

R30B25
University of Maryland Eastern Shore
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$30,877	\$30,970	\$33,420	\$2,451	7.9%
Contingent & Back of Bill Reductions	0	0	-53	-53	
Adjusted General Fund	\$30,877	\$30,970	\$33,367	\$2,397	7.7%
Special Funds	0	2,067	0	-2,067	-100.0%
Adjusted Special Fund	\$0	\$2,067	\$0	-\$2,067	-100.0%
Other Unrestricted Funds	46,569	45,299	45,823	525	1.2%
Adjusted Other Unrestricted Fund	\$46,569	\$45,299	\$45,823	\$525	1.2%
Total Unrestricted Funds	77,445	78,336	79,244	908	1.2%
Contingent & Back of Bill Reductions	0	0	-53	-53	
Adjusted Total Unrestricted Funds	\$77,445	\$78,336	\$79,190	\$854	1.1%
Restricted Funds	23,679	27,329	30,011	2,683	9.8%
Contingent & Back of Bill Reductions	0	0	-18	-18	
Adjusted Restricted Fund	\$23,679	\$27,329	\$29,993	\$2,664	9.7%
Adjusted Grand Total	\$101,124	\$105,664	\$109,183	\$3,519	3.3%

- General funds increase 7.9% in the fiscal 2010 allowance. However, after adjusting for \$2.1 million of Higher Education Investment Funds in fiscal 2009 that are budgeted as general funds in fiscal 2010 and contingent reductions to deferred compensation, the underlying increase is \$330,000, or 1.0%, over fiscal 2009.
- Other unrestricted funds increase \$525,000, or 1.2%, in the fiscal 2010 allowance over fiscal 2009.
- The Administration's budget plan assumes additional reductions to fiscal 2009 and 2010, some of which could affect higher education.

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

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Personnel Data

	<u>FY 08</u> <u>Actual</u>	<u>FY 09</u> <u>Working</u>	<u>FY 10</u> <u>Allowance</u>	<u>FY 09-10</u> <u>Change</u>
Regular Positions	694.77	709.77	709.77	0.00
Contractual FTEs	<u>125.00</u>	<u>125.00</u>	<u>125.00</u>	<u>0.00</u>
Total Personnel	819.77	834.77	834.77	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	16.89	2.38%
Positions and Percentage Vacant as of 12/31/08	32.00	4.51%

- As of December 31, 2008, the University of Maryland Eastern Shore (UMES) had 32.0 vacant positions, of which 23.0 are State-supported; 3.0 of these State-supported positions have been vacant for more than one year.
- The fiscal 2010 allowance provides no new positions at UMES.

Analysis in Brief

Major Trends

Percentage of First Generation and Economically Disadvantaged Students Declines: The percent of first generation and economically disadvantaged students declined in fiscal 2008, by 6 and 7%, respectively.

Number of Courses Taken Using Distance Education Technology Increases: The number of courses taken using distance education technology has steadily increased since fiscal 2004, reaching 491 in fiscal 2008.

Issues

Institutional Aid: UMES provides more institutional financial aid as need-based and athletic aid than the University System of Maryland (USM) average, at 37 and 21%, respectively. In fiscal 2007, more than 99% of UMES's need-based institutional aid and 65% of all other types of institutional aid went to students with expected family contributions between \$0 and \$3,850.

Access and Success Funds: Access and Success funds were provided from fiscal 2001 to 2009 to improve student retention and graduation rates at Maryland historically black institutions. The 2008 *Joint Chairmen's Report* restricted UMES's fiscal 2009 \$1.5 million Access and Success appropriation until a report on expenditures and measures to improve retention and graduation rates supported by those funds was submitted. The Department of Legislative Services received UMES's Access and Success report in response to the *Joint Chairmen's Report* language on February 13, 2009. The reports are currently under review, and the funds have not yet been released.

Closing the Achievement Gap: As a follow-up to the USM symposium held in November 2007, each campus identified and developed strategies to address institution-specific factors leading to gaps in retention and graduation rates for low-income and minority students. UMES has a 29 percentage point gap in the six-year graduation rate of African American students and white USM students. UMES plans to close this gap by implementing measures such as intrusive intervention, programs to monitor at-risk students, math labs for students in developmental courses, and a redesign of the Summer Bridge Program.

Recommended Actions

1. Add language to restrict the expenditure of \$1.5 million until the University of Maryland Eastern Shore submits a report.

R30B25 – USM – University of Maryland Eastern Shore

R30B25
University of Maryland Eastern Shore
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 institution (HBI), UMES is committed to provide quality education to persons who demonstrate the potential to become quality students, particularly from minority communities and those of disadvantaged backgrounds, while fostering multi-cultural diversity.

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

Carnegie Classification: Master's S: Master's Colleges and Universities (smaller programs)

Fall 2008 Undergraduate Enrollment Headcount

Male	1,516
Female	2,299
Total	3,815

Fall 2008 Graduate Enrollment Headcount

Male	192
Female	283
Total	475

Fall 2008 New Students Headcount

First-time	1,086
Transfers/Others	151
Graduate	131
Total	1,368

Campus (Main Campus)

Acres	745
Buildings	91
Average Age	33
Oldest Building	1900

Programs

Bachelor's	31
Master's	10
Doctoral	7

Degrees Awarded (2007-2008)

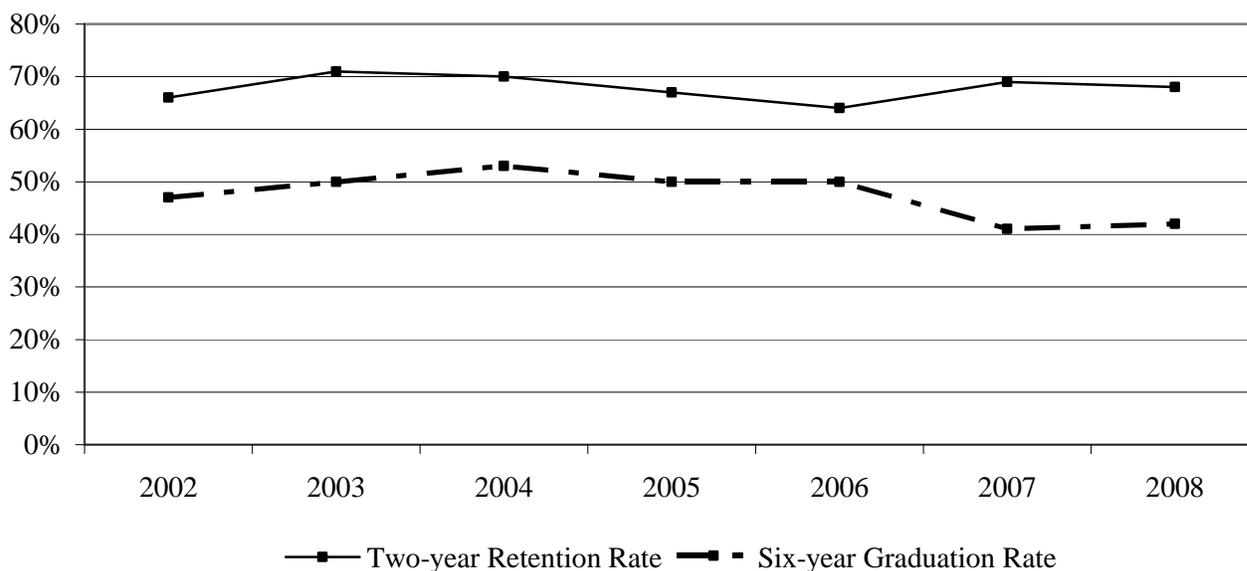
Bachelor's	448
Master's	74
Doctoral	13
Total Degrees	535

Performance Analysis: Managing for Results

UMES reports on a number of performance measures which focus on graduation and retention rates, diversity, and the university’s production of graduates in critical workforce shortage areas of the State. UMES reports the target, not an estimate of what might be attained in fiscal 2009 and 2010. As a result, how close the university expects to be to the goal in the next two fiscal years cannot be determined. **The President should comment on why the university’s Managing for Results goals for future years are reported rather than the expected attainment.**

Exhibit 1 shows the six-year graduation and two-year retention rates for all students from fiscal 2002 to 2008. UMES has a goal of achieving a 57% six-year graduation rate by fiscal 2009. The six-year graduation rate fluctuated from fiscal 2002 to 2006 and declined significantly in fiscal 2007 before increasing slightly in 2008 to 42%. The two-year retention rate steadily declined from fiscal 2003 to 2006, but increased to 68% by fiscal 2008.

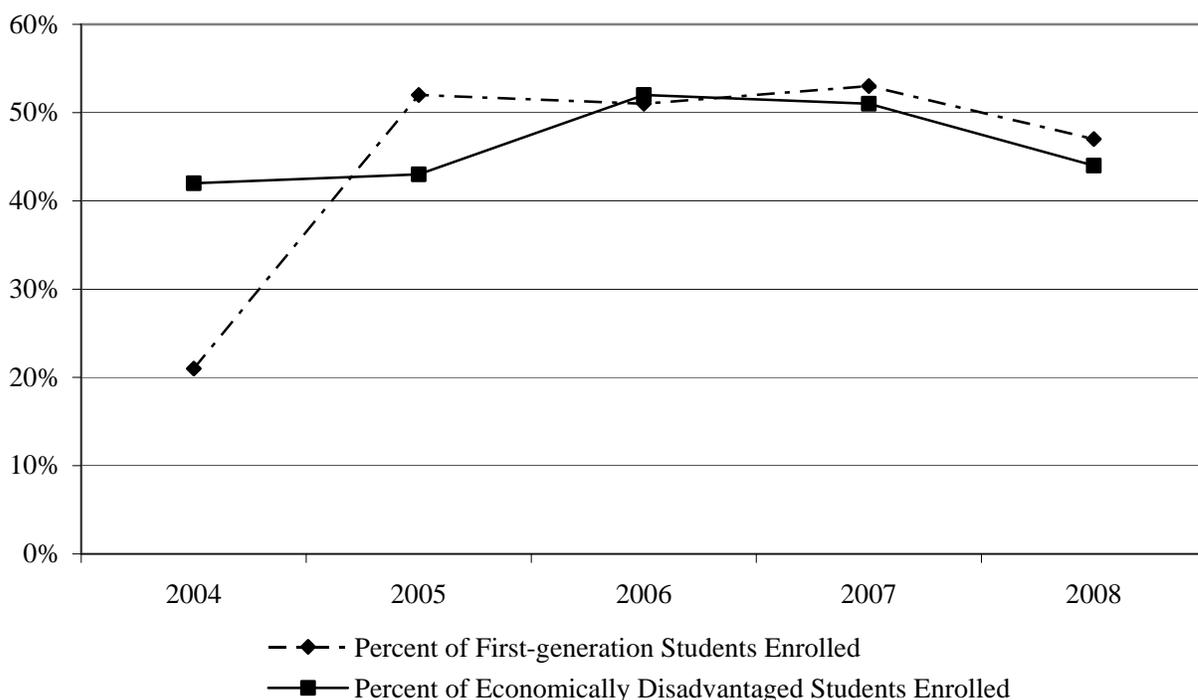
Exhibit 1
Retention and Graduation Rates
Fiscal 2002-2008



Source: Governor’s Budget Books, Fiscal 2005, 2007, 2008, and 2010

The university strives to promote and sustain access to higher education for a diverse student population. **Exhibit 2** shows trends in the percent of first-generation and economically disadvantaged students enrolled between fiscal 2004 and 2008. The percent of first-generation college students climbed significantly from fiscal 2004 to 2005, remained relatively level between fiscal 2005 and 2007 and then declined 6 percentage points in fiscal 2008 to 47%. The percent of economically disadvantaged students climbed between fiscal 2004 and 2006 and declined in fiscal 2007 and 2008. UMES reports marketing aggressively to rural and inner city high schools to address this issue, though funding is a major limitation for most prospective students. **The President should comment on measures the university is taking to increase the enrollment of first-generation and economically disadvantaged students.**

Exhibit 2
Trends in Enrollment for Diverse Populations
Fiscal 2004-2008

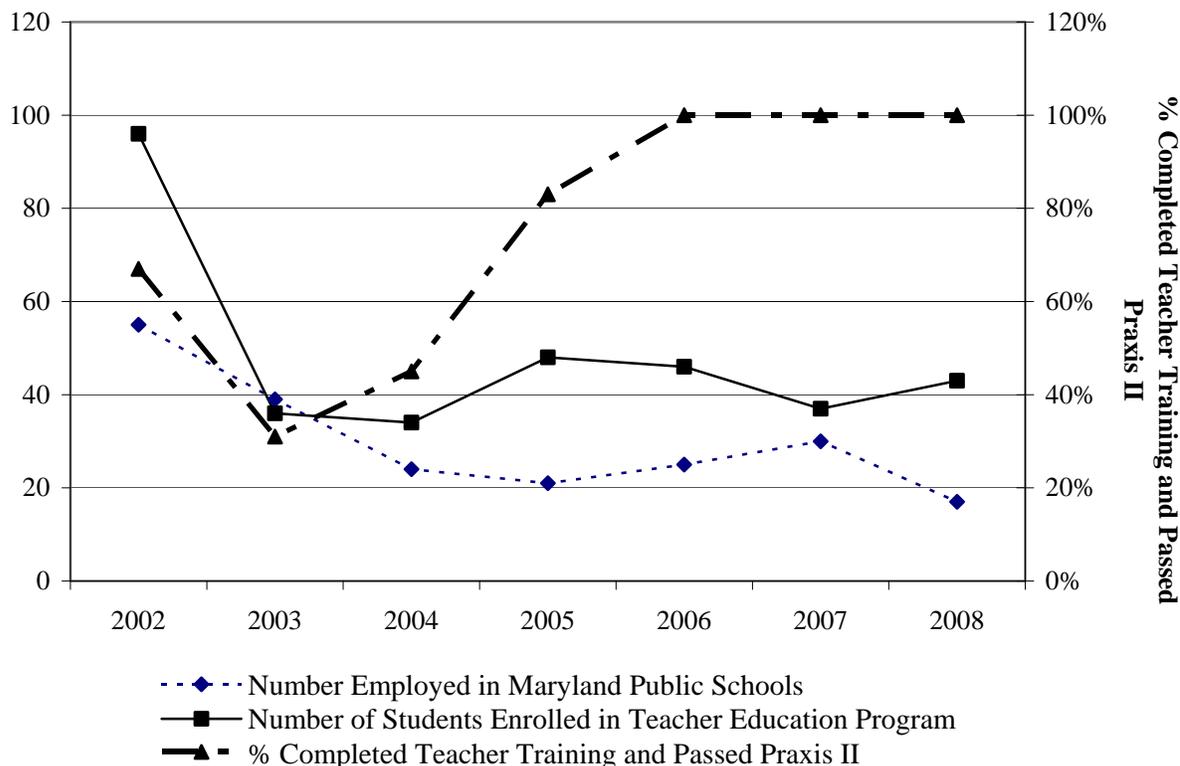


Source: Governor’s Budget Books, Fiscal 2007, 2008, and 2010

Pursuant to language in the 2008 *Joint Chairmen’s Report*, each public four-year institution submitted disaggregated minority enrollment data for African American, Asian, Hispanic, and Native American students. Projected data for minority enrollment was not included in institutional Managing for Results reports to avoid the suggestion that they are performance goals. African American enrollment at UMES increased between fiscal 2007 and 2008, while enrollment among Hispanic, Asian, and Native American students remained level.

Another university goal is to sustain, design, and implement quality undergraduate and graduate academic programs to meet the challenges of a highly competitive global workforce and address Maryland’s critical workforce shortage needs. **Exhibit 3** shows trends in teacher education from fiscal 2002 to 2008. After significantly declining in fiscal 2003, the number of students enrolled in teacher education programs fluctuated from fiscal 2003 to 2008. The percentage of students completing teacher education and passing Praxis II increased substantially between fiscal 2003 and 2005, reaching 100% in fiscal 2006 where it has remained through 2008. The number of teacher graduates employed in the State has declined from 55 in fiscal 2002 to 17 in fiscal 2008.

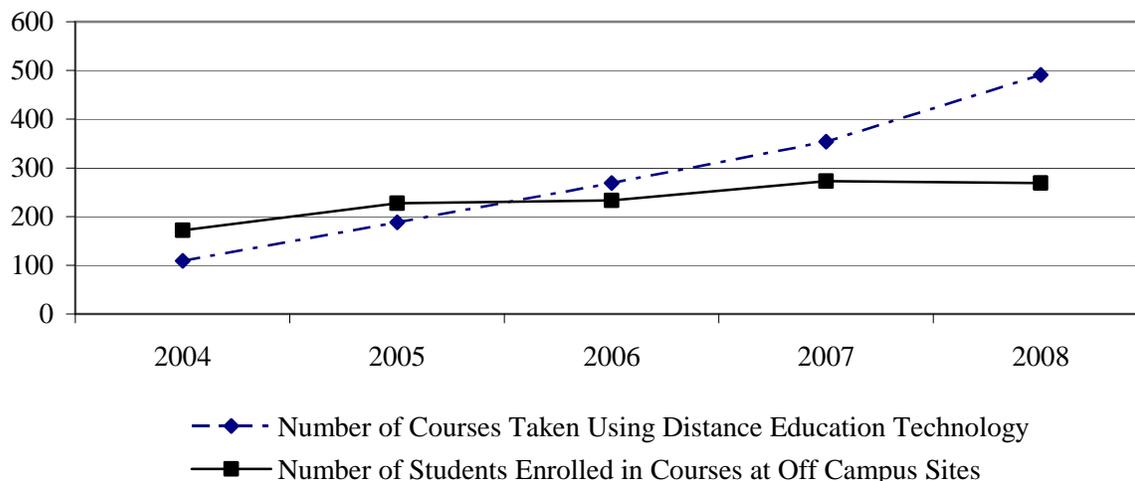
Exhibit 3
Trends in Teacher Education
Fiscal 2002-2008



Source: Governor's Budget Books, Fiscal 2005, 2007, 2008, and 2010

One method UMES uses to promote and sustain access to higher education is to increase the number of students enrolled in courses using distance education technology. As shown in **Exhibit 4**, the number of courses taken using distance education technology has increased significantly since fiscal 2004 to nearly 500 students in fiscal 2008. The number of students enrolled in courses at off campus sites has also increased since fiscal 2004, though not as dramatically.

Exhibit 4
Trends in Distance Technology and Off Campus Enrollment
Fiscal 2004-2008



Source: Governor's Budget Books, Fiscal 2007, 2008, and 2010

Impact of Cost Containment

In June 2008, the Board of Public Works (BPW) approved cost containment measures resulting in a \$136,771 reduction in UMES's general funds which were to be replaced with revenues previously restricted for Other Post Employment Benefits liability costs. In October 2008, BPW approved a second cost containment measure resulting in a \$316,058, or 1%, decrease in UMES's State appropriations. To absorb the reduction, UMES reduced expenditures for equipment, student employment, and contractual services in institutional support and operation and maintenance of plant. The contractual services reduction may impair UMES ability to comply with a 2008 legislative audit calling for improvements to procedures and controls for the university's computer networks. **The President should comment on the status of these network improvements and when the university expects to be in compliance with the audit.**

Furthermore, UMES was requested to reduce the current salary and wage budget by \$446,795 as part of a statewide furlough plan. According to UMES's plan, the number of an employee's required furlough days is based on his or her annual salary. Adjunct faculty, graduate assistants, contingent employees and H-1B visa employees are exempt. Employees have until May 22, 2009, to take their assigned furlough days. Classes will not be cancelled due to the furlough.

In addition, an unexpected fiscal 2009 shortfall in Higher Education Investment Funds (HEIF), due to lower than expected corporate tax revenues, may lead to a \$167,456 cancellation of funds at the end of the fiscal year. Further reductions may occur as part of \$54 million of remaining Executive Branch reductions in fiscal 2009. In anticipation of these reductions, UMES reduced

fiscal 2009 budgeted funds for instruction. UMES plans to reallocate these reductions once the full impact of reductions and the exact needs of each program are known.

Proposed Budget

As shown in **Exhibit 5**, UMES’s total State allowance for fiscal 2010, including general funds and HEIF is \$33.4 million. This reflects a 1.5% increase from fiscal 2009 after accounting for a \$167,546 fiscal 2009 shortfall in HEIF and a \$53,358 reduction to deferred compensation. The fiscal 2010 allowance includes \$398,761 to continue to hold undergraduate resident tuition at fiscal 2006 rates. Other unrestricted funds increase 1.2% while restricted funds increase 9.7%, or \$2.7 million, due largely to a \$2.4 million increase in Federal Pell Grant and \$150,000 in Federal Supplemental Educational Opportunity Grant revenues.

Exhibit 5
Proposed Budget
University of Maryland Eastern Shore
(\$ in Thousands)

	FY 08 Actual	FY 09 Working	FY 10 Adjusted Allowance	FY 09-10 Change	% Change Prior Year
General Funds	\$30,877	\$30,970	\$33,367	\$2,397	7.7%
HEIF ⁽¹⁾	0	1,900	0	-1,900	-100.0%
Total State Funds	30,877	32,870	33,367	497	1.5%
Other Unrestricted Funds	46,569	45,299	45,823	525	1.2%
Total Unrestricted Funds	77,445	78,168	79,190	1,022	1.3%
Restricted Funds	23,679	27,329	29,993	2,664	9.7%
Total Funds	\$101,124	\$105,497	\$109,183	\$3,686	3.5%

HEIF: Higher Education Investment Fund

⁽¹⁾ It is expected HEIF appropriations in fiscal 2009 will be reduced by \$167,546 due to underattainment of revenues.

Note: Numbers may not sum to total due to rounding. Does not include pending furlough reductions.

Source: Governor’s Budget Books, Fiscal 2010

Unrestricted funds budget changes in the allowance by program are shown in **Exhibit 6**. This exhibit considers only unrestricted funds, which are comprised mostly of State funds and tuition and fee revenues. In fiscal 2010, operation and maintenance of plant and scholarships and fellowships increase the most over fiscal 2009 at 6.4 and 5.5%, respectively. Instruction declines 1.9% due to fiscal 2009 reductions anticipated by the university but not accounted for in the working appropriation, which reduces the base appropriation for fiscal 2010.

Tuition and fee revenue increase 1.9% due to a 4.0% increase in out-of-state and graduate tuition rates and increases in athletic and student union fees. General funds increase 7.9%, though after adjusting for the \$2.1 million of HEIF funds in fiscal 2009 that are budgeted as general funds in fiscal 2010, the expected fiscal 2009 HEIF shortfall and contingent deferred compensation reductions to the fiscal 2010 allowance, the underlying general fund growth is 1.5%.

The University System of Maryland (USM) collects annual data on a series of performance measures to help assess the progress and enhance the accountability of each institution in a report called the *USM Dashboard Indicators*. According to the 2008 *USM Dashboard Indicators*, UMES's expenditure for instruction as a percentage of total operating expenditures has declined from 38% in fiscal 2004 to 31% in fiscal 2007, the third lowest in the system. UMES reports that the 31% expenditure on instruction is reflective of the university's status as a land-grant institution and the efforts to increase research and grant activity and federal funding for scholarships and fellowships.

HBI Enhancement Funds

In fiscal 2009, UMES received \$1.8 million in enhancement funds specific to HBIs. HBI Enhancement Funds were established as part of Maryland's partnership with the United States Department of Education, Office of Civil Rights to eliminate the vestiges of segregation in Maryland's public colleges and universities. The funds are intended for one-time expenditures to enhance educational and support services. The 2009 appropriation included \$494,000 for debt service payments on utility upgrades and site improvements and \$1.3 million to support start-up costs associated with a new Doctor of Pharmacy Program, to upgrade new laboratories, improve the print management practices, train staff, replace wireless networks, and install new phone switch software. Funds will also support publication development, marketing, Institutional Advancement, a PeopleSoft upgrade, and system improvements to maintain data integrity.

Exhibit 6
Budget Changes for Current Unrestricted Funds by Program
Fiscal 2008-2010
(\$ in Thousands)

	<u>2008</u>	<u>Working 2009</u>	<u>% Change 2008-2009</u>	<u>Allowance 2010</u>	<u>\$ Change 2009-2010</u>	<u>% Change 2009-2010</u>
<u>Expenditures</u>						
Instruction	\$20,157	\$20,974	4.05%	\$20,575	-\$399	-1.90%
Research	1,482	1,231	-16.94%	1,231	0	0.00%
Public Service	0	0	0.00%	0	0	
Academic Support	6,157	7,140	15.96%	7,281	141	1.97%
Student Services	2,195	2,231	1.66%	2,278	47	2.09%
Institutional Support	8,579	8,810	2.69%	8,836	26	0.29%
Operation and Maintenance of Plant	11,441	10,890	-4.82%	11,582	692	6.35%
Scholarships and Fellowships	4,249	5,301	24.76%	5,595	294	5.54%
Subtotal Education and General	\$54,261	\$56,578	4.27%	\$57,377	\$799	1.41%
Auxiliary Enterprises	23,184	21,758	-6.15%	21,867	108	0.50%
Pending Unrestricted Reductions ⁽¹⁾		-167		-53	114	-68.14%
Total	\$77,445	\$78,168	0.93%	\$79,190	\$1,022	1.31%
Funds Specific to HBIs*	\$1,459	\$1,755	20.28%	\$1,731	-24	-1.36%
Adjusted Total	\$78,905	\$79,924	1.29%	\$80,922	\$998	1.25%
<u>Revenues</u>						
Tuition and Fees	21,630	21,806	0.82%	22,223	416	1.91%
General Funds	30,877	30,970	0.30%	33,367	2,397	7.74%
Higher Education Investment Fund		1,900			-1,900	-100.00%
Other	1,885	1,734	-8.01%	1,734	0	0.00%
Subtotal	\$54,392	\$56,410	3.71%	\$57,324	914	1.62%
Auxiliary Enterprises	23,792	22,537	-5.28%	22,678	141	0.63%
Transfers (to) from Fund Balance	-739	-779	5.43%	-811	-33	4.19%
Total	\$77,445	\$78,168	0.93%	\$79,190	\$1,022	1.31%
Funds Specific to HBIs*	\$1,459	\$1,755	20.28%	\$1,731	-24	-1.36%
Adjusted Total	\$78,905	\$79,924	1.29%	\$80,922	\$998	1.25%

HBI: historically black institutions

*HBI enhancement funds.

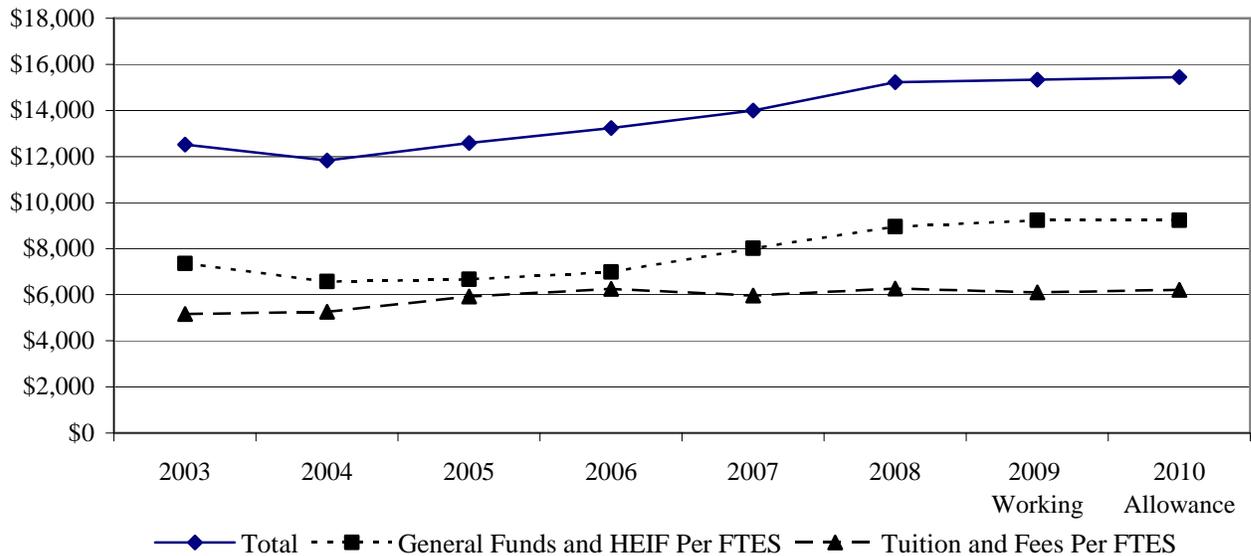
⁽¹⁾ Does not include pending furlough reductions.

Source: Governor's Budget Books, Fiscal 2010

Tuition and Fees and State Revenues

Exhibit 7 shows tuition and fees and general fund and HEIF revenues per full-time equivalent student (FTES) between fiscal 2003 and 2010. After declining in fiscal 2004, State funding per FTES increased from fiscal 2005 to 2009. State funding is expected to remain level in 2010. Tuition and fees per FTES significantly increased from fiscal 2003 to 2006 and has remained relatively level since.

Exhibit 7
Tuition and Fees and State Revenues
Per Full-time Equivalent Student
Fiscal 2003-2010



FTES: full-time equivalent student

Source: Governor’s Budget Books, Fiscal 2010

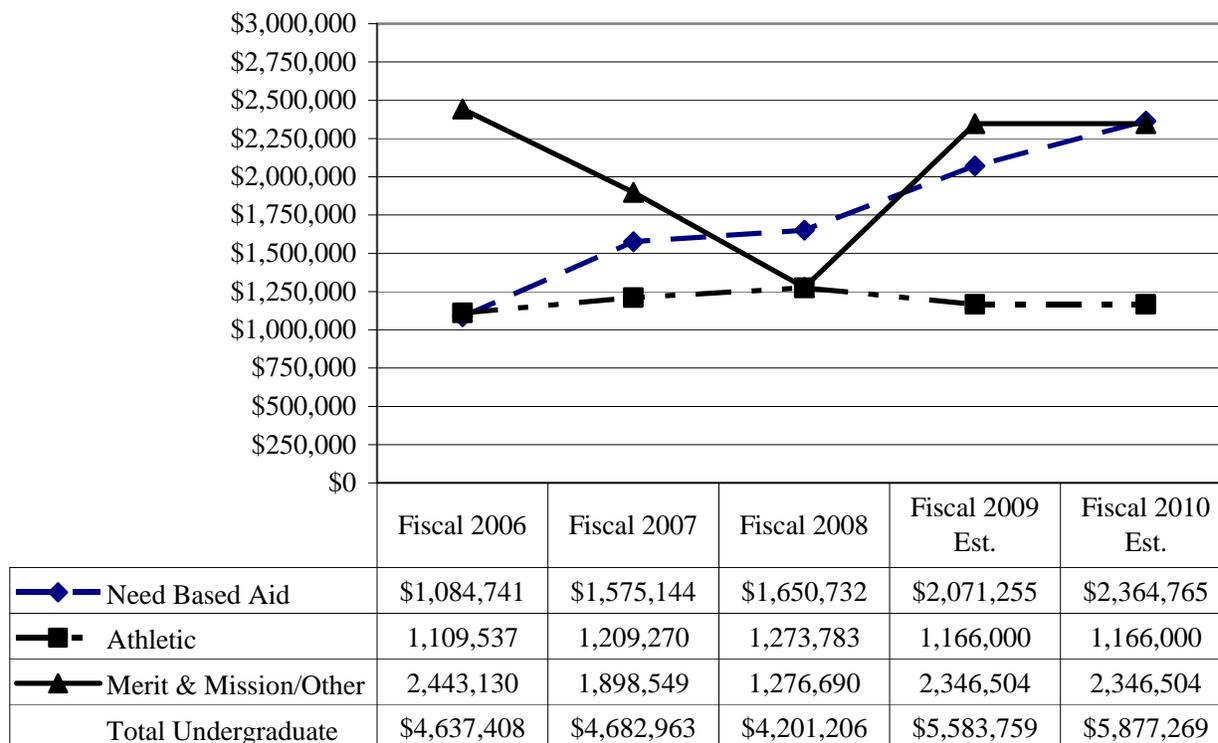
Issues

1. Institutional Aid

A 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 including need, athletic, and merit and mission. USM institutions have committed to increasing institutional need-based aid for students.

In fiscal 2009, 33% of institutional aid across USM was need-based, 57% merit and mission, and 10% was athletic. UMES provides more need-based and athletic aid than the USM average at 37 and 21%, respectively. **Exhibit 8** shows a significant drop between fiscal 2006 and 2008 in the amount of merit and mission aid awarded, though it is expected to return to fiscal 2006 levels in fiscal 2009. Need-based aid increased between fiscal 2006 and 2008 and is expected to continue increasing in fiscal 2009 and 2010, while athletic aid has been level since fiscal 2006 and is expected to remain so in fiscal 2009 and 2010.

Exhibit 8
Institutional Financial Aid
Fiscal 2006-2010



Source: University System of Maryland

The Maryland Higher Education Commission (MHEC) collects annual data for the Financial Aid Information System database which provides a profile of students that completed a Free Application for Federal Student Aid (FAFSA) and received institutional aid at UMES in fiscal 2007. The FAFSA allows MHEC 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 have the most need. **Exhibit 9** shows the percent of awards made for need-based, merit and mission, athletic, and other aid at each EFC category. More than 99% of the awards for need-based aid and 65% of all other types of aid went to students in the \$0 to \$3,850 categories in fiscal 2007.

Exhibit 9
Percent of Institutional Financial Aid Awards by EFC
Fiscal 2007

<u>EFC Category</u>	<u>Percent of All Need-based Aid</u>	<u>Percent of All Other Aid</u>	<u># of Awards</u>
\$0	53.0%	35.8%	731
\$1 – \$3,850	46.2%	29.7%	623
\$3,851 – \$6,999	0.3%	12.4%	125
\$7,000 – \$9,999	0.3%	4.7%	49
\$10,000 – \$14,999	0.3%	6.1%	63
\$15,000 – \$19,999	0.0%	3.4%	34
\$20,000 +	0.0%	7.8%	77
Total	100.0%	100.0%	1,702

EFC: expected family contribution

Note: Total may not sum to 100% due to students receiving awards who did not file a Free Application for Federal Student Aid.

Source: Maryland Higher Education Commission, Free Aid Information System 2006-2007

According to the 2008 *USM Dashboard Indicators*, the percentage of undergraduates at UMES receiving financial aid has increased from 86% in fiscal 2004 to 88% in fiscal 2007. The indicators show that a greater percentage of students at UMES receive financial aid than at any other USM institution. UMES reports that average undergraduate debt burden upon graduation in fiscal 2006 was \$15,500, the third lowest in USM, though it has increased \$1,000 since fiscal 2004. USM’s fiscal 2006 average undergraduate burden, excluding the University of Baltimore, which has a unique undergraduate program, was \$16,768. The Board of Regents recommends decreasing the debt burden for all undergraduate students, particularly those with the highest need by increasing institutional grants. Furthermore, the debt burden for students with the highest need should be at least 25% less than the institutional average debt burden for undergraduate students. **The President should comment on steps the university is taking to reduce undergraduate debt burden for students with the greatest financial need.**

2. Access and Success Funds

The purpose of the Access and Success Program is to improve retention and graduation rates among African American students by enhancing the relationship between administration, enrollment management, and teaching and learning practices at HBIs. Originally funded through MHEC from fiscal 2001 to 2006, funds were released after each HBI submitted proposals to MHEC outlining how the funds would be spent in the coming year. Beginning in fiscal 2007, Access and Success funds were appropriated directly to the HBIs.

From fiscal 2001 to 2007, UMES received \$8.6 million in general funds for the Access and Success Program. UMES used these funds to strengthen and expand academic and student support services through retention counselors and to focus on initiatives that support an infrastructure for monitoring and assisting at-risk students, such as improving teaching and learning practice, enrollment management, student support services, and the tutoring center.

The General Assembly added language to the fiscal 2009 budget bill restricting the expenditure of \$1.5 million in general funds for the purpose of improving retention and graduation rates until a report was submitted to the budget committees detailing how funds were to be spent. The report was to include measures to evaluate performance of the programs funded by Access and Success.

In a letter dated August 4, 2008, to the budget committees, the presidents of the four HBIs expressed concern over evaluating the effectiveness of the Access and Success Program, which has been in existence for seven years. They also stated that since each institution developed programs to meet the needs of students, it would be difficult to identify common measures across the institutions to evaluate programs. Finally, it was stated that retention and graduation rates were not good measures because funding for the program has not been sufficient to address the various factors known to affect these rates.

In December 2008, the Commission to Develop the Maryland Model for Funding Higher Education released its report endorsing the recommendations of the Panel on the Comparability and Competitiveness of Historically Black Institutions in Maryland (Study Panel). The Study Panel noted that undergraduate education should be the first priority of HBIs and earning a bachelor's degree should be the key measure of success. Therefore, graduation rates should be the primary criterion used to determine the competitiveness in HBI undergraduate outcomes.

The Study Panel, recognizing the considerable remediation effort and continuing support demanded of the HBIs at the undergraduate level, recommended supplemental funding be provided over and above the level determined by the Higher Education Funding Model for Maryland. Supplemental funding would only be used for strategies and initiatives that are proven best practices in improving graduation rates. MHEC would coordinate representatives of the State's HBIs and other experts who would outline programs and services needed to ensure that students graduate. The Study Panel further recommended that the existing Access and Success Program be replaced by a new program. HBIs would provide measurable goals such as graduation rates and would annually report results against these goals. Legislation has been introduced (HB 789/SB 861) to implement the commission's recommendations, including those of the HBI Study Panel.

DLS received Access and Success reports in response to the *Joint Chairmen's Report* language on February 13, 2009, from UMES, Coppin State University, and Bowie State University. The reports are currently under review, and the funds have not yet been released. UMES reports, however, having spent \$111,000 to support the closing the achievement gap plan and fully allocating the remaining funds to activities in admissions, recruitment, registration, academic counseling and tutoring, computerized program assistance, and additional classroom instruction in math, English, and science. **DLS recommends that fiscal 2009 funding be reprogrammed to support the start-up of the new program recommendation by the study panel and the commission, in effect doubling the funds available for the new program in fiscal 2010. DLS further recommends budget bill language restricting expenditure of \$1.5 million of the fiscal 2010 appropriation until a report is submitted to the budget committees from the HBIs and MHEC on the best practices identified to be used in the new program to improve student graduation rates and the common measures to evaluate performance, including graduation rates. Each university must also provide a report describing the new program, how the funds will be used to support the new program, and performance measures.**

3. Closing the Achievement Gap

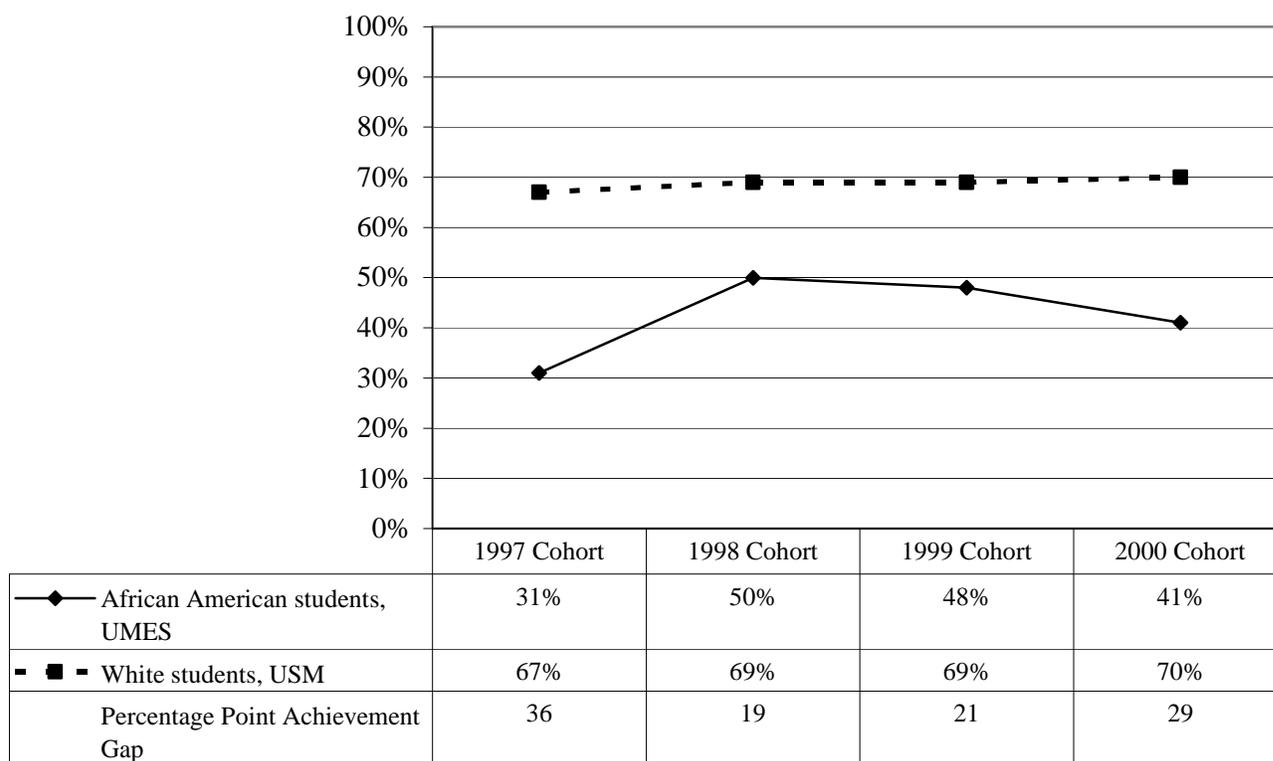
As a follow-up to USM's symposium held in November 2007, each campus identified and developed strategies to address institution-specific factors leading to gaps in retention and graduation rates for low-income and minority students. This resulted in the development of an Achievement Gap Action Plan and Funding Initiative which campuses implemented in fall 2008 to reduce the achievement gap by one-half by 2015.

UMES submitted a report to USM in April 2008 that defines the achievement gap, sets a goal for reduction, and identifies strategies to meet the goal. UMES identifies two primary achievement gaps: the gap in graduation and retention rates between UMES African American students and white USM students and the gap between UMES African American male students and African American male students in USM overall.

As shown in **Exhibit 10**, the gap in six-year graduation rates between UMES African American students and USM white students in the 2000 cohort was 29 percentage points. The gap has increased 10 percentage points since the 1998 cohort, though it is lower than the 1997 cohort. UMES aims to raise the six-year graduation rate of African American students from 41% for the 2000 cohort to 55% in 2015.

UMES also reports a 32 percentage point gap between the six-year graduation rate for African American males at UMES and African American students in USM at 28 and 60%, respectively. The university aims to increase the six-year graduation rate for first-time, full-time African American males from 28 to 44% by 2015. If these goals are met, UMES will reach the USM target of reducing the achievement gap by one-half by 2015.

Exhibit 10
Six-year Graduation Rate
UMES African American Students vs. USM White Students
1997-2000 Cohorts



UMES: University of Maryland Eastern Shore
 USM: University System of Maryland

Source: University System of Maryland

The Plan

UMES’s achievement gap plan focuses on hiring specialized faculty and staff to serve underprepared students. The plan identifies 6 goals, 19 strategies, and 91 tasks linked to closing the gap. These strategies include redesigning the Summer Bridge Program by offering “barrier” courses for academic credit; analyzing the admissions profile of successful persisters so that appropriate interventions may be taken for students who do not fit that profile; continuing to implement an intervention program that monitors students identified as at-risk; re-establishing learning communities; launching a math lab for students in developmental courses; and creating an attendance and mid-term grades notification system for African American males at risk of failing.

Progress

UMES reports having completed enhancements to the Summer Bridge Program, implementing recruit-back activities to increase retention, enhancing the process for monitoring students on probation, and developing an early intervention program to retain potential drop-out students. UMES reports that most of the remaining strategies outlined in the achievement gap plan are partially implemented and require additional funding to complete.

Budget

According to an estimate UMES submitted to USM, the university expects the cost of all achievement gap activities to total \$3,907,140. Of this total, approximately \$3,608,540 are annual personnel costs. The estimate also includes funding for faculty and staff development, instructional materials and supplies, and additional computers and printers. Approximately \$111,000 in Access and Success funds and \$256,000 in State funds were used to support the Achievement Gap strategies implemented in fiscal 2009 including Summer Bridge Program enhancements, the early intervention program to retain potential drop-outs, and recruit-back activities. UMES plans to use Access and Success funds in fiscal 2010 to support the Summer Bridge Program and early intervention programs.

The President should comment on which parts of the plan will be prioritized and implemented given the constraints of the Governor’s fiscal 2010 allowance and the Study Panel’s recommendations on comparability and competitiveness.

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:

- (1) The public historically black institutions (HBIs) and the Maryland Higher Education Commission have prepared and submitted a report to the budget committees that outlines the programs and services that are needed and have shown success in promoting academic achievement to ensure that undergraduate students at HBIs who are less prepared for college graduate.

The programs and services should be comprehensive and use criteria for academic achievement that are shared by all HBIs, which shall include graduation rates as the primary criterion; and

- (2) The University of Maryland Eastern Shore (UMES) has prepared and submitted a report to the budget committees that outlines how the funds will be used to implement the new program and the measures that will be used to evaluate performance, including graduation rate. The report should include how all funds for the new program, including the \$1,500,000 originally appropriated in fiscal 2009, will be spent.

The budget committees shall have 45 days to review each report.

Further provided that it is the intent of the General Assembly that \$1,500,000 restricted in R30B25 and R75T of the fiscal 2009 operating budget bill not revert at the end of the fiscal year and be available for expenditure in fiscal 2010 only for the purpose of improving student retention and graduation rates subject to the same restriction as the original appropriation.

Explanation: This language restricts the expenditure of funds until MHEC and the HBIs submit a report outlining programs and services needed to ensure student success and UMES submits a report outlining how funds will be expended to implement the new program and measures to evaluate the program.

Information Request	Authors	Due Date
Report on programs and services needed at historically black institutions to ensure graduation of less prepared undergraduate students	Maryland Higher Education Commission historically black institutions	September 1, 2009

R30B25 – USM – University of Maryland Eastern Shore

Report on expenditures of
funds and measures to
evaluate the new program to
improve success and
graduation of undergraduate
students

UMES

October 1, 2009

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2008						
Legislative Appropriation	\$30,671	\$0	\$42,138	\$72,809	\$25,640	\$98,449
Deficiency Appropriation	0	0	0	0	0	\$0
Budget Amendments	574	0	4,452	5,026	723	\$5,748
Cost Containment	-369	0	0	-369	0	-\$369
Reversions and Cancellations	0	0	-21	-21	-2,684	-\$2,705
Actual Expenditures	\$30,877		\$46,569	\$77,445	\$23,679	\$101,124
Fiscal 2009						
Legislative Appropriation	\$30,818	\$1,198	\$44,821	\$76,837	\$26,962	\$103,798
Cost Containment	-453	0	0	-453	0	-\$453
Budget Amendments	605	869	478	1,952	367	\$2,319
Working Appropriation	\$30,970	\$2,067	\$45,299	\$78,336	\$27,329	\$105,664

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

Fiscal 2008

General Funds: General funds increased \$573,908 to cover costs associated with the fiscal 2008 general salary increase and decreased \$368,705 due to cost containment actions.

Unrestricted Funds: Unrestricted funds increased \$4,451,740 due to the following changes:

- \$2,000,000 increase from additional sales and services of residential life (\$1,300,000) and dining services (\$700,000) auxiliary;
- \$1,446,099 increase in sales and services of auxiliary related to an athletic fee increase and dining services;
- \$505,641 increase in tuition revenue due to a change in enrollment ratios across graduate and undergraduate programs;
- \$500,000 increase in indirect cost recovery; and
- \$20,578 decrease due to the cancellation of expenditures in auxiliary services that were not incurred.

Restricted Funds: Restricted funds increased \$527,596 due to an increase in Title III Accounts and National Oceanic and Atmosphere Administration (NOAA) contracts and grants and a \$195,207 increase in Office for Civil Rights (OCR) award. Restricted funds decreased \$2,684,086 due to cancelations related primarily to NOAA and the Defense Information Systems Agency contract and grant activity.

Fiscal 2009

General Funds: General funds decreased \$452,829 due to cost containment actions and increased \$604,523 to cover costs associated with the fiscal 2009 general salary increase.

Special Funds: Special funds increased \$869,026 from HEIF authorized by the General Assembly to replace general funds reduced during the 2008 legislative session.

Unrestricted Funds: Unrestricted funds increased \$246,728 due to sales and services of auxiliary related to residential life and dining services, \$54,847 due to tuition and revenue increases from mix change, and a \$176,617 increase in miscellaneous income.

Restricted Funds: Restricted funds increased \$295,924 due to an increase in OCR award and \$82,710 due to an increase in miscellaneous income.

Audit Findings

Audit Period for Last Audit:	September 20, 2004 – May 31, 2007
Issue Date:	January 2008
Number of Findings:	7
Number of Repeat Findings:	1
% of Repeat Findings:	14%
Rating: (if applicable)	n/a

Finding 1: **UMES’ computer network was not adequately secured, and controls on its firewall need improvement.**

Finding 2: Controls over critical network devices need improvement.

Finding 3: Controls over a critical UMES application database and program changes need improvement.

Finding 4: UMES did not have an information technology disaster recovery plan.

Finding 5: Internal controls over the processing of certain non-cash credit adjustments were not adequate.

Finding 6: Adequate internal controls had not been established over certain UMES student records.

Finding 7: Inventory records were not always properly maintained.

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

**Personnel by Budget Program
University of Maryland Eastern Shore
Fiscal 2007-2009**

<u>Budget Program</u>	Fiscal 2007		Fiscal 2008		Fiscal 2009		Fiscal 2008-2009
	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>	<u>% Change in FTEs</u>
Instruction	215.00	31.2%	211.76	31.52%	216.86	32.02%	2.41%
Research	69.00	10.0%	52.32	7.79%	55.42	8.18%	5.93%
Public Service	1.00	0.1%	0.00	0.00%	1.00	0.15%	100.00%
Academic Support	85.00	12.3%	85.60	12.74%	92.10	13.60%	7.59%
Student Services	38.00	5.5%	41.40	6.16%	36.90	5.45%	-10.87%
Institutional Support	96.00	13.9%	93.69	13.95%	87.00	12.85%	-7.14%
Operations and Maintenance of Plant	77.00	11.2%	82.00	12.21%	79.00	11.66%	-3.66%
Auxiliary Enterprises	109.00	15.8%	105.00	15.63%	109.00	16.09%	3.81%
Total	690.00	100.0%	671.77	100.00%	677.28	100.00%	0.82%

FTE: full-time equivalent

Note: Data is for filled regular positions only.

Source: University System of Maryland

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	694.77	709.77	709.77	0	0%
02 Contractual	125.00	125.00	125.00	0	0%
Total Positions	819.77	834.77	834.77	0	0%
Objects					
01 Salaries and Wages	\$ 55,558,565	\$ 60,949,920	\$ 61,692,856	\$ 742,936	1.2%
02 Technical and Spec. Fees	182,808	288,642	288,642	0	0%
03 Communication	565,361	582,256	581,874	-382	-0.1%
04 Travel	2,112,039	1,397,939	1,397,939	0	0%
06 Fuel and Utilities	4,588,850	5,508,697	5,508,697	0	0%
07 Motor Vehicles	184,732	179,278	161,693	-17,585	-9.8%
08 Contractual Services	7,156,909	6,110,000	6,119,021	9,021	0.1%
09 Supplies and Materials	7,865,734	6,997,526	7,166,449	168,923	2.4%
10 Equipment – Replacement	111,961	177,443	177,443	0	0%
11 Equipment – Additional	2,253,960	3,330,873	2,715,509	-615,364	-18.5%
12 Grants, Subsidies, and Contributions	11,015,448	9,259,653	12,150,657	2,891,004	31.2%
13 Fixed Charges	7,364,408	8,618,528	8,647,124	28,596	0.3%
14 Land and Structures	2,163,684	2,263,684	2,647,036	383,352	16.9%
Total Objects	\$ 101,124,459	\$ 105,664,439	\$ 109,254,940	\$ 3,590,501	3.4%
Funds					
40 Unrestricted Fund	\$ 77,445,308	\$ 78,335,886	\$ 79,243,698	\$ 907,812	1.2%
43 Restricted Fund	23,679,151	27,328,553	30,011,242	2,682,689	9.8%
Total Funds	\$ 101,124,459	\$ 105,664,439	\$ 109,254,940	\$ 3,590,501	3.4%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

Fiscal Summary
USM – University of Maryland Eastern Shore

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk. Approp.</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
01 Instruction	\$ 23,016,978	\$ 23,986,086	\$ 23,587,092	-\$ 398,994	-1.7%
02 Research	12,381,729	17,235,509	17,319,211	83,702	0.5%
03 Public Service	338,177	673,865	675,358	1,493	0.2%
04 Academic Support	8,601,305	9,930,469	10,071,399	140,930	1.4%
05 Student Services	3,017,153	2,945,985	2,992,630	46,645	1.6%
06 Institutional Support	9,147,102	9,363,610	9,389,385	25,775	0.3%
07 Operation and Maintenance of Plant	11,441,078	10,898,768	11,590,308	691,540	6.3%
08 Auxiliary Enterprises	23,184,193	21,758,198	21,866,604	108,406	0.5%
17 Scholarships and Fellowships	9,996,744	8,871,949	11,762,953	2,891,004	32.6%
Total Expenditures	\$ 101,124,459	\$ 105,664,439	\$ 109,254,940	\$ 3,590,501	3.4%
Unrestricted Fund	\$ 77,445,308	\$ 78,335,886	\$ 79,243,698	\$ 907,812	1.2%
Restricted Fund	23,679,151	27,328,553	30,011,242	2,682,689	9.8%
Total Appropriations	\$ 101,124,459	\$ 105,664,439	\$ 109,254,940	\$ 3,590,501	3.4%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.