budget committees by July 1, 2006, specifying and explaining the allocation of the reduction.

   USM shall not increase the current unrestricted fund appropriation of any institution through budget amendment due to tuition and fee revenue. Any tuition and fee revenue realized in fiscal 2007 in excess of $1,021,570,619 shall be transferred to the fund balance of the collecting institution and not expended. Notwithstanding the above, any institution that experiences full-time equivalent student enrollment growth of at least 5% greater than anticipated in the fiscal 2007 Governor's budget proposal may increase through budget amendment its unrestricted fund appropriation for increased tuition and fee revenue.

   The Board of Regents shall report to the budget committees on any institution that experiences full-time equivalent student enrollment growth of at least 5% greater than anticipated in the fiscal 2007 Governor's budget proposal. The board shall report the amount by which the institution will increase its unrestricted fund appropriation through budget amendment due to increased tuition and fee revenue.

   Explanation: The fiscal 2007 allowance assumes USM tuition and fee revenues that are 5.9% above the fiscal 2006 level. This language would limit tuition revenue growth attributable to resident undergraduate students to 0% above fiscal 2006 to offset general fund increases in the allowance. USM receives a 15.1% increase if employee cost-of-living adjustments are included (which USM will receive through the Department of Budget and Management).

   The language prohibits USM from increasing unrestricted fund appropriations due to increased tuition and fee revenue, except in cases where an institution experiences full-time equivalent enrollment growth of at least 5% greater than anticipated.

   The reduction still leaves USM with $24,792,604 for enhancements and enrollment growth in fiscal 2007. The cap on tuition revenues creates an incentive for schools to minimize student costs.

Information Request	Author	Due Date
Report on allocation of reduction in unrestricted fund appropriation related to tuition and fee revenues	USM	July 1, 2006
Report on any institution that experiences enrollment growth of at least 5%	USM	As needed

2. Add the following language:

Provided that the appropriation herein for the University System of Maryland (USM) institutions shall be reduced by $18,898,865 in unrestricted funds if the undergraduate in-state tuition rate for the 2006-2007 academic year at any USM institution exceeds the institution's undergraduate in-state tuition rates for the 2005-2006 academic year. USM shall report each institution's undergraduate in-state tuition rates for the 2006-2007 academic year to the budget committees by July 15, 2006. The USM Board of Regents is hereby authorized to allocate the reduction among the USM institutions.

Explanation: The fiscal 2007 allowance assumes USM undergraduate in-state tuition rates increase 4.3% on average above the fiscal 2006 rates. This language would reduce the general funds of USM by $18,898,865 if any USM institution increases the undergraduate in-state tuition rates in the 2006-2007 academic year above the 2005-2006 academic year undergraduate in-state tuition rates.

Information Request	Author	Due Date
Report on each institution's undergraduate in-state tuition rate for the 2006-2007 academic year	USM	July 15, 2006

3. Adopt the following narrative:

Efficiency Reports: The University System of Maryland (USM) Board of Regents has approved an effectiveness and efficiency plan for the system involving many initiatives. The plan covers fiscal 2006 to 2008. The committees request that the board continue to submit a report detailing the amount and type of fiscal effect associated with the effectiveness and efficiency plan for each year of the plan, including prior year actual, current year working, and estimated allowance. The report should also indicate how initiatives shall be implemented and the progress of implementation. The report should also indicate how many full-time equivalent students are served by USM institutions with no additional cost to the State, including each prior year actual, current year working, and allowance. Each report

shall provide this information for each year of the plan, and the committees shall be provided with additional written information if the plan is changed significantly. Any required information that is not available to be submitted by the due date shall be submitted as soon as possible and no later than with the allowance.

Information Request	Author	Due Date
Reports of fiscal effects and implementation strategies for efficiency initiatives	USM	September 1, 2006; and September 1, 2007
Reports on significant changes in the efficiency plan	USM	As needed

4. Adopt the following narrative:

Faculty Workload Reports: The committees request that the University System of Maryland (USM) continue to provide annual instructional workload reports for tenured and tenure-track faculty. By focusing on these faculty, the committees gain a sense of the teaching activities for the regular, core faculty at the institutions. Additional information can be included in the report at USM's discretion.

Information Request	Author	Due Date
Annual report on instructional workload for tenured and tenure-track faculty	USM	December 1, 2006

Updates

1. Joint Masters of Business Administration Program Approved

In December 2004, TU received approval from the Board of Regents to pursue a joint Masters of Business Administration (MBA) program with UB, which had an existing MBA program. MHEC approved the program in November 2005. Morgan State University, which is in the geographic vicinity of TU, already offers an MBA program and objected to the decision by MHEC. MHEC upheld the decision but expressed disappointment that the three institutions could not come to an agreement on a collaborative approach to graduate business education.

2. Institutional Mission Statements Updated

As required by Sections 11-302 and 11-303 of the Education Article, the public institutions of Maryland must periodically update their mission statements. The mission statements must reflect the mandates of the Maryland Charter for Higher Education and be aligned with the USM strategic plan and the State Plan for Postsecondary Education. The majority of institution's core mission statements have remained unchanged. Some minor changes have been made to align the statements with the strategic plan and the State plan.

However, one institution has proposed significant changes to their mission statement. UB, which now provides upper division undergraduate programs as well as graduate programs, seeks to include lower division undergraduate programs, thus expanding into a four-year undergraduate school. This plan has been approved by the Board of Regents and is scheduled for review by the full committee of MHEC.

Additionally, UMUC seeks to establish the institution as Maryland's Open University consistent with the legislative intent (Chapter 357, Acts of 2005). The Universities at Shady Grove and USM at Hagerstown, both regional higher education centers, introduced their mission statements for the first time.

3. PeopleSoft Technology Update

All USM institutions, except UMCP, use PeopleSoft, which is a software package that provides several functions that assist the institutions in managing administrative services. These functions include:

- Human Resources – this includes recruiting, hiring, payroll, benefits, time keeping, and labor;
- Financial – this includes general ledger, procurement, budget, asset management, billing, accounts payable, accounts receivable, and project management;

- Student Administration – this includes admissions, registration, financial aid, academic scheduling, degree audits, student accounts receivable, and student records;

- Grants Management; and

- Contributor Relations.

Most USM institutions have purchased all of these functions. UMES only purchased the Student Administration function, UMB purchased the Human Resources and Financial functions, and UMCP purchased the Student Administration function but decided not to implement it.

Implementation of the PeopleSoft functions has been ongoing as each institution integrates it into their operations. As shown in **Exhibit 25**, all of the participating institutions have implemented the Human Resources function. Most of the institutions have implemented the Financial function and the Student Administration function. Only UMBC has implemented the Grants Management function and three institutions have implemented the Contributor Relations function.

Exhibit 25
Implementation of PeopleSoft by USM Institutions

	Human Resources	Financial	Student Administration	Grants Management	Contributor Relations
Bowie State Univ.	X	X	X		X
Coppin State Univ.	X	X	X		X
Frostburg State Univ.	X	X	X		
Salisbury Univ.	X	X	X		X
Towson Univ.	X		X		
Univ. of Baltimore	X	X	X		
Univ. of MD Eastern Shore			X		
Univ. of MD Univ. College	X	X	X		
Univ. of MD, Baltimore	X	X			
Univ. of MD Baltimore County	X	X		X	
Univ. of MD, College Park	n/a	n/a	n/a	n/a	n/a

Source: University System of Maryland

UMCP, along with UMBI and UMCES, use a combination of internally developed software and purchased software that has been modified to substitute for PeopleSoft. This program has been in use for many years. The program tracks the same information as PeopleSoft, and there have been no compatibility problems.

In December 2004, Oracle became the manager of the PeopleSoft program. Prior to this takeover, USM negotiated a 10-year maintenance contract with PeopleSoft. This negotiation resulted in access to all of the PeopleSoft components related to higher education and a cap on maintenance costs during the 10-year contract. Oracle is bound by this contract under the provisions of its takeover. Therefore, Oracle is contractually obligated to provide support for PeopleSoft through 2014. Additionally, USM has "Platinum" support status with Oracle which provides USM direct input and representation to Oracle management.