

R30B24
Towson University
University System of Maryland

Operating Budget Data

(\$ in Thousands)

| | <u>FY 12</u> <u>Actual</u> | <u>FY 13</u> <u>Working</u> | <u>FY 14</u> <u>Allowance</u> | <u>FY 13-14</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|--|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| General Funds | \$86,262 | \$83,313 | \$93,044 | \$9,731 | 11.7% |
| Contingent & Back of Bill Reductions | 0 | 0 | -159 | -159 | |
| Adjusted General Fund | \$86,262 | \$83,313 | \$92,885 | \$9,572 | 11.5% |
| Special Funds | 4,662 | 8,541 | 6,571 | -1,971 | -23.1% |
| Adjusted Special Fund | \$4,662 | \$8,541 | \$6,571 | -\$1,971 | -23.1% |
| Other Unrestricted Funds | 273,826 | 286,988 | 296,129 | 9,141 | 3.2% |
| Adjusted Other Unrestricted Fund | \$273,826 | \$286,988 | \$296,129 | \$9,141 | 3.2% |
| Total Unrestricted Funds | 364,751 | 378,842 | 395,744 | 16,902 | 4.5% |
| Contingent & Back of Bill Reductions | 0 | 0 | -159 | -159 | |
| Adjusted Total Unrestricted Funds | \$364,751 | \$378,842 | \$395,585 | \$16,743 | 4.4% |
| Restricted Funds | 41,860 | 45,735 | 47,735 | 2,000 | 4.4% |
| Adjusted Restricted Fund | \$41,860 | \$45,735 | \$47,735 | \$2,000 | 4.4% |
| Adjusted Grand Total | \$406,611 | \$424,577 | \$443,320 | \$18,743 | 4.4% |

- General funds increase \$9.6 million, or 11.5%, in fiscal 2014 after adjusting for the \$0.2 million across-the-board reduction. However, when accounting for \$4.6 million in Budget Restoration Funds created during the 2012 special session, the general fund increases 5.7%, or \$5.0 million.
- The Higher Education Investment Fund increases 66.4%, or \$2.6 million. The overall growth in State funds is 8.3%, or \$7.6 million, above fiscal 2013.

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

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Personnel Data

| | <u>FY 12 Actual</u> | <u>FY 13 Working</u> | <u>FY 14 Allowance</u> | <u>FY 13-14 Change</u> |
|------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Regular Positions | 1,999.94 | 2,040.00 | 2,040.00 | 0.00 |
| Contractual FTEs | <u>923.00</u> | <u>920.50</u> | <u>920.50</u> | <u>0.00</u> |
| Total Personnel | 2,922.94 | 2,960.50 | 2,960.50 | 0.00 |

Vacancy Data: Regular Positions

| | | |
|---|--------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 64.26 | 3.15% |
| Positions and Percentage Vacant as of 12/31/12 | 102.50 | 5.00% |

- The allowance does not provide for any new regular or contractual positions.

Analysis in Brief

Major Trends

Second- and Third-year Retention Rates: The second-year rate of 84.7% with the 2009 cohort reached its highest level since the 2001 cohort but declined 1.1 percentage points to 83.6% with the 2010 cohort. Given the decline in the second-year rate of the 2010 cohort, it is expected that third-year rate will also decline for this cohort.

Four- and Six-year Graduation Rates: While the four-year rate steadily grew to 43% in 2009, it has declined to 39% in fiscal 2011 while that of its peers increased. In general, Towson University's (TU) six-year rate trended with the four-year rate: peaking at 73% in fiscal 2009 and then dropping 9 percentage points to 64% in fiscal 2011.

Undergraduate Degree Production: After reaching 23.1 degrees per 100 students in fiscal 2006, TU's degree production fell to its lowest point of 20.5 degrees in fiscal 2009. It has since increased to 23.3 degrees in fiscal 2011.

Education and Related Expenditure Per Degree: TU's expenditures per degree are consistently below the mean of its peers, suggesting it is more efficient in the use of its resources.

Issues

Affordability: Twenty four percent of TU’s undergraduate students receive Pell awards. In fiscal 2012, Pell-eligible students received 52.0% of institutional aid, a significant increase from fiscal 2007, when 35.3% received aid.

Innovations in Teaching: In fall 2012, TU implemented the Towson UTeach program, providing a new way to prepare secondary science, technology, engineering, and mathematics (STEM) teachers. TU is the only institution in Maryland that has been approved and funded to implement the UTeach model, replacing the previous secondary STEM teacher preparation program.

Another Athletic Program Runs into a Deficit: The Intercollegiate Athletic (ICA) program ended fiscal 2012 with a \$1.3 million deficit, higher than the anticipated debt of \$850,000. This situation came to light, and TU garnered much media attention when it was recommended that the men’s baseball and soccer teams be eliminated as a means to ensure the long-term financial viability of the ICA program.

Recommended Actions

1. See the University System of Maryland overview for systemwide recommendations.

R30B24 – USM – Towson University

R30B24
Towson University
University System of Maryland

Operating Budget Analysis

Program Description

Towson University (TU) is the largest comprehensive university within the University System of Maryland (USM), serving both residential and commuter students. As the State's metropolitan university, it focuses on providing educational experiences and community service through a broad range of opportunities at the undergraduate and graduate levels. TU offers a broad range of undergraduate programs in arts and sciences, applied professional fields, and applied master's and doctoral level programs.

Post-baccalaureate certificates, master's, and doctoral programs focus on education, arts and sciences, health professions, information technology, and business. Areas of emphasis include education, theater, human resources development, psychology, computer information and sciences, speech-language pathology, audiology, occupational therapy, and health administration.

TU contributes to the economic development of the State through a variety of activities and programs. The university continues to provide workforce training targeting nurses, teachers, and health professionals; expanding K-12 partnerships; and establishing partnerships with public agencies and private companies.

Carnegie Classification: Master's L: Master's Colleges and Universities (larger programs)

| | | | |
|--|--------------------------------|--|---------------------------------|
| Fall 2012 Undergraduate Enrollment Headcount | | Fall 2012 Graduate Enrollment Headcount | |
| Male | 7,062 | Male | 2,790 |
| Female | 10,926 | Female | 1,182 |
| Total | 17,988 (487 off campus) | Total | 3,972 (1,417 off campus) |
| Fall 2012 New Students Headcount | | Campus (Main Campus) | |
| First-time | 2,464 | Acres | 328 |
| Transfers/Others | 2,105 | Buildings | 47 |
| Graduate | 823 | Average Age | 45 |
| Total | 5,392 | Oldest | 1790 (Auburn House) |
| Programs | | Degrees Awarded (2011-2012) | |
| Bachelor's | 64 | Bachelor's | 4,101 |
| Master's | 46 | Master's | 1,096 |
| Doctoral | 4 | Doctoral | 19 |
| | | Total Degrees | 5,216 |
| Proposed Fiscal 2014 In-state Tuition and Fees* | | | |
| Undergraduate Tuition | \$5,830 | | |
| Mandatory Fees | \$2,494 | | |

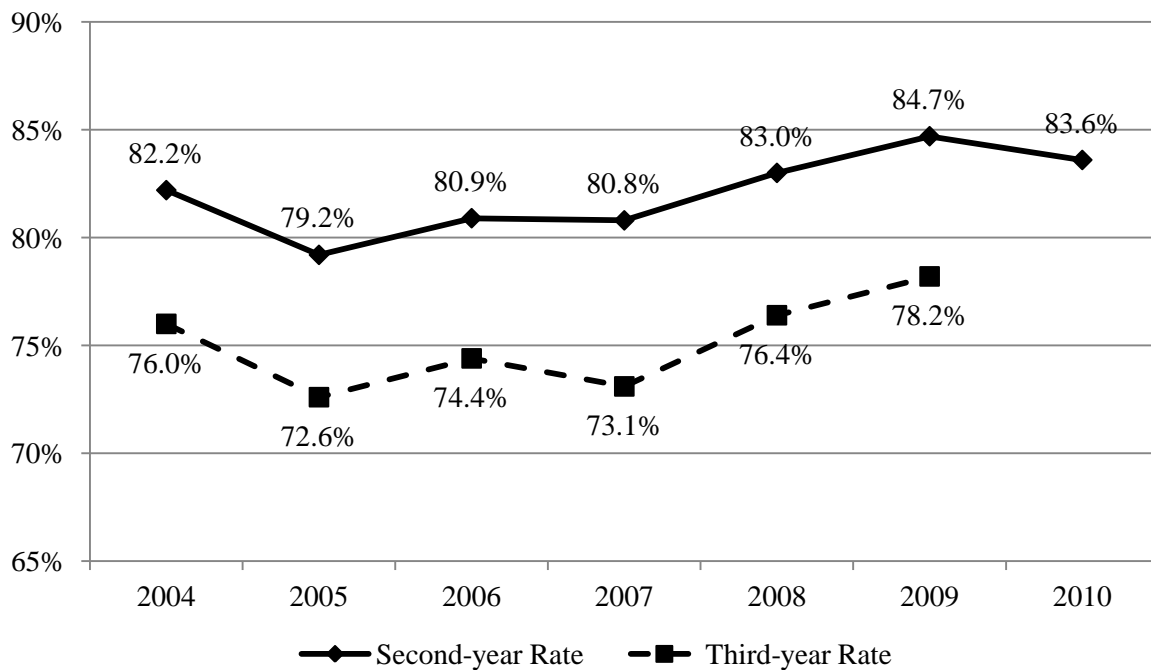
*Contingent on Board of Regents approval.

Performance Measures

1. Second- and Third-year Retention Rates

Student persistence, or retention, provides a measure of student progress and an indication of an institution’s performance; the higher the retention rate, the more likely students will persist and graduate. The second-year rate of 84.7% with the 2009 cohort reached its highest level since the 2001 cohort, as shown in **Exhibit 1**. However, the rate declined 1.1 percentage points to 83.6% with the 2010 cohort. The third-year rates continue to climb steadily since the 2007 cohort, growing by 5.1 percentage points to 78.2% with the 2009 cohort. However, given the decline in the second-year rate of the 2010 cohort, it is expected that the third-year rate will also decline for this cohort.

Exhibit 1
Second- and Third-year Retention Rates
2004-2010 Cohort

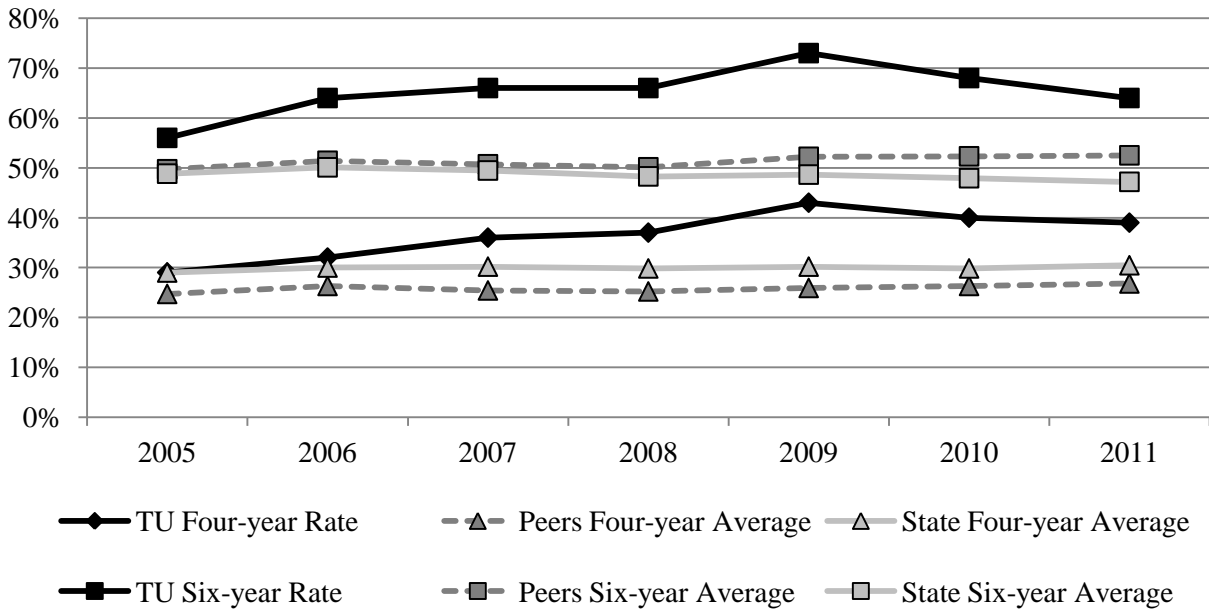


Source: Maryland Higher Education Commission

2. Four- and Six-year Graduation Rates

Exhibit 2 compares the four- and six-year graduation rates of TU to the average of its peer institutions and the State’s public four-year institutions. Peer institutions are those used to benchmark TU’s performance in USM’s *2012 Dashboard Indicators*. Overall, TU’s performance compares favorably to the other State institutions and its peers with both rates peaking in fiscal 2009. TU’s four-year rate steadily grew from 29.0% in fiscal 2005 to 43.0% in 2009. However, while the rate of its peers started to increase in fiscal 2010, TU’s rate steadily declined to 39.0% in fiscal 2011. In general, TU’s six-year rate trended with the four-year rate, peaking at 73.0% in fiscal 2009 but then dropping 9 percentage points to 64% in fiscal 2011.

Exhibit 2
Four- and Six-year Graduation Rates
Fiscal 2005-2011



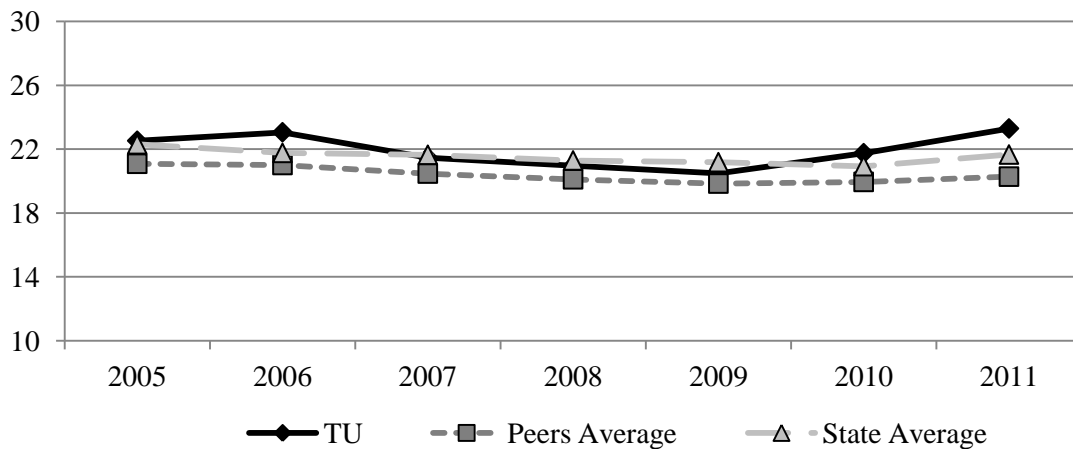
TU: Towson University

Source: Integrated Postsecondary Education Data System; Department of Legislative Services

3. Undergraduate Degree Production

Ultimately, how well an institution meets its mission is measured by the number of undergraduate degrees awarded. Trends in the number of undergraduate degrees awarded per 100 undergraduate full-time equivalent students shows if an institution is being more or less productive in graduating students. After reaching 23.1 degrees per 100 students in fiscal 2006, TU’s degree production fell to its lowest point of 20.5 degrees in fiscal 2009, dipping below the State average of 21.2 degrees, as shown in **Exhibit 3**. Degree production has since increased by 2.8 degrees with the ratio reaching 23.3 degrees in fiscal 2011.

Exhibit 3
Undergraduate Degrees Per 100 Full-time Equivalent Students
Fiscal 2005-2011



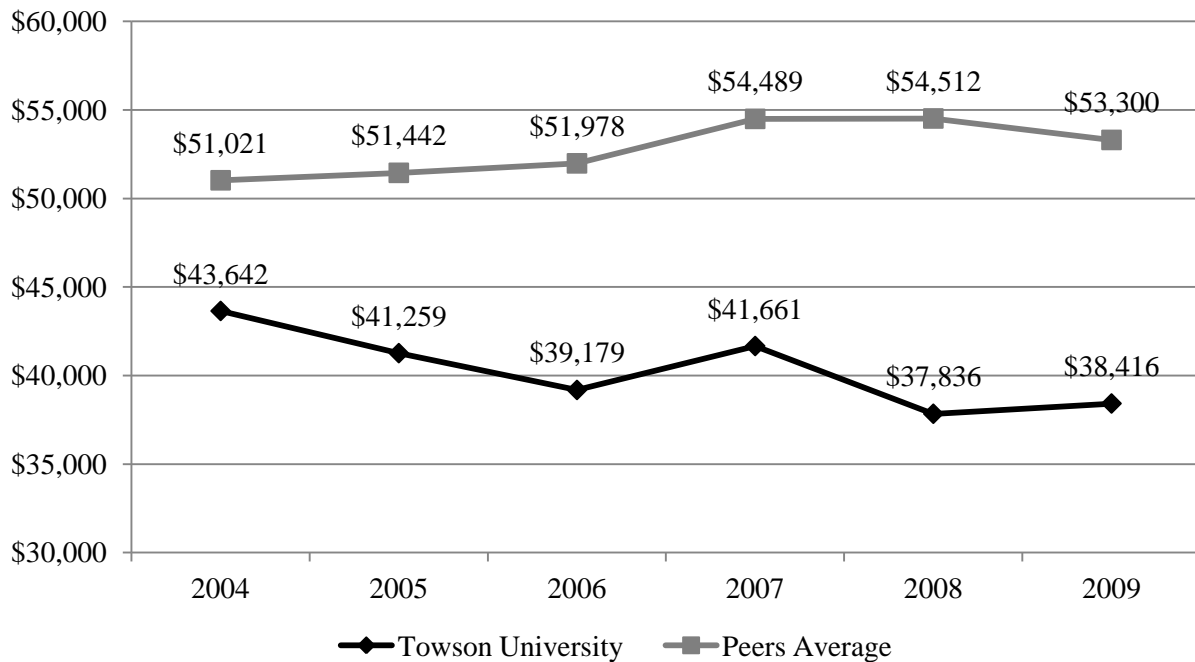
TU: Towson University

Source: Integrated Postsecondary Education Data System; Department of Legislative Services

4. Education and Related Expenditure Per Degree

Education and related expenditures per degree is another means to measure the performance of an institution. This measure shows if an institution is becoming more or less productive in using its resources to produce degrees over time. As shown in **Exhibit 4**, TU’s expenditures per degree are consistently below the mean of its peers, suggesting it is more efficient in the use of its resources. Fiscal 2007 appears to be an anomaly in the downward trend, as expenditures increased \$2,482 per degree; this can be attributed to a decline in the number of degrees awarded that year. Even though expenditures per degree increase by \$580 in fiscal 2009, a degree at TU costs \$14,884 less than its peers.

**Exhibit 4
Education and Related Expenditures Per Degree Completed
Academic Year 2004-2009**



Note: Education and related expenditures includes direct spending on instruction, student services; and education share of spending on academic and institutional support, and operations and maintenance. All dollar amounts are reported in 2009 dollars.

Source: Delta Project, Trends in College Spending Online

Over the years, progress has been made in improving student outcomes and completion, but there are concerns about the recent decline in the retention and graduation rates. Additionally, according to the Complete College America data, it took students, on average, in the 2008-2009 academic year, 4.4 years to graduate (slightly above the State average of 4.3 years) in which they accumulated 128.6 credits. The President should comment on factors that may have contributed to these trends and what efforts are being undertaken to improve student performance.

Proposed Budget

The general fund allowance for fiscal 2014 is 11.5%, or \$9.6 million, higher than in fiscal 2013 after adjusting for the across-the-board reduction of \$0.2 million, as shown in **Exhibit 5**.

Exhibit 5
Proposed Budget
Towson University
(\$ in Thousands)

| | <u>FY 12</u> <u>Actual</u> | <u>FY 13</u> <u>Working</u> | <u>FY 14</u> <u>Adjusted</u> | <u>FY 13-14</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|----------------------------------|-------------------------------|--------------------------------|---------------------------------|----------------------------------|--------------------------------------|
| General Funds | \$86,262 | \$83,313 | \$92,885 | \$9,572 | 11.5% |
| Higher Education Investment Fund | 4,662 | 3,950 | 6,571 | 2,621 | 66.4% |
| Budget Restoration Fund | 0 | 4,592 | 0 | -4,592 | |
| Total State Funds | 90,924 | 91,854 | 99,456 | 7,602 | 8.3% |
| Other Unrestricted Funds | 273,826 | 286,988 | 296,129 | 9,141 | 3.2% |
| Total Unrestricted Funds | 364,751 | 378,842 | 395,585 | 16,743 | 4.4% |
| Restricted Funds | 41,860 | 45,735 | 47,735 | 2,000 | 4.4% |
| Total Funds | \$406,611 | \$424,577 | \$443,320 | \$18,743 | 4.4% |

Note: Fiscal 2014 general funds are adjusted by \$0.2 million to reflect across-the-board reductions. Numbers may not sum to total due to rounding.

Source: Governor's Budget Book, Fiscal 2014

When accounting for the \$4.6 million in Budget Restoration Funds created during the First Special Session of 2012, the general fund increases 5.7%, or \$5.0 million. The Higher Education Investment Fund (HEIF) increases \$2.6 million, or 66.4%, in the fiscal 2014 allowance resulting in an overall growth in State funds of 8.3%, or \$7.6 million. Other unrestricted funds increase \$9.1 million, or 3.2%, primarily due to tuition and fee revenues growing \$6.8 million, but these revenues are likely overestimated. While enrollment is projected to grow in fiscal 2014, TU recently revised its enrollment downward by 50 FTES from 18,477 to 18,427.

The fiscal 2014 allowance provides an additional \$6.4 million, excluding auxiliary enterprises, in current unrestricted funds for expenses related to current services costs and for program enhancements to fund initiatives. Personnel expenditures, which include the annualization of the fiscal 2013 cost-of-living adjustment (COLA) and merit increases, total \$3.6 million. Other expenditure increases include operating costs of several facilities (\$3.5 million); facilities renewal (\$1.6 million); financial aid (\$1.3 million); fuel and utilities (\$0.6 million); and debt service (\$0.3 million).

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The allowance also includes \$3.1 million to fund various program initiatives including:

- \$1.2 million for closing the achievement gap and completion to establish an early warning system and institutionalize the Support of Student Success initiative by expanding the eight-week course to help integrate at-risk students into the campus community;
- \$1.2 million for academic transformation to create a Center for Academic Transformation to support faculty development, assessment, course redesign, undergraduate advising, and other activities; and
- \$0.6 million for science, technology, engineering, and mathematics (STEM), health and workforce initiatives to expand the nursing program at Hagerstown, implement the UTeach program, and expand various ongoing professional teacher programs.

Budget changes by program area in the allowance are shown in **Exhibit 6**. This data includes unrestricted funds only, the majority of which consist of general funds, the HEIF, and tuition and fee revenues. In fiscal 2013, increased expenditures in programs areas are mainly due to salary expenses, because more vacancies and positions were being held unfilled longer than in fiscal 2012, and some contractual services in institutional support were deferred in fiscal 2012.

In fiscal 2014, expenditures for all program areas increase due to a rise in personnel expenditures relating to the annualization of the fiscal 2013 COLA, merit, and fringe benefits. The 10.4%, or \$4.4 million, increase in expenditures for operations and maintenance of plant are related to the shifting of operating costs of two residence halls from auxiliary to unrestricted funds, once they were renovated to house the Counseling and Health Center offices; the purchase of 7400 York Road, which will house the Division of Innovations and Applied Research; debt service payments for equipment purchases for the Harford Community College facility; and facilities renewal. Growth in institutional expenditures of 6.4%, or \$2.3 million, includes the operating costs for the public safety building. Student services expenses increase \$1.6 million due to equipment costs and operating costs related to the Counseling and Health Center Offices. Expenditures for academic support increase \$1.1 million due to realigning operating to actual expenditures.

Exhibit 6
Towson Budget Changes for Unrestricted Funds by Program
Fiscal 2012-2014
(\$ in Thousands)

| | <u>2012</u> <u>Actual</u> | <u>2013</u> <u>Working</u> | <u>2012-13</u> <u>% Change</u> | <u>2014</u> <u>Adjusted</u> | <u>2013-14</u> <u>Change</u> | <u>2013-14</u> <u>% Change</u> |
|--|------------------------------|-------------------------------|-----------------------------------|--------------------------------|---------------------------------|-----------------------------------|
| Expenditures | | | | | | |
| Instruction | \$101,873 | \$103,065 | 1.2% | \$106,047 | \$2,981 | 2.9% |
| Research | 1,458 | 1,259 | -13.6% | 1,509 | 250 | 19.8% |
| Public Service | 4,316 | 4,231 | -2.0% | 4,456 | 226 | 5.3% |
| Academic Support | 36,533 | 39,819 | 9.0% | 40,940 | 1,121 | 2.8% |
| Student Services | 16,049 | 17,188 | 7.1% | 18,765 | 1,576 | 9.2% |
| Institutional Support | 31,657 | 36,135 | 14.1% | 38,441 | 2,306 | 6.4% |
| Operation and Maintenance of Plant | 42,179 | 42,335 | 0.4% | 46,749 | 4,414 | 10.4% |
| Scholarships and Fellowships | 30,003 | 32,910 | 9.7% | 34,226 | 1,316 | 4.0% |
| Education and General Total | \$264,068 | \$276,942 | 4.9% | \$291,132 | \$14,190 | 5.1% |
| Auxiliary Enterprises | \$100,683 | \$101,900 | 1.2% | \$104,453 | \$2,553 | 2.5% |
| Grand Total | \$364,751 | \$378,842 | 3.9% | \$395,585 | \$16,743 | 4.4% |
| Revenues | | | | | | |
| Tuition and Fees | \$162,662 | \$171,213 | 5.3% | \$177,985 | \$6,773 | 4.0% |
| General Funds | 86,262 | 83,313 | -3.4% | 92,885 | 9,572 | 11.5% |
| Higher Education Investment Fund | \$4,662 | 3,950 | -15.3% | 6,571 | 2,621 | 66.4% |
| Budget Restoration Fund | | 4,592 | | 0 | -4,592 | |
| Other Unrestricted Funds | 14,693 | 13,875 | -5.6% | 13,804 | -71 | -0.5% |
| Subtotal | \$268,280 | \$276,942 | 3.2% | \$290,246 | \$13,304 | 4.8% |
| Auxiliary Enterprises | \$101,860 | \$105,544 | 3.6% | \$108,241 | \$2,698 | 2.6% |
| Transfer (to)/from Fund Balance | -5,388 | -3,644 | | -2,902 | \$742 | |
| Grand Total | \$364,751 | \$378,842 | 3.9% | \$395,585 | \$16,743 | 4.4% |

Note: The fiscal 2014 expenditures and general funds are adjusted to reflect the board reduction of \$0.2 million. Unrestricted funds only.

Source: Governor's Budget Books, Fiscal 2014

Issues

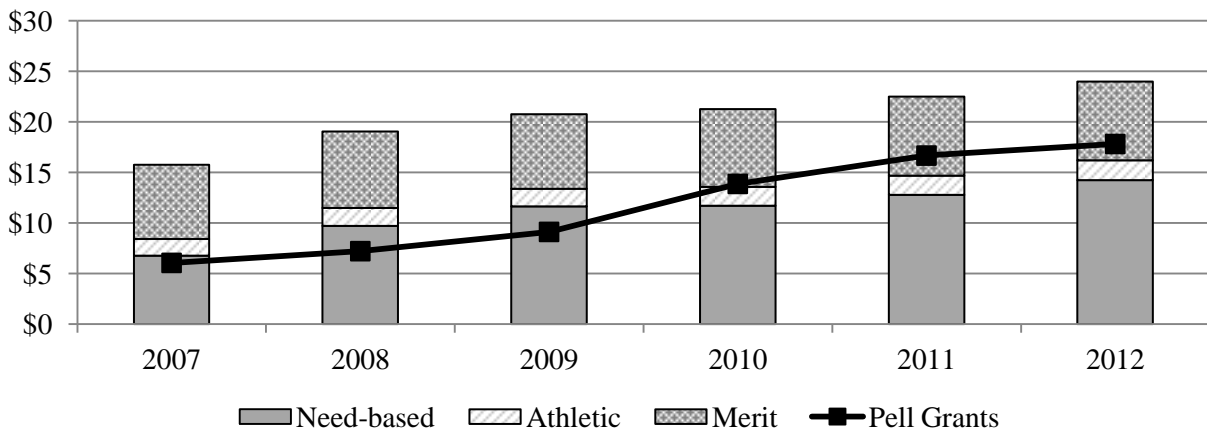
1. Affordability

Financial aid is an important component to helping many students succeed in earning a degree. Lack of financial support frequently contributes to a student’s decision to stop or drop out of college. Generally, by combining various types of aid – federal, State, and institutional – students are able to effectively lower the cost of college. According to the National Center for Education Statistics’ *College Navigator*, the total cost for a Maryland student attending TU in fiscal 2011 was \$21,948 (based on tuition, mandatory fees, books and supplies, other expenses, and the weighted average of room and board). However, when accounting for the average amount of federal, State, and institutional aid, the average net cost of attendance was \$13,418, a 38.9% reduction in the net cost of attendance.

Institutional Aid

Twenty four percent of TU’s undergraduate students receive Pell awards which are given to those that could not otherwise afford college and have an Expected Family Contribution (EFC) of less than a specified amount, which was \$5,273 in 2012. EFC is an indicator of the amount a family is required to contribute to pay for a student’s college education; therefore, the lower the EFC, the greater the financial need. The first year that the downturn in the economy impacted students’ financial situation is seen in fiscal 2010 when Pell expenditures rose 52.1%, or \$4.7 million, as shown in **Exhibit 7**.

Exhibit 7
Institutional Aid and Pell Grant Expenditures
Fiscal 2007-2012
(\$ in Millions)

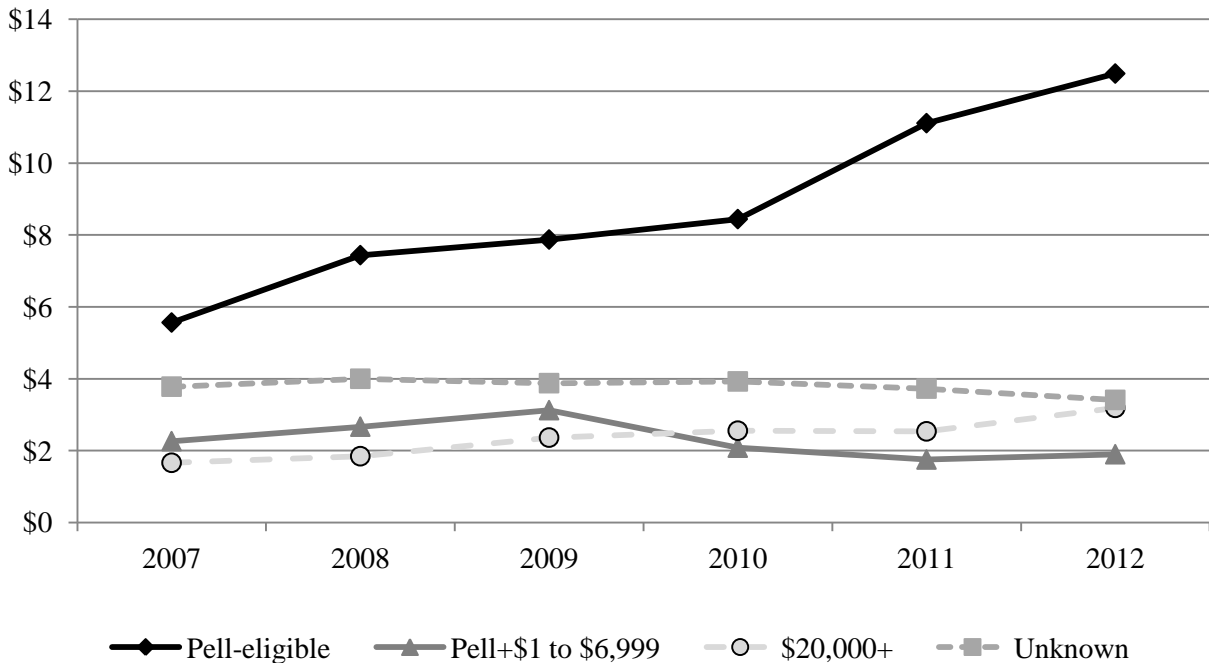


Source: University System of Maryland

In fiscal 2008, there was a notable increase in the total expenditures on institutional aid, with growth of \$3.3 million, of which \$3.0 million went toward need-based aid. This signaled a shift in the portion of aid being expended on need-based aid, which increased from 42.9% in fiscal 2007 to 51.1% in fiscal 2008. This is consistent with the Board of Regents recommendation to increase the portion of aid allocated to need-based aid. Overall, the amount expended on need-based aid has more than doubled, increasing from \$6.8 million in fiscal 2007 to \$14.3 million in fiscal 2012. In fiscal 2012, total expenditures on institutional aid increase \$1.5 million, with all but \$40,000 of the increase going toward need-based aid.

As the expenditures on need-based aid grew, there was a corresponding increase in the amount of institutional aid awarded to Pell-eligible students, as shown in **Exhibit 8**. There was a significant increase in aid going to Pell-eligible students in fiscal 2011, with \$2.7 million more aid awarded to these students. In fiscal 2012, Pell-eligible students received 52.0% of institutional aid, a sizable increase from fiscal 2007 when 35.3% received aid.

Exhibit 8
Institutional Aid Expenditures by Expected Family Contribution
Fiscal 2007-2012
(\$ in Millions)



Source: University System of Maryland

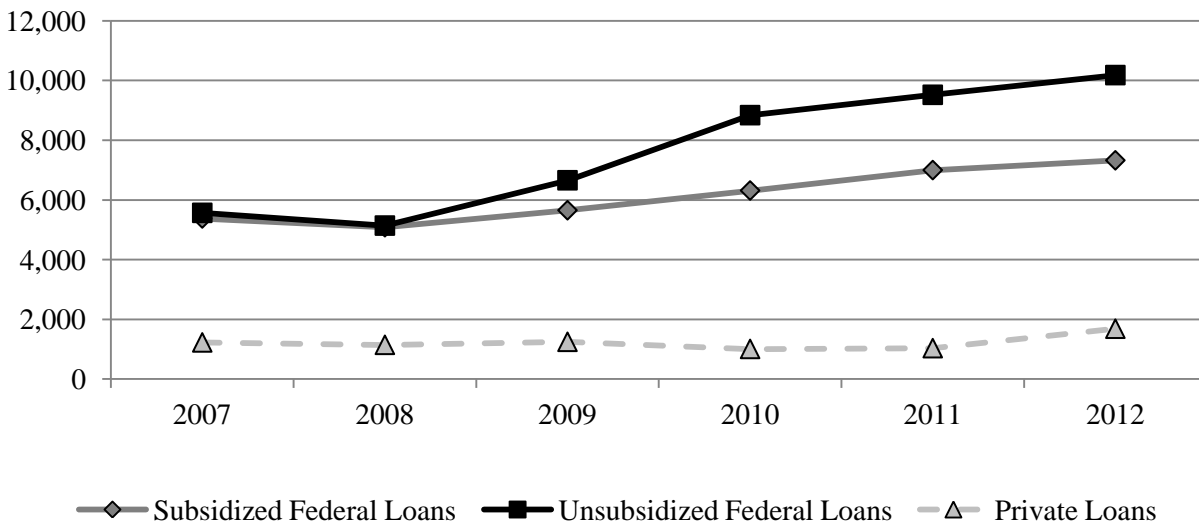
However, Financial Aid Does Not Cover All Costs

In addition to financial aid, students may take out loans to pay for their education. There are three types of loans:

- federal subsidized loans are based on financial need with the government paying the interest while the student is enrolled in school;
- federal unsubsidized loans are generally for those who do not demonstrate financial need with the interest added to the balance of the loan while the student is enrolled in school; and
- private sources.

Over the past four years, the number of federal unsubsidized and subsidized loans increased 71.3%, as illustrated in **Exhibit 9**. The number of subsidized loans steadily rose since fiscal 2008, with 2,240 more loans being taken out by students. This trend is mainly driven by a 59.4% increase in the number of Stafford loans. It should be noted that in 2009 the Federal Family Educational Loan program was eliminated, and in addition, borrowers were no longer able to consolidate multiple federal loans into one loan.

Exhibit 9
Total Loans
Fiscal 2007-2012

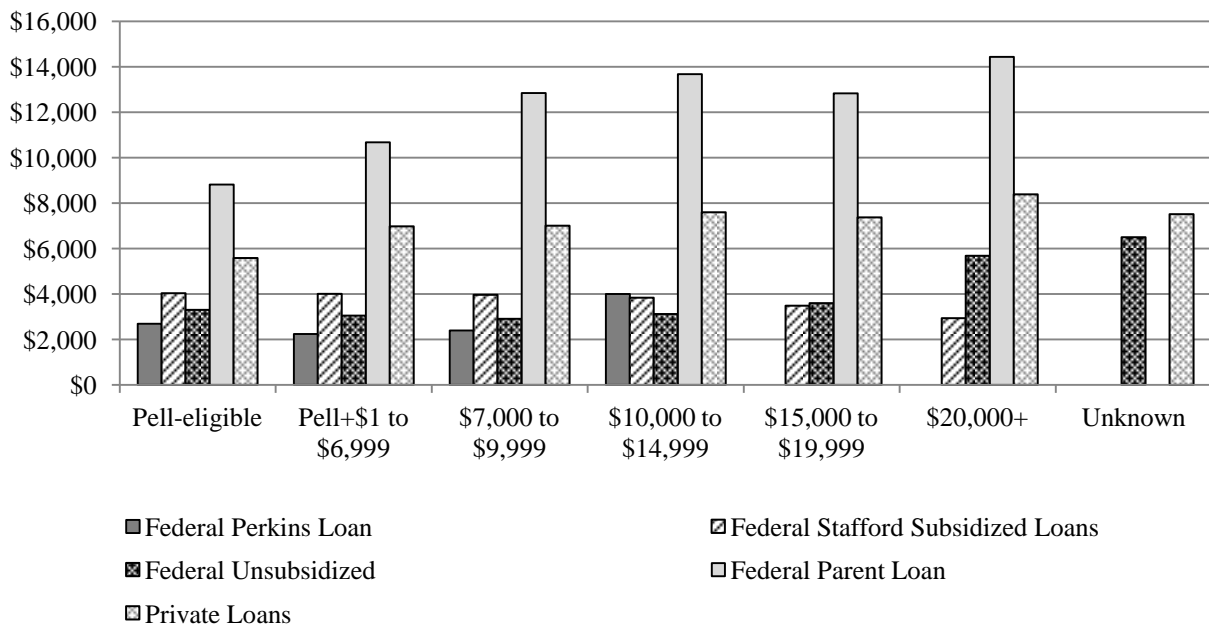


Source: University System of Maryland

The number of federal unsubsidized loans nearly doubled from fiscal 2008 to 2012 due to Stafford loans increasing 136.7%. This can be attributed to a change in the federal loan limits. In fiscal 2008, the annual loan limit for dependent undergraduate students increased \$2,000 and by an additional \$1,000 for independent students. Additionally, this may indicate, with the continual economic downturn, that families with higher incomes are filing the Free Application for Federal Student Aid to receive unsubsidized federal loans rather than take out a typically more expensive private loan.

While the students with the greatest financial need typically receive Pell awards and institutional aid, it is still not enough to cover the costs of college. As shown in **Exhibit 10**, students in all EFC categories take out various types of loans to finance their education. In fiscal 2012, of the 4,699 Pell-eligible students, 3,456 used the federal Stafford subsidized loan to finance their education with loans averaging \$4,028, while 317 parents of Pell-eligible students took out, on average, a federal parent loan of \$8,823. In general, federal parent loans and private loans progressively increase at higher EFC categories. Those in the \$20,000+ category took out the highest average federal parent loan of \$14,435.

Exhibit 10
Mean Loan Amount by Type and Expected Family Contribution
Fiscal 2012



Source: University System of Maryland

2. Innovations in Teaching

Towson UTeach

In fall 2012, TU began implementing the Towson UTeach program, providing a new way to prepare secondary STEM teachers. This a replication of the original UTeach program developed at the University of Texas at Austin in 1997 to attract science, math, and computer science majors to teaching by eliminating the additional year of course work required to become teachers. Through the collaborative efforts of the Colleges of Education and Natural Science, students complete their degree in four years, earn a degree in STEM, and obtain a secondary teacher certificate. The success of UTeach and growing national interest led to the establishment, in 2006, of the UTeach Institute, which supports and evaluates the replication of the UTeach model at other institutions. As of spring 2012, 34 institutions in 16 states have or are preparing to implement the UTeach program.

TU is the only institution in Maryland that has been approved and funded to implement the UTeach model, replacing the previous secondary STEM teacher preparation program. The core UTeach courses integrate science and mathematics content with teaching techniques, which is accomplished through the collaborative planning and teamwork of faculty in the Fisher College of Science and Mathematics and the College of Education. The program allows students to graduate with fewer credits than previously required and provides students with early, in-class, field experiences starting in their first semester. Additionally, the field experience part of the program is cotaught with Master Teachers and Secondary Education supervisors. Master Teachers are non-tenured clinical faculty with exemplary secondary teaching experience who are dedicated to student support and program success.

TU quickly implemented the UTeach program, receiving funds in June 2012 and offering the first course, known as Step 1, in fall 2012. Twenty-nine students enrolled in Step 1, which provides elementary teaching experiences with students using lessons they prepared around well-tested activities. It is expected 10 students will enroll in the spring 2013 Step 1 course. It is anticipated 20 students will enroll in Step 2 in the spring 2013 semester, which provides middle school teaching experience with students using lessons they write from scratch based on district curricula.

The TU UTeach program is funded by a two-year, \$1.28 million Race to the Top (RTTT) grant from the Maryland State Department of Education (MSDE). Additionally, a memorandum of understanding between MSDE, the National Math and Science Initiative (NMSI), and the UTeach Institute requires NMSI to provide an additional \$620,000 after the expiration of the RTTT grant on June 30, 2014. Over this four-year period, TU will pay \$500,000 to the UTeach Institute for licensing and assistance in implementing the program. The balance of the remaining grant funds, \$1.4 million, will support the operating, personnel, and student support costs of the program for the first four years. The fiscal 2014 allowance includes \$300,000 to support the program. TU also anticipates a fundraising drive to create an endowment for the program.

Presidential Scholar for Innovation in Teacher and Leader Preparation

In March 2012, the former State Superintendent, Dr. Nancy S. Grasmick was appointed Presidential Scholar for Innovation in Teacher and Leader Preparation. Dr. Grasmick will not only assist in transforming TU's teacher preparation and early career support program but will also work with the private sector to enhance professional development for teachers. Some of the areas she will be focusing on include STEM, educational leadership preparation, gifted and special education, and emerging practices such as Common Core Standards and assessments. Some of the accomplishments and projects include:

- launched the Preparing for Public Education in the 21st Century lecture series providing education stakeholders the latest information and research on key topics by national experts;
- raised \$4.0 million as of December 31, 2012, to support innovations in teacher preparation;
- developed a project, with funding from the College Board, to certify pre-service students to teach STEM Advance Placement (AP) courses and offer AP prep courses at TU for challenged high school students to improve their success in AP;
- applied for a grant to fund a project to pilot and evaluate a primary talent development curriculum in cooperation with MSDE's Gifted and Talented Program; and
- implemented Universal Design for Learning in classrooms, a collaborative project with TU's Department of Special Education and Baltimore County Public Schools.

The President should comment on the implementation of the UTeach program and other innovations in TU's teacher education program.

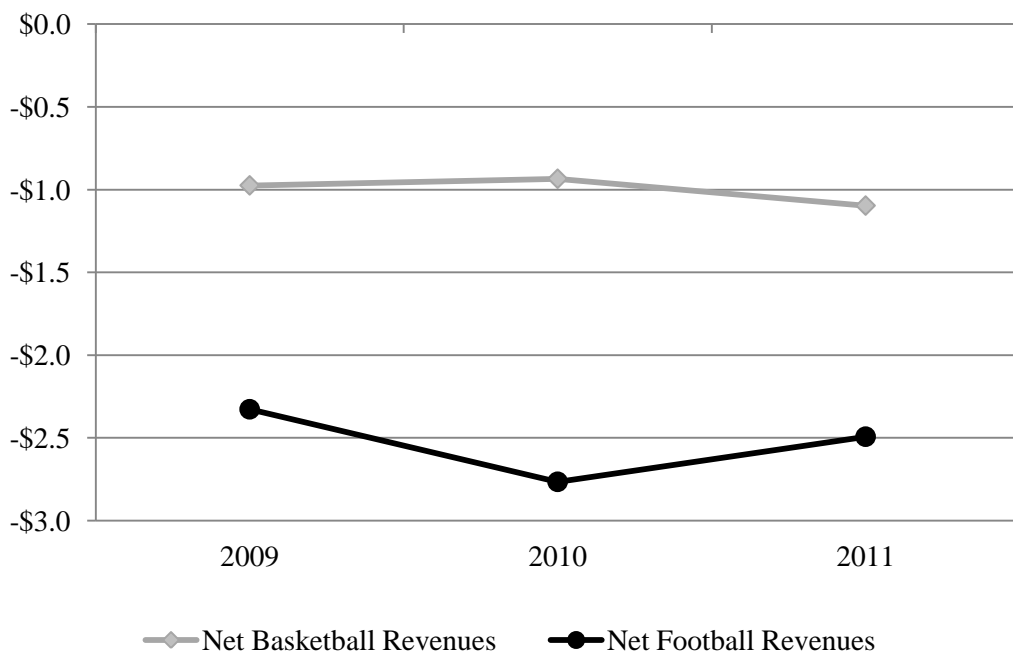
3. Another Athletic Program Runs into a Deficit

The Intercollegiate Athletic program (ICA) ended fiscal 2012 with a \$1.3 million deficit, higher than the anticipated debt of \$850,000. This situation came to light in September 2012, as TU garnered much media attention when the athletic director recommended the elimination of two men's teams – baseball and soccer – and the reinstatement of men's tennis, to address ICA's long-term financial stability, increase competitiveness, and maintain Title IX compliance. The recommendations were the result of a 16-month study undertaken by a small group of senior athletic administrators who reviewed the long-term issues and trends affecting the ICA program.

TU is not unique among Division I programs in the Football Championship Subdivision (FCS) to be operating in a deficit situation. According to the National Colligate Athletic Association's *2004 – 2011 Revenues and Expenses Division I Report*, as in previous years, no FCS program reported net generated revenues in 2011, with a median revenue shortfall of \$9.6 million. In

terms of those programs typically considered as revenue generators, particularly in the Football Bowl Subdivisions, only 2% of football and 7% of men’s basketball programs reported net generated revenues in 2011. The median loss for football and men’s basketball program were \$1.7 million and \$0.7 million, respectively. As shown in **Exhibit 11**, TU’s programs had greater losses than the median for both sports with expenditures exceeding revenues in football, on average, by \$2.5 million and basketball by \$1.0 million. It should be noted that Tiger Arena is currently undergoing a \$73.0 million renovation funded with \$17.0 million from TU’s cash reserves and \$56.0 million in auxiliary bonds. TU will increase the auxiliary services construction mandatory fee accordingly to cover the debt service payments. Overall, the ICA program is primarily funded with student fees which account for approximately 89% of the budget.

Exhibit 11
Net Basketball and Football Revenues
Fiscal 2009-2011
(\$ in Millions)



Source: Towson University Fiscal 2010 and 2011 *Annual Report on Intercollegiate Athletics*

In order to cover expenses in fiscal 2012, \$1.3 million of ICA’s fund balance was used to cover the shortfall, leaving \$2.0 million in the account. According to TU, the fund balance will also be used in fiscal 2013 to 2015 to cover projected shortfalls. As part of the plan to eliminate the deficit, the athletic director’s recommendations are designed to deal with insufficient funds to support

20 teams while maintaining Title IX compliance. Under Title IX, an institution must be in compliance with one part of a three-part test:

- **Part I: Substantial Proportionality:** participation opportunities for men and women are substantially proportionate to their respective undergraduate enrollment;
- **Part II: History and Continuing Practice:** an institution has a history and continuing practice of program expansion that is responsive to the developing interests and abilities of the underrepresented sex; or
- **Part III: Effectively Accommodating Interests and Abilities:** an institution is meeting the interests and abilities of its female students even where there are disproportionately fewer females than males participating in sports.

TU uses the substantial proportionality test. Since females account for approximately 60% of undergraduate enrollment, they must comprise 60% of the athletes. Because the elimination of the men's baseball and soccer teams would mean that TU would fall below the NCAA Division I minimum requirement of six men's teams, men's tennis would be re-instated. Since the team is only comprised of 10 players, it would not have a major impact on proportionality and is estimated to cost \$97,000 annually. Elimination of the two teams would result in a net savings of \$0.5 million in fiscal 2014 and \$0.8 million in fiscal 2018 when the final scholarships of the affected student athletes would end. These funds would then be shifted to the women's programs. Overall, the proposed recommendation would affect 62 student athletes and four full-time coaches.

In September 2012, the President established a task force to review the recommendations of the athletic director. In November 2012, the task force provided its report to the President and found that "no viable option exists than that put forth in the Recommendation," and noted with concern that even with the elimination of the two sports, budget projections into the foreseeable future continue to show deficits. The President is expected to make a final decision in the coming weeks.

The President should comment on the current situation and if a plan has been developed to ensure the financial stability of the ICA program, including identifying efficiencies that could lead to cost savings or other possible revenue sources and if student fees will be increased to help cover ICA expenses.

Recommended Actions

1. See the University System of Maryland overview for systemwide recommendations.

Current and Prior Year Budgets

| Current and Prior Year Budgets | | | | | | | |
|---------------------------------------|-------------------------|-------------------------|-------------------------|--|--|----------------------------|------------------|
| Towson University | | | | | | | |
| (\$ in Thousands) | | | | | | | |
| Fiscal 2011 | General Fund | Special Fund | Federal Fund | Other Unrestricted Fund | Total Unrestricted Fund | Restricted Fund | Total |
| Legislative Appropriation | \$86,214 | \$0 | \$0 | \$260,997 | \$347,211 | \$40,390 | \$387,601 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | 375 | 3,356 | 0 | 840 | 4,571 | 0 | 4,571 |
| Reversions and Cancellations | 0 | 0 | 0 | -2,067 | -2,067 | -2,436 | -4,503 |
| Actual Expenditures | \$86,589 | \$3,356 | \$0 | \$259,770 | \$349,715 | \$37,954 | \$387,669 |
| Fiscal 2012 | | | | | | | |
| Legislative Appropriation | \$84,928 | \$4,662 | \$0 | \$268,961 | \$358,551 | \$44,262 | \$402,813 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | 1,334 | 0 | 0 | 7,393 | 8,728 | 128 | 8,855 |
| Reversions and Cancellations | 0 | 0 | 0 | -2,528 | -2,528 | -2,530 | -5,058 |
| Actual Expenditures | \$86,262 | \$4,662 | \$0 | \$273,826 | \$364,751 | \$41,860 | \$406,611 |
| Fiscal 2013 | | | | | | | |
| Legislative Appropriation | \$83,313 | \$7,333 | \$0 | \$283,588 | \$374,234 | \$45,735 | \$419,969 |
| Budget Amendments | 0 | 1,209 | 0 | 3,400 | 4,608 | 0 | 4,608 |
| Working Appropriation | \$83,313 | \$8,541 | \$0 | \$286,988 | \$378,842 | \$45,735 | \$424,577 |

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

Fiscal 2011

For fiscal 2011, general funds for TU increased \$0.4 million through a budget amendment related to the reorganization of the University of Maryland Biotechnology Institute. Special funds, comprised of the HEIF, increased \$3.4 million through a budget amendment as authorized in the fiscal 2011 budget bill. Other unrestricted funds increased by \$0.8 million from private gifts and contracts.

Cancellations of unrestricted funds totaled \$2.1 million and restricted funds amounted to \$2.4 million due to lower than anticipated expenditures.

Fiscal 2012

For fiscal 2012, general funds for TU increased \$1.3 million through a budget amendment related to the \$750 employee bonus. Other unrestricted funds increased by \$7.4 million through budget amendments. Increases include:

- \$4.4 million in tuition and fees due higher than expected enrollment; and
- \$3.0 million in auxiliary enterprises related to the opening of a new residence hall.

Restricted funds increased \$0.1 million through a budget amendment related to contracts and grants activity.

Cancellations of unrestricted funds totaled \$2.5 million and restricted funds amounted to \$2.5 million due to lower than anticipated expenditures.

Fiscal 2013

For fiscal 2013, the special fund appropriation, which includes \$3.4 million in Budget Restoration Funds created during the First Special Session of 2012, increases \$1.2 million through a budget amendment related to a half year 2% COLA. Other unrestricted funds increase \$3.4 million budget amendment: \$2.9 million in auxiliary enterprises related to an increase in dining and housing services and \$0.5 million in indirect cost recovery revenue.

**Towson University Full-time Equivalent Personnel by Budget Program
Fiscal 2006, 2012, and 2013**

| | <u>2006</u> | | <u>2012</u> | | <u>2013</u> | | <u>2006-2013</u> |
|----------------------------------|--------------|------------------------|----------------|------------------------|----------------|------------------------|--------------------------|
| | <u>FTEs</u> | <u>% of Total FTEs</u> | <u>FTEs</u> | <u>% of Total FTEs</u> | <u>FTEs</u> | <u>% of Total FTEs</u> | <u>% Change of Share</u> |
| Instruction | 637 | 41.4% | 794.0 | 38.9% | 798.7 | 39.2% | -2.2% |
| Research | 4 | 0.3% | 6.0 | 0.3% | 9.3 | 0.5% | 0.2% |
| Public Service | 15 | 0.9% | 19.0 | 0.9% | 17.5 | 0.9% | -0.1% |
| Academic Support | 184 | 11.9% | 275.0 | 13.5% | 271.3 | 13.3% | 1.4% |
| Student Services | 145 | 9.4% | 156.0 | 7.6% | 178.5 | 8.8% | -0.7% |
| Institutional Support | 270 | 17.5% | 312.0 | 15.3% | 341.7 | 16.8% | -0.8% |
| Operations, Maintenance of Plant | 102 | 6.6% | 117.0 | 5.7% | 122.7 | 6.0% | -0.6% |
| Auxiliary Enterprises | 183 | 11.9% | 292.0 | 14.3% | 300.3 | 14.7% | 2.8% |
| Total | 1,539 | | 1,971.0 | | 2,040.0 | | |

FTE: full-time equivalent

Note: Data are for filled regular positions only. All data is self-reported and unaudited. Numbers may not sum to total due to rounding.

Source: Towson University

**Object/Fund Difference Report
USM – Towson University**

| <u>Object/Fund</u> | <u>FY 12 Actual</u> | <u>FY 13 Working Appropriation</u> | <u>FY 14 Allowance</u> | <u>FY 13 - FY 14 Amount Change</u> | <u>Percent Change</u> |
|---|-------------------------|--|----------------------------|--|---------------------------|
| Positions | | | | | |
| 01 Regular | 1,999.94 | 2,040.00 | 2,040.00 | 0.00 | 0% |
| 02 Contractual | 923.00 | 920.50 | 920.50 | 0.00 | 0% |
| Total Positions | 2,922.94 | 2,960.50 | 2,960.50 | 0.00 | 0% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 159,158,597 | \$ 169,125,235 | \$ 173,222,556 | \$ 4,097,321 | 2.4% |
| 02 Technical and Spec. Fees | 44,814,533 | 43,232,484 | 44,825,489 | 1,593,005 | 3.7% |
| 03 Communication | 1,625,711 | 3,148,935 | 3,148,955 | 20 | 0% |
| 04 Travel | 3,595,440 | 4,773,141 | 4,773,141 | 0 | 0% |
| 06 Fuel and Utilities | 10,180,667 | 11,584,554 | 12,185,923 | 601,369 | 5.2% |
| 07 Motor Vehicles | 1,125,699 | 1,126,229 | 1,127,703 | 1,474 | 0.1% |
| 08 Contractual Services | 41,602,761 | 49,403,738 | 53,819,676 | 4,415,938 | 8.9% |
| 09 Supplies and Materials | 17,122,956 | 19,796,231 | 22,235,189 | 2,438,958 | 12.3% |
| 10 Equipment – Replacement | 4,248,020 | 3,704,404 | 3,704,404 | 0 | 0% |
| 11 Equipment – Additional | 9,605,441 | 11,254,146 | 12,653,914 | 1,399,768 | 12.4% |
| 12 Grants, Subsidies, and Contributions | 55,736,832 | 60,525,629 | 61,842,020 | 1,316,391 | 2.2% |
| 13 Fixed Charges | 26,813,162 | 33,403,272 | 34,695,116 | 1,291,844 | 3.9% |
| 14 Land and Structures | 30,981,105 | 13,499,226 | 15,244,996 | 1,745,770 | 12.9% |
| Total Objects | \$ 406,610,924 | \$ 424,577,224 | \$ 443,479,082 | \$ 18,901,858 | 4.5% |
| Funds | | | | | |
| 40 Unrestricted Fund | \$ 364,750,785 | \$ 378,842,114 | \$ 395,743,972 | \$ 16,901,858 | 4.5% |
| 43 Restricted Fund | 41,860,139 | 45,735,110 | 47,735,110 | 2,000,000 | 4.4% |
| Total Funds | \$ 406,610,924 | \$ 424,577,224 | \$ 443,479,082 | \$ 18,901,858 | 4.5% |

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary
USM – Towson University**

| <u>Program/Unit</u> | <u>FY 12 Actual</u> | <u>FY 13 Wrk Approp</u> | <u>FY 14 Allowance</u> | <u>Change</u> | <u>FY 13 - FY 14 % Change</u> |
|---------------------------------------|-------------------------|-----------------------------|----------------------------|----------------------|-----------------------------------|
| 01 Instruction | \$ 101,873,449 | \$ 103,065,414 | \$ 106,120,280 | \$ 3,054,866 | 3.0% |
| 02 Research | 4,082,861 | 6,449,014 | 6,698,691 | 249,677 | 3.9% |
| 03 Public Service | 19,709,700 | 19,843,951 | 22,070,304 | 2,226,353 | 11.2% |
| 04 Academic Support | 36,545,683 | 39,843,707 | 40,989,849 | 1,146,142 | 2.9% |
| 05 Student Services | 16,092,146 | 17,245,630 | 18,837,002 | 1,591,372 | 9.2% |
| 06 Institutional Support | 31,656,687 | 36,134,632 | 38,473,187 | 2,338,555 | 6.5% |
| 07 Operation and Maintenance of Plant | 42,179,098 | 42,335,220 | 46,760,827 | 4,425,607 | 10.5% |
| 08 Auxiliary Enterprises | 100,694,967 | 102,000,084 | 104,552,979 | 2,552,895 | 2.5% |
| 17 Scholarships and Fellowships | 53,776,333 | 57,659,572 | 58,975,963 | 1,316,391 | 2.3% |
| Total Expenditures | \$ 406,610,924 | \$ 424,577,224 | \$ 443,479,082 | \$ 18,901,858 | 4.5% |
| Unrestricted Fund | \$ 364,750,785 | \$ 378,842,114 | \$ 395,743,972 | \$ 16,901,858 | 4.5% |
| Restricted Fund | 41,860,139 | 45,735,110 | 47,735,110 | 2,000,000 | 4.4% |
| Total Appropriations | \$ 406,610,924 | \$ 424,577,224 | \$ 443,479,082 | \$ 18,901,858 | 4.5% |

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.