

R30B25
University of Maryland Eastern Shore
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$28,616	\$30,877	\$31,908	\$1,032	3.3%
Other Unrestricted Funds	44,031	44,089	46,185	2,095	4.8%
Total Unrestricted Funds	72,647	74,966	78,093	3,127	4.2%
Restricted Funds	<u>23,623</u>	<u>26,363</u>	<u>27,044</u>	<u>681</u>	<u>2.6%</u>
Total Funds	\$96,269	\$101,329	\$105,137	\$3,808	3.8%

- Total funds increase \$3.8 million, or 3.8%. The underlying fiscal 2009 budget change, absent health insurance and Other Post Employment Benefits funding which distorts year-to-year comparison, is \$2.6 million, or 2.7%.
- \$1.2 million of the other unrestricted funds are from the Higher Education Investment Fund created during the 2007 special session. These funds will be used to freeze tuition, fund enrollment growth, and implement workforce initiatives.

Personnel Data

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	678.77	694.77	694.77	0.00
Contractual FTEs	<u>75.00</u>	<u>125.00</u>	<u>125.00</u>	<u>0.00</u>
Total Personnel	753.77	819.77	819.77	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	19.94	2.87%
Positions Vacant as of 12/31/07	18.00	2.59%

- As of December 31, 2007, the University of Maryland Eastern Shore has 18 vacancies. Of these, 12 are State-supported.

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

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Analysis in Brief

Major Trends

Second-year Retention Rate Continues to Increase: The second-year retention rate increased in fiscal 2006 and 2007, and this trend is expected to continue in fiscal 2008 and 2009.

Issues

Institutional Aid: This issue will highlight whether institutional aid adequately addresses the financial aid needs of low- to moderate-income students.

Operation and Maintenance Expenditures: Due to an aging inventory of buildings, a backlog of deferred maintenance, and an increase in utility costs, there is pressure on operation and maintenance budgets. This issue will examine how the university spends money for personnel and related services to maintain and operate buildings on campus.

Access and Success for Maryland's Historically Black Institutions: Access and Success funds provided from fall 2000 to 2006 were utilized to improve student retention and graduation rates at Maryland's historically black institutions. The 2007 *Joint Chairmen's Report* required the University of Maryland Eastern Shore to provide a performance report on its Access and Success Programs. This issue will examine performance outcomes from the Access and Success Program during that period.

Recommended Actions

1. Add budget language to restrict the expenditure of \$1.5 million to be used to improve student retention and graduation rates at the University of Maryland Eastern Shore until a report is submitted to the budget committees.

Updates

Student Loan Probe: The University of Maryland Eastern Shore was named in New York Attorney General Andrew M. Cuomo's investigation on student financial aid deceptive marketing schemes. An update will be provided on the investigation.

R30B25
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University System of Maryland

Operating Budget Analysis

Program Description

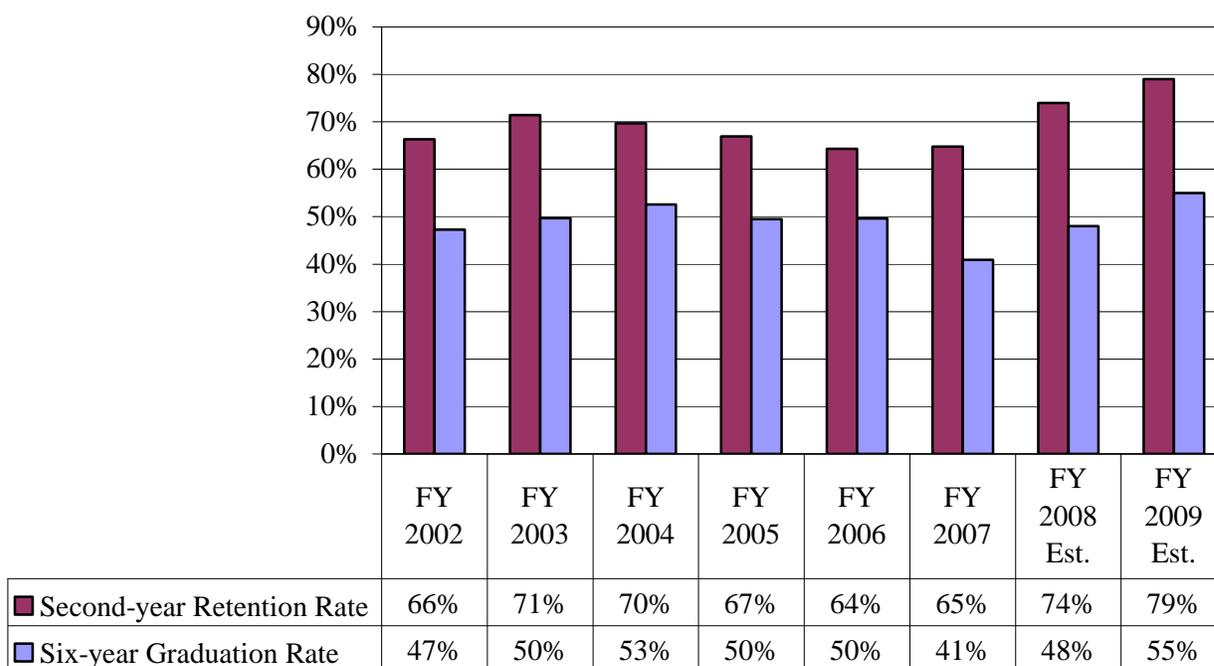
The University of Maryland Eastern Shore (UMES) is the 1890 Land-Grant institution for the State. Founded as an historically black, land-grant university, UMES is committed to providing quality education to persons who demonstrate the potential to become quality students, particularly from among minority communities and those of disadvantaged backgrounds, while fostering multi-cultural diversity.

UMES emphasizes selected baccalaureate programs in the liberal arts and sciences and career fields with particular relevance to the Eastern Shore and its land-grant mandate, offering programs at the master's and doctoral levels. The distinctive academic emphases at UMES are agriculture, environmental and marine sciences, hospitality, technology, computer sciences, business, and allied health. The university serves the education and research needs of government agencies, business, and industry, while also focusing on the economic development needs on the Eastern Shore. UMES aspires to become a Carnegie Doctoral/Research University-Intensive and a four-year 3 classified institution.

Performance Analysis

Exhibit 1 shows the six-year graduation and second-year retention rates for all students and African American students from fiscal 2002 to 2009. UMES has a goal of a 55% six-year graduation rate by fiscal 2009. The six-year graduation rate fluctuated from fiscal 2002 to 2005. The rate remained level at 50% in fiscal 2006 and then significantly declined by nine percentage points in fiscal 2007. The rate is expected to increase in fiscal 2008 and reach 55% in fiscal 2009. The second-year retention rate steadily declined from fiscal 2003 to 2006. The rate increased one percentage point in fiscal 2007 and is expected to significantly increase in fiscal 2008 by nine percentage points and continue to increase in fiscal 2009.

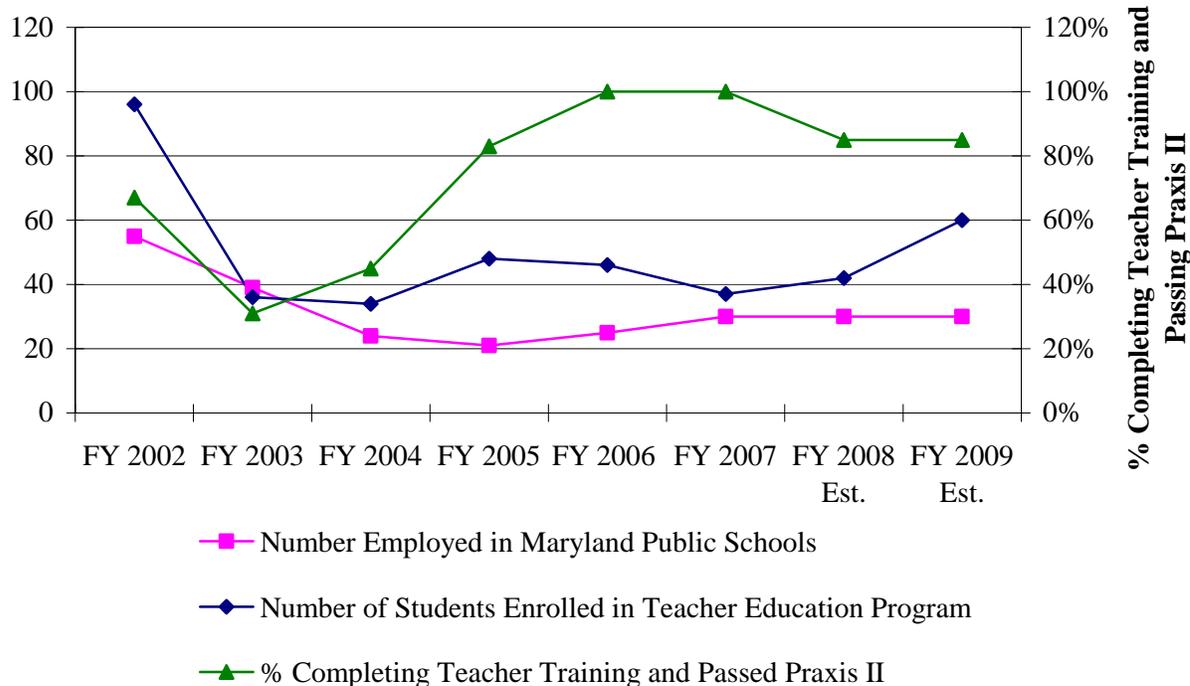
Exhibit 1
Retention and Graduation Rates
Fiscal 2002-2009



Source: Governor’s Budget Books, Fiscal 2005, 2007, and 2009

The university’s goal is to enhance the quality of life in Maryland in areas of critical need. UMES has committed to increasing the total number of new teacher education graduates employed in Maryland to 30 per year by fiscal 2009. **Exhibit 2** shows trends in teacher education from fiscal 2002 to 2009. After significantly declining in fiscal 2003, the number of students enrolled in teacher education programs fluctuated from fiscal 2003 to 2007, and is expected to significantly increase to 60 by fiscal 2009. The percentage of students completing teacher education and passing Praxis II increased to 100% in fiscal 2006 and 2007 but is expected to decline to 85% in fiscal 2008 and 2009. The number employed as new hires in Maryland public schools declined from fiscal 2003 to 2005, then increased in fiscal 2006 and 2007. The number of new hires is expected to remain at 30 in fiscal 2008 and 2009.

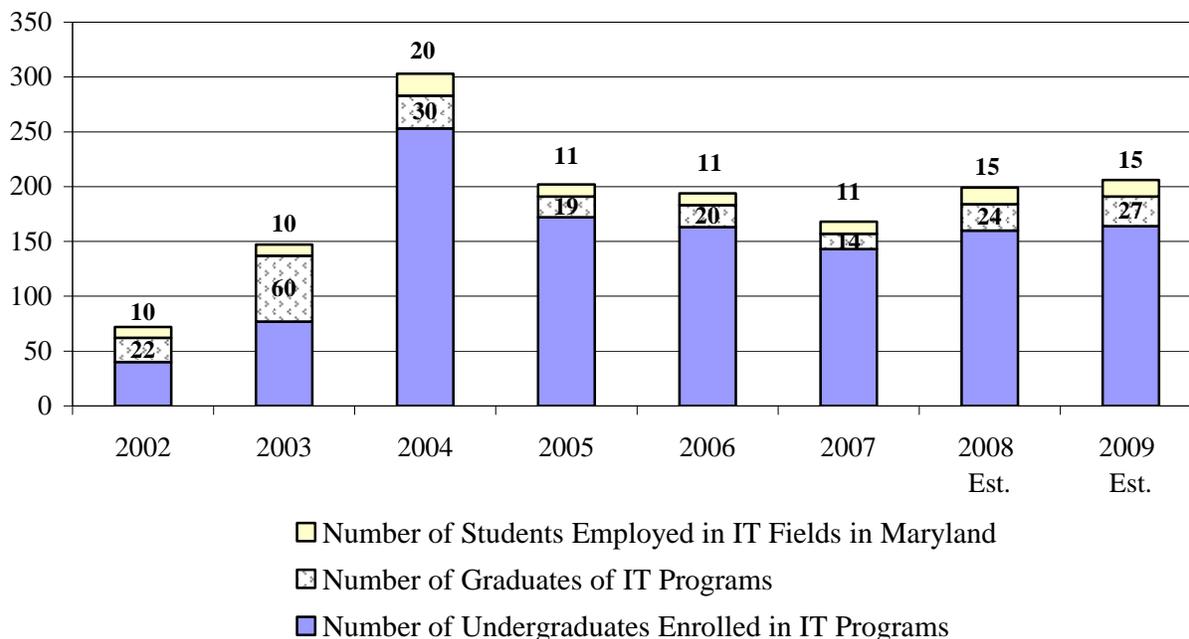
Exhibit 2
Trends in Teacher Education
Fiscal 2002-2009



Source: Governor’s Budget Books, Fiscal 2005, 2007, and 2009

Information technology (IT) is another critical shortage area in Maryland. IT programs offered at UMES include computer science, engineering, and electrical engineering. UMES plans to increase the total number of IT graduates to 27 in fiscal 2009. **Exhibit 3** shows trends in IT programs from fiscal 2002 to 2009. The number of undergraduates enrolled in IT programs increased significantly from fiscal 2002 to 2004. However, enrollment declined in fiscal 2005, and this trend continued through fiscal 2007. The university expects the enrollment to slightly increase in fiscal 2008 and 2009. After increasing significantly in fiscal 2003, the number of graduates receiving bachelor degrees declined from fiscal 2004 to 2007. The number of graduates is expected to increase in fiscal 2008 and 2009.

**Exhibit 3
Trends in Information Technology Programs
Fiscal 2005-2008**



IT: Information Technology

Source: Governor’s Budget Books, Fiscal 2007 and 2009

Fiscal 2008 Actions

Impact of Cost Containment

The Board of Public Works (BPW) action in July 2007 reduced UMES’ fiscal 2008 legislative appropriation \$368,705, or 1.2%. The total savings are accomplished through the reduction of 3.0 full-time equivalent faculty (\$230,000) requested for the Educational Leadership doctoral program along with other program expenditures for equipment (\$138,705).

Governor’s Proposed Budget

As **Exhibit 4** shows, the general fund allowance for fiscal 2009 is \$31.9 million. This reflects a 3.3% increase from fiscal 2008. UMES also receives \$1.2 million from the Higher Education Investment Fund (HEIF), which provides \$396,761 to continue to hold undergraduate resident tuition at fiscal 2006 rates, \$151,486 for 17 additional students, and \$650,000 for an enhancement project. The enhancement project will address the local, regional, and national shortage of practicing pharmacists by providing funding for the university’s new pharmacy program. Other unrestricted funds increase by approximately 2.0%, while restricted funds increase 2.6% from fiscal 2008.

Exhibit 4
Governor’s Proposed Budget
University of Maryland Eastern Shore
(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$28,616	\$30,877	\$31,908	\$1,032	3.3%
Higher Education Investment Fund			1,198	1,198	n/a
Other Unrestricted Funds	44,031	44,089	44,987	898	2.0%
Total Unrestricted Funds	72,647	74,966	78,093	3,127	4.2%
Restricted Funds	<u>23,623</u>	<u>26,363</u>	<u>27,044</u>	<u>681</u>	<u>2.6%</u>
Total Funds	\$96,270	\$101,329	\$105,137	\$3,808	3.8%

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

Unrestricted fund budget changes in the allowance by program are shown in **Exhibit 5**. This exhibit considers only unrestricted funds which are comprised mostly of State funds and tuition and fee revenues. From fiscal 2007 through 2008, scholarships and fellowships increase the most at 11%, but are only budgeted to grow 1.7% in 2009. Instruction is expected to increase the most in fiscal 2009 by 8%. Enrollment remained relatively flat in fiscal 2008 which accounts for the 1% increase in tuition and fee revenue over fiscal 2007. This trend is expected to continue in fiscal 2009 with a 1.1% increase in tuition and fee revenue. In the fiscal 2009 allowance, UMES receives additional State funding from the HEIF which provides for an overall 7.2% increase in State funding over fiscal 2008. **The President should comment on why the university is not expected to grow enrollment in fiscal 2009.**

Exhibit 5
Budget Changes for Current Unrestricted Funds by Program
(\$ in Thousands)
Fiscal 2007-2009

	<u>2007</u>	<u>2008</u> <u>Working</u>	<u>2007-08</u> <u>% Change</u>	<u>2009</u> <u>Allowance</u>	<u>2008-09</u> <u>\$ Change</u>	<u>2008-09</u> <u>% Change</u>
<u>Expenditures</u>						
Instruction	\$18,514	\$19,906	7.5%	\$21,500	\$1,594	8.0%
Research	1,645	1,237	-24.8%	1,237	\$	0.0%
Academic Support	6,027	6,271	4.1%	6,493	\$222	3.5%
Student Services	2,206	2,106	-4.5%	2,192	\$86	4.1%
Institutional Support	8,272	8,718	5.4%	9,000	\$283	3.2%
Operation and Maintenance of Plant	9,950	10,639	6.9%	10,855	\$216	2.0%
Scholarships and Fellowships	4,695	5,217	11.1%	5,304	\$87	1.7%
Subtotal Education and General	\$51,308	\$54,094	5.4%	\$56,581	\$2,487	4.6%
Auxiliary Enterprises	21,339	20,872	-2.2%	21,511	\$640	3.1%
Total	\$72,647	\$74,966	3.2%	\$78,093	\$3,127	4.2%
Funds Specific to HBIs*	1,264	1,459	15.4%	1,459	0	0.0%
Adjusted Total	\$73,911	\$76,425	3.4%	79,552	\$3,127	4.1%
<u>Revenues</u>						
Tuition and Fees	21,289	21,512	1.0%	21,752	240	1.1%
General Funds	28,616	30,877	7.9%	31,908	1,032	3.3%
Higher Education Investment Funds	n/a	n/a	n/a	1,198	1,198	n/a
Other	1,444	1,706	18.1%	1,723	17	1.0%
Subtotal	51,349	54,094	5.3%	56,581	2,487	4.6%
Auxiliary Enterprises	22,110	21,622	-2.2%	22,290	668	3.1%
Transfers (to) from fund balance	-813	-750	-7.7%	-779	-29	3.8%
Total	72,647	74,966	3.2%	78,093	3,127	4.2%
Funds Specific to HBIs*	1,264	1,459	15.4%	1,459		0.0%
Adjusted Total	73,911	76,425	3.4%	79,552	3,127	4.1%

HBIs: Historically Black Institutions

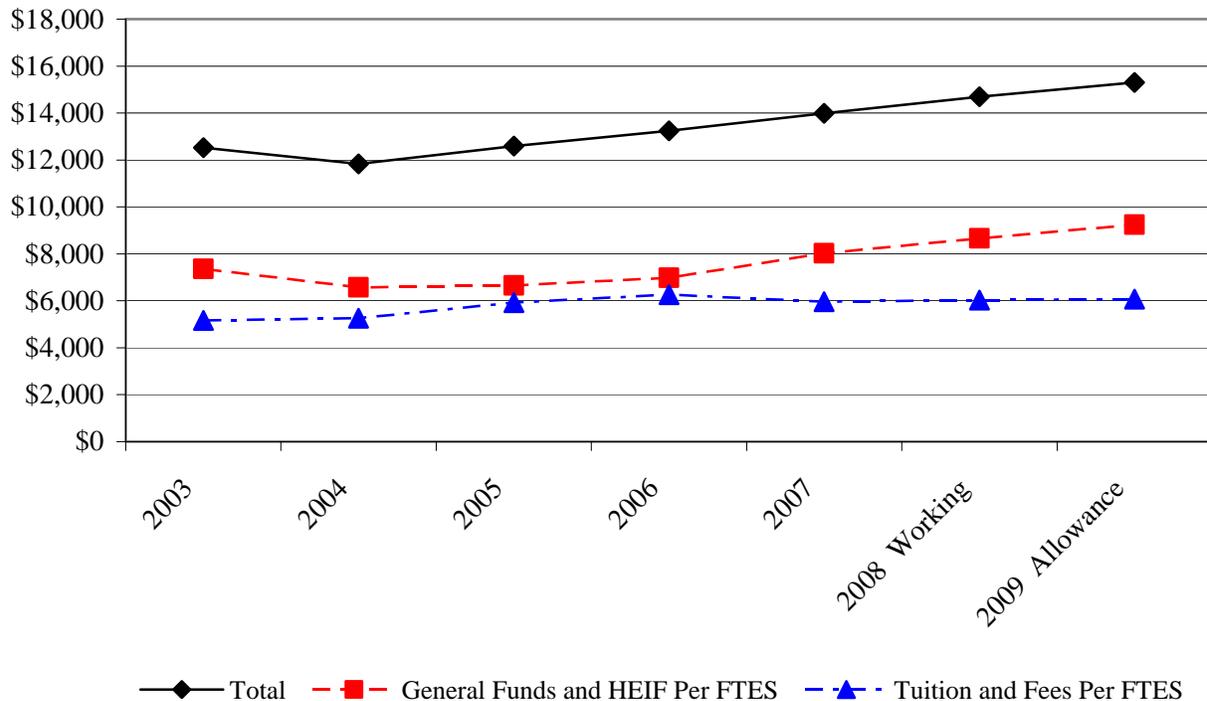
*HBI enhancement funds are budgeted in MHEC.

Source: Governor's Budget Books, Fiscal 2009

Tuition and Fees and State Revenues

Exhibit 6 shows tuition and fees and general fund and HEIF revenues per full-time equivalent student (FTES) between fiscal 2003 and 2009. After State funding per FTES declined in fiscal 2004, there was a steady increase from fiscal 2005 to 2009. Tuition and fees per FTES significantly increased from fiscal 2003 to 2006, but declined in fiscal 2007. However, in fiscal 2008 tuition and fees per FTES slightly increased and will remain relatively level in fiscal 2009.

Exhibit 6
Tuition and Fees and State Revenues
Per Full-time Equivalent Student (FTES)
Fiscal 2003-2009 Estimates



HEIF: Higher Education Investment Fund

Source: Governor's Budget Book, Fiscal 2009

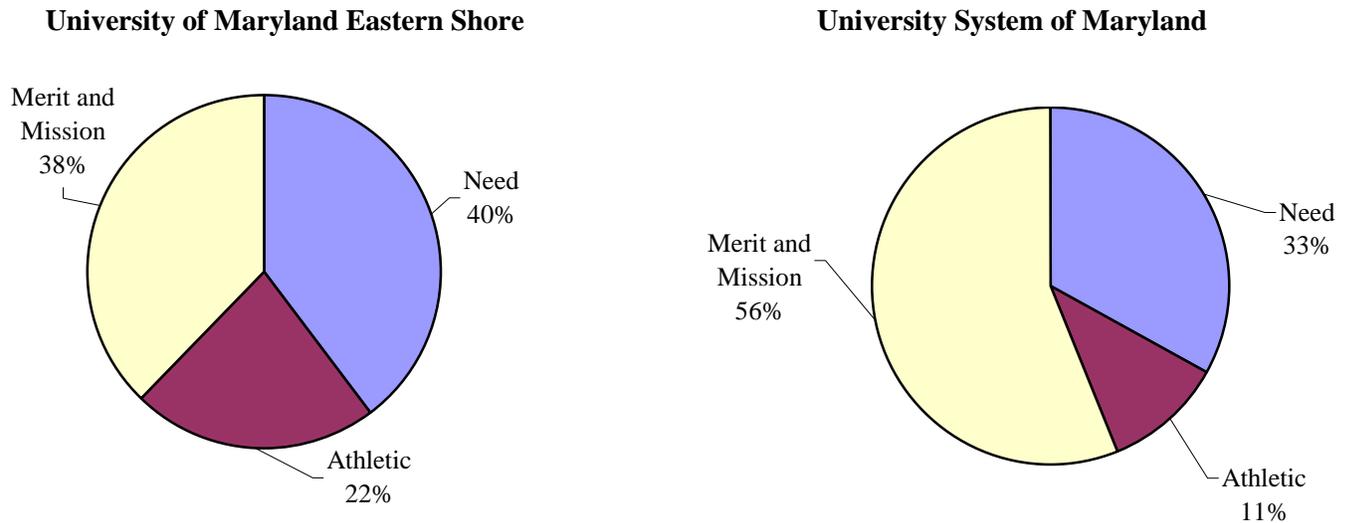
Issues

1. Institutional Aid

Amidst the economic concerns in the State and the nation, students are concerned about their ability to pay for college. Many students acquire loans or take on part-time jobs to fund their education. The lack of financial support is one of the many factors attributed to students dropping out of school. Along with federal and State financial aid, the university provides financial assistance to students in categories which include need, athletic, and merit and mission. The University System of Maryland (USM) institutions have committed to increasing institutional need-based aid for students.

In fiscal 2008, 33% of institutional aid across USM was need-based, 56% merit and mission, and 11% was athletic as shown in **Exhibit 7**. UMES provides more need-based aid (40%) and athletic scholarships (22%) than the USM average. UMES significantly increased need-based aid by 31.5% over fiscal 2007, but it is budgeted to remain level in fiscal 2009.

Exhibit 7
Institutional Aid by Category
Fiscal 2008 Estimate



	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
University of Maryland Eastern Shore	\$2,071,255	\$1,166,000	\$1,966,072
University System of Maryland Total	33,473,322	10,774,804	57,230,081

Source: University System of Maryland

The Maryland Higher Education Commission (MHEC) collects annual data for the Financial Aid Information System (FAIS) database. The FAIS data provide a profile of those students receiving financial aid. The FAIS data have information for institutional aid awarded at UMES for fiscal 2006 for students that completed a Free Application for Federal Student Aid to determine a student's expected family contribution (EFC). In general, the lower a student's EFC, the greater a student's financial need. Students with an EFC of \$0 to \$3,850 are eligible for the Federal Pell Grant program and are deemed students to have the most need. Certain students with very low family income automatically qualify for a \$0 EFC, *i.e.*, no family contribution. **Exhibit 8** shows the percent of awards made for need-based, merit and mission, athletic, and other aid at each EFC category. The majority of the awards for need-based aid were to students in the \$0 to \$3,850 categories, which was also the core for students receiving merit and mission, athletic, and other aid.

Exhibit 8
Percent of Institutional Financial Aid Awards by EFC
Fiscal 2006

<u>EFC Category</u>	<u>Need-based</u>	<u>Other</u>
\$0	50.0%	26.1%
\$1 – \$3,850	45.7%	36.6%
\$3,851 – \$6,999	2.3%	11.2%
\$7,000 – \$9,999	1.2%	6.9%
\$10,000 – \$14,999	0.3%	6.3%
\$15,000 – \$19,999	0.3%	4.2%
\$20,000 +	0.4%	8.6%

EFC: Expected Family Contribution

Note: Does not include work study. "Other" includes merit and mission, athletic, and other aid. Numbers in "Other" category may not sum to 100% due to awards made to students who did not file FAFSAs.

FAFSA: Free Application for Federal Student Aid

Source: Maryland Higher Education Commission; Financial Aid Information System, 2005-2006

2. Operation and Maintenance Expenditures

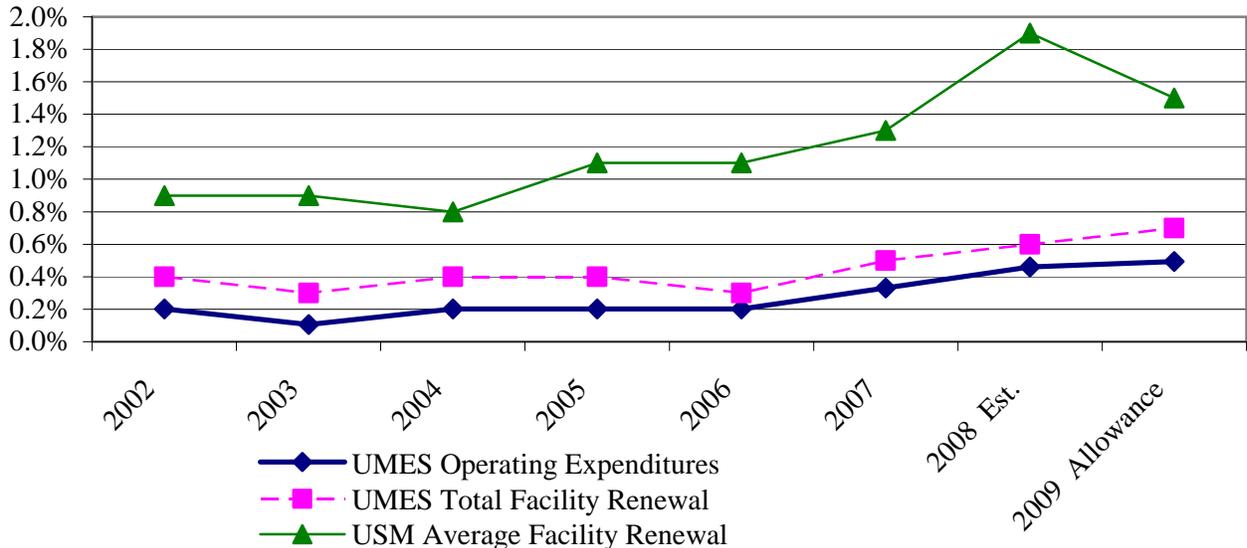
UMES is located on 776 acres which consists of residence halls and academic, student affairs, and administrative buildings. Currently, the university's total student headcount enrollment is approximately 4,086. The university's academic programs depend upon adequate facilities and are affected when systems in the buildings fail. Over the past several years, budget shortfalls due to cost containment actions and stagnant increases in other revenue sources has limited funding for ongoing building maintenance. Consistently deferring maintenance can create a serious facilities problem.

Facility Renewal

Facilities renewal is the planned renovation, adaptation, replacement, or upgrade of the systems of a capital asset during its life span such that it meets assigned functions in a reliable manner. In December 2005, USM’s Board of Regents adopted a policy aimed at steadily moving toward institutions spending 2% of the current replacement value of their capital assets on facility renewal. The policy stipulates institutions will annually increase their operating expenditures by 0.2% of the replacement value of all capital assets until they reach the 2% goal.

Currently, State-supported current unrestricted funds in the operating budget and Academic Revenue Bonds fund facility renewal at USM institutions. The annual 2% replacement value target for facilities renewal at UMES is approximately \$5.9 million. **Exhibit 9** shows the university’s operating expenditures and total facility renewal expenditures as a percentage of replacement value compared to the USM average for fiscal 2002 to 2009. USM’s average facility renewal for all USM institutions steadily increased, almost reaching 2% in fiscal 2008 but is expected to significantly decline in fiscal 2009. UMES’ total facility renewal fluctuated from fiscal 2002 to 2006 but steadily increases from fiscal 2006 to 2009. Total facility renewal expenditures have yet to reach 2% and are below USM’s average during this time period. After declining in fiscal 2003, the university’s operating expenditures remained relatively level at 0.2 % of replacement value from fiscal 2004 to 2006 then slightly increased in fiscal 2007 and are budgeted to continue to increase. Operating expenditures have yet to annually increase by 0.2% since the new policy was implemented in fiscal 2006.

Exhibit 9
Facility Renewal as a Percentage of Replacement Value
Fiscal 2002-2009



UMES: University of Maryland Eastern Shore

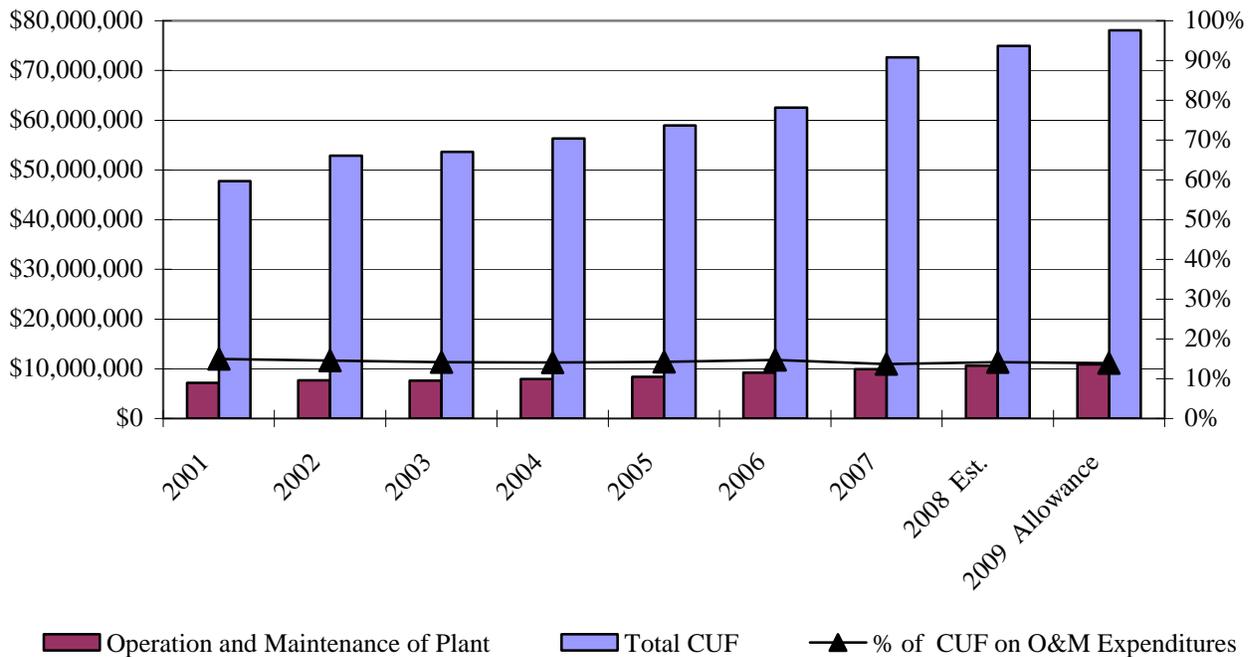
USM: University System of Maryland

Source: University System of Maryland

Operation and Maintenance of Plant

Aside from facility renewal, institutions have ongoing building maintenance that includes elements such as purchased utilities, building and grounds maintenance, refuse collection, janitorial services, and additional administrative and support services. These costs are typically funded through current unrestricted funds. According to the American School and University’s *Maintenance and Operations Cost Study*, from 1998 to 2006, the average expenditure for operation and maintenance of plant at master comprehensive universities was 10% of the universities total expenditures. However, colleges and universities across the country are allocating a larger percentage of their total budgets to operation and maintenance in 2007, significantly increasing to 16%. **Exhibit 10** shows UMES’ expenditures on operation and maintenance of plant compared to total expenditures from fiscal 2001 to 2009. The expenditures on operation and maintenance of plant at the university steadily increased while the percentage of the expenditures compared to total current unrestricted funds fluctuated around the 14% range.

Exhibit 10
Unrestricted Fund Expenditures on Operation and Maintenance of Plant
Fiscal 2001-2009



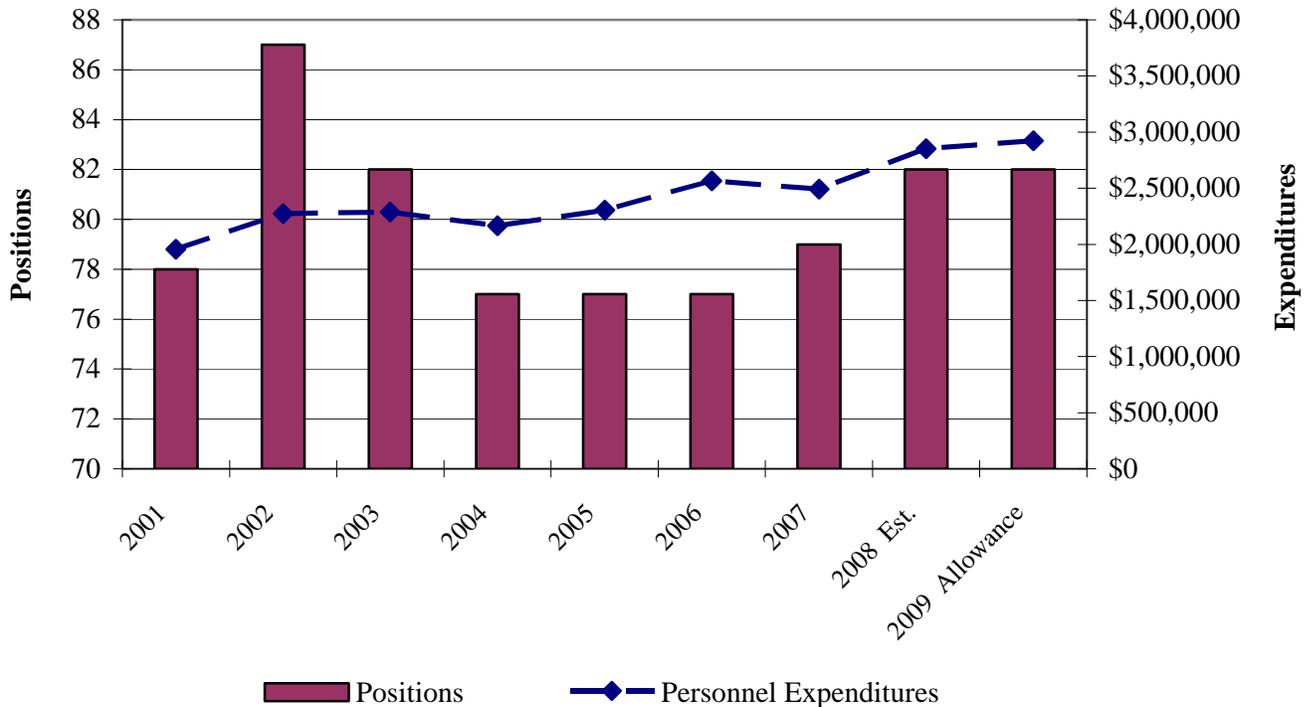
CUF: Current Unrestricted Funds
 O&M: Operation and Maintenance of Plant

Source: Department of Budget and Management

Personnel

Salaries and benefits for personnel typically account for 50% of the total operation and maintenance budget at universities. In fiscal 2008, the personnel at UMES, including contingent employees which are not budgeted positions, account for approximately 40%, which is lower than the average. **Exhibit 11** shows the number of positions in operation and maintenance and the expenditures associated with salaries and benefits from fiscal 2001 to 2009. Expenditures for personnel, excluding contingent employees, slightly fluctuated during this period. This trend is similar for the number of positions.

Exhibit 11
Operation and Maintenance of Plant Personnel and Expenditures
Fiscal 2001-2009



Source: Governor’s Budget Books, Fiscal 2003, 2005, 2007, and 2009

The campus consists of 1.8 million square feet (sq. ft.) of academic and auxiliary buildings, of which one million sq. ft. is State-supported. According to the American School and University’s *Maintenance and Operations Cost Study*, the median square feet maintained per maintenance employee in the 2006-2007 academic year was 71,479 and 39,391 sq. ft. per custodial staff. Out of the 79 staff members, approximately 20 provide maintenance to the campus. For a campus the size of UMES, the study recommends as a median 25 full-time maintenance employees. This places the university below the recommended median. However, the university does employ several contingent

employees that provide maintenance support where needed. The university employed 17 full-time and 30 additional contingent employees in housekeeping. Including housekeeping for auxiliary, the university employs a total of 63 housekeepers. On average one housekeeper per 28,513 sq. ft. is assigned on campus and is well within the median reported in the study.

3. Access and Success for Maryland’s Historically Black Institutions

The Access and Success Program was developed with the primary intent to improve retention and graduation rates of African American students by enhancing the relationship between administration, enrollment management, and teaching and learning practices. Access and Success funds were budgeted in MHEC from fiscal 2001 to 2006. MHEC would release funding to each historically black institution (HBI) after a proposal was submitted outlining how the funds would be spent for the upcoming year. In fiscal 2007 Access and Success funds previously budgeted in MHEC were transferred to the HBIs’ budgets.

From fiscal 2001 to 2007, UMES received a total of \$8,625,000 in Access and Success funds. UMES utilizes the funds to focus on initiatives that support an infrastructure for monitoring and assisting at-risk students, which includes developing and improving teaching and learning practices, enrollment management, student support services, and the tutoring center. The funding is used to strengthen the role of counselors, mentors, and tutorial assistants to help students and to purchase equipment and supplies to maintain programs.

Performance Measures

The General Assembly added budget language to the fiscal 2008 budget bill that restricted the expenditure of \$1.5 million in general funds for the purpose of improving retention and graduation rates until a performance report was submitted to the budget committees on Access and Success funds used in the past to improve retention and graduation rates. The report included for each cohort enrolled beginning fall 2000 through 2006 the average number of credit hours completed; the average grade point average; the percentage of students who dropped out each year who were receiving financial aid from any source (federal, State, or institutional); and the average award amount received by students.

During the first two years, the university utilized funds on initiatives to refine an infrastructure for monitoring at-risk students. In subsequent years additional front-loading initiatives were incorporated to increase student persistence. The Access and Success initiative at UMES is designed to enhance access to post secondary education and improve retention and graduation rates for students. **Exhibit 12** shows retention and graduation rates for first-time, degree seeking students. The second-year retention rate increased to 70% in fall 2001 but steadily declined from 2002 to 2005 and remained in the mid 60 percentage range. Although six-year graduation rates are not yet available for students entering from fall 2001 through 2006, five-year graduation rates for students decreased slightly from 2000 to 2001 cohorts while four-year graduation rates for cohorts entering fall 2000 to 2003 fluctuated from 19% to 15% from year-to-year. In addition, retention rates from the second to third year have declined from the 2000 cohort to the 2003 cohort, suggesting that the six-year graduation rates for these cohorts will also decline.

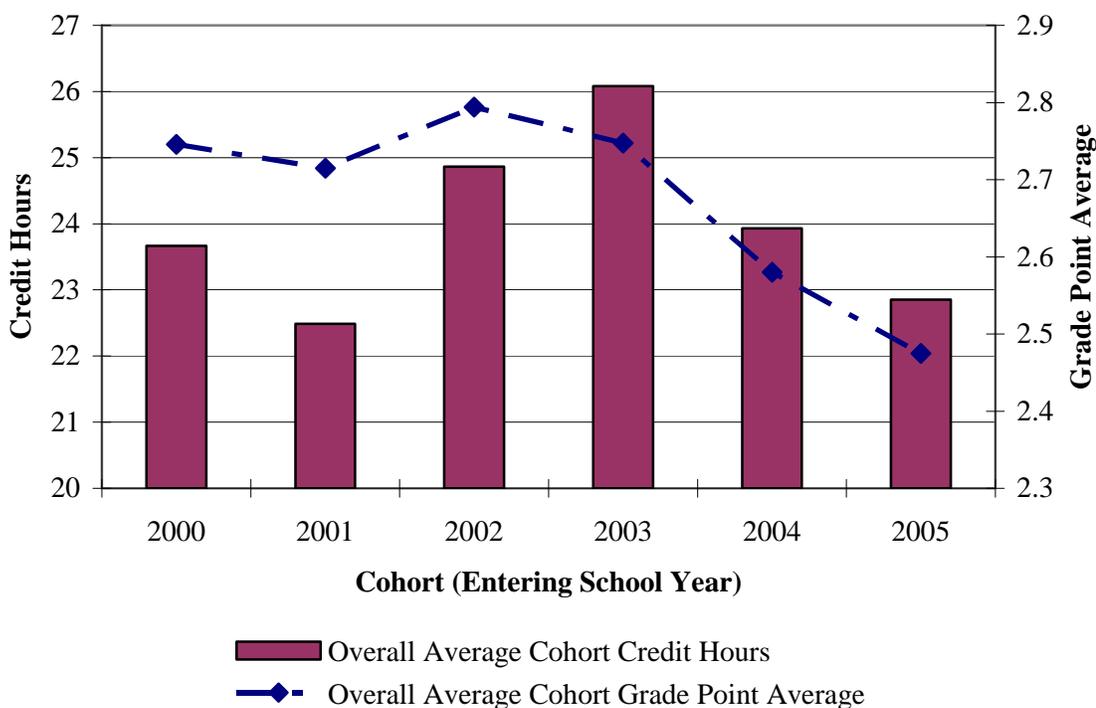
Exhibit 12
Retention and Graduation Rates
Cohort First-time, Full-time, Degree Seeking Freshmen
Cohorts Entering 2000-2005

<u>Cohort Year</u>	<u>Cont. to Second Yr.</u>	<u>Cont. to Third Yr.</u>	<u>Cont. to Fourth Yr.</u>	<u>Grad. In Four Yrs.</u>	<u>Cont. to Fifth Yr.</u>	<u>Grad. in Five Yrs.</u>	<u>Cont. to Sixth Yr.</u>	<u>Grad. in Six Yrs.</u>
2000	66%	54%	48%	19%	23%	30%	9%	34%
2001	70%	53%	44%	15%	23%	29%	7%	
2002	69%	51%	43%	19%	21%	32%		
2003	67%	49%	39%	15%				
2004	64%							
2005	65%							

Source: University of Maryland Eastern Shore; Maryland Higher Education Commission

Several indicators should be monitored to ensure that students are making timely progression toward graduation. The major indicators include the average number of credit hours completed each year, grade point average, and financial assistance. **Exhibits 13** and **14** show the performance results for the three major indicators. As shown in Exhibit 13, cohorts on average earned 22 to 25 credit hours each year. A full course load is 30 credit hours a year. When fewer credit hours are taken, the time to graduation is extended. The average grade point average slightly declined for the 2000 to 2001 cohorts (2.75 to 2.71). The 2002 cohort’s average grade point average increased to 2.79 but the average steadily declined for each cohort from 2003 to 2005 (2.79 to 2.48).

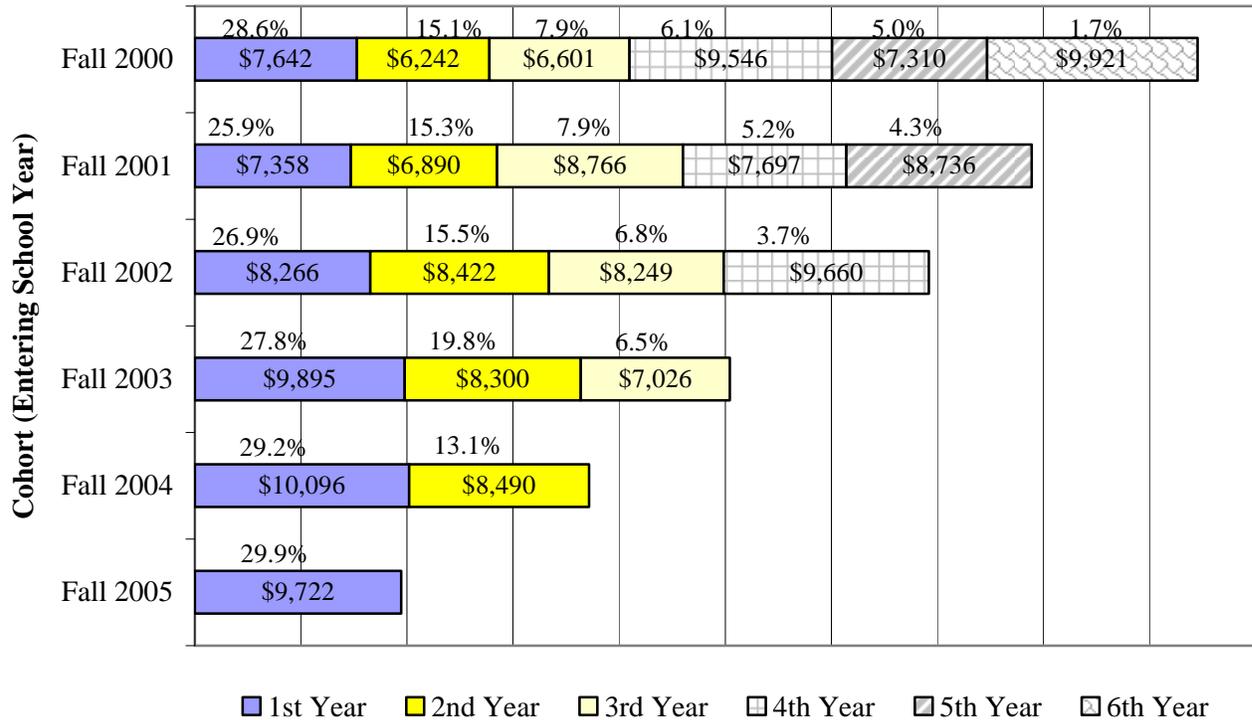
Exhibit 13
Average Credit Hours and Grade Point Averages
Cohorts Entering 2000-2005



Source: University of Maryland Eastern Shore

Exhibit 14 shows the amount of financial aid students received and the percent that dropped out. Although the average financial award in the first year increased significantly for each cohort (\$7,642 to \$9,722), the percent of students receiving financial aid who dropped out after the first year slightly increased for each cohort. The percentage dropping out after the second year significantly declined for all cohorts.

Exhibit 14
Percent of Students Who Dropped Out Each Year
Amount of Financial Aid Students Received from Any Source
Cohorts Entering 2000-2005



Source: University of Maryland Eastern Shore

During this time period, UMES designed initiatives to increase student persistence with an overall goal of timely progression toward graduation. The data from the performance report indicate positive progression in some areas but, the data also suggest areas for improvement. The chairs of the budget committees met with the HBI Presidents in December 2007 to discuss the performance outcomes. During that meeting, the Presidents agreed to work together to develop accountability indicators for increasing the success rate of the program and provide information on those indicators during the 2008 budget hearings. The HBIs will use these indicators for collecting and reporting data for the Access and Success program. **The President should comment on the steps the university will take in the near future to increase performance of students with the Access and Success program. The President should also comment on the accountability indicators developed by the HBI Presidents.**

Recommended Actions

1. Add the following language to the unrestricted fund appropriation:

. provided that \$1,500,000 of this appropriation, for the purpose of improving student retention and graduation rates, may not be expended until the University of Maryland Eastern Shore has prepared and submitted a report to the budget committees outlining how the funds will be used and the measures that will be used to evaluate performance. The report shall be submitted by August 1, 2008, and the budget committees shall have 45 days to review and comment on the report.

Explanation: This language restricts the expenditure of funds until the University of Maryland Eastern Shore submits a report on how the funds will be spent to improve the retention and graduation rates for students.

Information Request	Author	Due Date
Access and Success expenditures and measures report	University of Maryland Eastern Shore	August 1, 2008

Updates

1. Student Loan Probe

According to New York's Attorney General, Andrew M. Cuomo, UMES was among 63 colleges that participated in a "deceptive" revenue-sharing scheme with a Florida-based student loan marketing firm. Under the partnerships, Student Financial Services Inc. paid universities and athletic departments for the right to use college mascots and trademarks in marketing federal loan consolidations to students. Campuses typically also received payments of \$75 to \$100 for each loan application processed.

In an effort to address the student loan probe in the State, Maryland's Attorney General, Douglas F. Gansler developed a code of conduct and mandated that both public and private universities in the State revise their policies regarding student loan practices. In June 2007, the University System of Maryland Board of Regents approved the new code of conduct for University System of Maryland schools.

UMES signed a contract with Student Financial Services, Inc. in January 2007, before the new code was in effect. UMES states that it never received money from the company, and the agreement was signed by an unauthorized university employee who thought the program was a fundraiser for the campus. The employee has since been reprimanded. The university ended its affiliation with the Florida-based student loan company as of October 2007. Student Financial Services Inc. is currently under investigation for paying schools to generate loan applications.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$28,180	\$40,713	\$68,893	\$19,897	\$88,790
Deficiency Appropriation	0	2,000	2,000	5,000	7,000
Budget Amendments	616	1,144	1,759	3,669	5,429
Reversions and Cancellations	0	-6	-6	-4,944	-4,949
Actual Expenditures	\$28,796	\$43,851	\$72,647	\$23,623	\$96,269
Fiscal 2008					
Legislative Appropriation	\$30,671	\$42,138	\$72,809	\$25,640	\$98,449
Cost Containment	-369	0	-369	0	-369
Budget Amendments	574	1,952	2,526	723	3,248
Working Appropriation	\$30,877	\$44,089	\$74,966	\$26,363	\$101,329

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

Fiscal 2007

General funds increased \$615,589 to cover costs associated with the fiscal 2007 general salary increase through a budget amendment. Unrestricted funds increased by a net of \$3,146,647 through budget amendments due to the following:

- \$179,754 decrease due to the reallocation of State appropriations with respect to statewide health insurance reduction;
- \$2 million deficiency appropriation increase in non-residential students on dining plan, increased financial aid awards, and debt service on auxiliary facilities;
- \$987,658 increase in sales and services of auxiliary enterprises; and
- \$335,743 increase in tuition revenue.

Restricted funds increased \$8,669,348 due to a \$5 million deficiency appropriation for positions related to grant activities and part-time labor assistance and an increase in contract and grant activities. The remaining \$3,669,348 increased through a budget amendment for contracts and grants from the National Oceanic & Atmospheric Administration and the Defense Information System Agency.

Unrestricted funds decreased \$5,553 in cancellations for expenditures not incurred in auxiliary sales and services related to residence halls.

Restricted funds decreased \$4,943,636 in cancellations due to the decrease in federal and grant activity.

Fiscal 2008

General funds decrease \$368,705 through BPW's cost containment action. A budget amendment increased general funds by \$573,908 to cover costs associated with the fiscal 2008 general salary increase. Other unrestricted funds increase by a net of \$1,951,740 through a budget amendment due to the following:

- \$1,446,099 increase in sales and services of auxiliary enterprises related to an increase in athletic fee and dining services; and
- \$505,641 increase in tuition revenue.

Restricted funds increase \$722,803 through a budget amendment for contracts and grants from the National Oceanic & Atmospheric Administration, Title III, and the Office for Civil Rights.

Personnel by Budget Program
University of Maryland Eastern Shore
Fiscal 2006, 2007, and 2008

<u>Budget Program</u>	FY 2006		FY 2007		FY 2008		<u>% Change in FTEs 07-08</u>
	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>	
Instruction	216.26	35.2%	215.00	31.2%	211.76	31.5%	-1.5%
Research	58.44	9.5%	69.00	10.0%	52.32	7.8%	-24.2%
Public Service	0.79	0.1%	1.00	0.1%	0	0.0%	-100.0%
Academic Support	67.50	11.0%	85.00	12.3%	85.60	12.7%	0.7%
Student Services	34.00	5.5%	38.00	5.5%	41.40	6.2%	8.9%
Institutional Support	87.41	14.2%	96.00	13.9%	93.69	13.9%	-2.4%
Operations and Maintenance of Plant	61.00	9.9%	77.00	11.2%	82.00	12.2%	6.5%
Auxiliary Enterprises	89.00	14.5%	109.00	15.8%	105.00	15.6%	-3.7%
Total	614.40	100.0%	690.00	100.0%	671.77	100.0%	

Note: Data are for filled regular positions only.

Source: University System of Maryland

**Object/Fund Difference Report
University of Maryland Eastern Shore**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	678.77	694.77	694.77	0	0%
02 Contractual	75.00	125.00	125.00	0	0%
Total Positions	753.77	819.77	819.77	0	0%
Objects					
01 Salaries and Wages	\$ 52,888,770	\$ 58,655,528	\$ 60,185,898	\$ 1,530,370	2.6%
02 Technical and Spec. Fees	154,249	288,642	288,642	0	0%
03 Communication	580,366	641,949	642,256	307	0%
04 Travel	2,038,497	1,408,111	2,039,726	631,615	44.9%
06 Fuel and Utilities	4,030,865	5,528,697	5,528,697	0	0%
07 Motor Vehicles	91,750	182,418	179,278	-3,140	-1.7%
08 Contractual Services	7,308,716	6,143,749	6,176,800	33,051	0.5%
09 Supplies and Materials	7,488,345	5,695,916	6,659,034	963,118	16.9%
10 Equip. – Replacement	180,914	177,443	177,443	0	0%
11 Equip. – Additional	1,917,684	2,717,350	3,117,350	400,000	14.7%
12 Grants, Subsidies, and Contributions	11,230,448	9,172,731	9,259,653	86,922	0.9%
13 Fixed Charges	7,375,411	8,552,907	8,618,577	65,670	0.8%
14 Land and Structures	983,332	2,163,684	2,263,684	100,000	4.6%
Total Objects	\$ 96,269,347	\$ 101,329,125	\$ 105,137,038	\$ 3,807,913	3.8%
Funds					
40 Unrestricted Fund	\$ 72,646,778	\$ 74,965,887	\$ 78,092,810	\$ 3,126,923	4.2%
43 Restricted Fund	23,622,569	26,363,238	27,044,228	680,990	2.6%
Total Funds	\$ 96,269,347	\$ 101,329,125	\$ 105,137,038	\$ 3,807,913	3.8%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
University of Maryland Eastern Shore**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08 - FY09 % Change</u>
01 Instruction	\$ 21,533,549	\$ 22,649,763	\$ 24,244,186	\$ 1,594,423	7.0%
02 Research	12,148,460	16,758,794	17,312,478	553,684	3.3%
03 Public Service	390,737	671,266	672,694	1,428	0.2%
04 Academic Support	8,036,623	8,744,039	8,966,302	222,263	2.5%
05 Student Services	2,900,402	2,928,257	3,013,998	85,741	2.9%
06 Institutional Support	9,639,568	9,269,361	9,677,493	408,132	4.4%
07 Operation and Maintenance of Plant	9,950,492	10,647,774	10,863,468	215,694	2.0%
08 Auxiliary Enterprises	21,338,774	20,871,844	21,511,470	639,626	3.1%
17 Scholarships and Fellowships	10,330,742	8,788,027	8,874,949	86,922	1.0%
Total Expenditures	\$ 96,269,347	\$ 101,329,125	\$ 105,137,038	\$ 3,807,913	3.8%
Unrestricted Fund	\$ 72,646,778	\$ 74,965,887	\$ 78,092,810	\$ 3,126,923	4.2%
Restricted Fund	23,622,569	26,363,238	27,044,228	680,990	2.6%
Total Appropriations	\$ 96,269,347	\$ 101,329,125	\$ 105,137,038	\$ 3,807,913	3.8%

Note: The fiscal 2008 appropriation does not include deficiencies.