University System of Maryland
Fiscal 2009 Budget Overview

Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland

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University System of Maryland

Fiscal 2009 Budget Overview

Operating Budget Data

($ in Thousands)

	FY 07 Actual	FY 08 Working	FY 09 Allowance	FY 08-09 Change	% Change Prior Year
General Funds	$933,537	$1,004,918	$1,058,229	$53,311	5.3%
Other Unrestricted Funds	1,823,363	1,989,655	2,045,642	55,987	2.8%
Total Unrestricted Funds	2,756,900	2,994,573	3,103,871	109,298	3.6%
Restricted Funds	862,778	938,398	948,797	10,400	1.1%
Total Funds	**$3,619,678**	**$3,932,971**	**$4,052,669**	**$119,698**	**3.0%**

- General funds increase $53.3 million, or 5.3%, in the fiscal 2009 allowance. Other unrestricted funds include $41.0 million from the Higher Education Investment Fund (HEIF) created during the 2007 special session. These funds will be used to freeze tuition, fund enrollment growth, and implement programs and initiatives.

- In terms of total funds, the University System of Maryland (USM) budget increases 3.0%. However, after adjusting for health insurance and Other Post Employment Benefits liability costs, the underlying increase in the fiscal 2009 allowance is $72.4 million, or 1.9%, above fiscal 2008.

- Other unrestricted funds grow mostly from a tuition and fee revenue increase of $26.8 million, which is 2.5% above the fiscal 2008 level. This modest increase assumes a freeze in undergraduate resident tuition rates at USM institutions.

Personnel Data

	FY 07 Actual	FY 08 Working	FY 09 Allowance	FY 08-09 Change
Regular Positions	20,768.00	21,525.27	21,655.99	130.72
Contractual FTEs	5,146.21	5,348.49	5,274.12	-74.37
Total Personnel	**25,914.21**	**26,873.76**	**26,930.11**	**56.35**

- The fiscal 2009 allowance includes 131 additional regular positions.

- Contractual positions decrease by 74 positions due to the conversion of contractual positions to regular positions.

- The total USM workforce increases 0.2% over fiscal 2008.

Analysis in Brief

Major Trends

Teacher Education Enrollment Continues to Decline; Teacher Employment in Maryland Decreases: Since fiscal 2004, enrollment in teacher education programs declined 11%, or by 718 students. In fiscal 2007, enrollment continued to drop from 6,292 in fiscal 2006 to 5,851 students. After increasing for three years, the number of graduates employed in Maryland declined.

Nursing Student Enrollment Increases While Graduating Students Declines: After two years of decline, enrollment in USM's nursing programs increased to 2,247 students. The number of students graduating from nursing programs slightly decreased after four years of a steady increase.

Retention Rate Remains Stable; Graduation Gap Increases to Widest in Five Years: The two-year retention rate for African American and all students remained steady while the gap in graduation rates increased to 19 percentage points.

Issues

In-state Tuition Frozen for a Third Year; Modest Fee Increases at Most Institutions: The fiscal 2009 allowance provides $15.5 million in HEIF to freeze resident undergraduate tuition rates for a third consecutive year. However, mandatory fees increase an average of 1.1% over fiscal 2008, thereby increasing the total tuition and fees a student pays at a USM institution.

Efficiency Initiative at USM: In 2004, USM completed a study to improve the efficiency and effectiveness of its institutions to reduce costs and accommodate future enrollment growth. The academic related efficiencies are expected to decrease time-to-degree and increase faculty workload. USM has also recently started an effort to redesign large courses to be more cost efficient and create an improved learning environment.

Environmental Sustainability and Climate Change Initiative: In 2008, USM launched a new initiative to reduce and manage each institution's greenhouse gas emissions and carbon footprint. Most institutions signed the American College and University Presidents Climate Change Commitment and are undertaking a variety of activities to mitigate greenhouse gases.

Recommended Actions

1. Add language restricting expenditure of funds allocated to the enrollment funding initiative.
2. Add language that would reduce current unrestricted (general) funds.
3. Add language expressing intent that annual efficiency savings be permanently incorporated in the University System of Maryland budget.
4. Adopt narrative requesting continued reporting on faculty workload.

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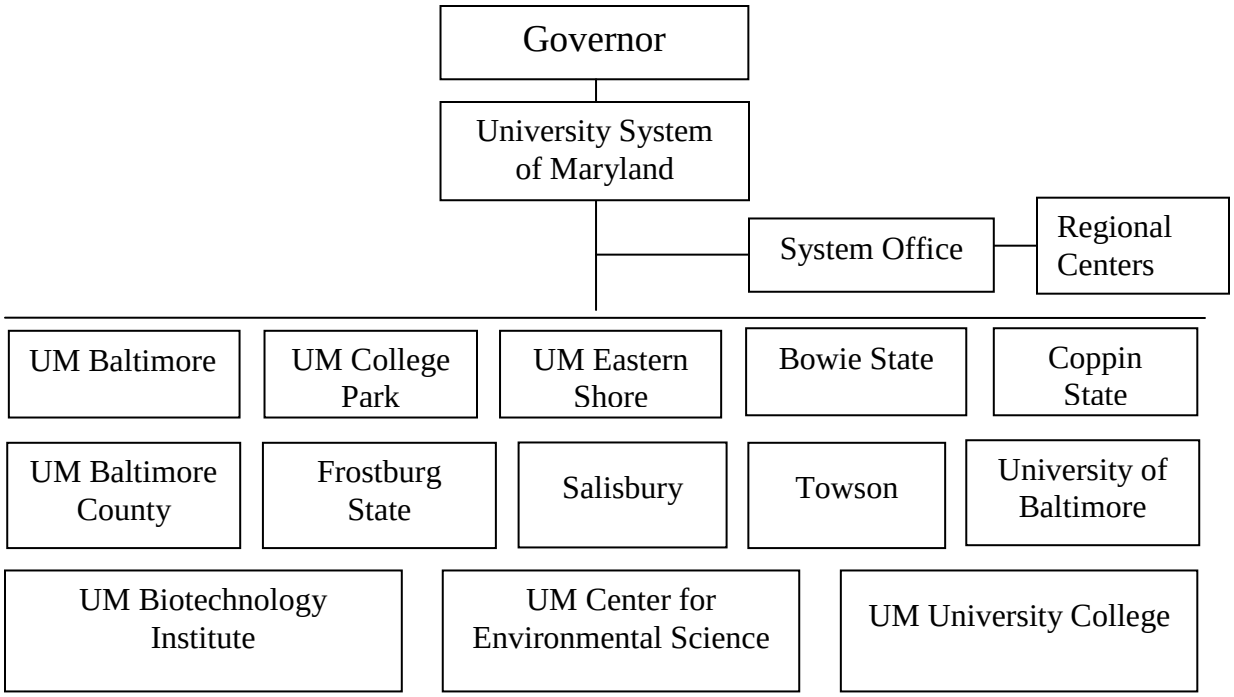
Operating Budget Analysis

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, 2 research centers, and the system office which operates 2 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 a full-time student and the State Secretary of Agriculture (ex officio). Except for the Agriculture Secretary, each member is 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 programs offered by the institutions are not unproductive or unreasonably duplicative. Other board activities include reviewing and approving new programs, reviewing existing programs, setting minimum admission standards, and determining guidelines for tuition and fees. The board monitors the progress of each system institution toward its approved goals and holds each president accountable for the progress toward the goals. Furthermore, the board may delegate any of its responsibilities to the Chancellor.

USM goals, 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 (MFR)

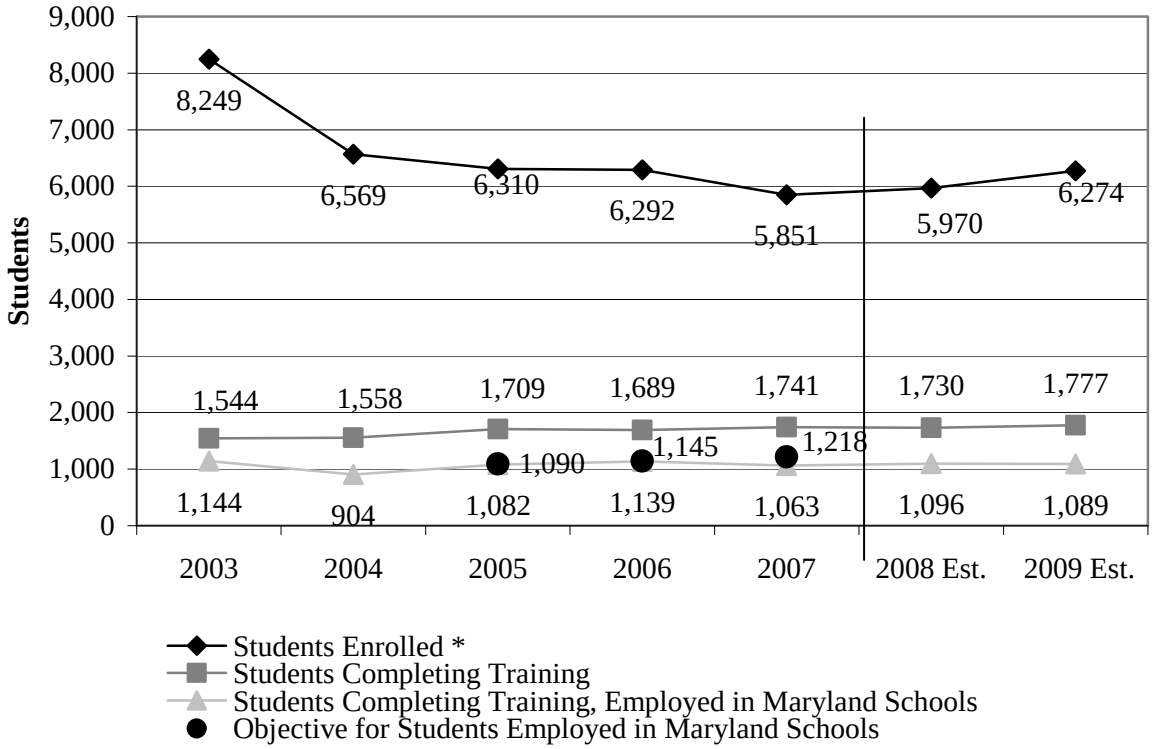
Producing a well-educated workforce is one goal of USM. The total undergraduate enrollment at all USM institutions increased from 92,977 in fiscal 2006 to 97,882 in 2007. However, the number of bachelor's degree recipients slightly decreased from 18,030 to 18,002 during the same time frame.

Enrollment in Teacher Education Programs Continues to Decline; Teacher Employment in Maryland Decreases

USM established a goal to increase the number of graduates employed in areas having a shortage of workers as part of its efforts to produce a well-educated workforce, one area being teaching. Nine USM institutions offer teacher education programs. The Maryland State Department of Education (MSDE) estimates local school systems will need approximately 7,000 new teachers in 2007-2008.

USM student enrollment in teacher education programs continues to drop as shown in **Exhibit 2**. Over the past five years enrollment decreased 29%. However, it should be noted in fiscal 2004 some institutions changed the definition of an enrolled student to include only those officially accepted into the program. Since fiscal 2004, enrollment in teacher education programs has declined 11%, or by 718 students. In fiscal 2007, enrollment dropped significantly from 6,292 in fiscal 2006 to 5,851 students.

Exhibit 2
USM Students Enrolled in and Graduating from Teacher Training Programs Employed in Maryland Public Schools
Fiscal 2003-2009



* Beginning in 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 only includes those students officially accepted into the program.

Source: Governor's Budget Books, Fiscal 2009

According to USM, there is not a specific reason for the decline in student enrollment in teacher education programs. All institutions, except Coppin State University (CSU), experienced a decline, indicating this issue goes beyond a single institution. USM notes the decrease appears to

vary between types of programs, with some institutions experiencing a drop in enrollment in their undergraduate programs, while others see enrollment declining in their post-baccalaureate programs. Institutions have undertaken various efforts to expand and develop alternative options for students to become certified, and to attract and retain students. Enrollment is projected to increase slightly in fiscal 2008 and 2009.

USM tracks the number of students completing all teacher education requirements and are employed in Maryland public schools. While this number increased 26% from fiscal 2004 and 2006, it declined, from 1,139 in fiscal 2006 to 1,063 employed in Maryland public schools in fiscal 2007.

A major factor USM attributes to the decline of graduates hired by Maryland public schools is an overall decrease in the number of new teachers hired in fiscal 2007. The most recent MSDE data, which tracks new hires, is from fiscal 2006, when the number of new hires increased 37%. However, the proportion of new hires graduating from a Maryland higher education institution decreased from 21.7% in fiscal 2005 to 17.9% of all new hires in fiscal 2006.

In 2006, the Department of Legislative Services (DLS) conducted an informal survey of public four-year institutions with education programs to gather applicant data and admissions practices of the programs. In general, DLS found institutions do not cap enrollment, suggesting the capacity of the public teacher education programs is not a barrier to increasing enrollment, and other initiatives may be needed to attract more students to a teaching career in Maryland.

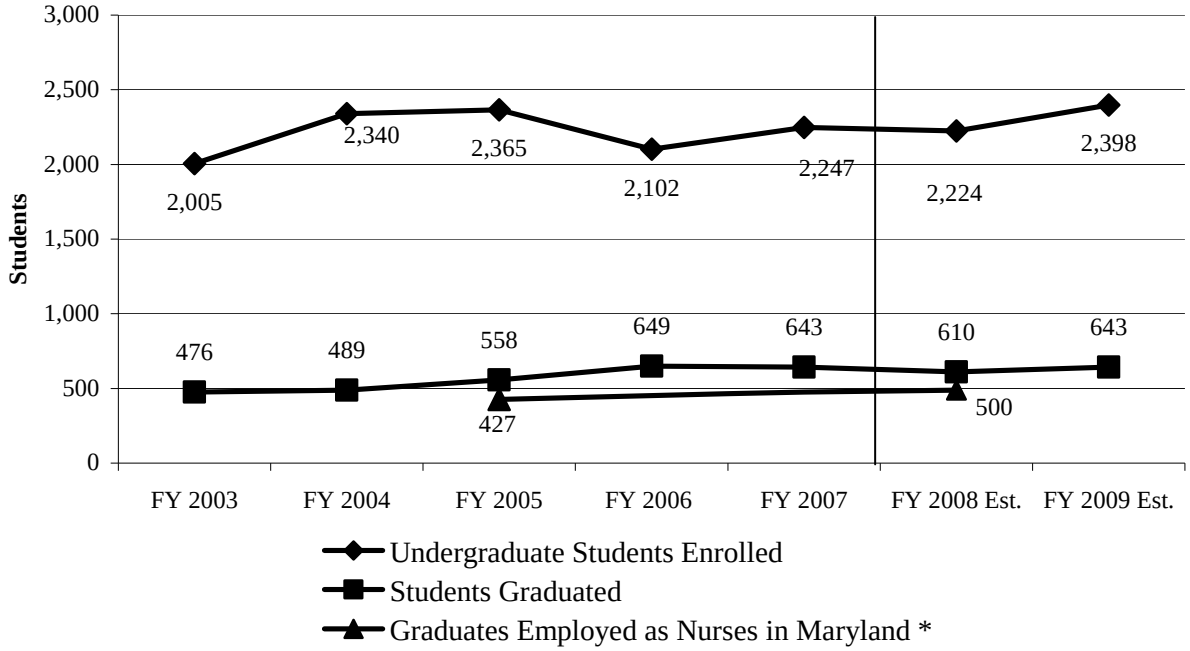
The Chancellor should comment on efforts at USM institutions to increase new enrollment as well as retention of students already enrolled in teacher education programs.

Nursing Student Enrollment Increases While Graduating Students Declines

Nursing is another workforce shortage area in Maryland. Nursing programs are offered at five USM institutions. In September 2006, MHEC, in collaboration with the Maryland Board of Nursing, published the *Maryland Nursing Program Capacity Study*. The study projected there will be a need for 68,695 nurses by 2012 and 74,611 nurses by 2016. Depending on the method used, the gap between the demand and the supply of nurses in 2016 ranges between 2,512 and 15,536 nurses.

Enrollment in nursing programs increased at USM institutions in fiscal 2007, as shown in **Exhibit 3**. After three years of growth, from fiscal 2003 to 2005, enrollment decreased in fiscal 2006 to 2,102 student or 11% from fiscal 2005. In fiscal 2007, enrollment in nursing programs increased to 2,247 students. USM reports the fiscal 2006 decline was anticipated and due to a decrease in undergraduate enrollment at the University of Maryland, Baltimore (UMB) and CSU. Enrollment is projected to decrease slightly again in fiscal 2008 before rebounding in fiscal 2009.

Exhibit 3
USM Undergraduate Students Enrolled in and Graduating from Undergraduate Nursing Programs Employed as Nurses in Maryland
Fiscal 2003-2009



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

Source: Governor's Budget Books, Fiscal 2009

The number of students graduating from nursing programs steadily increased from fiscal 2003 in 2006. In fiscal 2007, this number is essentially flat at 643 graduating students. It is projected the number of nursing graduates will decline to 610 in fiscal 2008. Overall, the number of students graduating has increased 35% since fiscal 2003.

USM attributes the slight decline in nursing graduates to a variety of factors which vary by institution. The number of graduates at UMB remained stable and increased at Salisbury University (SU) and Towson University (TU). However these gains were offset by declines at Bowie State University (BSU) and CSU. The decline at BSU is attributed to the restructuring of its nursing program, which resulted in its largest enrollment in fiscal 2007. This will be reflected in the number of graduating nurses in the coming years. CSU attributes its decline in graduation to decreased enrollment resulting from capacity-related issues.

USM projects a further decline in nursing graduates primarily due to a change in UMB's nursing programs. UMB phased out its accelerated Bachelor of Science in Nursing, which historically has been the second largest undergraduate nursing program after the traditional nursing program. UMB now offers a new accelerated master's program in an effort to increase the number of nurse educators in the State. The impact of this shift is a decline in undergraduate nursing enrollment and graduates, but the number of master's degree graduates should increase in future years.

Every three years MHEC conducts a graduate survey. The survey measures the number of nursing graduates employed as nurses in Maryland. The last survey, conducted in fiscal 2005, indicated that 427 recently graduated nurses were employed in Maryland. This is 36% more than in the fiscal 2002 survey. USM's goal is to have more than 500 recently graduated nurses report they are employed in Maryland in the fiscal 2008 survey.

In 2006, DLS conducted an informal survey of USM institutions with nursing programs. In general, while the results showed an increase in the number of applications and qualified applicants since the fall 2001, the number of applicants accepted into nursing programs remained steady. This is primarily due to the lack of capacity for the programs to accept more students.

The Chancellor should comment on USM institutions' efforts to increase the capacity of nursing programs, including enhancement projects funded through HEIF.

Economic Development Activities

Promoting economic development is another goal of USM. USM reports the number of companies graduating from incubator programs at the University of Maryland, College Park (UMCP) and University of Maryland Baltimore County (UMBC). The goal is to graduate at least five companies annually from these incubator programs. In fiscal 2007, USM exceeded this goal – graduating seven companies, more than double the three graduating in fiscal 2006. Companies graduated early due to faster growth, company relocation, and changes in the strategic plan or the direction of the company. USM expects a steadier trend line with the graduation of one large company.

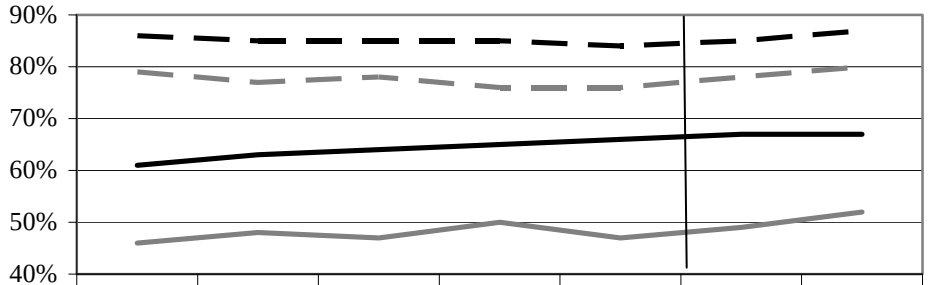
UMB and TU initiated incubator programs. UMB's BioAccelerator is scheduled to open in March 2008. The BioAccelerator is owned and operated by the owner of the building who signed letters of intent with three emerging biotechnology companies including a UMB start-up. TU's TowsonGlobal opened in April 2007. Currently, there are three resident members who maintain an office on-site and one associate member who participates in the program but has an off-site office. TU expects to be filled to capacity in 2008. Since it takes several years to build a program and graduate companies, UMB and TU programs have not yet been incorporated into the MFR measure.

Retention Rate Remains Stable; Graduation Gap Increases to Widest in Last Five Years

Increasing access for economically disadvantaged and minority students is a goal of USM. Systemwide, 39% of students are classified as economically disadvantaged. This number includes all institutions except BSU, which did not report this measure. USM's objective is to increase the percentage of economically disadvantage students to 45% by fiscal 2009.

Exhibit 4 shows the two-year retention and six-year graduation rates for all students and African American students. Generally, the retention rate of all students remained steady over the past five years with the rate falling one percentage point in fiscal 2007 to 84%. While the retention rate for African American students has fluctuated, it has remained stable at 76% in fiscal 2006 and 2007. The gap in the retention rate reached its widest margin of nine percentage points in fiscal 2006. In fiscal 2007 this gap decreased slightly to eight percentage points. The gap is projected to decrease one percentage point by fiscal 2009.

Exhibit 4
USM Retention and Graduation Rates
All Students and African American Students
Fiscal 2003-2009



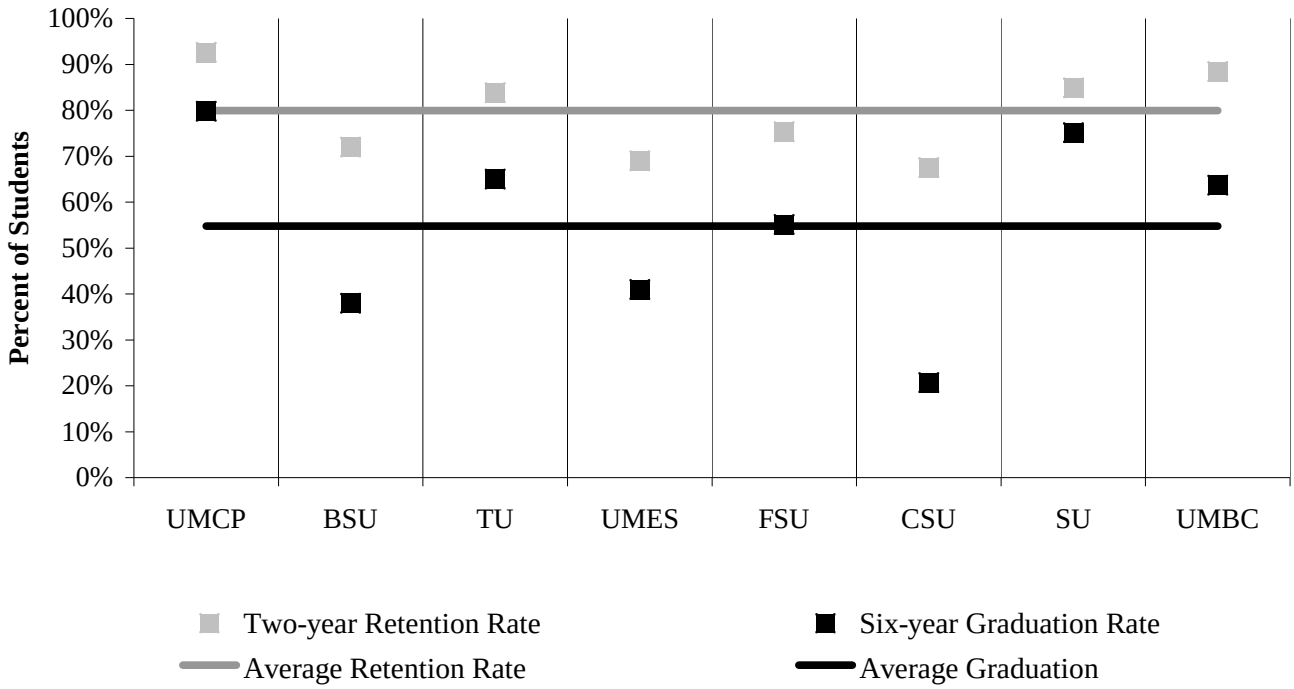
	2003	2004	2005	2006	2007	2008 Est.	2009 Est.
Retention – All Students	86%	85%	85%	85%	84%	85%	87%
Retention – African American	79%	77%	78%	76%	76%	78%	80%
Graduation – All Students	61%	63%	64%	65%	66%	67%	67%
Graduation – African American	46%	48%	47%	50%	47%	49%	52%

Source: Governor's Budget Books, Fiscal 2009

The graduation rate for all students steadily increased from 61% in fiscal 2003 to 66% in fiscal 2007. The graduation rate for African American students has fluctuated over the past five years. In fiscal 2006, the graduation rate reached its highest level of 50% but decreased to 47% in fiscal 2007. Corresponding to this decrease, the gap in graduation rates reached its widest point in fiscal 2007 of 19 percentage points, an increase of 4 points over fiscal 2006. The graduation rate for African American students is projected to reach 52% in fiscal 2009.

The two-year retention and six-year graduation rate for all undergraduate students at USM institutions, excluding UMB, University of Baltimore (UB), and University of Maryland University College (UMUC), for fiscal 2007 are shown in **Exhibit 5**. Two-year retention rates range from a high of 92.6% at UMCP to a low of 67.5% at CSU. The unweighted average two-year retention rate is 79.2%. The six-year graduation rates vary from a high of 79.8% at UMCP to a low of 20.7% at CSU. The unweighted average six-year graduation rate is 54.8%. CSU and BSU have the largest gap between the two-year retention and six-year graduation rates of 46.8 and 34.0 percentage points, respectively. The average gap for the other institutions is 19 percentage points.

Exhibit 5
USM Undergraduate Retention and Graduation Rates
Fiscal 2007 Actual



BSU: Bowie State University
CSU: Coppin State University
FSU: Frostburg State University
SU: Salisbury University
TU: Towson University
UMBC: University of Maryland Baltimore County
UMCP: University of Maryland, College Park

Source: Governor's Budget Books, Fiscal 2009

Closing the achievement gap is one of three major USM initiatives. As part of its efforts, USM held a symposium in November 2007 which served as a spring board for developing major campus-based initiatives aimed at closing the gaps in retention and graduation rates between low-income and minority students and all students. Additionally, USM joined 18 other state university systems in the National Association of System Heads *Access to Success* initiative to improve enrollment and achievement among low-income and minority students. Participating universities adopted a goal of closing, by half, the retention and graduation gaps by 2015.

The Chancellor should comment on efforts to increase the retention and graduation rates of low-income and minority students.

National Eminence

Achieving and sustaining national eminence in providing quality education is another USM goal. One measure used to track progress toward this goal is the number of nationally ranked graduate programs. In fiscal 2007, 89 programs were ranked in the top 25, down slightly from 90 programs in fiscal 2006. The rankings only included programs at UMB and UMCP published by *U.S. News and World Report*, *Financial Times*, and other publications.

Fiscal 2008 Cost Containment

In July 2007, the Board of Public Works approved cost containment measures resulting in a $12 million, or 1.2%, decrease in USM's State appropriations. **Exhibit 6** shows how the reduction was allocated across USM institutions. USM made pro-rata reductions based on each institution's share of general funds. Generally, the reductions resulted in larger class size, delays in hiring new faculty, and postponement of equipment purchases, new space for research activities, and facilities renewal projects.

Exhibit 6
Cost Containment by Institution
Fiscal 2008

	Board of Public Works Reduction
University of Maryland, Baltimore	$2,016,351
University of Maryland, College Park	4,730,818
Bowie State University	396,836
Towson University	984,467
University of Maryland Eastern Shore	368,705
Frostburg State University	371,575
Coppin State University	379,893
University of Baltimore	332,489
Salisbury University	418,167
University of Maryland University College	294,847
University of Maryland Baltimore County	1,008,897
University of Maryland Center for Environmental Science	206,420
University of Maryland Biotechnology Institute	259,675
University System of Maryland Office	230,860
Total	**$12,000,000**

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

Governor's Proposed Budget

The general fund allowance for fiscal 2009 is $53.3 million above the fiscal 2008 level, an increase of 5.3%, as shown in **Exhibit 7**. The fiscal 2009 allowance also includes funds from the Higher Education Investment Fund (HEIF), created during the 2007 special session. These funds will be used to freeze resident undergraduate tuition, fund enrollment growth, and implement new initiatives and programs. The fiscal 2009 allowance provides $41.0 million in the HEIF, but this analysis excludes $9.0 million of capital-related funding. These capital projects should be budgeted in the Board of Public Works. Other unrestricted revenue increases $15.0 million, or 0.8%, mainly due to increases in tuition and fee revenue of $26.8 million, a 2.5% increase from the fiscal 2008 working budget. Other unrestricted funds also include increases in sales and services of educational activities and auxiliary enterprises. These increases are offset by $18.9 million transferred to fund balance. Restricted funds increase 1.1% in the allowance.

Overall, total funds increase 2.8% after adjusting for non-capital HEIF funds. However, this includes health insurance and Other Post Employment Benefits (OPEB) liability costs. Adjusting for these costs in fiscal 2008 and 2009 results in an underlying increase of $72.4 million, or 1.9%, in the allowance.

Exhibit 7
Governor's Proposed Budget
University System of Maryland
($ in Thousands)

	FY 07 Actual	FY 08 Working	FY 09 Allowance	FY 08-09 Change	% Change Prior Year
General Funds	$933,537	$1,004,918	$1,058,229	$53,311	5.3%
Higher Education Investment Fund *			32,000	32,000	
Other Unrestricted Funds	1,823,363	1,989,655	2,004,642	14,987	0.8%
Total Unrestricted Funds	2,756,900	2,994,573	3,094,871	100,298	3.3%
Restricted Funds	862,778	938,398	948,797	10,399	1.1%
Total Funds	**$3,619,678**	**$3,932,971**	**$4,043,668**	**$110,697**	**2.8%**

HEIF: Higher Education Investment Fund

*HEIF funds total $41.0 million, but $9.0 million of capital-related funding is excluded.

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

Source: Governor' Budget Books, Fiscal 2009; Department of Legislative Services

The general fund and HEIF increase in the USM budget understates the total general fund and HEIF support proposed for USM institutions in fiscal 2009 by approximately $23.5 million as shown in **Exhibit 8**. The Administration's proposed 2.0% cost-of-living adjustment (COLA) for State employees applies to USM employees. General funds for USM's share of the COLA ($23.5 million) are presently included in the Department of Budget and Management's allowance. Taking this additional funding into account, USM institutions will have $108.8 million in additional general and HEIF funds available for expenditures in fiscal 2009. This is 10.8% above fiscal 2008.

USM also receives general funds from MHEC and the Department of Business and Economic Development (DBED) in the fiscal 2009 allowance. The amount of general funds from these sources does not increase from fiscal 2008. The grants include $1.3 million from MHEC for the UMB-WellMobile ($570,500), University of Maryland Biotechnology Institute Maryland-Israeli Partnership ($250,000), and the UMCP Academy of Leadership ($500,000). USM will also receive $2.4 million from DBED for the Nanotechnology Initiative.

Exhibit 8
USM General Fund and HEIF Increase
Fiscal 2009
($ in Thousands)

	Amount
New Unearmarked General Funds	$30,618
Tuition Freeze Offset (Higher Education Investment Fund (HEIF))	15,494
Other Post Employment Benefits (OPEB) Liability	6,196
USM Enrollment Initiative (HEIF)	10,556
Other New HEIF Funds*	5,950
UMBC Public Service Internship Scholarship (HB 269 of 2007)	350
Facility Renewal	9,071
Financial Aid	7,076
Subtotal University System of Maryland Budget	**$85,311**
Employee Cost-of-living Adjustment (COLA) Funds (through DBM budget)	$23,467
New General Funds and HEIF Including COLA	**$108,778**
% Increase Over Adjusted Fiscal 2008 Including COLA	**10.8%**

DBM: Department of Budget and Management
UMBC: University of Maryland Baltimore County

*Excludes $9.0 million in capital related funding.

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

The fiscal 2009 allowance provides USM $31.2 million in funds available for additional enhancements, as shown in **Exhibit 9**. The fiscal 2009 estimated "mandatory" or current services cost increases are $62.5 million. These costs are related to salary increases, facility renewal, and utility inflation, among others. The current services costs increases to $105.6 million when including OPEB liability, the COLA, DBM adjustments, and efficiency savings of 0.5% of the State-supported budget. USM had achieved 1% efficiency savings in each of the past three years. This will be discussed further in Issue 2. New general fund, HEIF, and tuition and fee revenues total $136.8 million when including the State-supported COLA, and other unrestricted portion of one-time health insurance savings in fiscal 2009. The difference of $31.2 million is available for enhancements (including financial aid) and enrollment growth.

Exhibit 9
University System of Maryland
Revenues Available for Program Enhancements
Fiscal 2009

Expenditures	**$ Amount**
Current Services Cost Increase [1]	$62,497,952
OPEB Liability	22,958,755
Employee Cost-of-living Adjustment (COLA)	37,963,382
Costs Saved through Efficiency Initiative	-9,690,029
DBM Adjustment to Current Services	-8,114,000
Revised Estimated Current Services Costs	**$105,616,060**
Revenues	
Available General Funds and HEIF	$85,310,840
COLA Funds Received through DBM Budget	23,467,307
New Tuition and Fee Revenues	26,819,077
Other Unrestricted Portion of Health Insurance Savings	1,177,391
New General Fund, HEIF, and Tuition Revenues	**$136,774,615**
Funds Available for Enhancements/Enrollment Growth	**$31,158,555**
(Revenues Less Expenditures)	
Additional Dedicated Funds (UMB – WellMobile, UMCP – Academy of Leadership, UMCP – Nanotechnology Initiative)	**$3,720,500**

DBM: Department of Budget and Management
HEIF: Higher Education Investment Fund
OPEB: Other Post Employment Benefits

[1]USM estimated current services cost increases to be $111.9 million. However, systemwide financial aid of $7.1 million and enrollment related funding of $19.4 million are better categorized as enhancement funding. OPEB costs are also shown separately.

Source: Governor's Budget Books, Fiscal 2009; University System of Maryland; Department of Legislative Services

USM has identified $32.4 million of program enhancements including:

- systemwide financial aid ($7.1 million);
- systemwide enrollment related funding ($19.4 million);

- nursing program at Baltimore and Shady Grove for UMB ($3.0 million);
- computing and biotechnology core equipment for Institute for Genome Sciences for UMB ($825,333);
- pharmacy program at University of Maryland Eastern Shore (UMES) ($650,000);
- enhancing life sciences and material microscopy imaging facility at UMBC ($450,000);
- closing the achievement gap and workforce creation at BSU ($350,000);
- respiratory therapy at Shady Grove for SU ($325,000);
- nursing program at FSU ($250,000); and
- closing the achievement gap at CSU ($100,000).

The Chancellor should comment on budgetary priorities and how a $19 million transfer to fund balance will be accommodated in addition to programmatic enhancements.

Enrollment Funding Initiative Continues

In fiscal 2009, USM receives funds in the allowance to continue the enrollment funding initiative (EFI) for the third year. The fiscal 2009 allowance provides $10.6 million to fund the growth of an additional 1,529 full-time equivalent students (FTES). **Exhibit 10** shows enrollment growth under the EFI over the past three years.

In fiscal 2007, USM exceeded its EFI target of 3,386 FTES by 298, mostly due to UMUC exceeding its targeted growth by 454 FTES. USM had previously estimated growth of 887 FTES above the target. In fiscal 2008, USM estimates it will again exceed its EFI target of 1,740 FTES by 177 FTES. Five institutions are expected to exceed their targets by a total of 1,033 FTES with three institutions (UMCP, TU, and UB) accounting for 80%, or 953 FTES, of the growth. However, this increase will be offset by three institutions projected to miss their EFI target by a total of 856 FTES. This will be mostly due to UMUC's underattainment of its target by 706 FTES. It is important to note that the fiscal 2008 enrollment attainment figures are USM estimates based on annualizing fall enrollment over the entire year. This means that a portion of the fiscal 2008 enrollment includes "phantom" students who have not actually enrolled. For fiscal 2009, USM established an enrollment growth target of 1,529 FTES, a 1.5% increase over fiscal 2008. Enrollment at all institutions, except CSU, is expected to grow. TU is expected to have the largest increase in its growth of 500 FTES while UMES is estimated to grow by 17 FTES.

Exhibit 10
University System of Maryland
Enrollment Funding Initiative by Institution
Fiscal 2007-2009

	FY 2007 Budgeted Additional FTES	FY 2007 FTES Actual Over/Under Target	FY 2008 Budgeted Additional FTES	FY 2008 FTES Estimated Over/Under Target	FY 2009 Budgeted Additional FTES
UMB	50	76	40	54	20
UMCP	250	-11	150	397	194
BSU	96	-16	0	0	100
TU	805	151	400	280	500
UMES	123	101	0	0	17
FSU	16	-60	0	-17	42
CSU	102	-344	0	-133	0
UB	100	-2	0	276	170
SU	323	27	150	0	150
UMUC	1,325	454	1,000	-706	240
UMBC	196	-78	0	26	96
Total	**3,386**	**298**	**1,740**	**177**	**1,529**

FTES: Full-time equivalent student; includes undergraduate and graduate students.

Source: University System of Maryland

Funding of the EFI over the past three years is shown in **Exhibit 11**. In fiscal 2007, USM allocated a total of $14.9 million to fund the addition of 3,386 FTES. Funds were allocated based on a USM funding rate per FTES. In order to estimate the amount of general funds for each additional FTES at most institutions, USM calculated the amount of general funds per FTES received in the prior fiscal year at each institution.

Exhibit 11
Enrollment Funding Initiative
General Funds and HEIF
Fiscal 2007-2009

	FY 2007 Appropriation	FY 2008 Net Allowance [2,3]	FY 2008 Appropriation[4]	FY 2009 Allowance
UMB[1]	$600,000	$636,000	$636,000	$269,500
UMCP	2,400,000	912,000	342,689	2,614,150
BSU	537,943	-5,604	-5,604	779,736
TU	4,427,528	2,532,750	1,880,415	2,750,000
UMES	876,082	537,787	537,787	151,486
FSU	96,451	-77,158	-77,158	309,548
CSU	686,100	-548,842	-548,842	0
UB	623,906	-87,346	-87,346	1,390,549
SU	1,775,510	904,707	660,081	825,000
UMUC	1,426,718	2,320,191	1,786,462	600,000
UMBC	1,487,839	-438,760	-438,760	865,714
Total	**$14,938,077**	**$6,685,725**	**$4,685,724**	**$10,555,683**

USM Funding Rate per FTES

	FY 2007	FY 2008	FY 2009	% Change FY 2007-2009
UMB	$12,000	$12,800	$13,475	12.3%
UMCP	9,600	12,800	13,475	40.4%
BSU	5,604	7,500	7,797	39.1%
TU	5,500	5,500	5,500	0.0%
UMES	7,123	8,000	8,911	25.1%
FSU	6,028	7,300	7,370	22.3%
CSU	6,726	9,700	n/a	n/a
UB	6,239	7,800	8,180	31.1%
SU	5,497	5,500	5,500	0.1%
UMUC	1,077	1,800	2,500	132.1%
UMBC	7,591	8,700	9,018	18.8%

[1]For fiscal 2008, $128,000 of the funding for UMB is designated by USM as enhancement funding for enrollment at Shady Grove's pharmacy initiative and is not included in the exhibit.
[2]Adjustments were made to fiscal 2008 allowance based on an institution's under/over attainment of fiscal 2007 EFI enrollment targets and is not included in this exhibit.
[3]USM reports institutions exceeding EFI targets received additional funds. Adjustments were based on 50% of the funds per FTES required to fully fund growth above the target. Funds were deducted from institutions that missed the EFI target by more than 20%. This allowed some flexibility for institutions to use spring semester enrollment to meet their fiscal 2007 target.
[4]The General Assembly reduced the allowance by $2.0 million.

Source: University System of Maryland

Adjustments were made to the fiscal 2008 allowance based on an institution's estimated fiscal 2007 attainment level. Institutions exceeding the target received additional general funds in fiscal 2008 while funds were reduced for those not meeting the enrollment target. After adjusting for the fiscal 2007 attainment, the fiscal 2008 allowance for the EFI totaled $6.7 million. In the fiscal 2008 allowance, USM requested an average cost per FTES ranging from $1,800 at UMUC to $12,800 at UMB and UMCP. The funding rate for UMCP and UMB are equal since both are research institutions.

During the 2007 session, the General Assembly reduced EFI funding by $2.0 million recognizing lower costs for enrollment growth. However, USM did not allocate the reduction using the same methodology. In fiscal 2008, $4.7 million was appropriated for the EFI while still requiring USM to grow by 1,740 FTES.

The fiscal 2009 allowance was adjusted for UMUC's estimated underattainment of the fiscal 2008 EFI targets, resulting in UMUC receiving a $1.0 million reduction in funding. After adjusting for underattainment, the fiscal 2009 allowance provides $10.6 million to fund 1,529 additional FTES. USM's average funding rate for fiscal 2009 ranges from $2,500 for UMUC to $13,475 for UMCP and UMB. Overall, since fiscal 2007, the increase in the funding rate per FTES varies among institutions. UMUC has the highest rate increase of 132.1%, while the funding rate for TU remains unchanged.

DLS recommends restricting enrollment funding initiative expenditures of $10,555,683 until USM reports on the enrollment attainment levels achieved by each institution, as established under the EFI. This will ensure that funds are received only for actual enrollment levels achieved in fiscal 2009, rather than prospectively funding projected enrollment increases. This eliminates the need to make attainment adjustments in the next fiscal year. Institutions that meet enrollment attainment levels should receive their full allocation. Funds should be reduced on a per FTES basis for institutions that do not meet enrollment attainment levels. Reports should be submitted in December 2008 on fall semester enrollment and in May 2009 on spring semester enrollment. Funds would be released for institutions that achieve the target in the fall semester; those institutions below the target could apply for release of funds in the spring semester. Any monies remaining from under-target institutions could be reallocated to institutions that have exceeded their target.

Personnel

The fiscal 2009 allowance provides USM with 131 additional regular positions. As shown in **Exhibit 12**, 71 State-supported positions are allocated to specific programs: instruction (34); academic support (6); student services (3); institutional support (13); and operation and maintenance of plant (16). Non-State supported positions included 1 in research and 58 in auxiliary. Eight institutions and the system office did not receive additional positions in fiscal 2009. The 131 new positions are at UMB, UMCP, TU, UB, and SU. The exhibit also shows the increase over fiscal 2008 filled regular positions for each program. Positions in operations and maintenance of plant increase 1.1%, and auxiliary positions increase 3.4%.

Exhibit 12
Summary of USM Additional Positions
Fiscal 2009

	New Fiscal 2009 Positions	% Increase
State-supported Positions		
Instruction	34	0.5%
Research	0	0.0%
Public Service	0	0.0%
Academic Support	6	0.3%
Student Services	3	0.3%
Institutional Support	13	0.5%
Operation and Maintenance of Plant	16	1.1%
Total State-supported	**72**	
Non-State-supported Positions *		
Research[1]	1	n/a
Auxiliary	58	3.4%
Total Non-State-supported positions	**59**	
USM Total New Positions	**131**	

[1]Position was incorrectly coded as a State position instead of non-State supported.

*Funded by auxiliary and grants.

Note: Data are full-time equivalent. No new positions for BSU, UMCES, FSU, CSU, UMUC, UMBC, UMCES, UMBI, and the system office are included in the allowance.

Budgets for Instruction, Scholarships and Fellowships, and Institutional Support Show Highest Rates of Increase

Budget changes by program in the allowance are shown in **Exhibit 13**. The data consider unrestricted funds only, the majority of which consist of general funds and HEIF, and tuition and fee revenues. Expenditures on instruction are projected to increase at the highest rate at 5.3%, or $49.1 million, and institutional support increases 3.6%, or $13.1 million. Increases in both program areas are primarily attributed to increases in retiree health and OPEB liability costs. Expenditures for scholarships and fellowships increase 5.4%, or $7.4 million.

Exhibit 13
University System of Maryland
Budget Changes for Unrestricted Funds by Program
Fiscal 2007-2009
($ in Thousands)

	2007 Actual	2008 Working	2007-08 % Change	FY 2009 Allowance		2008-09 % Change
Expenditures						
Instruction	$867,881	$919,932	6.0%	$969,047	*	5.3%
Research	190,938	202,009	5.8%	207,982		3.0%
Public Service	53,393	63,905	19.7%	65,612		2.7%
Academic Support	274,579	303,812	10.6%	311,406		2.5%
Student Services	131,572	131,177	-0.3%	135,304		3.1%
Institutional Support	326,818	362,928	11.0%	376,039		3.6%
Operation and Maintenance of Plant	308,733	387,218	25.4%	380,715		-1.7%
Scholarships and Fellowships	135,846	137,311	1.1%	144,752		5.4%
Education and General Total	**$2,289,759**	**$2,508,294**	**9.5%**	**$2,590,858**		**3.3%**
Hospitals (UMB)	$36,388	$37,845	4.0%	$38,367		1.4%
Auxiliary Enterprises	429,934	447,285	4.0%	464,347		3.8%
Grand Total	**$2,756,081**	**$2,993,424**	**8.6%**	**$3,093,572**		**3.3%**
Revenues						
Tuition and Fees	$1,022,097	$1,056,408	3.4%	$1,083,227		2.5%
General Funds	933,537	1,004,918	7.6%	1,058,229		5.3%
HEIF*				32,000		
Other Unrestricted Funds	435,276	456,710	4.9%	456,536		0.0%
Subtotal	**$2,390,910**	**$2,518,036**	**5.3%**	**$2,629,992**		**4.4%**
Auxiliary Enterprises	$446,353	$463,652	3.9%	$483,759		4.3%
Transfer (to)/from Fund Balance	-80,364	12,885		-18,880		
Grand Total	**$2,756,900**	**$2,994,573**	**8.6%**	**$3,094,871**		**3.3%**

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

*Excludes $9.0 million in capital related funding.

Source: Governor's Budget Books, Fiscal 2009

Operations and maintenance of plant expenditures decreases 1.7%, or $6.5 million. This is attributed to UMUC, which in fiscal 2007 had a one-time increase of $30.4 million to purchase a building.

Transfers to the fund balance total $18.9 million bringing the fund balance to $504.5 million in fiscal 2009. USM sets a goal for each campus to set aside 1% of their current unrestricted funds to transfer to the fund balance. In fiscal 2009, transfers to the fund balance are $12.1 million less than the 1% goal of $31.0 million. Institutions are given some flexibility from year-to-year allowing for the individual needs of the institution. For instance, an institution may need to set aside more funds in one year in anticipation of a project for which a fund balance will be needed for the next year.

In fiscal 2008, $18.9 million was budgeted to transfer to the fund balance (less than 1%); however, to date a net $12.9 million has been transferred out of the fund balance. This was due to the UMUC transfer of $27 million from the fund balance to purchase a building.

Issues

1. In-state Tuition Frozen for Third Year; Modest Fee Increases at Most Institutions

During the 2006 session, a freeze was adopted on tuition rates for in-state undergraduate students at USM institutions for the upcoming academic year. In-state tuition at USM institutions also remained the same for the 2007-2008 academic year. The freeze helped mitigated an average annual tuition increase of 10.3% for fiscal 2003 through 2005 due to decreases in general fund support. The fiscal 2009 allowance includes $15.5 million from the HEIF to freeze in-state undergraduate tuition for a third consecutive year.

Tuition and Fee and State Supported Revenue Increases

Increases in general fund, HEIF, and tuition and fee revenues from fiscal 1998 through fiscal 2009 are shown in **Exhibit 14**. The fiscal 2009 allowance for new general funds and the HEIF revenues increases $85.3 million, or 8.5%, from fiscal 2008. This increase in State funding is lower than the past two years.

New tuition and fee revenues increase $26.8 million in the fiscal 2009 allowance, less than the fiscal 2008 increase of $34.2 million. This assumes no increase in the in-state undergraduate tuition rate for fiscal 2009. The slower growth rate in the fiscal 2009 allowance reflects a projected $3.3 million decline in new tuition and fee revenues at UMUC due to the tuition freeze and declining enrollment. Additionally, systemwide, it is estimated enrollment will increase 1.5%, or by 1,529 additional FTES in fiscal 2009 compared to 2.0% enrollment growth in fiscal 2008. Overall, general fund, HEIF, and tuition and fee revenues grow 5.4% over fiscal 2008, totaling $112.1 million in new revenues.

It should be noted, in fiscal 2003 and 2004, new tuition and fee revenues increased 11.2% and 15.2%, respectively. This reflects an average annual tuition increase of 10.3% due to a decrease in general funds. Increases in tuition and fee revenues in fiscal 2006 and 2007 are attributed to a 5.8% increase in-state undergraduate tuition in fiscal 2006 and the addition of 3,684 FTES in fiscal 2007. New revenues increase at a slower rate in fiscal 2008 at 3.4% due to projected enrollment growth of 1,917 FTES.

Exhibit 14
University System of Maryland
Tuition and Fee and State Supported Revenue Increases
Fiscal 1998-2009

	New Tuition and Fee Revenues	% Increase	New General Funds and HEIF Revenues	% Increase	Total	% Growth from Prior Year
Fiscal 1998 Actual	$31.4	7.0%	$22.1	3.8%	$53.5	5.2%
Fiscal 1999 Actual	30.9	6.5%	49.1	8.2%	80.0	7.4%
Fiscal 2000 Actual	38.6	7.6%	68.4	10.5%	107.0	9.2%
Fiscal 2001 Actual	48.9	8.9%	78.7	10.9%	127.6	10.1%
Fiscal 2002 Actual	61.1	10.3%	66.1	8.3%	127.2	9.1%
Fiscal 2003 Actual	73.6	11.2%	-63.9	-7.4%	9.7	0.6%
Fiscal 2004 Actual	111.3	15.2%	-54.7	-6.8%	56.6	3.7%
Fiscal 2005 Actual	57.3	6.8%	11.5	1.5%	68.8	4.3%
Fiscal 2006 Actual	61.3	6.8%	53.9	7.1%	115.2	7.0%
Fiscal 2007 Actual	61.7	6.4%	121.9	15.0%	183.6	10.4%
Fiscal 2008 Working	34.2	3.4%	93.2	10.0%	127.4	6.5%
Fiscal 2009 Allowance*	26.8	2.5%	85.3	8.5%	112.1	5.4%

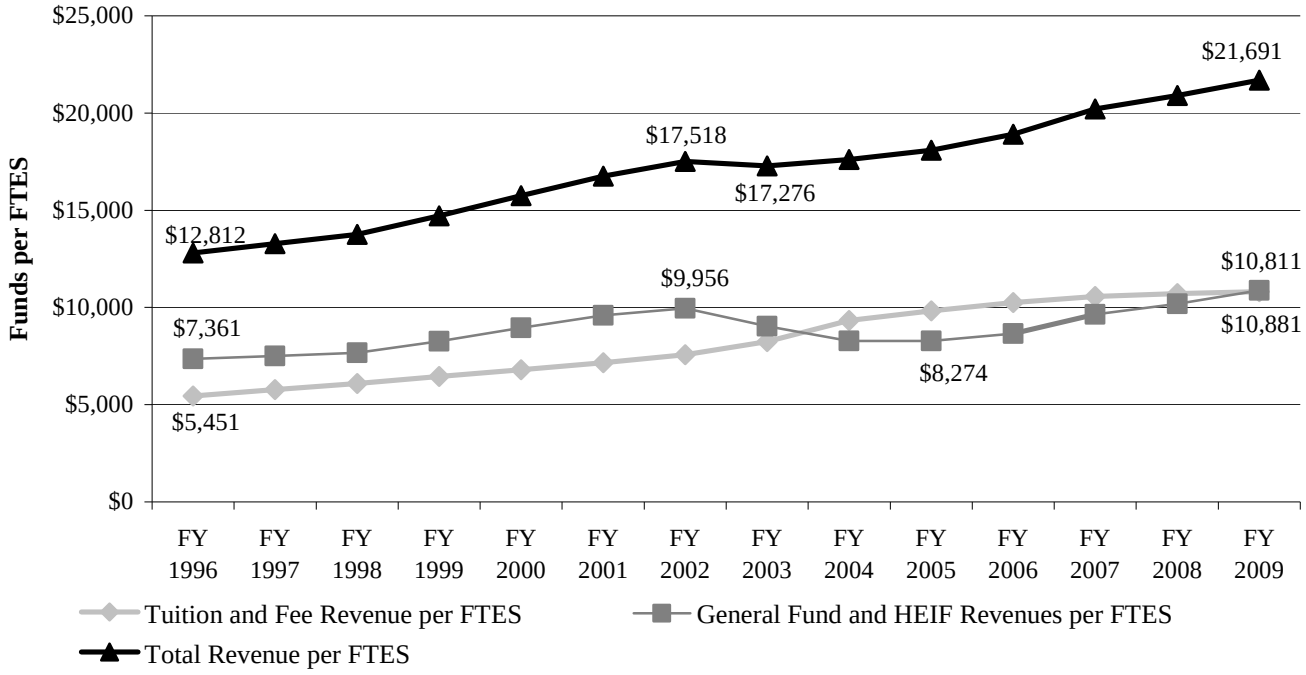
*Includes HEIF excluding $9.0 million in capital-related funds.

Source: Governor's Budget Books, Fiscal 2009

Tuition and Fee and General Fund Revenue Per FTES

As shown in **Exhibit 15**, tuition and fee revenue per FTES has been stable since fiscal 2007 due to the freeze in resident undergraduate tuition. In the fiscal 2009 allowance, tuition and fee revenue per FTES is $10,811, slightly lower than general fund revenue of $10,881 per FTES for the first time since fiscal 2003.

Exhibit 15
University System of Maryland
General Funds, HEIF,* and Tuition and Fee Revenue Per FTES
Fiscal 1996-2009



*Excludes $9.0 million in capital-related funding.

Source: Governor's Budget Books, Fiscal 2009

General funds per FTES steadily increased until fiscal 2002, reaching $9,956 per FTES. After cost containment reductions, general funds decreased to a low of $8,274 per FTES in fiscal 2005. In fiscal 2004, tuition and fee revenues surpassed general funds. In the fiscal 2009 allowance, general funds and the HEIF will exceed tuition and revenues per FTES by $70, totaling $10,881 per FTES. With the exception of fiscal 2003, total revenue per FTES has steadily increased since fiscal 1996. The projected fiscal 2009 revenue per FTES is $21,691, or a 3.8% increase over fiscal 2008.

Undergraduate Resident Tuition Frozen in Fiscal 2009

The fiscal 2009 allowance provides $15.5 million in HEIF funds to freeze resident undergraduate tuition rate at the fiscal 2006 level. This is the amount of tuition and fee revenues lost as a result of not increasing tuition by 4%. **Exhibit 16** shows the impact of a 4% tuition increase over the past three years and the cumulative total saving to students. Overall, the cumulative systemwide average savings for students in tuition is $1,381 since fiscal 2006. This does not include any savings if tuition rates would have increased more than 4% in any year.

Exhibit 16
University System of Maryland
Increase in Undergraduate Resident Tuition without Tuition Freeze
Fiscal 2006-2009

		Tuition with 4% Annual Increase			
	Tuition w/freeze 2006-2009	Tuition 2007	Tuition 2008	Tuition 2009	Cumulative Student Savings 2007-2009
Univ. of Maryland, Baltimore[1]	$6,890	$7,166	$7,452	$7,750	$1,698
Univ. of Maryland, College Park	6,566	6,829	7,102	7,386	1,618
Bowie State Univ.	4,286	4,457	4,636	4,821	1,056
Towson Univ.	5,180	5,387	5,603	5,827	1,277
Univ. of Maryland Eastern Shore	4,112	4,276	4,448	4,625	1,013
Frostburg State Univ.	5,000	5,200	5,408	5,624	1,232
Coppin State Univ.	3,527	3,668	3,815	3,967	869
Univ. of Baltimore	5,325	5,538	5,760	5,990	1,312
Salisbury Univ.	4,814	5,007	5,207	5,415	1,186
Univ. of Maryland University College	5,520	5,741	5,970	6,209	1,360
Univ. of Maryland Baltimore County	6,484	6,743	7,013	7,294	1,598
USM Average [2]	**$5,246**	**$5,456**	**$5,674**	**$5,901**	**$1,387**

[1] UMB undergraduate nursing program tuition.
[2] Simple average, except for cumulative student savings, which is a weighted average.

Note: Fiscal 2009 rates are pending Board of Regents approval.

Source: University System of Maryland; Department of Legislative Services

Although in-state tuition rates have been frozen for three consecutive years, the total tuition and fees students pay is increasing due to increases in fees. **Exhibit 17** shows the mandatory fees from fiscal 2006 to 2009. For fiscal 2009, the average expected increase in fees, except for UMUC which doubled its fee from $120 to $240, is 5.5%. UMB and CSU fees increase at the highest rates of 14.3% and 11.0%, respectively. Overall, fees average $1,548 at USM institutions with the highest fees at UMBC ($2,296) and TU ($2,134).

Exhibit 18 shows the change in the resident tuition and mandatory fee rate from fiscal 2006 to 2009. Since tuition has been frozen at fiscal 2006 rates, the growth results from an increase in fees. The systemwide average increase in tuition and fee rates was 1.5% in fiscal 2008. Fiscal 2009 rates are expected to increase 1.1%. The highest percentage increases in tuition and fees in fiscal 2009 are at CSU (3.2%) and UB (1.7%). Overall, tuition and fees increased 3.1% since fiscal 2006, with BSU and CSU having the highest increase of 9.6% and 9.0%, respectively.

Exhibit 17
University System of Maryland
Mandatory Fees
Fiscal 2006-2009

	FY 06	FY 07	FY 08	FY 09[1]	% Increase FY 08-09
Univ. of Maryland, Baltimore	$689	$742	$799	$913	14.3%
Univ. of Maryland, College Park	1,255	1,340	1,403	1,439	2.6%
Bowie State Univ.	1,195	1,444	1,653	1,719	4.0%
Towson Univ.	1,916	1,984	2,054	2,134	3.9%
Univ. of Maryland Eastern Shore	1,696	1,796	1,876	1,930	2.9%
Frostburg State Univ.	1,230	1,392	1,550	1,614	4.1%
Coppin State Univ.	1,187	1,218	1,453	1,613	11.0%
Univ. of Baltimore	1,469	1,509	1,609	1,729	7.5%
Salisbury Univ.	1,562	1,598	1,598	1,628	1.9%
Univ. of Maryland University College	120	120	120	240	100.0%
Univ. of Maryland Baltimore County	2,036	2,138	2,224	2,296	3.2%
USM Average	**$1,295**	**$1,379**	**$1,475**	**$1,548**	**5.5%[2]**

[1]Pending approval by the Board of Regents
[2]Average excludes UMUC. UMUC fee is based on 24 credit hours.

Source: University System of Maryland

Exhibit 18
University System of Maryland
Increase in In-state Tuition and Fees
Fiscal 2006-2009

	Fiscal 2006-07 % Change	Fiscal 2007-08 % Change	Fiscal 2008-09 % Change	Fiscal 2006-09 % Change
Univ. of Maryland, Baltimore	0.7%	0.7%	1.5%	3.0%
Univ. of Maryland, College Park	1.1%	0.8%	0.5%	2.4%
Bowie State Univ.	4.5%	3.6%	1.1%	9.6%
Towson Univ.	1.0%	1.0%	1.1%	3.1%
Univ. of Maryland Eastern Shore	1.7%	0.0%	0.9%	4.0%
Frostburg State Univ.	2.6%	3.1%	1.0%	6.2%
Coppin State Univ.	0.7%	5.0%	3.2%	9.0%
Univ. of Baltimore	0.6%	1.5%	1.7%	3.8%
Salisbury Univ.	0.6%	0.0%	0.5%	1.0%
Univ. of Maryland University College	0.0%	0.0%	0.2%	0.2%
Univ. of Maryland Baltimore County	1.2%	1.0%	0.8%	3.1%
USM Average *	**1.3%**	**1.5%**	**1.1%**	**3.1%**

*Not weighted.

Note: Fiscal 2009 rates are pending Board of Regents approval.

Source: University System of Maryland; Governor's Budget Books, Fiscal 2009

The Chancellor should comment on the impact of the tuition freeze on accessibility, affordability, and enrollment.

2. Efficiency Initiative at USM

In fall 2004, USM implemented its Effectiveness and Efficiency (E&E) initiative to reduce costs, improve quality, and accommodate future enrollment growth. The plan includes initiatives targeting administrative and academic efficiencies. One strategy requires a 1.0% reduction in expenditures of the State-supported budget for each institution. In fiscal 2009, this target was reduced to 0.5% because savings related to procurement and utilities have been maximized and institutions reported fewer available avenues to achieve savings without comprising services. Each institution has discretion over how they will achieve these savings. **Exhibit 19** shows the expected efficiency savings from fiscal 2006 through 2009. The expected systemwide reduction is $9.7 million for fiscal 2009.

Exhibit 19
University System of Maryland
Institution Efficiency Savings
Fiscal 2006-2009

	FY 2006 Est.	FY 2007 Est.	FY 2008 Est.	FY 2009 Est.
UMB	$2,305,322	$2,640,910	$2,333,028	$1,242,910
UMCP	6,451,048	6,994,483	6,868,779	3,576,995
BSU	477,081	504,026	572,422	294,454
TU	1,691,676	1,770,655	1,860,594	1,014,431
UMES	456,496	485,147	487,723	255,163
FSU	515,344	541,575	571,139	283,034
CSU	504,424	544,744	474,840	240,017
UB	626,885	670,665	675,224	356,045
SU	700,764	733,021	750,624	383,390
UMUC	1,407,095	1,678,884	1,736,700	943,549
UMBC	1,501,890	1,581,791	1,564,246	808,215
UMCES	148,597	155,803	154,503	86,432
UMBI	195,768	216,316	207,711	108,730
USMO	144,459	162,259	144,469	96,664
USM Total	**$17,126,849**	**$18,680,279**	**$18,402,002**	**$9,690,029**

Source: University System of Maryland

The three primary systemwide academic efficiency efforts are:

- decreasing time-to-degree;
- increasing faculty workload; and
- redesigning courses.

Decreasing Time-to-degree

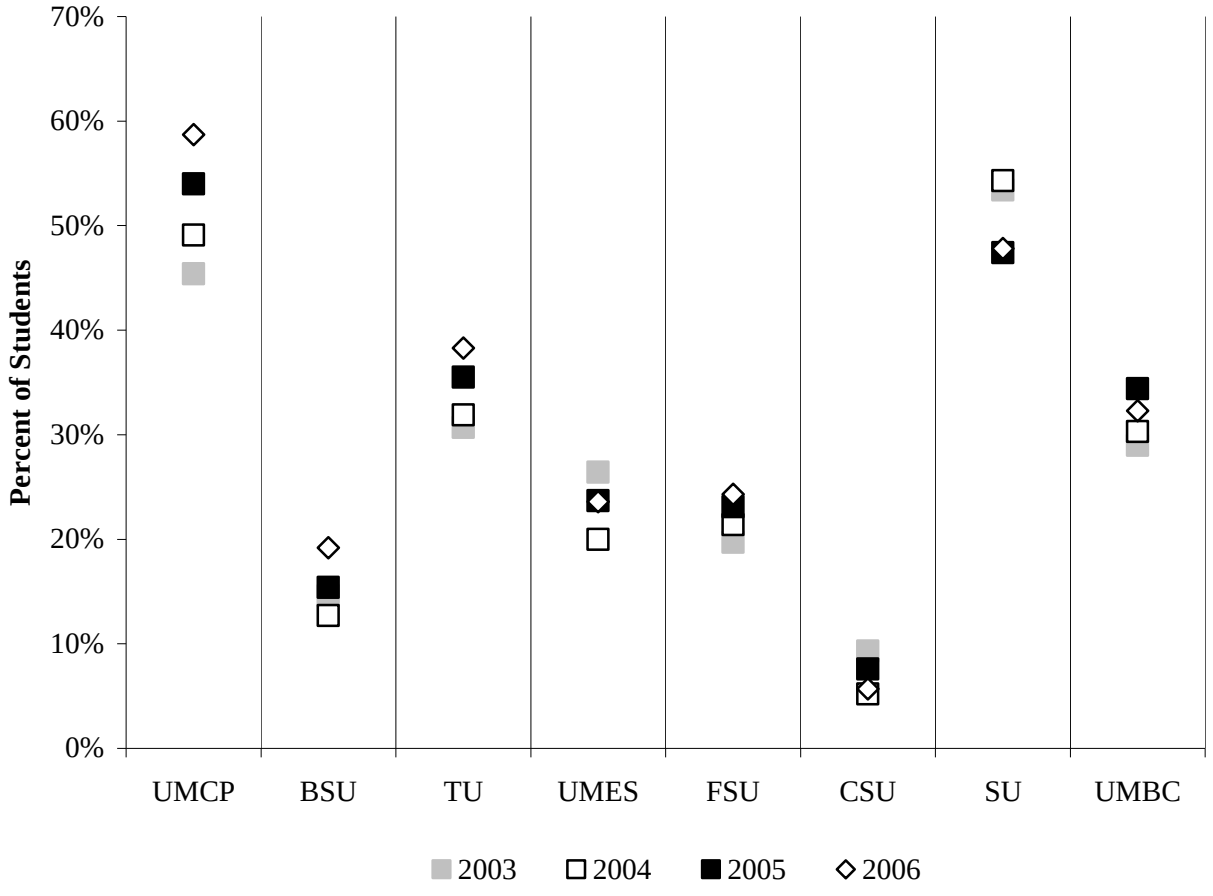
A major academic initiative is reducing an undergraduate student's time-to-degree. This allows institutions to accommodate more students and reduces the cost of a degree. The Board of Regents approved the following three policies, effective in fall 2006, to reduce the time-to-degree:

- First-time freshmen, whose admission is deferred till the spring semester, are encouraged to take 12 credit hours of coursework during the fall semester prior to spring admittance. This helps ensure students will still be able to graduate in a timely manner.
- Students are encouraged to take 12 credit hours of coursework through alternative means such as on-line, special sessions, independent study, and other non-traditional methods.

- Establish 120 credits as the standard number required for a bachelor's degree except for programs requiring five years of course work or programs fulfilling external accreditation standards.

The four-year graduation rates at USM institutions from fiscal 2003 to 2006 are shown in **Exhibit 20**, excluding UMB, UMUC, and UB. This corresponds to cohort years 1999 to 2002. Since fiscal 2003, the four-year graduation rates increased at five of the eight institutions. In fiscal 2006, rates declined at UMBC and CSU and were flat at two institutions – SU and UMES – compared to fiscal 2005. Although the E&E efforts related to decreasing the time-to-degree started in fall 2006 (fiscal 2007), this data establishes a baseline with which to compare future four-year graduation rates, helping to evaluate the success of the academic efficiency efforts.

Exhibit 20
Four-year Graduation Rates
Fiscal 2003-2006



Source: MHEC's June 2007 report on Retention and Graduation Rates at Maryland Public Four-year Institutions

Increase in Faculty Workload

Increasing faculty instructional workload is a key part of the E&E initiative. The Board of Regents set standards of expectations for tenured/tenure-track faculty workload: faculty at comprehensive institutions should carry a workload of 7 to 8 courses, and 5 to 6 courses for faculty at research institutions. As part of the E&E initiative, each institution was charged with meeting the mid-point of the workload standard by fiscal 2006. The faculty instruction workload target at comprehensive institutions is 7.5 course units and 5.5 course units for research institutions. For fiscal 2007, the average faculty course load at comprehensive institutions is 7.5 course units and 5.9 course units at research institutions as shown in **Exhibit 21**.

Exhibit 21
University System of Maryland
Faculty Workload
Fiscal 2003-2007

	2002-2003 Courses/FTEF	2003-2004 Courses/FTEF	2004-2005 Courses/FTEF	2005-2006 Courses/FTEF	2006-2007 Courses/FTEF
Comprehensive Institutions					
Bowie State Univ.	8.2	8.4	8.2	7.5	7.9
Coppin State Univ.	7.9	8.8	9.0	9.2	8.5
Frostburg State Univ.	7.4	7.9	7.8	7.8	7.7
Salisbury Univ.[1]	7.1	7.8	7.9	7.9	7.9
Towson Univ.[1]	6.6	6.9	7.3	7.1	7.0
Univ. of Baltimore[1]	7.0	7.0	6.9	6.9	6.7
Univ. of MD Eastern Shore	7.6	7.8	7.5	7.8	7.8
All Comprehensive Inst.	**7.0**	**7.5**	**7.7**	**7.7**	**7.5**
Research Institutions					
Univ. of MD Baltimore[2]	n/a	n/a	n/a	n/a	n/a
Univ. of MD Baltimore County[3]	5.0	5.2	5.7	5.8	5.8
Univ. of MD, College Park[3]	5.0	5.1	5.1	6.1	5.9
All Research Institutions	**5.0**	**5.1**	**5.3**	**6.0**	**5.9**

[1]Calculations for Salisbury, Towson, and UB omit the schools of business and law because accreditation standards require law faculty to teach 4.0 course units and business faculty to teach 6.0 course units.
[2]UMB reports 94% of all core faculty met or exceeded UMB's standard for workload in 2006-2007.
[3]State supported full-time equivalent.

FTEF: Full-time equivalent faculty

Source: University System of Maryland's Faculty Workload Report

All comprehensive institutions, except TU and UB, met or surpassed the faculty workload target. TU and UB are the only institutions not meeting the workload target for the past four years. For the 2006-2007 academic year, the faculty workload at TU is 7.0 course units, a decrease from 7.1 the prior year. UB's workload decreased from 6.9 last year to 6.7 course units over the same period. CSU has the highest workload of all USM institutions at 8.5 course units; this is a decline from 9.2 course units the prior year, but still 1.0 above the target of 7.5 course units.

USM reports the lower than expected faculty workload at TU is the result of increased FTES enrollment. This is because new faculty are typically allowed a period of reduced course load in order for them to establish themselves at the institution thereby reducing the overall faculty workload. The small number of faculty covered by this policy at UB (41 FTE faculty in six departments) results in a low workload number. Business and law school faculty are exempt due to accreditation requirements limiting their course loads below these established targets.

Research institutions exceeded the target of 5.5 course units. While UMCP's faculty workload decreased to 5.9 in 2006-2007 academic year from 6.1 last year, it still surpassed the target. UMBC's faculty workload remained constant at 5.8 course units.

Last year, UMB's faculty workload was incorporated into USM's faculty workload report. UMB reports on actual course units taught and the percentage of faculty meeting or exceeding the institution's standard. This is a more appropriate measure due to UMB's many professional schools which may be subject to varying workload requirements from differing accrediting bodies. UMB reports 94% of all core faculty meet or exceed the institution's standard.

Course Redesign Initiative

In fall 2006, USM initiated the Course Redesign Initiative (CRI); a systemwide effort to redesign large lecture style courses to courses providing a more active learning environment. The overall goals of the CRI are to:

- improve student learning (proven through learning assessments); and
- reduce instructional costs thus providing funds to dedicate to other purposes.

USM contracted with Dr. Carol Twigg, President and CEO of the National Center for Academic Transformation (NCAT), who has led course redesign efforts at 30 institutions throughout the country. NCAT reports the redesigned effort resulted in cost savings ranging from 15% to 77%, averaging 37% savings. The intent of the CRI is to reinvest the savings back to the department that generated them thereby increasing their resources which can be used to:

- redesign additional courses;
- teach more students for the same cost;

- offer a wider range of courses with the same number of faculty; or
- allow faculty to allocate more time to research.

Each USM institution will redesign at least 1 pilot course during a three-year period starting in 2006. Currently, 10 courses are being redesigned:

- three psychology courses;
- two biology courses;
- two mathematics courses;
- one chemistry course;
- one English course; and
- one nursing course.

Each institution is expected to contribute $20,000 toward redesigning their courses with the system office providing matching funds, spread out over the three-year period. Therefore, up to $40,000 is expected to support the redesign of one pilot course at each institution.

To date, USM completed initial course redesign and preliminary testing of materials. The following is the anticipated implementation schedule:

- Spring 2008 – conduct the pilot program with a subset of students after which conduct a review and share lessons learned.
- Fall 2008 – full pilot program implementation after revisions.
- March 2009 – submit final reports on the pilot program for evaluation.

3. Environmental Sustainability and Climate Change Initiative

Environmental sustainability and climate change is one of three major USM initiatives in fiscal 2009. The initiative aims to reduce and manage each institution's greenhouse gas (GHG) emissions and carbon footprint with the goal of moving all institutions toward climate neutrality. This requires a coordinated effort at the system and institutional level. The initiative focuses on practices, programs, and policy.

Practices

Practices are the steps undertaken at the system and institutional level to mitigate each institution's environmental impact. USM adopted the American College and University Presidents Climate Commitment (ACUPCC) as the mitigation standard approach for all its institutions. The ACUPCC provides a framework for institutions to become climate neutral; requiring a GHG inventory, identifying the institution's priorities; and specifying actions it will take toward neutrality. It also requires the development of a Climate Action Plan, with benchmarks and milestones, and that the inventory, plan, and progress reports are publicly available. All USM institution presidents are expected to sign the ACUPCC, pledging to make campuses more sustainable, ultimately eliminating GHG emissions. To date nine USM institutions have signed the pledge.

USM institutions are employing a variety of practices to mitigate GHG emissions at their campuses. Practices can be categorized into five broad areas:

- energy – conservation and alternative sources;
- green buildings – sustainable construction and renovation;
- transportation – fleet management, commuter policies, and alternative modes of transportation;
- procurement – sustainable products and services; and
- recycling and waste management – recycling, re-use, composting, and reselling.

Currently, many of these activities are undertaken as part of facilities renewal or renovation work planned for existing buildings. New buildings are required, at a minimum, to meet the Leadership in Energy and Environmental Design (LEED) silver standard. Additionally, all major renovations are expected to meet the LEED standards. USM's first building to achieve the LEED gold certification is the new Camille Kendall Academic Center at the Universities of Shady Grove.

Programs

Programs focus on enhancing an institution's instructional and research programs, providing the students the knowledge and skills needed to address environmental sustainability issues. Each institution will not only incorporate sustainability into its curriculum but also provide other educational experiences. Sustainability initiatives include:

- offering undergraduate and graduate programs focused on sustainability and environmental issues;
- creating web-based research inventory;

- establishing a systemwide coordinating body incorporating sustainability into instruction and research; and

- attracting and enhancing federally supported research funding.

Policy

Policy focuses on providing expertise and knowledge to developing and implementing public policy ensuring environmental sustainability. USM institutions are contributing their expertise to the State of Maryland as it develops environmental policies with a focus on the following three areas:

- climate change;

- Chesapeake Bay restoration; and

- Smart Growth.

The Chancellor should comment on efforts being taken at the system and institutional levels to reduce each institution's GHG emissions and carbon footprint.

Recommended Actions

1. Add the following language:

   Provided that $10,555,683 of current unrestricted funds allocated to the enrollment funding initiative may not be expended until the University System of Maryland has prepared and submitted reports on the enrollment funding initiative attainment level for each institution. Institutions that meet or exceed enrollment attainment levels shall receive full funds. Funds shall be reduced for institutions that do not meet enrollment attainment levels. The report shall include for each institution the enrollment funding initiative attainment level by full-time equivalent student (FTES) including the number of undergraduate FTES and graduate FTES; the number of FTES by which an institution meets, exceeds, or does not meet the attainment level; and the funds associated with each FTES. The reports shall be submitted by December 1, 2008, and May 1, 2009, and the budget committees shall have 45 days to review and comment on the report.

   Explanation: The language restricts the expenditure of general funds allocated to the enrollment funding initiative until the University System of Maryland (USM) submits a report on the enrollment attainment levels achieved by each institution, as established under the enrollment funding initiative. The report should include for each institution the enrollment funding initiative attainment level by full-time equivalent student (FTES) including the number of undergraduate FTES and graduate FTES; the number of FTES by which an institution meets, exceeds, or does not meet the attainment level; and the funds associated with each FTES. Institutions that meet or exceed enrollment attainment levels established under the enrollment funding initiative will receive full funding. Institutions that do not achieve enrollment attainment levels will receive funds on a pro-rated basis. USM may propose re-allocation of the enrollment funding initiative funds allocated to institutions that do not achieve their targets to institutions that exceed their targets.

Information Request	**Author**	**Due Date**
Report on the enrollment attainment level achieved by each institution as established by the enrollment funding initiative	USM	December 1, 2008 May 1, 2009

2. Add the following language:

   Provided that the appropriation herein for the University System of Maryland institutions shall be reduced by $6,798,929 in current unrestricted funds. This reduction shall not reduce the number of students projected to be enrolled.

Explanation: The fiscal 2009 allowance provides for a 4.7% growth in general fund and Higher Education Investment Fund (HEIF) revenues per full-time equivalent student (FTES) over fiscal 2008 (Other Post Employment Benefits and tuition replacement funds are excluded from the amounts). This language reduces the current unrestricted revenues (general funds) by $6,798,929, allowing general funds and HEIF revenues to grow 4.0% per FTES over fiscal 2008. This allows the University System of Maryland institutions to increase spending per FTES while accommodating enrollment growth of 1.5%, or 1,529 FTES, in fiscal 2009.

3. Add the following language:

<u>It is the intent of the General Assembly that the University System of Maryland permanently incorporates the one percent efficiency savings into its current services budget starting in fiscal 2010.</u>

Explanation: The language expresses the General Assembly's intent that the University System of Maryland (USM) should permanently incorporate 1% efficiency savings of the State supported budget into its current service budget starting in fiscal 2010. The 1% reduction is part of USM's efficiency effort to reduce costs. Since fiscal 2006, USM has annually adjusted its current services budget by 1%. The fiscal 2009 allowance reflects only a 0.5% efficiency savings. Incorporating the efficiency savings into the current services or "base" budget would eliminate the need for an annual adjustment.

4. Adopt the following narrative:

Faculty Workload Report: 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 may be included in the report at USM's discretion. Additionally, the report should include the percent of faculty meeting or exceeding teaching standards for tenured and tenure-track faculty for the University of Maryland, Baltimore's programs.

Information Request	**Author**	**Due Date**
Annual report on instructional workload for tenured and tenure-track faculty	USM	December 1, 2008

Appendix 1

University System of Maryland
Full-time Equivalent Personnel by Budget Program
Fiscal 2002, 2007, and 2008

	Fiscal 2002		Fiscal 2007		Fiscal 2008		
	FTEs	**% of Total FTEs**	**FTEs**	**% of Total FTEs**	**FTEs**	**% of Total FTEs**	**Change in Share of Total 07-08**
Instruction	5,858	33.5%	6,264	31.9%	6,258	30.8%	-1.0%
Research	2,455	14.0%	3,494	17.8%	3,614	17.8%	0.0%
Public Service	689	3.9%	635	3.2%	666	3.3%	0.1%
Academic Support	1,937	11.1%	2,010	10.2%	2,175	10.7%	0.5%
Student Services	945	5.4%	1,002	5.1%	1,124	5.5%	0.4%
Institutional Support	2,427	13.9%	2,695	13.7%	2,724	13.4%	-0.3%
Operations and Maintenance of Plant	1,558	8.9%	1,518	7.7%	1,529	7.5%	-0.2%
Auxiliary	1,368	7.8%	1,583	8.1%	1,726	8.5%	0.5%
Hospitals	248	1.4%	445	2.3%	470	2.3%	0.1%
Total	**17,485**		**19,645**		**20,286**		

Notes: Data are for filled regular positions only. Does not include USM office.

Source: University System of Maryland Institutions