

R30B36
University System of Maryland Office
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$39,741	\$39,821	\$39,184	-\$637	-1.6%
Contingent & Back of Bill Reductions	0	0	-51	-51	
Adjusted General Fund	\$39,741	\$39,821	\$39,133	-\$689	-1.7%
Special Funds	238	0	0	0	
Adjusted Special Fund	\$238	\$0	\$0	\$0	
Other Unrestricted Funds	14,415	14,885	13,975	-910	-6.1%
Contingent & Back of Bill Reductions	0	0	-514	-514	
Adjusted Other Unrestricted Fund	\$14,415	\$14,885	\$13,461	-\$1,424	-9.6%
Total Unrestricted Funds	54,394	54,706	53,159	-1,547	-2.8%
Contingent & Back of Bill Reductions	0	0	-565	-565	
Adjusted Total Unrestricted Funds	\$54,394	\$54,706	\$52,594	-\$2,113	-3.9%
Restricted Funds	17,616	20,897	19,900	-997	-4.8%
Adjusted Restricted Fund	\$17,616	\$20,897	\$19,900	-\$997	-4.8%
Adjusted Grand Total	\$72,010	\$75,603	\$72,494	-\$3,109	-4.1%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- Resources associated with the University of Maryland Biotechnology Institute (UMBI) are reflected in the budget of the University System of Maryland Office (USMO) for fiscal 2009 to 2011, pending the reallocation of component units, excluding \$800,000 budgeted in Coppin State University (\$500,000) and the University of Maryland, Baltimore (\$300,000).
- General funds for USMO decrease \$0.6 million, or 1.6%, in the fiscal 2011 allowance, mostly due to the elimination of UMBI's central administration. However, after adjusting for \$51,257 in furlough and health insurance savings, the underlying reduction is \$0.7 million, or 1.7%, from fiscal 2010.

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

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Personnel Data

	<u>FY 09 Actual</u>	<u>FY 10 Working</u>	<u>FY 11 Allowance</u>	<u>FY 10-11 Change</u>
Regular Positions	376.45	367.45	351.45	-16.00
Contractual FTEs	<u>43.60</u>	<u>43.10</u>	<u>43.10</u>	<u>0.00</u>
Total Personnel	420.05	410.55	394.55	-16.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	7.94	2.26%
Positions and Percentage Vacant as of 12/31/09	14.54	3.96%

- The fiscal 2011 allowance abolishes 16 regular positions due to the reorganization of UMBI.

Analysis in Brief

Major Trends

Community College Transfers Continue to Be Strong: The number of transfer students increased for the fifth consecutive year, growing 2.8% from 8,974 students in fiscal 2008 to 9,226 in fiscal 2009. Towson University; University of Maryland Baltimore County; University of Maryland, College Park; and University of Maryland University College received at least one new transfer student from each of the 16 Maryland community colleges.

Enrollments at Regional Centers Continue to Grow: Enrollment at the Universities at Shady Grove increased 26.2%, or 370.8 full-time equivalent students (FTES), to 1,783.8 FTES in fiscal 2009 with all but two participating institutions experiencing growth over 25.0%, in fiscal 2009. Enrollment at the University System of Maryland Hagerstown (USMH) grew 4.6%, or 10.9 FTES, with 75.7% of the students enrolled in programs offered by Frostburg State University.

Issues

Workgroup Recommendations to Strengthen the University System of Maryland at Hagerstown: A workgroup comprised of 24 USMH stakeholders developed recommendations to improve the immediate and long-term success of the center. While the workgroup concluded USMH is functioning well, it does not appear that alternative governance structures or policies were considered that may be more beneficial for USMH.

Fundraising Campaign Update: Fourteen University System of Maryland (USM) institutions have raised over 50% of the funds needed to reach their goals, with the University of Maryland Baltimore County exceeding its goal of \$100.0 million by \$1.9 million. Overall, USM institutions have raised 80% of the funds, \$1.4 billion, toward the goal of \$1.7 billion by 2012.

USM Endowment Investments Returns Improve: The University System of Maryland Foundation manages the endowment assets of all USM institutions, excluding Salisbury University, and six community colleges. As of December 31, 2009, the foundation managed \$687.7 million of endowment assets of which approximately \$24.9 million belonged to the community colleges.

Recommended Actions

1. Add language to reduce the appropriation for University System of Maryland Higher Education Centers.
2. Add language to reduce University System of Maryland Office appropriations reflecting cost savings from the University of Maryland Biotechnology Institute reorganization.

R30B36
University System of Maryland Office
University System of Maryland

Operating Budget Analysis

Program Description

The University System of Maryland Office (USMO) is the staff agency to the University System of Maryland (USM) Board of Regents. The office advocates on behalf of the 11 institutions and 1 research institute; facilitates collaboration and efficiencies among institutions; and provides information to the public. It includes the chancellor; executive and administrative staff; and the central services of budget, accounting, auditing, information technology, capital planning, advancement, and public and governmental relations.

The mission of USMO is to provide leadership, planning, and resource management to advance the quality and accessibility of USM services and increase synergies among the USM institutions.

The goals of USMO are to:

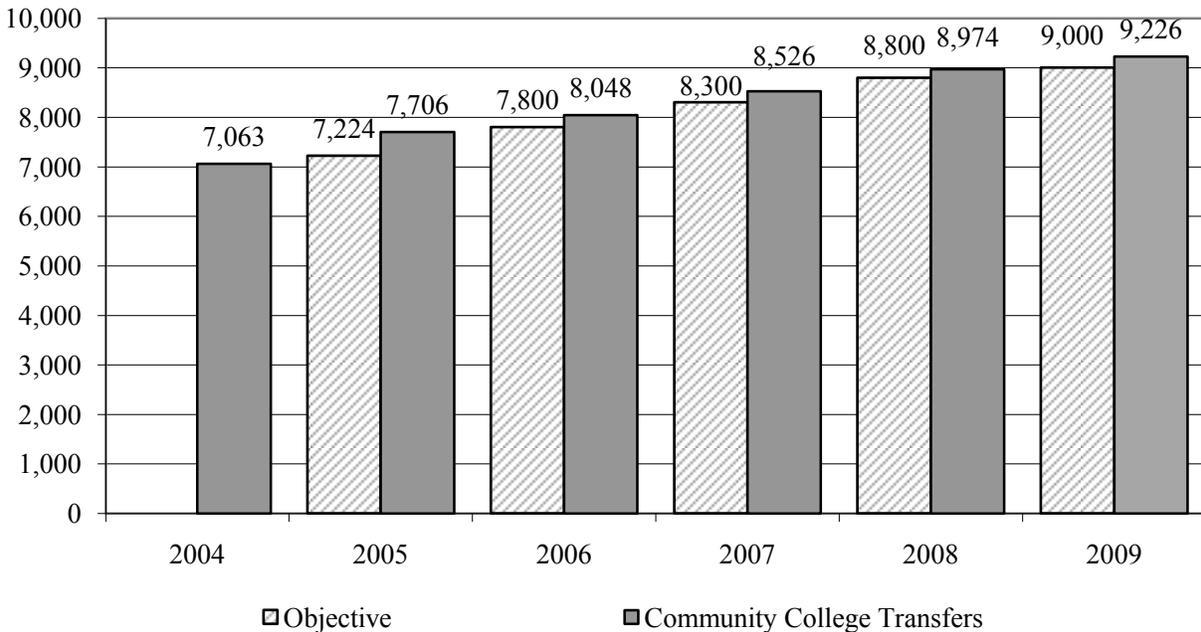
- promote access to USM institutions through cooperation;
- promote operational synergies;
- promote private support for USM; and
- provide financial stewardship to maximize the effectiveness and efficiency of USM operations.

Performance Analysis

Community College Transfers Continue to Be Strong

USMO tracks the number of community college students transferring to USM institutions as a measure of meeting the goal of promoting access to USM institutions. As shown in **Exhibit 1**, the number of transfer students increased for the fifth consecutive year, growing 2.8% from 8,974 students in fiscal 2008 to 9,226 in fiscal 2009. Approximately 76.0% of the Maryland community college transfer students came from six community colleges: Montgomery College; Community College of Baltimore County; Anne Arundel Community College; Prince George's Community College; Howard Community College; and College of Southern Maryland.

**Exhibit 1
Transfer Students from Community Colleges to USM Institutions
Fiscal 2004-2009**



USM: University System of Maryland

Source: Governor’s Budget Books, Fiscal 2011; University System of Maryland

In fiscal 2009, Towson University (TU); the University of Maryland Baltimore County (UMBC); University of Maryland, College Park (UMCP); and University of Maryland University College (UMUC) received at least one new transfer student from each of the 16 Maryland community colleges. This is the first time a student from each community college transferred to one of USM’s research institutions (UMCP and UMBC).

Enrollments at Regional Centers Continue to Grow

Access to USM institutions is also provided through two regional higher education centers operated by USM: the Universities at Shady Grove (USG) and the University of Maryland at Hagerstown (USMH). Total full-time equivalent student (FTES) enrollments at the regional centers are shown in **Exhibit 2**. Enrollment at USG increased 26.2%, or 370.8 FTES, to 1,783.8 FTES in fiscal 2009. All but two institutions (University of Baltimore and UMUC) experienced growth over 25.0% with the University of Maryland, Baltimore (UMB) increasing at the highest rate of 40.4%, or 76.1 FTES. Students enrolled in UMCP programs accounted for 45.9% of enrollments, with UMUC students comprising the next highest portion of students at 17.5% in fiscal 2009.

Exhibit 2
Regional Higher Education Centers
Full-time Equivalent Student Enrollment
Fiscal 2005-2010

Universities at Shady Grove

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 Est.</u>
Bowie State University	13.0	13.8	12.5	10.3	14.4	15.0
Salisbury University	0.0	0.0	0.0	0.0	9.3	28.8
Towson University	62.8	69.2	79.5	70.1	97.5	129.0
Univ. of Baltimore	0.0	0.0	12.1	37.0	43.6	64.0
Univ. of Maryland, Baltimore	146.1	142.7	152.9	188.3	264.4	343.0
Univ. of Maryland Baltimore County	90.4	109.6	111.9	135.2	175.5	182.2
Univ. of Maryland, College Park	473.7	529.4	628.9	646.0	818.5	846.0
Univ. of Maryland Eastern Shore	32.2	33.6	34.8	38.0	48.2	56.0
Univ. of Maryland University College	372.9	293.3	301.5	288.1	312.4	353.0
Total	1,191.1	1,191.6	1,334.1	1,413.0	1,783.8	2,017.0

University System of Maryland at Hagerstown

	<u>2005*</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 Est.</u>
Frostburg State University	74.4	174.3	167.0	194.9	186.9	195.0
Salisbury University	0.0	0.0	0.0	8.6	20.2	25.0
Towson University	0.0	0.0	14.2	30.1	32.7	36.0
Univ. of Maryland, Baltimore	0.0	4.6	0.0	0.0	0.0	0.0
Univ. of Maryland, College Park	0.0	0.3	1.2	2.0	1.5	2.0
Univ. of Maryland University College	0.0	4.5	3.1	0.4	5.6	6.0
Total	74.4	183.7	185.5	236.0	246.9	264.0

* Fiscal 2005 is enrollment in spring semester only. The University System of Maryland at Hagerstown opened in January 2005.

Source: Universities at Shady Grove; University System of Maryland at Hagerstown

In fiscal 2009, enrollment at USMH grew 4.6%, or 10.9 FTES. The majority of students were enrolled in programs offered by Frostburg State University (FSU) or Towson University, 75.7% and 13.2%, respectively. However, enrollment in FSU's program declined 4.1%, or 8 FTES, in fiscal 2009, with a 12.1%, or 16.6 FTES, drop in graduate enrollment partially offset by a 14.9%, or 8.6 FTES, increase in undergraduate enrollment.

Fiscal 2010 Actions

Impact of Cost Containment

It should be noted all resources associated with the University of Maryland Biotechnology Institute (UMBI) are reflected in USMO's budget. These resources will be transferred to the appropriate institutions through a budget amendment at the beginning of fiscal 2011.

The Board of Public Works (BPW) approved two cost containment measures resulting in a combined \$0.8 million reduction in USMO's and UMBI's State appropriations. The first cost containment measure, approved by BPW in July 2009, resulted in \$0.4 million, or 1%, decrease in State appropriations. BPW approved a second cost containment measure in August 2009 resulting in a \$0.4 million decrease of federal funds, which represented 0.9% of State appropriations. These actions resulted in USMO and UMBI eliminating 10 positions (\$0.6 million) and implementing operating reductions at USG, USMH, and USMO (\$0.2 million).

Additionally, USMO and UMBI were requested to reduce their current salary and wage budget by a total of \$0.5 million, \$20,032 in federal funds and \$0.5 million in current unrestricted funds, as part of the statewide furlough plan. The furlough plans for UMBI and USMO are both similar with the number of furlough days, ranging from one to ten, based on an employee's annual salary. Hourly employees (students and contingent I staff), graduate assistants, H-1B visa holders, and employees funded 100% from grants and contracts are exempt from the furlough. UMBI and USMO were closed on December 24, 2009. USMO will also be closed on March 17 and 18, 2010.

USMO will move \$0.5 million of unrestricted funds related to the furlough to the fund balance which will then be transferred via the Administration's Budget Reconciliation and Financing Act (BRFA) of 2010 to the general fund. In addition, the BRFA of 2010 includes a \$65.0 million reduction of USM's fund balance of which USMO and UMBI's portion is \$3.2 million. After the transfer, USMO's State-supported fund balance will total \$0.4 million while UMBI will have a negative balance of \$0.2 million. It should be noted that USMO expects to transfer an additional \$70,000 to the fund balance in fiscal 2010, while \$0.8 million is anticipated to be transferred out of UMBI's fund balance. After the reductions and transfers, USMO's State-supported and non-State supported ending balance in fiscal 2010 is estimated to be \$3.1 million, and the ending balance for UMBI is \$5.6 million.

Federal Stimulus Funds

USMO was awarded an American Recovery and Reinvestment Act grant totaling \$0.5 million. The grant, from the Governor's Office of Crime Control and Prevention, is to outfit campus police cruisers throughout USM institutions with laptops enabling access to a range of data sources.

UMBI was awarded nine research grants totaling \$2.5 million: six relate to biomedical applications, two pertain to bio-marine applications, and one relates to plant biotechnology.

Proposed Budget

The general fund allowance for USMO in fiscal 2011 is \$0.7 million below the fiscal 2010 level, a decrease of 1.7% after adjusting for health insurance savings of \$51,257, as shown in **Exhibit 3**. This reduction is mainly attributed to the elimination of UMBI’s central administration office. However, USMO’s budget does not reflect \$800,000 of UMBI’s general funds that were reallocated to CSU (\$500,000) and UMB (\$300,000) in the fiscal 2011 allowance. When this budget reallocation is accounted for in USMO’s budget, there are no budget savings from the elimination of UMBI.

Exhibit 3
Governor’s Proposed Budget
University System of Maryland Office
(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Adjusted</u>	<u>FY 09-10</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$39,741	\$39,821	\$39,133	-\$689	-1.7%
HEIF	238	0	0	0	
Total State Funds	39,979	39,821	39,133	-689	-1.7%
Other Unrestricted Funds	14,415	14,885	13,461	-1,424	-9.6%
Total Unrestricted Funds	54,394	54,706	52,594	-2,113	-3.9%
Restricted Funds	17,616	20,897	19,900	-997	-4.8%
Total Funds	\$72,010	\$75,603	\$72,494	-\$3,109	-4.1%

HEIF: Higher Education Investment Fund

Note: Numbers reflect inclusion of the University of Maryland Biotechnology Institute. Numbers may not sum to total due to rounding.

Source: Governor’s Budget Book, Fiscal 2011

Other unrestricted funds decrease \$1.4 million, or 9.6%, from fiscal 2010 after adjusting \$0.5 million for health insurance and furlough savings. This decline is related to rent that was being paid to UMBI for space in the Medical Research Building.

Fiscal 2011 Cost Containment

In addition to the \$11.7 million cash transfer from USM's fund balance related to the furlough, of which USMO's portion is \$0.5 million, the BRFA of 2010 includes a \$40.0 million reduction of the fund balance of which USMO's portion is \$0.8 million. After the transfer, USMO will have a negative balance of \$0.4 million in the State-supported portion of the fund balance. It should be noted USMO expects to transfer an additional \$70,000 to the fund balance in fiscal 2011. After the reductions and transfers, the total ending balance in fiscal 2011 is estimated to be \$2.4 million.

For fiscal 2011, language in the BRFA does not allow for bonuses related to individual performance, merit increases, or cost-of-living adjustments, but allows for salary increases necessary for the retention of faculty members.

USM Regional Higher Education Centers

USG started as a regional higher education center in 1992, serving evening and part-time undergraduate and graduate students. Business and corporate leaders provided \$1 million in funding for the first Shady Grove building. The campus was managed by UMUC which offered programs at the facility along with Bowie State University; UMB; and UMCP. In 2000, USM established USG which included upper-level daytime undergraduate degrees with seven USM institutions offering 14 baccalaureate programs. In 2001, UMCP took over the administrative functions of the campus with the director reporting to the UMCP provost.

USG offers classes during the daytime, evening, and weekends. Daytime undergraduate student headcount for fall 2008 totaled 1,051; 72% of these students transferred from Montgomery College. In 2009, nine USM institutions offered over 60 programs, of which 36 are baccalaureate programs. A majority of undergraduate students, 59%, transferred from Montgomery College.

USMH opened in January 2005 in downtown Hagerstown. The State bought the building for \$10.00 from the City of Hagerstown and then invested \$15.4 million to renovate and equip the building. FSU provides management and administrative support to USMH, with the director reporting to the President of FSU.

USMH offers classes during the weekdays, mostly in the evening, with 55.5% of the students enrolled in graduate programs. In 2009, four institutions offer 13 undergraduate and 6 graduate programs. It should be noted UMCP is considered a participating institution offering a master's in engineering at USMH. However, while UMCP offers graduate level engineering programs online, it does not offer courses on site at USMH.

Both centers have a similar governance structure with the overall policymaking responsibility residing with the Governing Council comprised of provosts from participating USM institutions and the USM Senior Vice Chancellor of Academic Affairs. Additionally, both have a Board of Advisors comprised of business, political, and community leaders representing the interests of the community.

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The proposed fiscal 2011 budgets for USG and USMH are shown in **Exhibit 4**. In general, increases in salaries and wages are primarily related to restoring cost containment reductions made in fiscal 2010. Overall, USG's total budget increases \$153,000, or 1.1%, over fiscal 2010. General funds increase \$26,000, or 0.4%, in fiscal 2011, totaling \$7.3 million which accounts for 53.9% of USG's total budget. USG also receives funding for enrollment growth from institutions whose enrollment is projected to grow, such as UMCP, which totals \$3.3 million. In fiscal 2011, revenues from student fees increase \$87,000, or 18.5%.

General funds in the fiscal 2011 allowance for USMH increase \$6,748, or 0.4%, over fiscal 2010, totaling \$1.9 million. Revenues from other non-State-supported sources, including rentals and testing, increase 9.3%, to \$82,000, in fiscal 2011. Overall, total revenues increase \$13,748, or 0.7%, over fiscal 2010.

The fiscal 2011 allowance provides \$1.5 million in general funds for the Regional Higher Education Centers (RHECs) administered by the Maryland Higher Education Commission (MHEC), a 14.3%, or \$250,000, reduction from fiscal 2010. Given that the mission and purpose of all RHECs, regardless of the administrative entity, are to provide citizens of Maryland access to undergraduate and graduate education in areas that do not have access, decisions regarding funding should be reflected across all RHECs' budgets. While the general fund allowance was reduced for MHEC RHECs, USM's RHECs' appropriations increase 0.4%, or \$32,748. **Therefore, the Department of Legislative Services recommends reducing the general fund appropriation for fiscal 2011 for USG and USMH by 14.3%, the percentage reduction applied to the MHEC RHECs. This is a decrease of \$1,338,610 from the fiscal 2011 allowance.**

Exhibit 4
Proposed Budget
University System of Maryland Regional Higher Education Centers

	<u>FY 2009</u> <u>Actual</u>	<u>FY 2010</u> <u>Budgeted</u>	<u>FY 2011</u> <u>Estimate</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
<u>Universities at Shady Grove</u>					
Expenditures					
Salaries and Wages	\$4,802,000	\$4,908,000	\$5,011,000	\$103,000	2.1%
Operating Expenses	8,163,000	8,431,000	8,481,000	50,000	0.6%
Total Operating Expenses	\$12,965,000	\$13,339,000	\$13,492,000	\$153,000	1.1%
State-supported Revenues					
General Funds	\$7,390,000	\$7,247,000	\$7,273,000	\$26,000	0.4%
Enrollment Funding Initiative	3,263,000	3,263,000	3,263,000	0	0.0%
Institutional Partners Classroom and Office fees	650,000	660,000	670,000	10,000	1.5%
Student Technology Fee	110,000	143,000	157,000	14,000	9.8%
Other Usage Revenue (copier, postage, etc.)	277,000	309,000	315,000	6,000	1.9%
Total State-supported Revenues	\$11,690,000	\$11,622,000	\$11,678,000	\$56,000	0.5%
Non-State-supported Revenues					
Student Fees	\$783,000	\$957,000	\$1,044,000	\$87,000	18.5%
Conference Center Revenues	650,000	760,000	770,000	10,000	1.3%
Transfer to Fund Balance	-158,000	0	0	0	
Total Non-State-supported Revenues	\$1,275,000	\$1,717,000	\$1,814,000	\$97,000	5.6%
Total Revenues	\$12,965,000	\$13,339,000	\$13,492,000	\$153,000	1.1%
<u>University System of Maryland at Hagerstown</u>					
Expenditures					
Salaries and Wages	\$642,380	\$572,194	\$581,853	\$9,659	1.7%
Operating Expenses	1,030,973	1,387,711	1,391,800	4,089	0.3%
Total Operating Expenses	\$1,673,353	\$1,959,905	\$1,973,653	\$13,748	0.7%
State-supported Revenues					
General Funds	\$1,627,064	\$1,884,905	\$1,891,653	\$6,748	0.4%
Higher Education Investment Fund	238,428	0	0		
Total State Funds	\$1,865,492	\$1,884,905	\$1,891,653	\$6,748	0.4%
Non-State-supported					
Rental, Testing, and Other	54,435	75,000	82,000	7,000	9.3%
Transfer to Fund Balance	-246,573	0	0	0	
Total Revenues	\$1,673,354	\$1,959,905	\$1,973,653	\$13,748	0.7%

Source: Universities at Shady Grove; University System of Maryland at Hagerstown

Issues

1. Workgroup Recommendations to Strengthen the University System of Maryland at Hagerstown

As required by language in the *Joint Chairmen’s Report*, the Maryland Higher Education Commission, in collaboration with the University System of Maryland, submitted a report on November 2, 2009, on recommendations to improve the immediate and long-term success of USMH. A workgroup comprised of 24 members – including local elected officials, representatives from the business community and community colleges, and other stakeholders – convened and formulated four recommendations. Recommendations were based on five programmatic and fiscal indicators, all of which improved between fiscal 2006 and 2009:

- program offerings increased from 12 to 21 programs;
- enrollment grew from 182.7 FTES to 247 FTES;
- non-State revenue rose from \$10,000 to \$53,000; and
- general funds per FTES declined from \$10,870 to \$7,556 per FTES.

While the report provides information on USMH’s current activities and relations with its various stakeholders, the recommendations lack specificity on actions or policies that could or should be undertaken to help ensure the future success of USMH.

Report Recommendations

The current governance structure is the most appropriate, and USMH should continue to work closely with community stakeholders to fulfill the educational training needs of the region.

The workgroup determined the current organization allows for interaction among all stakeholders and, therefore, does not require any modifications. While the recommendation encourages USMH to continue to work closely with its various stakeholders and cites examples of collaboration, the workgroup did not propose further actions that could be undertaken to develop new partnerships and strengthen existing ones.

Continue to work with the city to provide programs and other opportunities to attract students, businesses, and continued economic development.

This recommendation relates to USMH’s role in the economic revitalization of Hagerstown. The report cites the completion of 10 development projects in Hagerstown since the announcement of the opening of USMH on November 24, 1999. The report further states “a major goal of the USMH

mission is to promote and expand the economic development of downtown Hagerstown” resulting in a special relationship with the city. While the location of USMH was chosen in order to meet the objectives of Smart Growth, USMH’s mission is to provide citizens of the area access to affordable higher education. Specifically, USMH’s mission states that it will offer:

“upper-division-undergraduate and graduate academic programs of the universities within the University System of Maryland...USMH works collaboratively to develop innovative partnerships with local community colleges, businesses, and civic leaders to ensure a seamless and quality learning experience for students.”

The report cites a few examples of the relationship between the city and USMH, such as contributions to the USMH scholarship fund and the renting of classroom and office space for the Hagerstown Police Department for cadet training. While the location of USMH “has, to a great extent, met the objectives of the site selection,” the USMH focus is on providing higher education to the citizens of the community, not promoting economic development of the city. Furthermore, the recommendation does not elaborate on activities or programs that could be implemented by USMH and/or the city to continue to attract students.

Continue to develop creative scheduling solutions to maximize use of the facility and purchase additional space for expansion.

This recommendation focuses on increasing non-State revenue thereby reducing reliance on State-supported funds. While USMH is moving to a unified evening schedule that will maximize scheduling and encourage students to take classes back to back, it does not address the issue of promoting use of space during non-peak hours. Space at USMH is limited with the largest classroom able to accommodate 40 people thereby restricting USMH’s ability to contract for large training programs or meetings. The workgroup concluded that until USMH can expand into additional space, it is limited to renting to small groups, training classes, or functions.

It does not appear the workgroup considered whether the recommendation to expand USMH will actually reduce costs to the State. While the workgroup concluded that purchasing additional space near USMH for expansion will help reduce reliance on State funding, an analysis was not conducted to compare the increase in revenue versus the increase in costs associated with the purchase and operations of a second facility. A cost-benefit analysis should be conducted prior to action on this recommendation.

Current USM policy regarding USM institutions’ right of first refusal to provide programs at USMH is sound.

The workgroup concluded USM’s policy is consistent with the broader State policy on program approval established by MHEC in 2004. The workgroup does not appear to have considered other program approval policies that may be more beneficial to USMH and its students. For instance, it might be less expensive for a non-USM institution to offer a program at USMH than a USM institution. For example, to reduce the financial risk of bringing a new academic program to USMH,

incentives are provided to USM institutions for a pre-determined amount of time until a program is financial viable. Since 2006, Towson University has received \$100,000 per year to offset the costs of the nursing program and received funding in fiscal 2010. A non-USM institution located closer to Hagerstown may have been able to offer a nursing program without requiring an incentive but current policy does not provide flexibility to consider an alternative. Currently, no non-USM programs are offered at USMH.

Recommendations Lack Detail

The workgroup concluded USMH is functioning well, as indicated by the fiscal and programmatic measures, because it has an appropriate governance structure and program approval policy and a strong relationship with the surrounding community. However, it does not appear the workgroup considered alternative governance structures or policies that may be more beneficial for USMH. For example, consideration was not given to charging students a USMH fee in lieu of standard institutional fees to cover services offered at the center, such as a library with full- and part-time staff, computer labs, and laptop computers that can be checked out for use while on campus. Additionally, the recommendations did not include specific actions USMH could undertake to build upon and strengthen existing partners and develop new partnerships. Overall, the report did not provide specific actions USMH should undertake to strengthen its long-term financial and programmatic viability.

The Chancellor should comment on goals and objectives that have been identified as a result of the task force recommendations, and what, if any further actions have been taken to ensure the long-term programmatic and financial viability of the center.

2. Fundraising Campaign Update

USM's fundraising campaign started in fiscal 2005 with a goal of raising \$1.7 billion. **Exhibit 5** summarizes the funds raised since fiscal 2005. After four years of growth, contributions declined 9.1%, or \$23.5 million, in fiscal 2009 which is not unexpected given the downturn in the economy. However, mid-year contributions (those made as of December 31) increased \$3.8 million over 2008, from \$105.9 million in 2008 to \$109.7 million in 2009.

Of the 14 USM institutions, all but one, Coppin State University, have raised over 50% of the funds needed to reach its goal. During 2009, the University of Baltimore set its campaign goal of \$40.0 million, and Salisbury increased its target from \$30.0 million to \$35.0 million. The University of Maryland Baltimore County exceeded its goal of \$100.0 million by \$1.9 million. Overall, USM institutions have raised 80% of the funds, \$1.4 billion, to reach the goal of \$1.7 billion by 2012.

Exhibit 5
USM Institutional Fundraising
Fiscal 2005-2010
(\$ in Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u> <u>Goal</u>	<u>2010</u> <u>as of</u> <u>12/31/09</u>	<u>Campaign</u> <u>Goal</u>	<u>Total</u> <u>Raised</u> <u>as of</u> <u>12/31/09</u>	<u>%</u> <u>of</u> <u>Goal</u>
UMB	\$53,009	\$58,811	\$65,967	\$68,730	\$80,429	\$82,000	\$48,217	\$650,000	\$375,164	58%
UMCP	123,881	131,940	121,930	129,223	115,204	110,000	46,808	1,000,000	693,454	69%
UMBC	13,310	14,095	20,569	13,435	10,344	5,000	3,493	100,000	101,954	102%
UB*	6,849	5,370	3,049	9,718	2,399	5,000	1,950	40,000	29,335	73%
UMUC	5,202	990	1,773	4,784	7,186	3,000	1,177	26,000	20,626	79%
TU	13,629	5,070	6,063	6,477	7,039	6,400	3,517	50,000	41,356	83%
BSU*	470	263	1,160	1,160	2,015	2,000	436	15,000	8,415	56%
SU	1,591	13,853	12,883	3,801	2,730	2,500	802	35,000	31,390	90%
FSU	1,604	1,093	2,591	1,979	2,788	2,100	1,559	15,000	11,481	77%
UMES	3,476	1,004	901	2,827	1,706	1,000	358	14,000	10,121	72%
CSU*	1,730	348	464	676	1,053	1,000	393	15,000	4,664	31%
UMCES	361	210	2,395	516	726	1,500	112	8,000	4,396	55%
UMBI	2,194	3,156	1,238	10,639	20	n/a	2	n/a	17,251	
USMO	239	266	123	3,454	303		843	n/a	5,302	
USM Total	\$227,545	\$236,469	\$241,106	\$257,419	\$233,942	\$219,500	\$109,667	\$1,700,000	\$1,354,909	80%

BSU: Bowie State University

CSU: Coppin State University

FSU: Frostburg State University

TU: Towson University

SU: Salisbury University

UB: University of Baltimore

UMB: University of Maryland, Baltimore

UMBC: University of Maryland Baltimore County

UMBI: University of Maryland Biotechnology Institute

UMCES: University of Maryland Ctr. for Environmental Science

UMCP: University of Maryland, College Park

UMES: University of Maryland Eastern Shore

UMUC: University of Maryland University College

USM: University System of Maryland

USMO: University System of Maryland Office

*Reflects annual and campaign total through November 30, 2009.

Source: University System of Maryland

3. USM Endowment Investments Returns Improve

The University System of Maryland Foundation, Inc. is a not-for-profit corporation and is separate from USM. The foundation's mission is to strengthen the capacity of USM institutions to broaden access to high quality education, meet the workforce needs of the State, and conduct research. To that end, the foundation provides advocacy, fundraising, investment management services, and financial stewardship of funds under management. The foundation manages assets for USM and all USM institutions and the research center except for Salisbury University and for six community colleges.

Endowment assets under management as of December 31, 2009, totaled \$687.7 million, of which approximately \$24.9 million were assets of the six community colleges. Total endowment assets under management as of June 30, 2009, were approximately \$621.2 million. Overall, the foundation's preliminary investment return from July 1 to December 31, 2009, was 9.6%. This compares favorably to fiscal 2008 in which the endowment fund earned a total return of -0.7%, net of fees and expenses.

Recommended Actions

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

provided the appropriation herein for the University System of Maryland Office (USMO) shall be reduced by \$1,338,610. USMO shall allocate the reduction of \$1,338,610 to the Universities at Shady Grove and the University System of Maryland at Hagerstown.

Explanation: The language reduces the funds allocated to the Universities at Shady Grove (USG) and University System of Maryland at Hagerstown (USMH) by \$1.3 million. Given that all Regional Higher Education Centers (RHEC), regardless of the administrative entity, have the same mission and purpose, decisions regarding funding should be comparable across all RHEC budgets. In fiscal 2011, funding for non-University System of Maryland RHECs is reduced 14.3%; therefore, appropriations for USG and USMH are reduced by an equivalent rate resulting in a \$1.3 million reduction in funding.

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

Furthermore, provided the appropriation for the University System of Maryland Office (USMO) shall be reduced by \$2,000,000 reflecting the cost savings achieved by the reorganization of the University of Maryland Biotechnology Institute.

Explanation: In June 2009, the Board of Regents approved the reallocation and reorganization of the University of Maryland Biotechnology Institute (UMBI). As a result, a cost savings of \$2.8 million should have been realized through the merging of UMBI's administrative functions with other institutions. Of the \$2.8 million in general fund savings, \$0.8 million is associated with increases in mandatory costs (\$0.5 million) and salaries of four positions to be transferred to other University System of Maryland institutions (\$0.3 million). The remaining \$2.0 million represents a savings to the State and, therefore, should revert to the general fund.

Current and Prior Year Budgets

Current and Prior Year Budgets University System of Maryland Office (\$ in Thousands)

Fiscal 2009	General Fund	Special Fund	Federal Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Legislative Appropriation	\$19,543	\$0	\$0	\$4,571	\$24,114	\$3,985	\$28,099
Deficiency Appropriation	0	0	0	0	0	0	0
Budget Amendments	205	238	0	0	443	0	443
Cost Containment	-438	0	0	0	-438	0	-438
Reversions and Cancellations	0	0	0	-193	-193	-2,141	-2,334
Actual Expenditures	\$19,310	\$238	\$0	\$4,378	\$23,926	\$1,844	\$25,770
Fiscal 2010							
Legislative Appropriation	\$19,731	\$0	\$0	\$4,633	\$24,364	\$3,997	\$28,361
Cost Containment	-193	0	0	-235	-428	0	-428
Budget Amendments	-260	0	0	259	-1	0	-1
Working Appropriation	\$19,278	\$0	\$0	\$4,657	\$23,935	\$3,997	\$27,932

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

Fiscal 2009

For fiscal 2009, general funds for the University System of Maryland Office declined a net \$0.2 million through budget amendments. This included \$0.2 million increase for State employee cost-of-living adjustment (COLA) and a decrease of \$0.4 million for cost containment resulting in a hiring freeze and a reduction in the Teachers Education initiative grants. Special funds, comprised of Higher Education Investment Funds (HEIF) used in lieu of general funds, increased a net \$0.2 million by budget amendment.

Cancellations of unrestricted funds amounted to \$0.2 million due to lower than anticipated expenditures. Cancellations of restricted funds totaled \$2.1 million due to lower than anticipated expenditures for federal contracts and grants.

Fiscal 2010

For fiscal 2010, general funds declined by a total of \$0.4 million: \$0.2 million for cost containment measures and \$0.2 million from a University System of Maryland reallocation of general funds among USM institutions. Other unrestricted funds increased \$23,701 by a budget amendment and cost containment. This includes increases of \$0.2 million from institutional contributions to the Board of Regents' audit initiative; \$60,292 in funds from institutions for the University of Maryland Academic Telecommunications Systems; and a decrease of \$234,917 related to furlough savings.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland Biotechnology Institute (\$ in Thousands)

Fiscal 2009	General Fund	Special Fund	Federal Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Legislative Appropriation	\$20,752	\$0	\$0	\$10,595	\$31,347	\$14,673	\$46,020
Deficiency Appropriation	0	0	0	0	0	1,000	1,000
Budget Amendments	234	0	0	-557	-323	1,227	904
Cost Containment	-556	0	0	0	-556	0	-556
Reversions and Cancellations	0	0	0	-1	-1	-1,128	-1,129
Actual Expenditures	\$20,430	\$0	\$0	\$10,037	\$30,467	\$15,772	\$46,239
Fiscal 2010							
Legislative Appropriation	\$21,026	\$0	\$0	\$10,043	\$31,069	\$15,891	\$46,960
Cost Containment	-205	0	0	-252	-457	0	-457
Budget Amendments	-278	0	0	437	159	1,009	1,168
Working Appropriation	\$20,543	\$0	\$0	\$10,228	\$30,771	\$16,900	\$47,671

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

Fiscal 2009

For fiscal 2009, general funds for University of Maryland Biotechnology Institute declined a net \$0.3 million through budget amendments. This included \$0.2 million increase for the State employee COLA and a decrease of \$0.5 million for cost containment. Other unrestricted funds declined by a total of \$0.5 million through a budget amendment which included an increase of \$1.3 million in miscellaneous income. Decreases included:

- \$0.8 million transfer to the fund balance;
- \$0.7 million in indirect cost recovery; and
- \$0.3 million in sales and services of educational activities.

Restricted funds increased \$2.2 million which included a \$1.0 million deficiency appropriation for expenditures associated with contracts and grants activity and a budget amendment for \$1.2 million in contract and grant activity and miscellaneous income.

Cancellations of unrestricted funds totaled \$1,062 due to lower than anticipated investment income revenue. Cancellations of restricted funds totaled \$1.1 million due to State funded equipment grant being spent out in fiscal 2008.

Fiscal 2010

For fiscal 2010, general funds declined by a total of \$0.5 million through budget amendments and cost containment. Decreases included \$0.2 million for cost containment measures and \$0.3 million from a University System of Maryland (USM) reallocation of general funds among USM institutions. Other current unrestricted funds increased a net \$0.2 million through a budget amendment and cost containment. Increases included \$0.6 million from indirect cost recovery, \$0.2 million in the sales and services of educational activities, and \$0.2 million due to a transfer from the fund balance. Decreases included \$0.6 million in miscellaneous income and \$0.2 million in cost containment related to furlough savings.

Audit Findings – University of Maryland Biotechnology Institute

Audit Period for Last Audit:	February 3, 2006 – June 30, 2009
Issue Date:	January 2010
Number of Findings:	2
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: UMBI inaccurately reported to the legislative budget committees that statewide indirect cost recoveries totaling approximately \$113,000 were reverted to the State general fund.

Finding 2: Employee timesheets were not always approved by supervisors.

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

**Object/Fund Difference Report
USM – University System of Maryland Office**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	376.45	367.45	351.45	-16.00	-4.4%
02 Contractual	43.60	43.10	43.10	0	0%
Total Positions	420.05	410.55	394.55	-16.00	-3.9%
Objects					
01 Salaries and Wages	\$ 39,349,638	\$ 39,079,838	\$ 37,482,696	-\$ 1,597,142	-4.1%
02 Technical and Spec. Fees	183,900	7,010	7,010	0	0%
03 Communication	910,075	819,162	667,584	-151,578	-18.5%
04 Travel	604,761	533,146	422,380	-110,766	-20.8%
06 Fuel and Utilities	4,846,896	5,475,013	5,475,013	0	0%
07 Motor Vehicles	122,169	169,188	166,913	-2,275	-1.3%
08 Contractual Services	19,421,934	21,626,921	20,291,969	-1,334,952	-6.2%
09 Supplies and Materials	3,472,546	3,759,830	3,425,311	-334,519	-8.9%
11 Equipment – Additional	690,433	1,222,553	1,222,553	0	0%
12 Grants, Subsidies, and Contributions	1,254,327	1,197,119	1,175,136	-21,983	-1.8%
13 Fixed Charges	873,520	1,113,181	2,122,436	1,009,255	90.7%
14 Land and Structures	279,828	600,000	600,000	0	0%
Total Objects	\$ 72,010,027	\$ 75,602,961	\$ 73,059,001	-\$ 2,543,960	-3.4%
Funds					
40 Unrestricted Fund	\$ 54,394,098	\$ 54,706,445	\$ 53,159,001	-\$ 1,547,444	-2.8%
43 Restricted Fund	17,615,929	20,896,516	19,900,000	-996,516	-4.8%
Total Funds	\$ 72,010,027	\$ 75,602,961	\$ 73,059,001	-\$ 2,543,960	-3.4%

Note: The fiscal 2010 appropriation does not include deficiencies.

Fiscal Summary
USM – University System of Maryland Office

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
02 Money from UMBI Restructuring	\$ 46,239,481	\$ 47,672,120	\$ 45,810,998	-\$ 1,861,122	-3.9%
04 Academic Support	9,821,506	9,495,839	9,529,841	34,002	0.4%
06 Institutional Support	15,949,040	18,435,002	17,718,162	-716,840	-3.9%
Total Expenditures	\$ 72,010,027	\$ 75,602,961	\$ 73,059,001	-\$ 2,543,960	-3.4%
Unrestricted Fund	\$ 54,394,098	\$ 54,706,445	\$ 53,159,001	-\$ 1,547,444	-2.8%
Restricted Fund	17,615,929	20,896,516	19,900,000	-996,516	-4.8%
Total Appropriations	\$ 72,010,027	\$ 75,602,961	\$ 73,059,001	-\$ 2,543,960	-3.4%

Note: The fiscal 2010 appropriation does not include deficiencies.