R30B36
University System of Maryland Office
University System of Maryland

Operating Budget Data

($ in Thousands)

	FY 10 Actual	FY 11 Working	FY 12 Allowance	FY 11-12 Change	% Change Prior Year
General Funds	$22,136	$18,609	$18,328	-$281	-1.5%
Contingent & Back of Bill Reductions	0	0	-126	-126	
Adjusted General Fund	**$22,136**	**$18,609**	**$18,202**	**-$407**	**-2.2%**
Special Funds	0	721	1,002	281	38.9%
Adjusted Special Fund	**$0**	**$721**	**$1,002**	**$281**	**38.9%**
Other Unrestricted Funds	5,390	5,262	4,762	-500	-9.5%
Contingent & Back of Bill Reductions	0	0	-6	-6	
Adjusted Other Unrestricted Fund	**$5,390**	**$5,262**	**$4,756**	**-$506**	**-9.6%**
Total Unrestricted Funds	27,526	24,592	24,092	-500	-2.0%
Contingent & Back of Bill Reductions	0	0	-132	-132	
Adjusted Total Unrestricted Funds	**$27,526**	**$24,592**	**$23,960**	**-$632**	**-2.6%**
Restricted Funds	2,681	3,000	3,000	0	
Contingent & Back of Bill Reductions	0	0	-11	-11	
Adjusted Restricted Fund	**$2,681**	**$3,000**	**$2,989**	**-$11**	**-0.4%**
Adjusted Grand Total	**$30,207**	**$27,592**	**$26,949**	**-$643**	**-2.3%**

- General funds for the University System of Maryland Office (USMO) decline $0.4 million, or 2.2%, in the fiscal 2012 allowance after adjusting for $0.1 million in health insurance and retirement savings. However, when accounting for the $0.3 million increase in the Higher Education Investment Fund, State funds decline 0.7%, or $0.1 million.

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

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Personnel Data

	FY 10 Actual	FY 11 Working	FY 12 Allowance	FY 11-12 Change
Regular Positions	120.00	104.00	104.00	0.00
Contractual FTEs	8.00	7.00	7.00	0.00
Total Personnel	**128.00**	**111.00**	**111.00**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.68	2.58%
Positions and Percentage Vacant as of 12/31/10	7.00	6.70%

- The fiscal 2012 allowance does not allow any new regular positions.

Analysis in Brief

Major Trends

Growth Rate of Community College Transfers Slows: From fiscal 2005 to 2007, the number of transfers grew on average 6.2%, while from fiscal 2007 to 2009 the rate of growth slowed to an average of 2.7%.

Regional Centers Enrollment Continue to Grow: Enrollment at the Universities of Shady Grove increased 25.0% in fiscal 2010 with the University of Maryland, College Park and University of Maryland, Baltimore accounting for 63.8% of the growth. Enrollment at the University System of Maryland at Hagerstown grew 13.0% with the majority of students enrolled in programs offered by Frostburg State University or Towson University.

Issues

Maryland Longitudinal Data System: Chapter 190 of 2010 established a Maryland Longitudinal Data System (LDS) center to link all the data necessary to analyze student performance from pre-K through college and the workplace. To help ensure the rapid development of the LDS center, a memorandum of understanding between the University System of Maryland (USM), the LDS governing board, and the Maryland State Department of Education was developed giving USM immediate administrative oversight of the creation of the center.

Improving Responsiveness to Legislative Audits: USMO submitted a report in response to 2010 *Joint Chairmen's Report* language detailing procedures that have been implemented to improve USM's response to Office of Legislative Audit (OLA) findings and measures to improve the flow of information regarding audit findings ensuring the Board of Regents, Chancellor, and institutions are aware of significant issues raised by OLA and are acted upon in a timely manner.

Fundraising Campaign Update: USM institutions have raised 91% of the funds needed to reach the goal of $1.7 billion by 2012.

Recommended Actions

1. Add language that would reduce the general funds.

Updates

Growing by Degrees: The "Growing by Degrees" initiative, coordinated by USM, is a statewide partnership of public and private colleges and universities to redesign entry-level, large lecture courses, which typically have high costs and failure rates. The goal is to improve student learning outcomes and reduce instructional costs. Nine proposals were received for the 2010-2011 funding cycle, of which eight have been funded.

Carnegie Course Redesign 2: Building on the success of the first course redesign initiative, USM launched the Carnegie Course Redesign 2 (CR2). CR2 establishes three cohorts which will run on a yearly cycle with additional courses being added each year. Awards for Cohort 1 have tentatively been awarded.

Performance of USM Endowment: Endowment assets under management as of December 31, 2010, totaled $764.9 million, of which approximately $33.1 million were assets of the six community colleges. Overall, the foundation's preliminary investment return from July 1 to December 31, 2010, was 11.7%.

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, two regional higher education centers, and one 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.

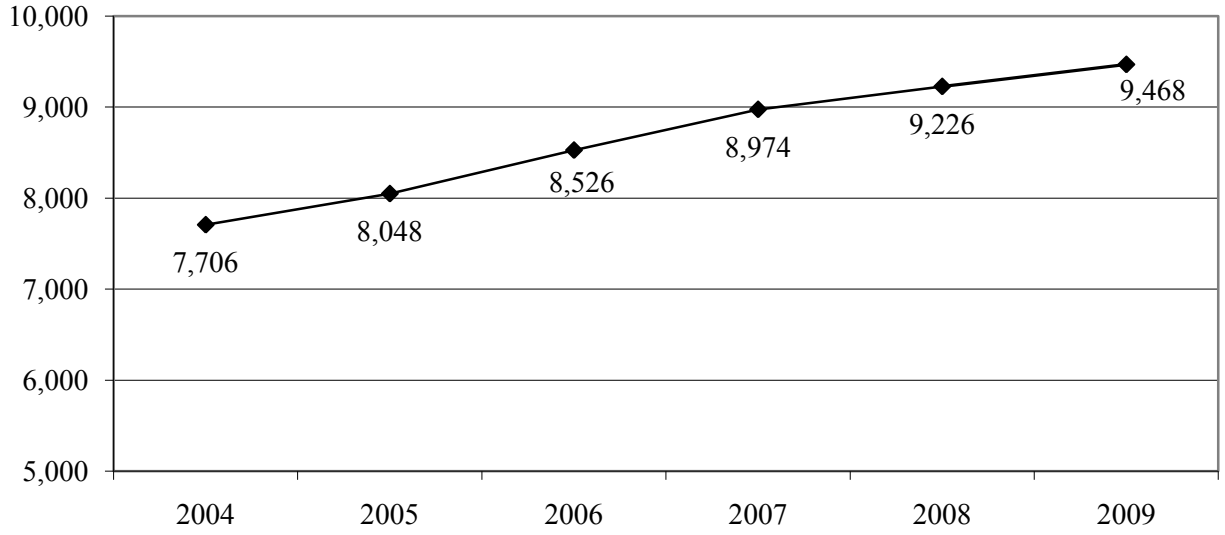
Performance Analysis: Managing for Results

Growth Rate of Community College Transfers Slows

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. In fiscal 2009, 18,629 students transferred to a USM institution, representing 17% of all undergraduate students attending USM institutions. Of these students, 9,468 came from a Maryland community college.

While the number of students transferring from Maryland community colleges continues to increase, the rate of growth has slowed, as shown in **Exhibit 1**. From fiscal 2004 to 2007, the number of transfers grew, on average, 5.2%, while from fiscal 2007 to 2009 the rate of growth slowed to an average of 2.7%. Approximately three quarters of transfers came from six community colleges:

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



USM: University System of Maryland

Source: Governor's Budget Books, Fiscal 2012; University System of Maryland

Montgomery College; Community College of Baltimore County; Anne Arundel Community College; Prince George's Community College; Howard Community College; and College of Southern Maryland. Five USM institutions enrolled 86% of all Maryland community college transfers: 2,301 at University of Maryland University College (UMUC); 1,889 at Towson University (TU), 1,658 at the University of Maryland, College Park (UMCP); 1,059 at the University of Maryland Baltimore Country (UMBC); and 793 at the University of Baltimore (UB).

In fiscal 2009, 80% of the transfer students entered a USM institution with a sophomore or junior status. Of these students, 24% enrolled in a business and management program followed by social sciences (12%), computer and information science (8%), education (7%), and health professions (7%).

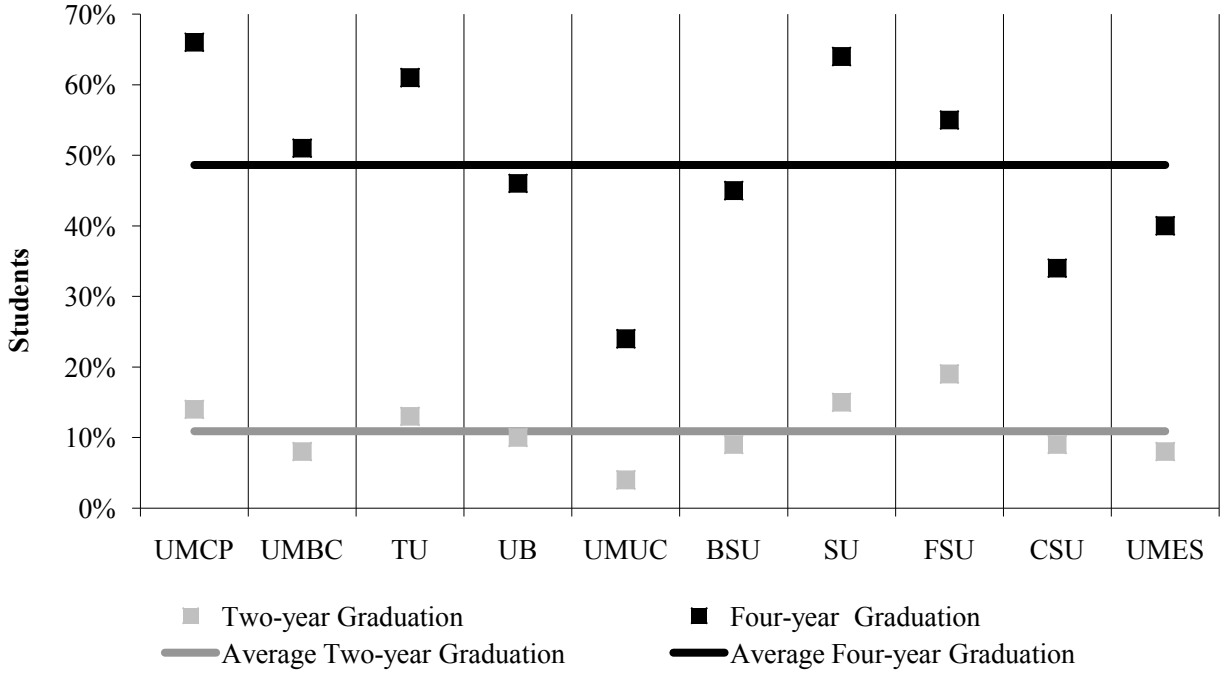
USM is conducting a study of those students who transferred from a community college to a USM institution during fiscal 2008 to 2010. Key findings from the study include that 63% of approximately 25,000 transfer students did not earn a degree or certificate from a community college, and of those students, 26% needed less than a semester of credit work to earn an associate's degree. Also, the older the student, the more likely they are to transfer to a USM institution with a degree.

Of the transfer students who enrolled in fiscal 2006, 49% graduated within four years. **Exhibit 2** shows the two- and four-year graduation rates of community college transfer students which are equivalent to the four- and six-year rates of first-time, full-time freshmen. Frostburg State University (FSU) has the highest two-year rate at 19% while UMUC has the lowest rate at 4%. Four institutions (UMCP, TU, Salisbury University (SU), and FSU) exceeded the unweighted two-year average of 10.9%. UMCP has the highest four-year rate at 66% while UMUC has the lowest rate at 24%. While the two-year graduation rate at UMBC fell below the average at 8%, its six-year rate of 51% exceeds the unweighted average of 48.6%.

Exhibit 2

USM Undergraduate Transfer Student Two- and Four-year Graduation Rates

Fiscal 2009



BSU: Bowie State University
CSU: Coppin State University
FSU: Frostburg State University
SU: Salisbury University
TU: Towson University
UB: University of Baltimore
UMBC: University of Maryland Baltimore County
UMCP: University of Maryland, College Park
UMES: University of Maryland Eastern Shore
USM: University System of Maryland

Source: University System of Maryland, *Transfer Students to the University System of Maryland*, June 2010

Regional Centers Enrollments Continue to Grow

Access to USM institutions is also provided through two regional higher education centers operated by USM: the Universities of Shady Grove (USG) and the University System of Maryland at Hagerstown (USMH). Total full-time equivalent student (FTES) enrollments at the centers are

shown in **Exhibit 3**. Enrollment at USG increased 25.0% in fiscal 2010 with UMCP and the University of Maryland, Baltimore (UMB) accounting for 63.8% of the growth. Enrollment in SU's respiratory therapy program, which was first offered in fiscal 2009, increased 145.2%, or 13.5 FTES. Overall, students enrolled in UMCP's programs account for 44.7% of the total enrollment followed by UMB and UMUC each comprising 16.7% of total FTES.

Exhibit 3
USM Regional Higher Education Centers
Full-time Equivalent Student Enrollment
Fiscal 2005-2010

Universities at Shady Grove

	2005	2006	2007	2008	2009	2010
Bowie State University	13.0	13.8	12.5	10.3	14.4	15.3
Salisbury University					9.3	22.8
Towson University	62.8	69.2	79.5	70.1	97.5	108.8
Univ. of Baltimore			12.1	37.0	43.6	61.7
Univ. of Maryland, Baltimore	146.1	142.7	152.9	188.3	264.4	371.9
Univ. of Maryland Baltimore County	90.4	109.6	111.9	135.2	175.5	215.0
Univ. of Maryland, College Park	473.7	529.4	628.9	646.0	818.5	995.8
Univ. of Maryland Eastern Shore	32.2	33.6	34.8	38.0	48.2	66.7
Univ. of Maryland University College	372.9	293.3	301.5	288.2	312.4	372.2
Total	**1,191.1**	**1,191.6**	**1,334.1**	**1,413.1**	**1,783.8**	**2,230.2**

University System of Maryland at Hagerstown

	2005*	2006	2007	2008	2009	2010
Frostburg State University	74.4	174.3	167.0	194.9	186.9	193.6
Salisbury University	0.0	0.0	0.0	8.6	20.2	28.5
Towson University	0.0	0.0	14.2	30.1	32.7	47.7
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	1.1
Univ. of Maryland University College	0.0	4.5	3.1	0.4	5.6	8.0
Total	**74.4**	**183.7**	**185.5**	**236.0**	**246.9**	**278.9**

USM: University System of Maryland

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

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

In fiscal 2010, enrollment at USMH grew 13.0%, or 32.0 FTES. The majority of students were enrolled in programs offered by FSU or TU, with 69.4 and 17.1%, respectively. Enrollment in TU's nursing program increased 45.9%, due to the addition of new cohorts. TU renewed its memorandum of understanding (MOU) with USMH for an additional three years with USMH continuing to provide TU with $100,000 per year to support its nursing program. Additionally, UMCP, in collaboration with FSU, is offering a doctorate in education degree (EdD) in educational leadership for which USMH is providing a total of $50,000 over two years to UMCP as incentive funding to help defray the cost of bringing the program to Hagerstown. The intent is within the next two years FSU will take over the program and continue to offer it at USMH and FSU. The first cohort of 14 students started in fall 2010.

Proposed Budget

The general fund allowance for fiscal 2012 is $0.4 million lower than fiscal 2011, a decrease of 2.2%, after adjusting for health insurance and retirement savings of $0.1 million, as shown in **Exhibit 4**. However, when accounting for the Higher Education Investment Fund (HEIF) increase of $0.3 million, the overall decline in State funds is $0.1 million from fiscal 2011. The decline of $0.5 million in other unrestricted funds is related to the reorganization of the University of Maryland Biotechnology Institute (UMBI). USMO retained former UMBI staff in fiscal 2011 to assist with fiscal year close out of UMBI.

Exhibit 4
Proposed Budget
University System of Maryland Office
($ in Thousands)

	FY 2010 Actual	FY 2011 Working	FY 2012 Adjusted	FY 2011-12 Change	% Change Prior Year
General Funds	$22,136	$18,609	$18,202	-$407	-2.2%
HEIF		721	1,002	281	38.9%
Total State Funds	22,136	19,330	19,204	-126	-0.7%
Other Unrestricted Funds	5,390	5,262	4,756	-506	-9.6%
Total Unrestricted Funds	27,526	24,592	23,960	-632	-2.6%
Restricted Funds	2,681	3,000	2,989	-11	-0.4%
Total Funds	**$30,207**	**$27,592**	**$26,949**	**-$643**	**-2.3%**

HEIF: Higher Education Investment Fund

Note: Fiscal 2012 general funds are adjusted by $0.1 million; other unrestricted funds by $6,342; and restricted funds by $11,242 to reflect across-the-board reductions. Numbers may not sum to total due to rounding.

Source: Governor's Budget Books, Fiscal 2012

As shown in **Exhibit 5**, the fiscal 2012 allowance provides the USMO $24.0 million in current unrestricted funds which includes $18.3 million of general funds and $1.0 million of HEIF. Of the remaining $4.7 million, $4.0 million are provided by USM institutions which include $1.4 million for the Board of Regents (BOR) audit initiative and $2.6 million for overhead.

Exhibit 5
University System of Maryland Office Budget and DLS Recommendation
Fiscal 2012

	State Support	DLS Recommendation Funding from Institutions
Office		
Chancellor's Office and Office of the Board	$1,655,063	$0
Academic Affairs	1,263,578	785,971
Administration and Finance	4,334,026	3,856,419
Information Technology	2,069,562	1,591,955
Advancement and Public Relations	920,157	442,550
Communications and Media Relations	515,121	37,514
Government Relations	480,085	2,478
Internal Audit	2,376,187	936,939
Facilities Operation and Maintenance	884,571	406,964
Sustainability	19,350	19,350
USM Hagerstown	1,891,592	0
USM Shady Grove	7,260,990	0
Teacher Education	365,078	0
Total Budget	**$24,035,360**	**$8,080,140**
Revenues		
General Funds and HEIF	$19,329,764	
Funds from Institutions	3,935,340	
Other Revenues	840,256	
Transfer to Fund Balance	-70,000	
Total Revenues	**$24,035,360**	

DLS: Department of Legislative Services
HEIF: Higher Education Investment Fund
USM: University System of Maryland

Source: University System of Maryland Office; Department of Legislative Services

The budget includes $9.2 million for USG and USMH, $0.4 million for the teacher education program, and $9.8 million to support USMO operations which includes the Chancellor's Office, Academic Affairs, Administration and Finance, and Advancement and Public Relations. A majority of USMO's functions serve to benefit USM institutions such as providing central coordination of the operating and capital budgets, academic planning and accountability, and serving as a liaison with various stakeholders. Funding of these functions totals $8.1 million after accounting for the $4.0 million currently provided by the institutions and $0.8 million of other revenues. **Since USMO acts on behalf and for the direct benefit of the institutions, the Department of Legislative Services recommends USMO's fiscal 2012 general fund appropriation be reduced by $8,080,140, with institutions providing the funds to support its operations.** The Chancellor's office, USG, USMH, and the teacher education program serve not only the institutions but the State and, therefore, should continue to receive State funding.

Impact of Cost Containment

The fiscal 2012 budget reflects several across-the-board actions. In fiscal 2012, USMO's share of the reduction is $31,538 in general funds, $2,389 in other unrestricted funds, and $4,234 in restricted funds for changes in employee health insurance. Reductions contingent upon statutory change include $52,200 in general funds, $3,954 in other unrestricted funds, and $7,008 in restricted funds for retiree prescription drug benefits and $42,011 in general funds for retirement benefits.

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 created USG which included upper-level daytime undergraduate programs 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. Currently, nine USM institutions offer 39 undergraduate and 21 graduate programs.

USMH opened in January 2005 in downtown Hagerstown. The State bought the building for $10.00 from the City of Hagerstown and subsequently invested $15.4 million to renovate and equip the building. FSU provides management and administrative support with the director reporting to the President of FSU. USMH offers classes during the weekdays, mainly in the evening with a majority of students enrolled in graduate programs. In 2010, five institutions offered 12 undergraduate and 7 graduate programs.

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.

The proposed fiscal 2012 budgets for USG and USMH are shown in **Exhibit 6**. In general, increases in salaries and wages are primarily related to restoring cost containment reductions made in fiscal 2011. Overall, USG's total budget increases $60,000, or 0.4%, over fiscal 2011. General funds remain at the fiscal 2011 level of $7.3 million which accounts for 53.5% of USG's revenues. USG also receives funding for enrollment growth from those institutions, such as UMCP, whose enrollment is expected to increase at USG, although this has remained at $3.3 million since fiscal 2009.

As with USG, general funds in the fiscal 2012 allowance for USMH remain at the fiscal 2011 level of $1.9 million. Revenues from other non-State supported sources including rental and testing increase 30.5%, to $65,234 in fiscal 2012 reflecting anticipated rental income. Overall, total revenues increase $15,234, or 0.8%, over fiscal 2011.

Exhibit 6
Proposed Budget
USM Regional Higher Education Centers

Universities at Shady Grove

	FY 2010 Actual	FY 2011 Budgeted	FY 2012 Estimate	FY 2011-12 Change	% Change Prior Year
Expenditures					
Salaries and Wages	$4,943,000	$4,940,000	$5,094,000	$154,000	3.1%
Operating Expenses	8,492,160	8,573,990	8,479,990	-94,000	-1.1%
Total Operating Expenses	**$13,435,160**	**$13,513,990**	**$13,573,990**	**$60,000**	**0.4%**
State Supported Revenues					
General Funds	$7,247,160	$7,260,990	$7,260,990	$0	0.0%
Enrollment Funding Initiative	3,263,000	3,263,000	3,263,000	0	0.0%
Institutional Partners Classroom and Office Fees	660,000	670,000	675,000	5,000	0.7%
Student Technology Fee	138,000	145,000	152,000	7,000	4.8%
Other Usage Revenue (copier, postage, etc.)	319,000	315,000	315,000	0	0.0%
Total State Supported Revenues	**$11,627,160**	**$11,653,990**	**$11,665,990**	**$12,000**	**0.1%**
Non-State Supported					
Student Fees	$926,000	$960,000	$1,008,000	$48,000	9.7%
Conference Center Revenues	860,000	900,000	900,000	0	0.0%
Transfer to Fund Balance	22,000	0	0		
Total Non-State Supported Revenues	**$1,808,000**	**$1,860,000**	**$1,908,000**	**$48,000**	**2.6%**
Total Revenues	**$13,435,160**	**$13,513,990**	**$13,573,990**	**$60,000**	**0.4%**

University System of Maryland at Hagerstown

	FY 2010 Actual	FY 2011 Budgeted	FY 2012 Estimate	FY 2011-12 Change	% Change Prior Year
Expenditures					
Salaries and Wages	$561,980	$583,050	$598,284	$15,234	2.6%
Operating Expenses	1,353,307	1,358,542	1,358,542	0	0.0%
Total Operating Expenses	**$1,915,287**	**$1,941,592**	**$1,956,826**	**$15,234**	**0.8%**
State Supported Revenues					
General Funds	$1,884,905	$1,891,592	$1,891,592	$0	0.0%
Higher Education Investment Fund	0	0	0		
Total State Funds	**$1,884,905**	**$1,891,592**	**$1,891,592**	**$0**	**0.0%**
Non-State Supported					
Rental, Testing, and Other	68,023	50,000	65,234	15,234	30.5%
Transfer to Fund Balance	-37,641	0	0	0	
Total Revenues	**$1,915,287**	**$1,941,592**	**$1,956,826**	**$15,234**	**0.8%**

USM: University System of Maryland

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

Issues

1. Maryland Longitudinal Data System

In August 2010, Maryland was awarded a four-year $250 million federal Race to the Top Grant. Of this amount, $47 million is to fund improvements in the State's data capabilities and includes $5 million for the creation of the Maryland Longitudinal Data System (LDS) Center. The LDS will be a statewide data warehouse containing longitudinal data associated with the P-20 (pre-K through graduate school and/or the workforce) initiative. This will require the integration of three existing data systems, each having different architectures. The LDS will enable data to be extracted from these systems and placed in the warehouse where it can be compared and analyzed so education stakeholders can make informed decisions to improve the quality of education.

Chapter 190 of 2010 established a Maryland Longitudinal Data System Center to link all the data necessary to analyze student performance from pre-K through college and the workplace. The center will rely on fully functioning data systems to be developed and maintained by several agencies – Maryland State Department Education (MSDE) for preK-12 data, the Maryland Higher Education Commission (MHEC) for post-secondary data, and the Department of Labor, Licensing, and Regulation for workforce data. Chapter 190 requires the center to be fully operational by December 31, 2014.

Chapter 190 of 2010 also established the governing board, which is charged with creating the center including determining the center's location, developing an implementation plan, and seeking other sources of funding. The board is comprised of 11 members appointed by the Governor with the Chancellor of USM serving as chair of the board.

The board issued a request for information to gather information on the nature and quality of instructional data support services that may be available locally and nationally. The results will be used to help develop the request for proposals. A temporary project manager has been hired to complete the technical and data architecture of the project. To help ensure the rapid development of the LDS center, an MOU has been developed between USM, the governing board, and MSDE giving USM immediate administrative oversight of the creation of the center.

According to the MOU, USM will submit projects for approval to the governing board and seek final approval from MSDE. The Department of Information Technology (DoIT) is responsible for oversight of information technology matters across all State agencies. Since the LDS is funded through MSDE, it requires approval from DoIT. However, an information technology project request has not been submitted to DoIT.

The Chancellor should comment on the role of USM in the development of LDS and USM's overall involvement and participation in the implementation and management of the LDS center. The Chancellor should also comment on when the project will be submitted to DoIT for approval.

2. Improving Responsiveness to Legislative Audits

The General Assembly added language to the fiscal 2011 budget bill restricting $250,000 of USMO's appropriations until the USM BOR submits a report detailing how it will improve USM's response to audit findings reported by the Office of Legislative Audits (OLA). The report should describe how USM and the BOR will be more proactive when they receive OLA's preliminary findings and how information will be shared among the Regents, chancellor, and USM institutions.

USMO submitted a report on August 10, 2010, detailing procedures that have been implemented to improve USM's response to OLA findings and measures to improve the flow of information regarding audit findings ensuring the BOR, chancellor, and institutions are aware of significant issues raised by OLA and are acted upon in a timely manner.

The BOR, which is comprised of 17 members, including a full-time student and the State Secretary of Agriculture (*ex officio*), has five standing committees including the Audit and Institutional Assessment Committee (BOR Audit). The BOR Audit is responsible for overseeing the outcomes of internal and external audits, as well as those conducted by OLA. The committee is comprised of eight regents, including the chairman of the BOR who is an *ex officio* member. Furthermore, USM maintains a central Internal Audit Office which reports and is accountable to BOR Audit. Administratively, Internal Audits reports to the Chancellor and is responsible for reviewing financial and operating activities, analyzing internal control structures and procedures, and recommending corrective measures.

Under previous practice, USMO requested a status report from the President on the institution's efforts to resolve any audit findings six months after the release of OLA's report. This report was forwarded to Internal Audits which would assess the institution's progress toward resolving the findings within 45 days after receipt of the report.

Actions Taken to Audit Findings

In order to improve an institution's responsiveness to findings, a status report is now required four months after the release of an OLA audit. Institutions must provide quarterly reports on the status of all findings that have not been resolved as determined by the follow-up work conducted by Internal Audits. Quarterly reports are required until all findings are resolved. Additionally, OLA audit updates are now a permanent agenda item at each meeting of BOR Audit. Furthermore, greater emphasis has been placed on eliminating repeat findings. Presidents are being held more accountable for findings and an objective of limiting repeat findings is now part of their annual performance evaluation.

Responding to Preliminary Findings

Procedures are in place to improve USM's responsiveness to OLA preliminary findings, also known as discussion notes. USM's Comptroller and Internal Audits have been directed by the Chancellor and BOR Audit to develop an early warning system identifying those preliminary OLA

findings that involve fraud, serious violations of BOR policies and State and/or federal laws, or result in negative outcomes. The Comptroller and Internal Audits will investigate those findings to determine the nature and the extent it warrants of further investigation including referral to the Office of the Attorney General.

Furthermore, within a week of the discussion notes release, the chairs of the BOR and BOR Audit and the Chancellor will be provided with a summary analysis of the discussion notes, highlighting findings of significant interest. After the exit conference and upon release of the draft and final OLA audit reports, a summary will be provide to the Chancellor and the chair of BOR Audit.

The Chancellor should provide a status on the newly implemented procedures and comment on the role of USM's Internal Audit Office and its ability to assure to the BOR the adequacy of internal controls and compliance of laws, regulations, and policies.

3. Fundraising Campaign Update

USM's fundraising campaign started in fiscal 2005 with a goal of raising $1.7 billion. **Exhibit 7** summarizes the funds raised since fiscal 2005. In fiscal 2010, total contributions fell for a second year, declining $12.6 million, or 5.4%, from fiscal 2009, which is not unexpected given the continuing downturn in the economy.

UMBC exceeded its goal of $100.0 million by $10.2 million, and SU raised $1.4 million over its target of $35.0 million. Coppin State University has only raised 38% of the funds needed to reach its goal of $15.0 million. UMCP has raised 78% of the funds needed to reach its target of $1.0 billion. Overall, USM institutions have raised 91% of the funds, or $1.6 billion, needed to reach the goal of $1.7 billion by 2012.

Exhibit 7
USM Institutional Fundraising
Fiscal 2005-2011
($ in Thousands)

	2005	2006	2007	2008	2009	2010	2011 as of 12/31/10	Campaign Goal	Total Raised as of 12/31/10	% of Goal
UMB	$53,009	$58,811	$65,967	$68,730	$80,429	$75,701	$41,486	$650,000	$444,674	68%
UMCP	123,881	131,940	121,930	129,223	115,204	106,469	45,433	1,000,000	782,304	78%
UMBC	13,310	14,095	20,569	13,435	10,344	7,730	4,685	100,000	110,159	110%
UB	6,849	5,370	3,049	9,718	2,399	9,167	2,172	40,000	38,092	95%
UMUC	5,202	990	1,773	4,784	7,186	1,612	2,656	26,000	24,203	93%
TU	13,629	5,070	6,063	6,477	7,039	6,861	2,237	50,000	47,203	94%
BSU	470	263	1,160	1,160	2,015	1,341	362	15,000	7,672	51%
SU	1,591	13,853	12,883	3,801	2,730	5,440	5,236	35,000	36,380	104%
FSU	1,604	1,093	2,591	1,979	2,788	3,283	1,255	15,000	14,372	96%
UMES	3,476	1,004	901	2,827	1,706	1,188	3,077	14,000	14,003	100%
CSU	1,730	348	464	676	1,053	1,103	364	15,000	5,739	38%
UMCES	361	210	2,395	516	726	1,472	354	8,000	6,151	77%
UMBI	2,194	3,156	1,238	10,639	20	n/a	n/a	n/a	17,251	
USMO	239	266	123	3,454	303	1,022	253	n/a	5,733	
USM Total	**$227,545**	**$236,469**	**$241,106**	**$257,419**	**$233,942**	**$221,367**	**$109,570**	**$1,700,000**	**$1,553,936**	**91%**

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 Center 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

Source: University System of Maryland

Recommended Actions

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

   , provided that the appropriation herein for the University System of Maryland Office shall be reduced by $8,080,140. Authorization is hereby provided to process a current unrestricted fund budget amendment up to $8,080,140 to replace general funds.

   Explanation: A majority of University System of Maryland Office's (USMO) functions serve to benefit University System of Maryland institutions such as providing central coordination of the operating and capital budgets, academic planning and accountability, and serving as a liaison with various stakeholders. Funding of these functions totals $8.1 million after accounting for the $4.0 million currently provided by the institutions and $0.8 million in other revenues. Since USMO acts on behalf and for the direct benefit of the institutions, this action reduces USMO's fiscal 2012 general fund appropriation by $8,080,140, with institutions providing the funds to support its operations. This reduction will be made in R75T00, Support for State Operated Institutions for Higher Education, but is shown here for discussion purposes. The Chancellor's office, the Universities at Shady Grove, the University System of Maryland at Hagerstown, and the teacher education program serve not only the institutions but the State and, therefore, should continue to receive State funding.

Updates

1. Growing by Degrees

In November 2009, Maryland was one of seven states chosen by the Lumina Foundation to receive up to $1 million over a four-year period for productivity efforts. The "Growing by Degrees" initiative is a statewide partnership of public and private colleges and universities to redesign entry-level, large lecture courses, which typically have high costs and failure rates. The goal is to improve student learning outcomes and reduce instructional costs. The partnership, coordinated by USM, includes MHEC, Morgan State University, St. Mary's College of Maryland, the Maryland Association of Community Colleges, and the Maryland Independent College and University Association.

During the first year of the program, a total of $40,000 ($20,000 grant award and $20,000 institutional match) will be provided to support the redesign efforts of up to 10 courses. A priority will be placed on developmental education courses in mathematics and other "bottleneck" courses institutions have identified as posing challenges to student retention and progression. Nine proposals were received for the 2010-2011 funding cycle of which eight have been funded, as shown in **Exhibit 8**.

Exhibit 8
Lumina Grant Recipients

Institution	Course	Award Amount
Allegany Community College	Beginning Algebra	$20,000
Chesapeake Community College[1]	Pre-Algebra Arithmetic	TBA
Community College of Baltimore County	Basic Math	$20,000
Montgomery Community College	Chemistry I	$20,000
Prince George's Community College	Fundamental Arithmetic	$20,000
Stevenson University	Microsoft Office Applications	$20,000
St. Mary's College of Maryland	Principles of Biology I	$20,000
University of Maryland Eastern Shore	Intermediate Algebra	$20,000
Wor-Wic Community College	English	$20,000

[1]Submitting a revised proposal on February 11, 2011. A funding decision has not yet been determined.

Source: University System of Maryland Office

2. Carnegie Course Redesign 2

Building on the success of the first course redesign initiative, USM launched the Carnegie Course Redesign 2 (CR2) funded by $500,000 from the Carnegie Foundation and $1.8 million from fundraising efforts. In order to provide for long-term integration of course redesign into institutional planning, CR2 establishes three cohorts which will run on a yearly cycle with additional courses being added each year. Awards for Cohort 1, in which pilot courses are targeted to be offered in fall 2011 and be fully implemented by spring 2012, have tentatively been awarded, as shown in **Exhibit 9**. The initiative will focus on those courses which have been traditionally taught in a lecture format to large groups of students. As with the first round of course redesign USM will award $20,000 per course through a competitive process. In addition, institutions are required to provide a $20,000 match.

Exhibit 9
Carnegie Course Redesign 2

Received Funding Under Early Start Program

Institution	Course	
University of Maryland Baltimore County	PSYC 200	Developmental Psychology
University of Maryland Eastern Shore	CHEM 112	Principles of Chemistry II

Received Tentative Awards Under Cohort 1

Bowie State University	PSYC 1010	General Psychology
Frostburg State University	CMST 102	Introduction to Human Communications
Salisbury University	PSYC 101	General Psychology
	PHEC 106	Personalized Health and Fitness
University of Baltimore	IDIS 302	Ethical Issues in Business and Society
University of Maryland Eastern Shore	ARTS 1010	Exploration of Visual Arts
	PSYC 200	Introduction to Psychology
	BIOL 111	Principles of Biology I
	MATH 109	College Algebra
University of Maryland, College Park	MATH 115	Pre-Calculus

Source: University System of Maryland Office

3. Performance of USM Endowment

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 SU. The foundation also invests funds for six community colleges.

Endowment assets under management as of December 31, 2010, totaled $764.9 million, of which approximately $33.1 million were assets of the six community colleges. Total endowment assets under management as of June 30, 2010, were approximately $678.4 million. Overall, the foundation's preliminary investment return from July 1 to December 31, 2010, was 11.7%. For fiscal 2010, the endowment fund earned a total return of 13.6%, net of fees and expenses.

Appendix 1

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Fiscal 2010							
Legislative Appropriation	$19,731	$0	$0	$4,633	$24,364	$3,997	$28,360
Deficiency Appropriation	0	0	0	0	0	0	0
Budget Amendments[1]	2,789	0	0	2,461	5,250	-21	5,229
Cost Containment	-384	0	0	-235	-619	0	-619
Reversions and Cancellations[1]	0	0	0	-1,469	-1,469	-1,294	-2,763
Actual Expenditures	**$22,136**	**$**	**$**	**$5,390**	**$27,526**	**$2,681**	**$30,207**
Fiscal 2011							
Legislative Appropriation	$38,409	$0	$0	$13,951	$52,360	$19,900	$72,260
Budget Amendments	-19,800	721	0	-8,689	-27,768	-16,900	-44,668
Working Appropriation	**$18,609**	**$721**	**$0**	**$5,262**	**$24,592**	**$3,000**	**$27,592**

[1]Reflects inclusion of funds associated with the reallocation of the University of Maryland Biotechnology Institute's resources.

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

Fiscal 2010

For fiscal 2010, general funds for USMO declined $2.4 million through budget amendments and cost containment. Declines included $0.4 million in cost containment and $69,063 from a USM reallocation of funds among institutions. There was also an increase of $16,648 due to realignment of health insurance expenditures. Additionally, $2.8 million is associated with the reorganization of UMBI. Other unrestricted funds increased $2.2 million which included $2.2 million related to the UMBI reorganization, $0.2 million due to institutional contributions to the BOR audit initiative and $60,292 in funds from institutions for the University of Maryland Academic Telecommunications Systems. There was an offsetting $0.2 million decrease related to furlough savings.

Restricted funds declined $21,304 due to reduction in private gifts and contracts associated with the UMBI reorganization.

Cancellations of unrestricted funds amounted to $1.1 million due to the continuation of a hiring freeze and a reduction in operating expenditures in order to meet the fund balance transfer to the State. Cancellations of restricted funds totaled $1.3 million due to lower than anticipated contracts and grants expenditures.

Fiscal 2011

In order to facilitate the seamless transfer of UMBI resources to various USM institutions in fiscal 2011, all UMBI's resources were included in USMO's budget. A decline of $19.8 million in general funds is related to the UMBI reorganization. Special funds, or the HEIF, increased $0.7 million through a budget amendment as authorized in the fiscal 2011 budget bill. Other unrestricted funds decreased $8.7 million of which included increases of $0.3 million for the University of Maryland Academic Telecommunications Systems and $0.1 from institutions for overhead. Decreases, which are related to the reallocation of UMBI's resources, included:

- $3.7 million in federal contracts and grants;
- $3.1 million in the sales and services of educational activities;
- $1.2 million in miscellaneous income;
- $0.6 million in State contracts and grants; and
- $0.5 million in private gifts and grants.

Current restricted funds decrease $16.9 million due to the UMBI reorganization which included $11.5 million in federal grants and contracts, $3.5 million in State grants and contracts, and $1.9 million in private gifts and grants.

Appendix 2

Current and Prior Year Budgets

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

	General Fund	Special Fund	Federal Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Fiscal 2010							
Legislative Appropriation	$21,026	$0	$0	$10,043	$31,069	$15,891	$46,961
Deficiency Appropriation	0	0	0	0	0	0	0
Budget Amendments	-278	0	0	437	160	1,010	1,170
Cost Containment	-205	0	0	-252	-457	0	-457
Reversions and Cancellations	0	0	0	-6,606	-6,606	-3,728	-10,334
Actual Expenditures	**$20,543**	**$0**	**$0**	**$3,622**	**$24,166**	**$13,173**	**$37,339**
Fiscal 2011							
Legislative Appropriation	$0	$0	$0	$0	$0	$0	$0
Budget Amendments	0	0	0	0	0	0	0
Working Appropriation	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

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

Fiscal 2010

For fiscal 2010, general funds for UMBI declined $0.5 million through budget amendments and cost containment. Deceases included $0.2 million for cost containment and $0.3 million from a USM reallocation of general funds among institutions. Other unrestricted funds increased $0.2 million. Increases included:

- $0.6 million from indirect cost recovery;
- $0.2 million from the sales and services of educational activities, and
- $0.2 million transfer from the fund balance.

There were also decreases of $0.6 million in miscellaneous income and $0.2 million related to furlough savings.

Restricted funds increased $1.0 million from federal contract and grant activity.

Cancellations totaling $6.6 million of unrestricted funds and $3.7 million of restricted funds were related to the reorganization of UMBI. In fiscal 2010, two of UMBI's units were transferred to UMB and TU which resulted in expenditures being lower than anticipated.

Fiscal 2011

The reorganization of UMBI was completed at the beginning of fiscal 2011 with the reallocation of resources to various USM institutions. In order to facilitate a seamless transfer of UMBI's resources to institutions for fiscal 2011, UMBI's funds are reflected in the USMO budget.

Object/Fund Difference Report
University System of Maryland Office

Object/Fund	FY 10 Actual	FY 11 Working Appropriation	FY 12 Allowance	FY 11 - FY 12 Amount Change	Percent Change
Positions					
01 Regular	120.00	104.00	104.00	0.00	0%
02 Contractual	8.00	7.00	7.00	0.00	0%
Total Positions	**128.00**	**111.00**	**111.00**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 16,459,399	$ 12,867,903	$ 13,134,104	$ 266,201	2.1%
02 Technical and Spec. Fees	17,883	0	0	0	0.0%
03 Communication	656,155	557,522	596,083	38,561	6.9%
04 Travel	185,131	163,274	163,274	0	0%
07 Motor Vehicles	4,038	6,540	6,510	-30	-0.5%
08 Contractual Services	10,681,121	12,604,226	11,729,938	-874,288	-6.9%
09 Supplies and Materials	606,886	170,604	170,604	0	0%
11 Equipment – Additional	31,023	30,082	30,082	0	0%
12 Grants, Subsidies, and Contributions	730,257	786,746	786,746	0	0%
13 Fixed Charges	628,852	405,358	409,914	4,556	1.1%
14 Land and Structures	206,417	0	65,000	65,000	N/A
Total Objects	**$ 30,207,162**	**$ 27,592,255**	**$ 27,092,255**	**-$ 500,000**	**-1.8%**
Funds					
40 Unrestricted Fund	$ 27,525,857	$ 24,592,255	$ 24,092,255	-$ 500,000	-2.0%
43 Restricted Fund	2,681,305	3,000,000	3,000,000	0	0%
Total Funds	**$ 30,207,162**	**$ 27,592,255**	**$ 27,092,255**	**-$ 500,000**	**-1.8%**

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

Fiscal Summary
University System of Maryland Office

Program/Unit	FY 10 Actual	FY 11 Wrk Approp	FY 12 Allowance	Change	FY 11 - FY 12 % Change
02 Money from UMBI Restructuring	$ 4,654,831	$ 0	$ 0	$ 0	0%
04 Academic Support	9,538,589	9,517,660	9,452,660	-65,000	-0.7%
06 Institutional Support	16,013,742	18,074,595	17,639,595	-435,000	-2.4%
Total Expenditures	**$ 30,207,162**	**$ 27,592,255**	**$ 27,092,255**	**-$ 500,000**	**-1.8%**
Unrestricted Fund	$ 27,525,857	$ 24,592,255	$ 24,092,255	-$ 500,000	-2.0%
Restricted Fund	2,681,305	3,000,000	3,000,000	0	0%
Total Appropriations	**$ 30,207,162**	**$ 27,592,255**	**$ 27,092,255**	**-$ 500,000**	**-1.8%**

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.