

R30B24
Towson University
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$105,195	\$111,950	\$115,711	\$3,761	3.4%
Adjustments	0	1,144	-806	-1,950	
Adjusted General Fund	\$105,195	\$113,094	\$114,905	\$1,811	1.6%
Special Funds	4,892	5,322	5,138	-184	-3.5%
Adjustments	0	-613	0	613	
Adjusted Special Fund	\$4,892	\$4,709	\$5,138	\$429	9.1%
Other Unrestricted Funds	306,828	319,924	329,526	9,603	3.0%
Adjusted Other Unrestricted Fund	\$306,828	\$319,924	\$329,526	\$9,603	3.0%
Total Unrestricted Funds	416,916	437,196	450,375	13,179	3.0%
Adjustments	0	531	-806	-1,337	
Adjusted Total Unrestricted Funds	\$416,916	\$437,727	\$449,569	\$11,842	2.7%
Restricted Funds	42,808	50,112	50,112	0	
Adjusted Restricted Fund	\$42,808	\$50,112	\$50,112	\$0	0.0%
Adjusted Grand Total	\$459,724	\$487,839	\$499,681	\$11,842	2.4%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- A fiscal 2017 deficiency appropriation is provided to the University System of Maryland Office to partially offset the November 2016 Board of Public Works cost containment action, which will be allocated among the institutions, of which Towson University's (TU) share is \$0.5 million. A fiscal 2017 deficiency appropriation is also provided to offset the underattainment of Higher Education Investment Fund (HEIF) revenues, of which TU's share is estimated to be \$0.6 million.
- The general fund increases \$1.8 million, or 1.6%, in fiscal 2018 after adjusting for the fiscal 2017 deficiencies and \$0.8 million in contingent reductions.

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

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Analysis of the FY 2018 Maryland Executive Budget, 2017

- The HEIF increases \$0.4 million, or 9.1%, in fiscal 2018 after adjusting for \$0.6 million shortfall in the HEIF resulting in an overall growth of 1.9%, or \$2.2 million, in State funds over fiscal 2017.

Personnel Data

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>
Regular Positions	2,117.00	2,131.00	2,131.00	0.00
Contractual FTEs	<u>955.80</u>	<u>950.80</u>	<u>950.80</u>	<u>0.00</u>
Total Personnel	3,072.80	3,081.80	3,081.80	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	122.11	5.73%
Positions and Percentage Vacant as of 12/31/16	115.5	5.42%

- The fiscal 2018 allowance does not provide for any new regular positions. However, the University System of Maryland institutions have personnel autonomy and may create new positions during the year. In fiscal 2017 year-to-date, TU added 14.0 positions over the original appropriation.

Analysis in Brief

Major Trends

Enrollment: Total undergraduate enrollment increased 0.8%, or 149 students, in fall 2016. Transfers increased at the highest rate at 4.0%, or 85 students, with first-time students growing 1.5%, or 41 students.

Student Performance: The second-year retention rate has exceeded 83.0% for the past six cohorts. The six-year graduation rate of first-time, full-time students reached the highest rate of 74.1% with the 2009 cohort. Overall, the average time to degree for those graduating in 2016 was four years.

Issues

Meeting College Expenses: Total expenditures on institutional financial aid grew 15.6%, or \$3.5 million, from fiscal 2011 to 2015, with need-based aid accounting for \$3.2 million of the growth. In fiscal 2017, expenditures for need-based aid grow 23.4%, or \$3.5 million, accounting for the total increase in institutional aid. Overall, the portion of institutional aid going toward need-based aid increased from 53.3% in fiscal 2015 to 58.5% in fiscal 2018.

Recommended Actions

	<u>Funds</u>
1. Reduce current unrestricted (general) funds related to Hidden Waters.	\$ 70,000
Total Reductions	\$ 70,000

Updates

TU in Northeastern Maryland: In August 2014, TU opened the Towson University in Northeastern Maryland (TUNE) facility located on the Harford Community College (HCC) campus. This arrangement provides students in Northeastern Maryland, attending HCC or Cecil College, the opportunity to complete an associate's degree at the community college and then enroll in one of TU's programs offered at TUNE and earn their bachelor's degree.

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 Colleges and Universities (larger programs)

Fall 2016 Undergraduate Enrollment Headcount

Male	7,695
Female	11,503
Total	19,198

Fall 2016 New Students Headcount

First-time	2,755
Transfers/Others	2,233
Graduate	761
Total	5,749

Programs

Bachelor's	65
Master's	45
Doctoral	5

Proposed Fiscal 2018 In-state Tuition and Fees*

Undergraduate Tuition	\$6,692
Mandatory Fees	\$2,956

*Contingent on Board of Regents approval.

Fall 2016 Graduate Enrollment Headcount

Male	865
Female	2,280
Total	3,145

Campus (Main Campus)

Acres	329
Buildings	55
Average Age	43
Oldest	Auburn House – 1790

Degrees Awarded (2015-2016)

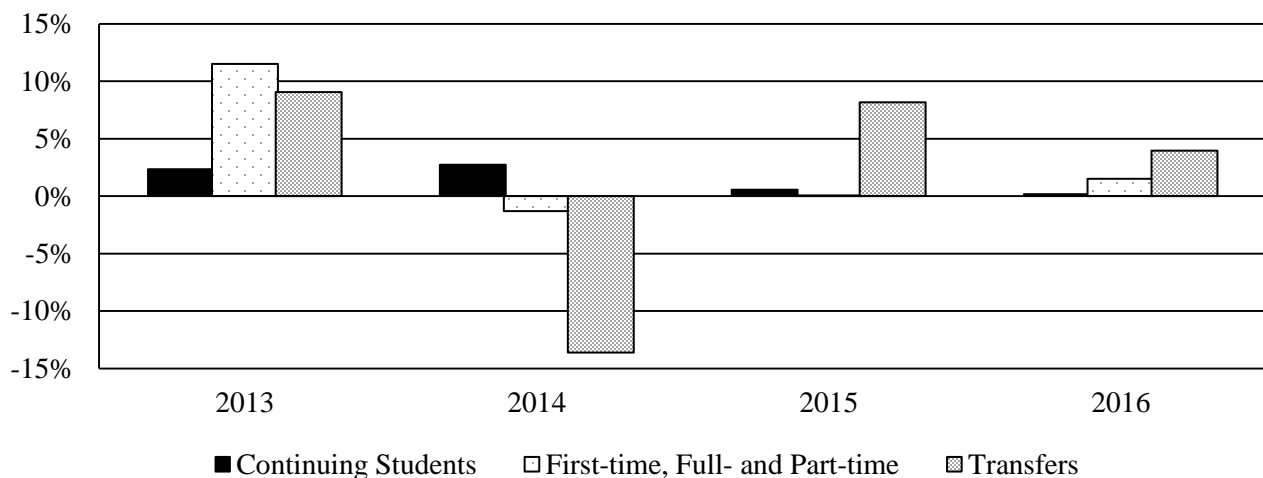
Bachelor's	4,428
Master's	974
Doctoral	30
Total Degrees	5,432

Performance Analysis

1. Enrollment

Total undergraduate enrollment increased 0.8%, or 149 students, in fall 2016. Transfers increased at the highest rate, 4.0%, or 85 students, with first-time students growing 1.5%, or 23 students, as shown in **Exhibit 1**. Overall, enrollment growth has slowed since fall 2013 when it increased 4.4%. Enrollment only increased 0.1% in fall 2014, primarily due to a 13.6%, or 313 student, decline in transfer students. While the number of transfers has since rebounded to 2,233 in fall 2016, it is below the 2,299 in 2013. According to TU, the decline in fall 2013 was attributable to the number of slots that were available to transfer students. Meanwhile, the rate of growth in continuing students slowed from 2.7% in fall 2014 to 0.2% in fall 2016. According to TU, there are many factors contributing to this trend including students stopping out and that because there has been a trend of fewer first-time students the number of continuing students tends to decline the following year. However, the number of new students has been fairly stable, averaging 2,734 students. Additionally, continuing students also include those admitted in spring. Therefore, other factors are affecting the number of returning students. **The President should comment on the low rate of continuing student enrollment, the reason students are not returning, and on efforts to improve the retention of students.**

Exhibit 1
Percentage Change in Undergraduate Enrollment
Fall 2013-2016

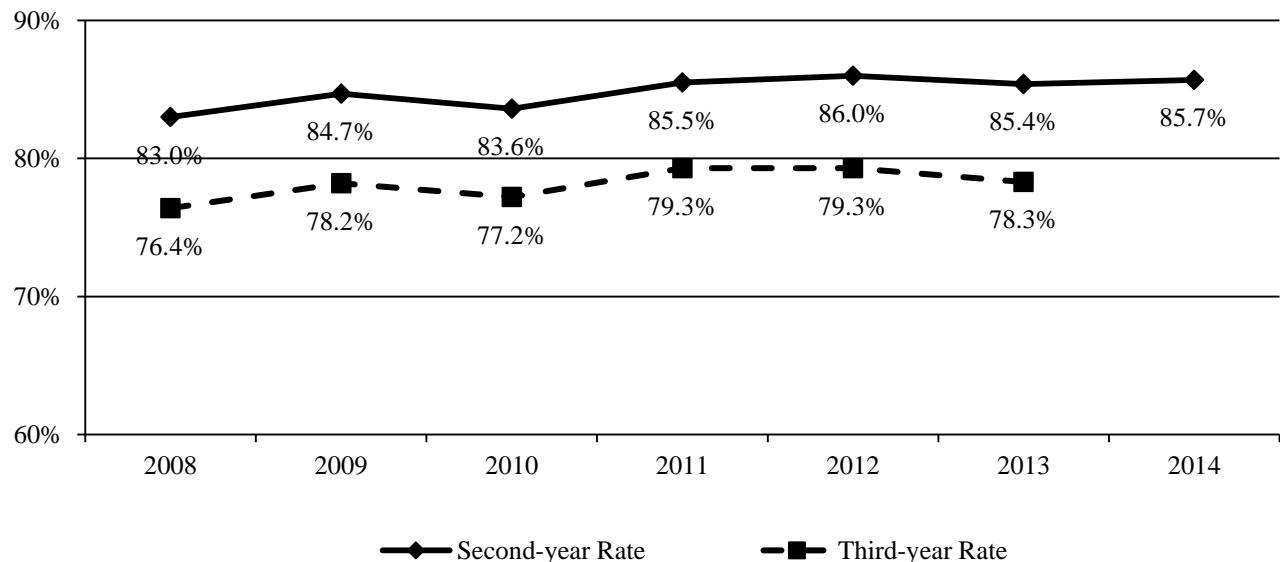


Source: University System of Maryland; Department of Legislative Services

2. Student Performance

Student persistence, or retention, provides a measure of a student's progress and an indication of an institution's performance: the higher the retention rate, the more likely that students will persist and graduate. As students are most likely to drop out during their first year, the second-year retention rate provides an indication if interventions are working or if further investigation is needed to identify areas of improvement. Overall, TU's second-year retention rate is relatively high, exceeding 83.0% over the past six cohorts, as shown in **Exhibit 2**. However, as previously discussed, the rate of growth for continuing students slowed in fall 2015 and 2016. Therefore, it is expected that the retention rate will decrease with these cohorts.

Exhibit 2
Second- and Third-year Retention Rates
First-time, Full-time 2008-2014 Cohorts



Source: Maryland Higher Education Commission, Retention and Graduation Rates at Maryland Four-year Institutions, September 2016

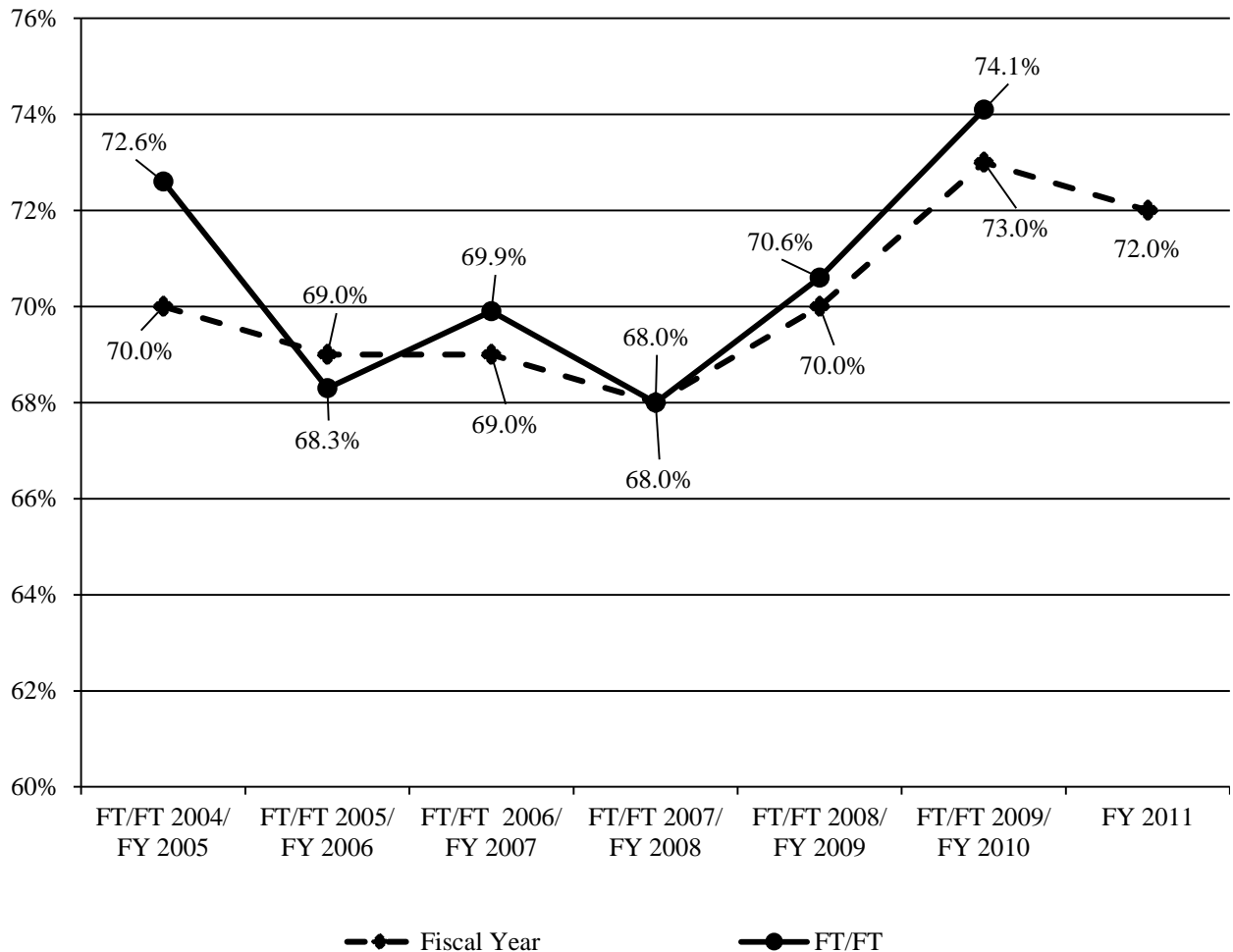
The third-year retention rate generally mirrors the trend of the second-year rate. The third-year rate reached its highest level of 79.3% with the 2011 and 2012 cohorts. The third-year rate of the 2013 cohort declined 1 percentage point to 78.3%, reflecting trend in the second-year rate. Given the improvement in the second-year rate of the 2014 cohort, it is expected that the third-year rate will also improve.

Completion rates are greatly influenced by time – the longer it takes a student to graduate, the more likely (s)he will dropout as other priorities compete with classes. Longer completion times translate into increased costs, not only for the student, but for the institution and State as well. According to the *Report on the Instructional Workload of the USM Faculty*, the average time to degree for those graduating TU in 2016 was 4.0 years, slightly down from 4.1 years in 2015.

Traditional student progress measures, such as those reported by the Maryland Higher Education Commission (MHEC) and the federal government, only track the success of the “traditional” first-time, full-time (FT/FT) student – those enrolled at an institution at the start of the academic year and continuously enrolled as a full-time student until completion. These measures do not include part-time students, transfer students, those who enroll in the spring, changed enrollment status, or stopped out, thereby providing only a partial picture of an institution’s performance. USM revised the graduation measure to include these students by defining the cohort as all new degree-seeking students who enrolled during the fiscal year. **Exhibit 3** compares the traditional MHEC six-year graduation rate to the USM revised measure. In general, particularly with the last two cohorts, TU performed well in graduating FT/FT students with the rate increasing 6.1 percentage from 68.0% with the 2007 cohort to 74.1% with the 2009 cohort. However, when all students are included, the rate tends to be lower, indicating that transfers and other nontraditional students do not perform as well as FT/FT students. While the rate of the fiscal year cohort improved 5.0 percentage points from 68.0% with the 2008 cohort to 73.0% with the 2010 cohort, the rate declined to 72.0% with the proceeding cohort. This may also indicate that the graduation rate for the FT/FT 2010 cohort will decline as well.

While the previous six-year graduation rate provides a more accurate picture, it does not capture a comprehensive picture of student progress or persistence toward earning a degree. To help improve reporting on student persistence, the Student Achievement Measure (SAM) was created to include more students including those who enroll in multiple institutions during their academic career. SAM is a voluntary reporting system that tracks the progress of FT/FT and full-time transfer students throughout their college career. Overall, transfer students perform better than FT/FT with 75% of the 2009 cohort graduating within six years after enrolling at TU compared to 70% of the FT/FT students, as shown in **Exhibit 4**. Overall, TU retained and graduated more students with the 2009 cohort with fewer transferring and/or graduating from another institution. While the number of FT/FT students whose status was unknown declined from 12% to 10% between the 2007 and 2009 cohort, the number of transfer students with an unknown status increased from 15% to 16%.

Exhibit 3 Comparison of Six-year Graduation Rates Various Cohorts

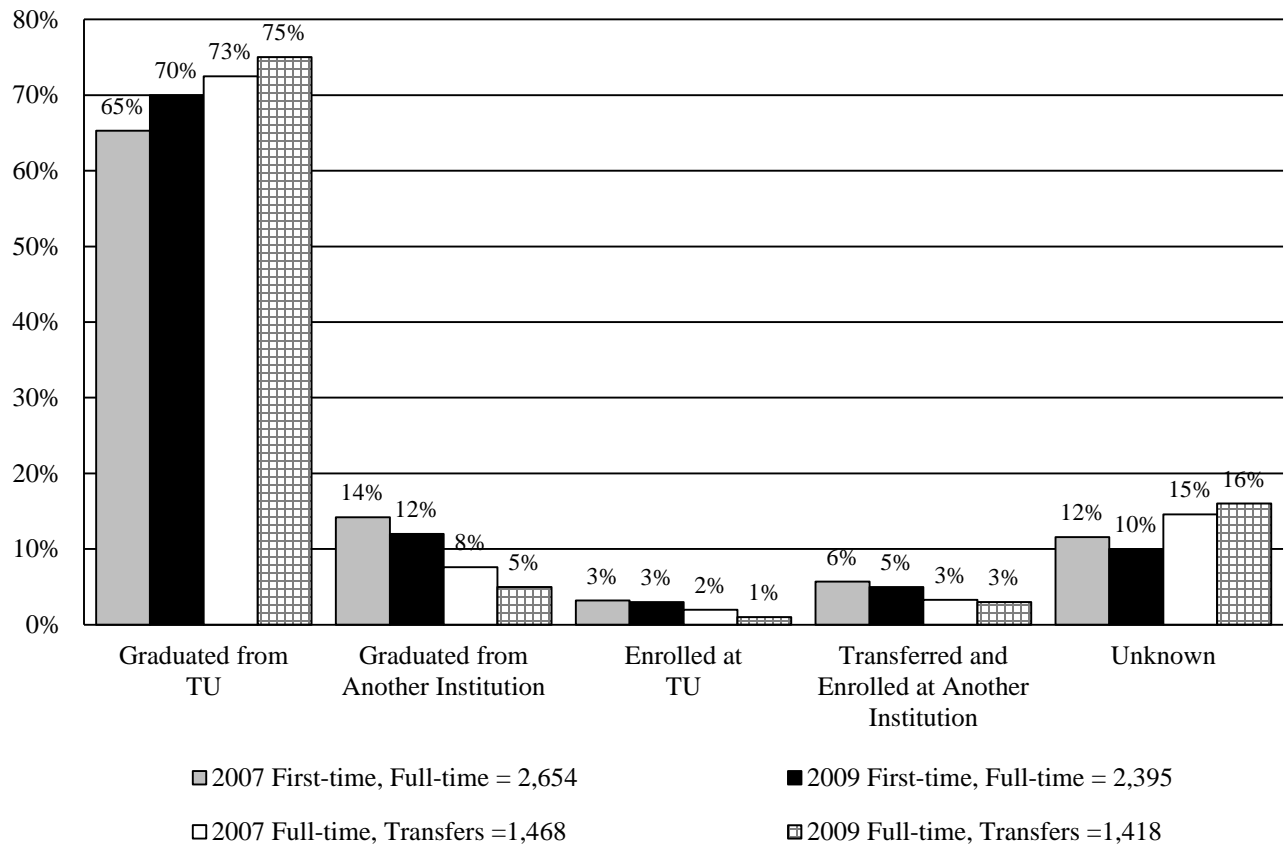


FT/FT: first-time, full-time

Note: FT/FT cohorts include students who persisted at and graduated from the institution they initially enrolled in and those who transferred and graduated from any Maryland public or private four-year institution. Fiscal year cohorts include all degree-seeking students (*e.g.*, FT/FT, part-time, transfers, spring admits) who enrolled in the fiscal year.

Source: Maryland Higher Education Commission, Retention and Graduation Rates at Maryland Four-year Institutions, September 2016; University System of Maryland

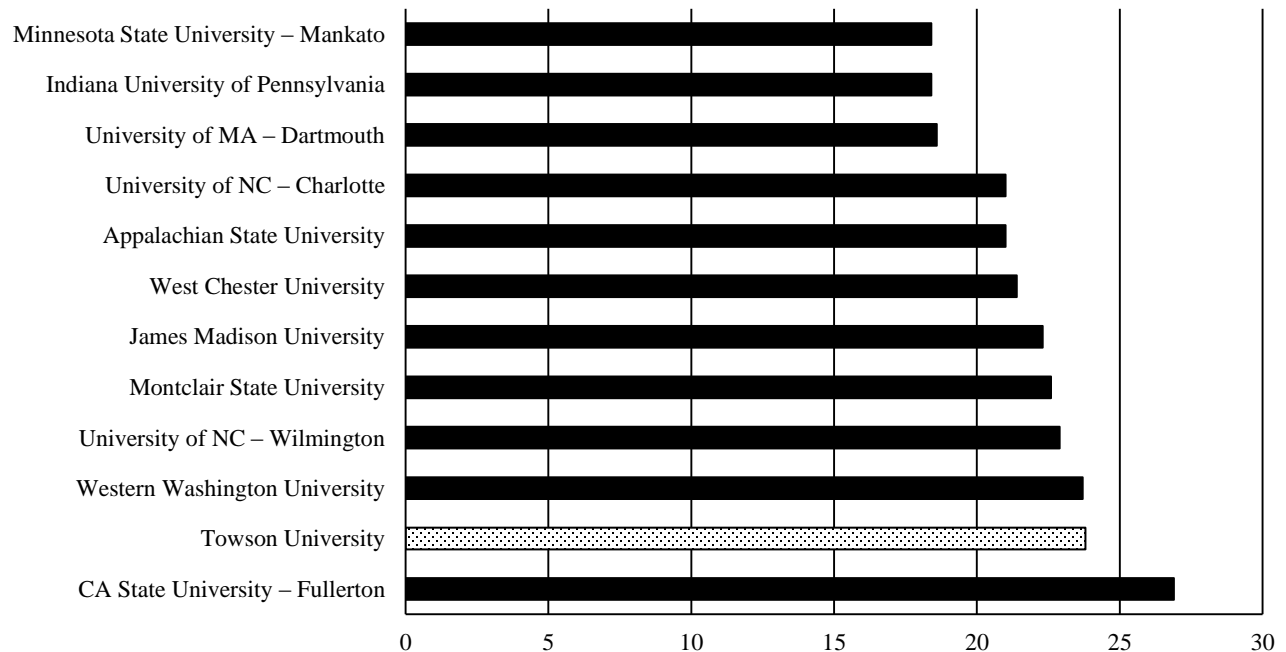
Exhibit 4
Status of First-time, Full-time and Full-time Transfers
Seeking a Bachelor's Degree
After Six Years
Fall 2007 and 2009 Cohorts



Source: Student Achievement Measures

Ultimately, how well an institution meets its academic mission is measured by the number of undergraduate degrees awarded. The number of undergraduate degrees awarded per 100 full-time equivalent student (FTES) shows how effectively institutions turn degree-seeking students into degree holders. **Exhibit 5** compares the three-year average of TU's ratio to that of its peers. Peer institutions are those used to benchmark TU's performance in USM Dashboard Indicators. Depending on the institution, the optimal value is 25.0 but could be higher for those who mainly offer upper-division programs or have a relatively high number of transfer students. Overall, only one institution – California State University at Fullerton – at 26.9 degrees performs better than TU at 23.8 degrees.

Exhibit 5
Comparison of Three-year Average of Undergraduate Degrees
Per 100 Undergraduate FTES to Performance Peers
Academic 2011-2013



Source: Chronicle of Higher Education, College Completion

Fiscal 2017 Actions

Cost Containment and Proposed Deficiency

The November 2016 Board of Public Works (BPW) action resulted in a 1.5%, or \$1.8 million, reduction in TU's appropriation, of which \$0.8 million was met by the elimination of 9 vacant positions and \$0.5 million by reducing spending on various operational costs such as professional development and training, maintenance and housekeeping, outreach programs, and facility renewal. The remaining \$0.5 million was to be offset by a transfer from the Higher Education Investment Fund (HEIF) fund balance. However, due to insufficient available HEIF funds, a fiscal 2017 deficiency provides the University System of Maryland Office with \$4.1 million in general funds to cover the offset at all USM institutions. A second fiscal 2017 deficiency provides \$4.7 million to USM to offset an overall decline in the HEIF. TU's share is estimated to be \$0.6 million (see USM Overview for further discussion).

Proposed Budget

The general fund allowance for fiscal 2018 is 1.6%, or \$1.8 million, higher than in fiscal 2017 after adjusting for the fiscal 2017 deficiencies and adjusting fiscal 2018 for the contingent reduction and the across-the-board pension reduction, as shown in **Exhibit 6**. The HEIF increases 9.1%, or \$0.4 million, after adjusting for the \$0.6 million shortfall in fiscal 2017 resulting in an overall growth in State funds of 1.9%, or \$2.2 million, to \$120.0 million in fiscal 2018. Other unrestricted funds grow 3.0%, or \$9.6 million, due to tuition and fee and auxiliary revenues increasing \$4.5 million and \$4.2 million, respectively.

Exhibit 6
Proposed Budget
University System of Maryland – Towson University
(\$ in Thousands)

	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 17-18</u>	<u>% Change</u>
	<u>Actual</u>	<u>Adjusted</u>	<u>Adjusted</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$105,195	\$111,950	\$115,711		
Deficiencies		1,144			
Across-the-board			-306		
Contingent Reduction			-500		
Total General Funds	\$105,195	113,094	114,905	\$1,811	1.6%
HEIF	\$4,892	\$5,322	\$5,138		
Deficiencies		-613			
Total HEIF	\$4,892	\$4,709	\$5,138	\$429	9.1%
Total State Funds	\$110,088	\$117,803	\$120,043	\$2,240	1.9%
Other Unrestricted Funds	\$306,828	\$319,924	\$329,526	\$9,603	3.0%
Total Unrestricted Funds	\$416,916	\$437,727	\$449,569	\$11,842	2.7%
Restricted Funds	\$42,808	\$50,112	\$50,112	\$0	0.0%
Total Funds	\$459,724	\$487,839	\$499,681	\$11,842	2.4%

HEIF: Higher Education Investment Fund

Note: Fiscal 2017 General Fund and Higher Education Investment Fund adjusted to reflect deficiencies and fiscal 2018 General Fund to reflect contingent reductions.

Source: Governor's Budget Books, Fiscal 2018; Department of Legislative Services

The fiscal 2018 allowance provides \$2.9 million to hold the increase in resident undergraduate tuition to 2%. However, \$0.5 million in funds for TU mandated by Chapter 25 of 2016 to increase the funding guideline attainment level of those USM institutions with the lowest estimated fiscal 2016 attainment is cut contingent on the Budget Reconciliation and Financing Act (BRFA) of 2017. The fiscal 2018 budget bill also includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. TU's share of this reduction is \$0.3 million in general funds. This action is also tied to a provision in the BRFA of 2017.

The general fund allowance includes \$70,000 for ground maintenance, operations, and utilities at Hidden Waters, the Chancellor's residence owned by the USM Foundation. These funds were transferred by budget amendment in fiscal 2017 from the University of Maryland, Baltimore to TU. **Since the property is owned by the foundation, it is the foundation's responsibility to maintain the property. Therefore, the Department of Legislative Services recommends reducing TU's general funds by \$70,000.**

The allowance provides \$7.1 million in unrestricted funds for expenses related to information technology and other upgrades (\$4.1 million), financial aid (\$1.6 million), facilities renewal (\$0.9 million), debt service (\$0.4 million), and Title IX compliance (\$0.1 million).

Budget changes by program area in the allowance are shown in **Exhibit 7**. This data includes unrestricted funds only, the majority of which consist of general funds, the HEIF, and tuition and fee revenues. Education and general (E&G) expenditures increase 4.6%, or \$13.9 million, in fiscal 2017 after adjusting the deficiency of \$0.5 million. Spending increases across program areas are mainly due to personnel costs, including merit increases and the addition of positions in academic support, student services, instruction, and public service. Spending on operation and maintenance of plant increases 4.8%, or \$2.3 million, due to a one-time rebate from the Baltimore Gas and Electric Company holding down fiscal 2016 costs. Institutional support expenditures decline 6.1%, or \$2.4 million, due to decreased spending on contractual services.

In fiscal 2018, E&G expenditures grow 2.4%, or \$7.7 million, after adjusting for deficiencies and contingent reductions. Spending increases in instruction, academic support, institutional support, and research are related to contractual services, supplies, and equipment. Expenditures in operation and maintenance of plant grow 2.0%, or \$1.1 million, due to increases in debt service and facilities renewal. The decline in spending on student services of 0.2%, or \$47,889, is related to the November 2016 BPW action, which took funding from this program area.

Exhibit 7
Towson University Budget Changes for Unrestricted Funds by Program
Fiscal 2016-2018
(\$ in Thousands)

	2016	2017		2018	2017-18	2017-18
	<u>Actual</u>	<u>Adjusted Working</u>	<u>2016-17 % Change</u>	<u>Adjusted</u>	<u>Change</u>	<u>% Change</u>
Expenditures						
Instruction	\$117,880	\$119,309	1.2%	\$123,741	\$4,431	3.7%
Research	1,180	1,418	20.1%	1,879	461	32.5%
Public Service	3,613	4,630	28.2%	4,637	7	0.1%
Academic Support	38,293	43,804	14.4%	44,741	937	2.1%
Student Services	18,635	20,567	10.4%	20,519	-48	-0.2%
Institutional Support	38,802	36,447	-6.1%	37,059	612	1.7%
Operation and Maintenance of Plant	49,020	51,364	4.8%	52,416	1,052	2.0%
Scholarships and Fellowships	35,584	38,880	9.3%	40,435	1,555	4.0%
Deficiency		531				
Contingent Reduction				-500		
Across-the-board Reduction				-306		
Education and General Total	\$303,007	\$316,951	4.6%	\$324,621	\$7,670	2.4%
Auxiliary Enterprises	\$113,909	\$120,776	6.0%	\$124,949	\$4,173	3.5%
Total	\$416,916	\$437,727	5.0%	\$449,569	\$11,842	2.7%
Revenues						
Tuition and Fees	\$182,105	\$187,114	2.8%	\$191,658	\$4,544	
General Funds	105,195	113,094	7.5%	114,905	1,811	1.6%
Higher Education Investment Fund	4,892	4,709	-3.7%	5,138	429	9.1%
Other Unrestricted Funds	14,540	13,757	-5.4%	14,799	1,042	7.6%
Subtotal	\$306,732	\$318,674	3.9%	\$326,500	\$7,826	2.5%
Auxiliary Enterprises	\$115,293	\$123,412	7.0%	\$127,585	\$4,173	3.4%
Transfer (to)/from Fund Balance	-5,110	-4,360		-4,516		
Total	\$416,916	\$437,727	5.0%	\$449,569	\$11,842	2.7%

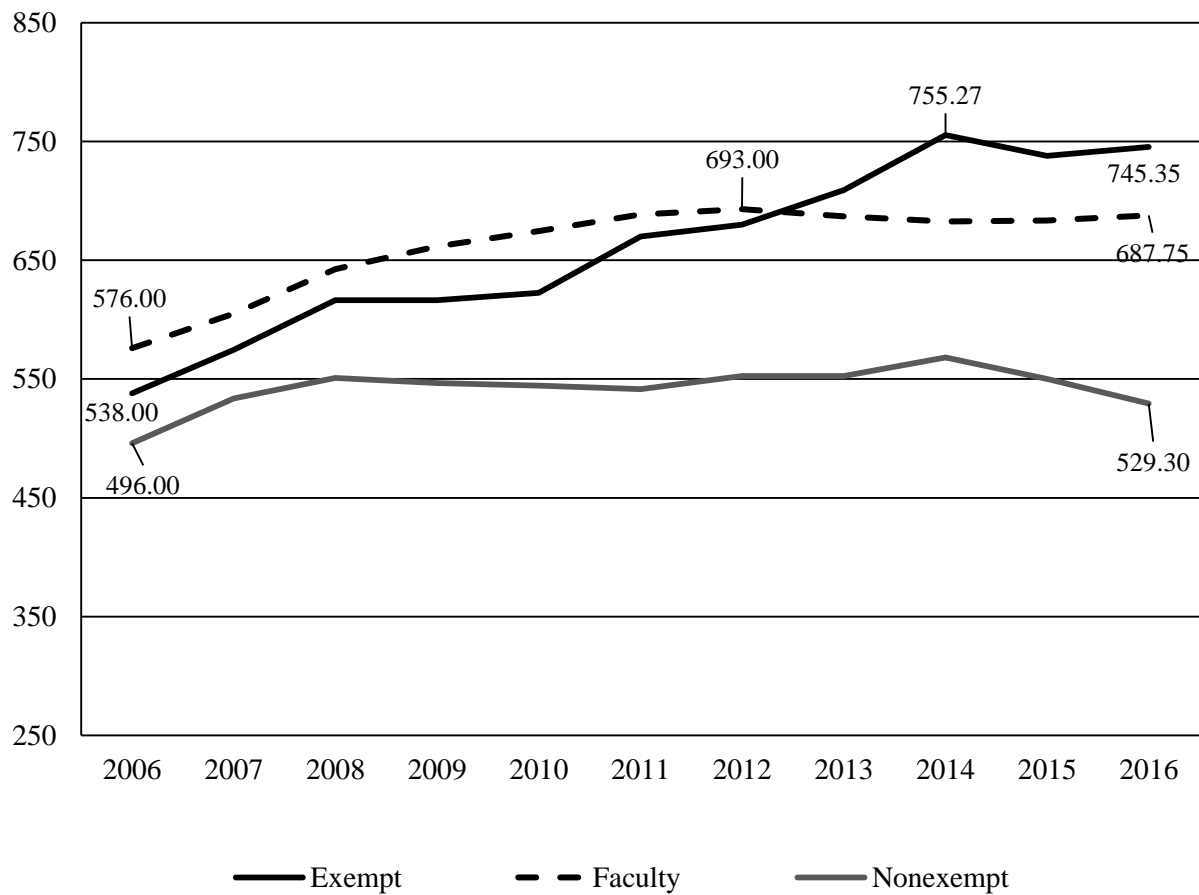
Note: Fiscal 2017 general funds are adjusted by \$1.1 million and the Higher Education Investment Fund by \$0.6 million to reflect deficiencies. Fiscal 2018 general funds are adjusted by \$0.8 million to reflect contingent reductions.

Source: Governor's Budget Books, Fiscal 2018; Department of Legislative Services

Trends in Personnel

Over the past 10 years the total number of filled positions grew 21.9% (352.4 full-time equivalents (FTE)) with exempt positions increasing 38.5% (207.4 FTEs), as shown in **Exhibit 8**. Over half of those positions were in academic support and auxiliary. Since 2012, the number of filled faculty positions has remained relatively stable, declining by 5.2 FTEs, and attributable to a decrease of faculty in academic support.

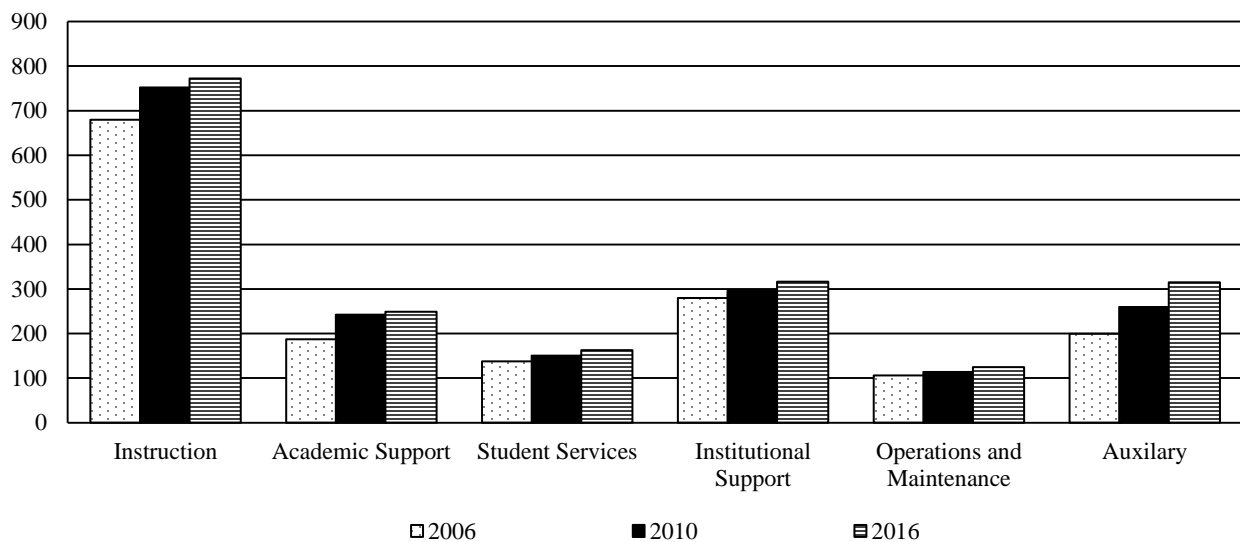
Exhibit 8
Total Filled Positions by Classification
 As of October 2006-2016



Source: Towson University

Exhibit 9 shows changes in the number of filled positions by program area, excluding research and public service, before (2006), during (2010), and after the most recent recession (2016). The number of filled positions steadily increased, even during the recession. Auxiliary experienced the largest increase of 57.9% (115.1 FTEs), and since it includes self-supported activities such as food services and residence halls, it is expected that the number of positions would increase as enrollment grows. Also, from fiscal 2006 to 2016, the number of instructional faculty increased by 92.7 FTEs.

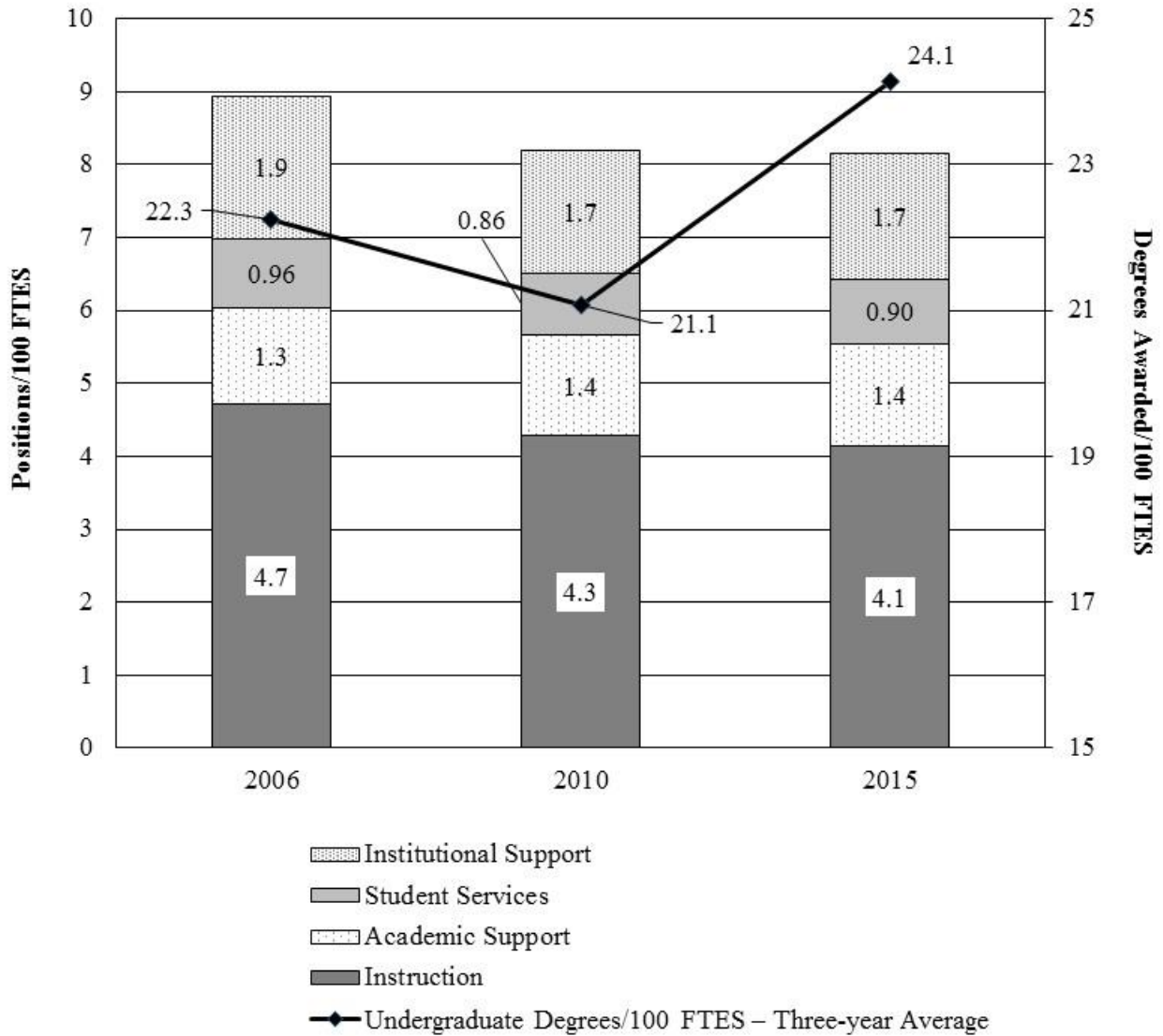
Exhibit 9
Changes in Filled Positions Related to Student-related Positions
October 2006, 2010, and 2016



Source: Towson University

Exhibit 10 considers the impact that positions have on institution performance by comparing the number of filled positions related to the academic enterprise on a per 100 undergraduate FTES basis to the three-year average of the number of undergraduate degrees awarded per 100 undergraduate FTES. Between fiscal 2006 and 2010, positions per 100 undergraduate FTES declined in all program areas, which is expected given an enrollment growth of 22.2% compared to a 12.2% increase in positions. This seems to have impacted TU's performance with the completion ratio declining from 22.3 degrees per 100 undergraduate FTES in fiscal 2006 to 21.1 degrees per 100 undergraduate FTES in fiscal 2010. In 2015, the ratio of positions per 100 undergraduate FTES in all program areas increased, except instruction, which declined from 4.3 to 4.1 positions per 100 undergraduate FTES. During this time period, filled positions increased 7.7% exceeding enrollment growth of 6.8%. It appears that TU was able to improve its performance in fiscal 2015 with completions improving to 24.1 degrees per 100 undergraduate FTES.

Exhibit 10
Academic-related Positions Per 100 Undergraduate FTES Compared to
Undergraduate Degrees Per 100 FTES
Fiscal 2006, 2010, and 2015



FTES: full-time equivalent students

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

Issues

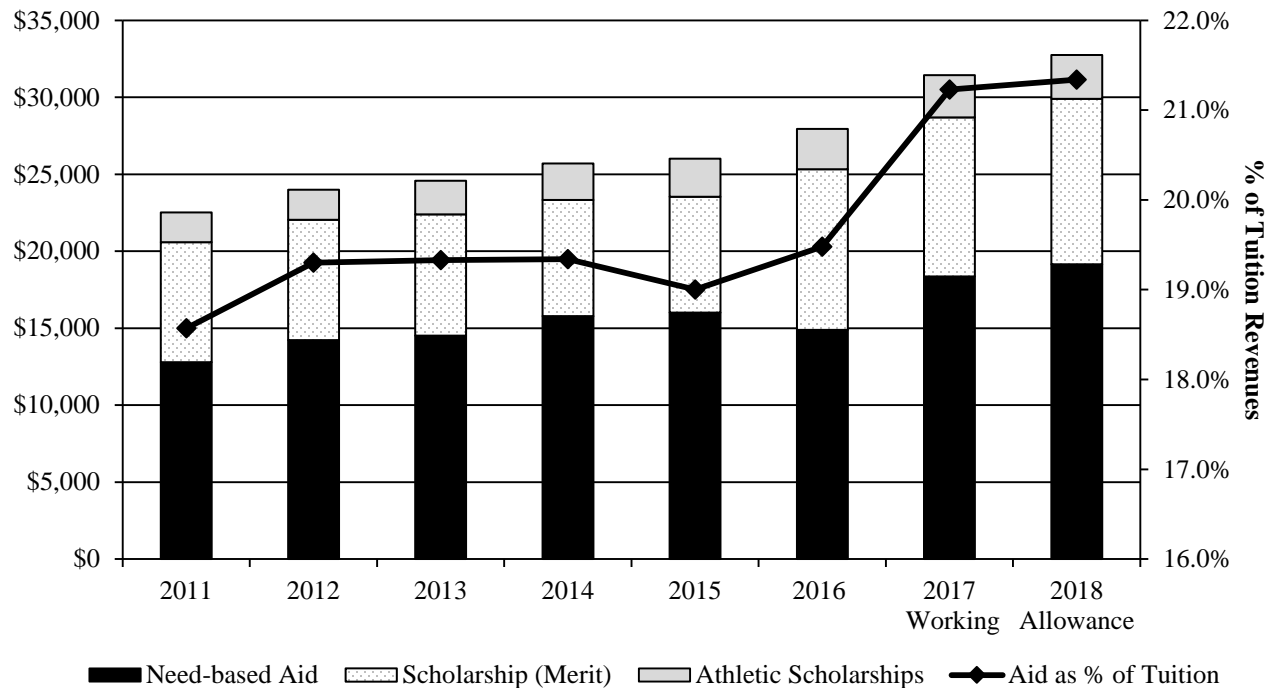
1. Meeting College Expenses

As the cost of college continues to increase, students and families are relying on a variety of financial aid to pay for college with more students taking out loans. When accounting for the average amount of federal, State, and institutional aid awarded to all TU students, the average net price for a FT/FT Maryland undergraduate student at TU was \$14,696 in fiscal 2016 compared to the list price of \$24,668 (based on tuition, mandatory fees, books and supplies, other expenses, and the weighted average of room and board), according to the National Center for Education Statistics' College Navigator. This amounts to a 40.4% reduction in the net cost of attendance. For those with a family income up to \$30,000, the average net price was \$10,263 in fiscal 2016.

In fiscal 2016, 27% of TU's undergraduate students received Pell awards, which are given to those who otherwise could not afford college and have an expected family contribution (EFC) of less than a specific amount, which was \$5,815 in fiscal 2016. EFC is an indicator of the amount that a family is able to contribute for a student's college education: the lower the EFC, the greater the financial aid.

Total expenditures on institutional financial aid grew 15.6%, or \$3.5 million, from fiscal 2011 to 2015, with need-based aid accounting for \$3.2 million of the growth, as shown in **Exhibit 11**. However, in fiscal 2016, spending on need-based aid drops 7.0%, or \$1.1 million, while that spent on scholarships increased 38.7%, or \$2.9 million. According to TU, this is due to a change in how scholarships awarded to students demonstrating financial need are reported. Prior to fiscal 2015, these awards were reported as need-based aid, consistent with the reporting requirements of the major national financial aid reports. When USM was asked to clarify the appropriate procedures for reporting scholarships awarded to students with financial need, TU was asked to report these as scholarships. When applying this reporting standard used in fiscal 2016 to 2015, expenditures on need-based aid and scholarships total \$13.9 million and \$9.6 million, respectively. This results in spending on need-based aid and scholarships increasing by \$0.9 million and \$0.8 million, respectively, in fiscal 2016. In fiscal 2017, expenditures for need-based aid grow, 23.4%, or \$3.5 million, accounting for the total increase in institutional aid. Overall, the portion of institutional aid going toward need-based aid increased from 53.3% in fiscal 2015 to 58.5% in fiscal 2018.

Exhibit 11
Institutional Aid – Total Aid and Aid as a Percentage of Undergraduate
Tuition Revenues
Fiscal 2011-2018 Allowance
(\$ in Thousands)

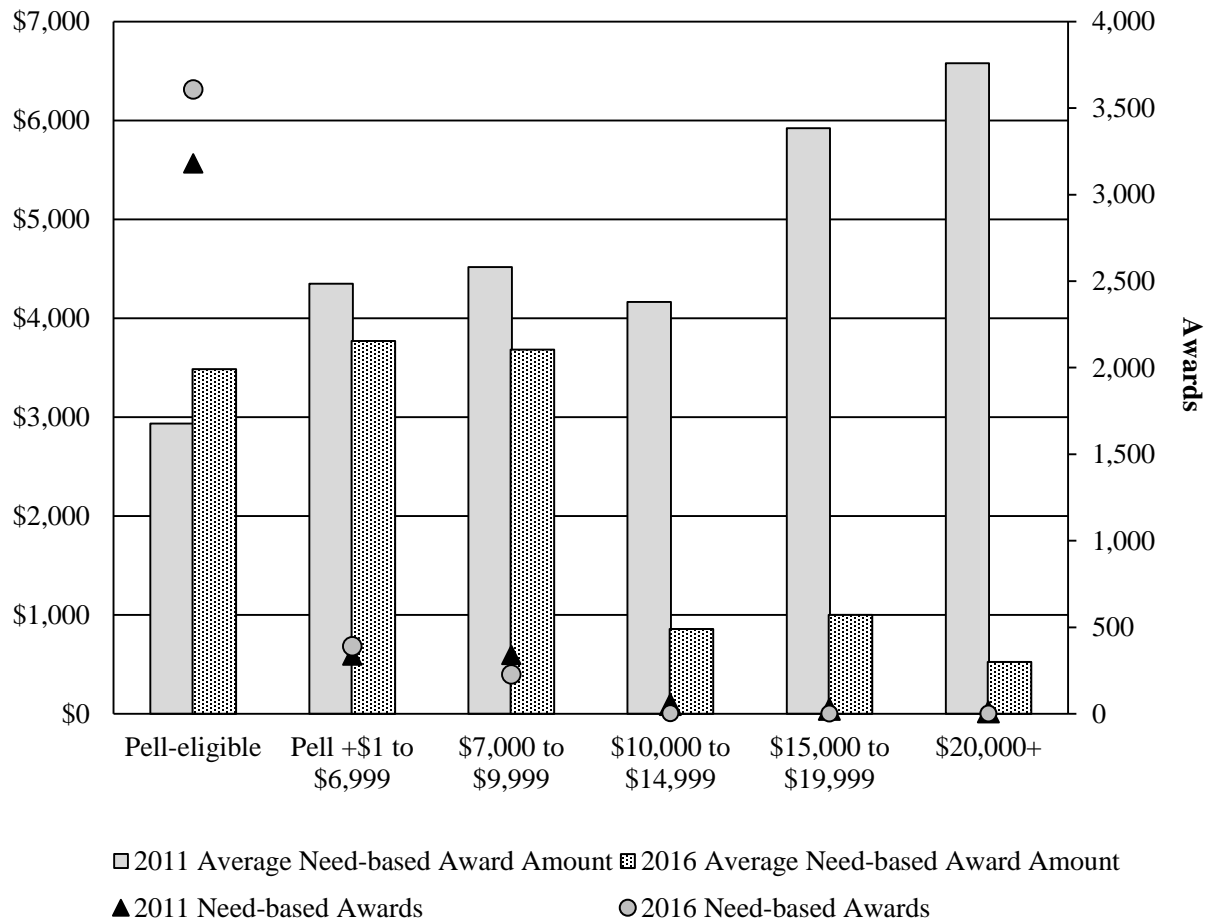


Source: University System of Maryland; Department of Legislative Services

The USM Board of Regents has instructed institutions to use a portion of annual tuition revenue increases for institutional aid directed toward those undergraduate students with the highest financial need, offsetting increases in tuition rates, and holding harmless those with the greatest need. Since fiscal 2011, when institutional aid as a percentage of undergraduate tuition revenue was at its lowest level of 18.6%, it increased to 21.2% in fiscal 2017.

While the total number of need-based aid awards increased 7.2% between fiscal 2011 and 2016, the average award declined across all EFC categories except for Pell-eligible students whose average award amount increased \$551, as shown in **Exhibit 12**. The number of awards going to students with EFCs above \$7,000 decrease from 429 in fiscal 2011 to 235 in fiscal 2016. Overall, the portion of need-based aid awards going toward Pell-eligible students increased from 80.6% in fiscal 2011 to 85.2% in fiscal 2016.

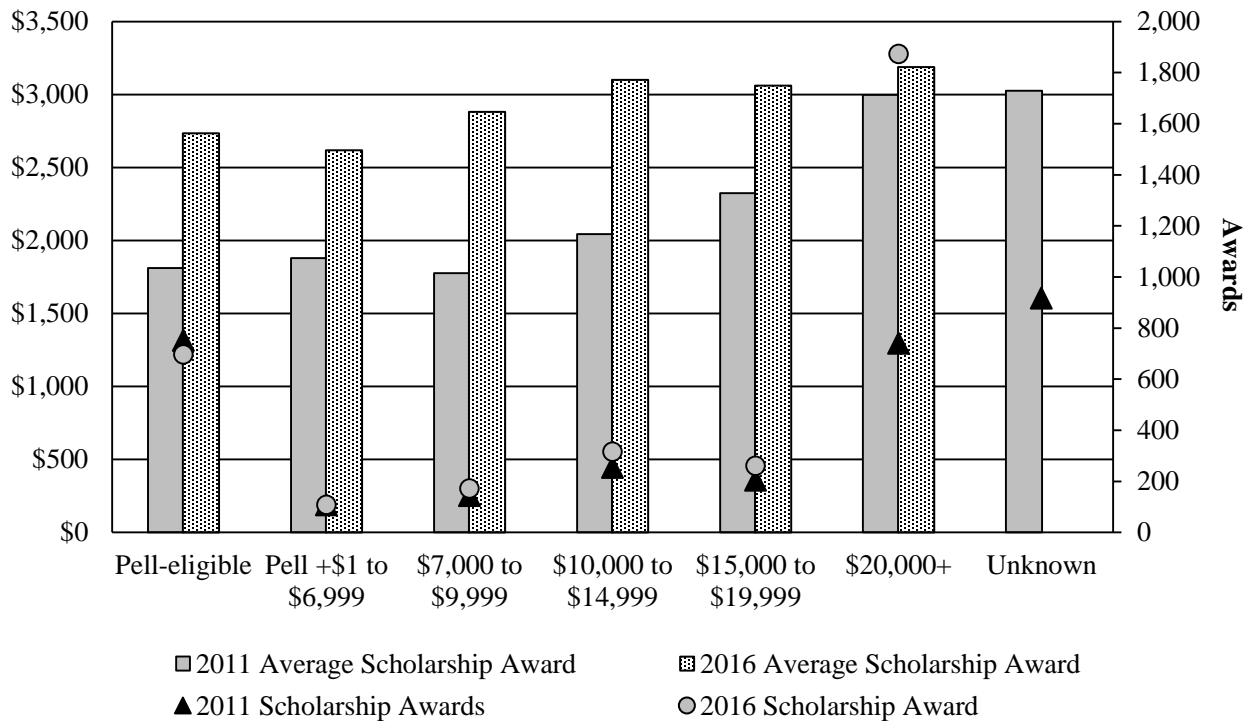
Exhibit 12
Comparison of Number and Average Amount of Need-based Aid
Received Per Recipient by Expected Family Contribution
Fiscal 2011 and 2016



Source: University System of Maryland

Between fiscal 2011 and 2016, the average scholarship award amount increase across all EFC categories with those with an EFC greater than \$20,000 receiving the highest average award of \$3,189, as shown in the **Exhibit 13**. While 917 awards were made to students whose EFC was unknown (those who did not file a Free Application for Federal Student Aid or FAFSA) in fiscal 2011, no awards were made to these students in fiscal 2016. The number of awards going to those with an EFC greater than \$20,000, increased by 152.8%, or 1,132, between fiscal 2011 and 2016. Approximately a third of the awards go to students in this category.

Exhibit 13
Comparison of Number and Average Amount of Scholarship
Received Per Recipient by Expected Family Contribution
Fiscal 2011 and 2016

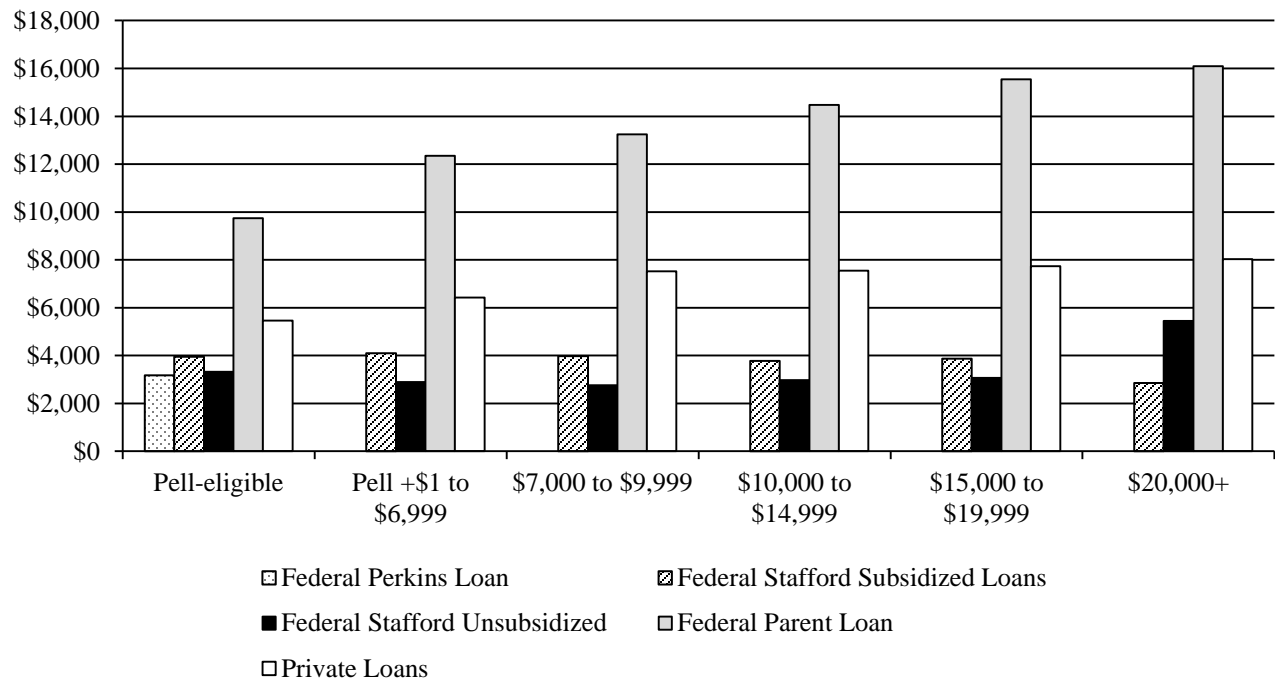


Source: University System of Maryland

While students with the greatest financial need typically receive Pell and institutional aid, it is not enough to cover the cost of attending college. As shown in **Exhibit 14**, students in all EFC categories take out various types of loans to finance their education. There are three types of loans:

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

Exhibit 14
Mean Loan Amounts by Type and Expected Family Contribution
Fiscal 2016



Source: University System of Maryland

In fiscal 2016, of the 5,597 Pell-eligible students 70.9% and 54.8% used subsidized and unsubsidized loans, respectively, to help pay for their college education with average loans of \$3,955 and \$3,323. In addition, 415 of these students took out an average of \$5,457 in private loans. In general, federal parent loans were the highest loan amount in all EFC categories, with those who have an EFC of greater than \$20,000 taking out the highest average loan amount of \$16,094.

According to College Insight, the percentage of students graduating with debt from TU increased from 23.0% to 63.0% between fiscal 2009 and 2014, slightly higher than the national average of 61.0% in fiscal 2014. During this time period, the average debt for the TU graduates increased 95.7% from \$13,245 to \$25,926, which is below the national average of \$27,022 in fiscal 2014.

The President should comment on financial literacy efforts to inform and guide students in making financial decisions especially Pell-eligible students given the relatively low percentage using federal subsidized and unsubsidized loans to pay for college.

Recommended Actions

	<u>Amount Reduction</u>
1. Reduced the current unrestricted (general) funds related to maintaining Hidden Waters, the Chancellor's residence in Baltimore County. A fiscal 2017 budget amendment transferred the general funds from the University of Maryland, Baltimore to Towson University for ground maintenance, operations, and utilities of the residence. Since it is owned by the University System of Maryland Foundation, it is their responsibility to maintain the property.	\$ 70,000 UF
Total Unrestricted Fund Reductions	\$ 70,000

Updates

1. TU in Northeastern Maryland

In October 2006, TU signed 20 2+2 articulation agreements with Harford Community College (HCC), which is the second largest feeder school for new transfer students at TU. The concept of a TU-dedicated facility with the purpose of offering upper-level undergraduate programs on HCC's west campus, took shape in fiscal 2006. The facility was intended to allow TU to expand its program offerings in northeastern Maryland to 12 undergraduate and 9 graduate programs.

In August 2014, TU opened the Towson University in Northeastern Maryland (TUNE) facility located on the HCC campus. This arrangement provides students in northeastern Maryland attending HCC or Cecil College the opportunity to complete an associate degree at the community college and then enroll in one of TU's programs offered at TUNE and earn their bachelor's degree. The programs offered at TU were selected based on student interest and regional workforce demand. Currently, eight programs are offered at TUNE: business administration; family and human services; information technology; integrated early childhood education/special education; integrated elementary education/special education; nursing; sociology-anthropology with a criminal justice concentration; and psychology.

TUNE is in its third year of operation during which headcount enrollment grew 123% and FTES increased 190%. TU is planning on increasing its total program offerings over the next 10 years, which may include communication studies, health care management, and environmental science/studies.

Appendix 1
Current and Prior Year Budgets
USM – Towson University
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Other</u> <u>Unrestricted</u> <u>Fund</u>	<u>Total</u> <u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016							
Legislative Appropriation	\$99,432	\$4,892	\$0	\$308,758	\$413,082	\$50,172	\$463,254
Deficiency Appropriation	3,037	0	0	0	3,037	0	3,037
Budget Amendments	2,726	0	0	1,491	4,217	0	4,217
Reversions and Cancellations	0	0	0	-3,421	-3,421	-7,364	-10,784
Actual Expenditures	\$105,195	\$4,892	\$0	\$306,828	\$416,916	\$42,808	\$459,724
Fiscal 2017							
Legislative Appropriation	\$109,721	\$5,322	\$0	\$317,418	\$432,461	\$50,112	\$482,573
Cost Containment	-1,797	0	0	0	-1,797	0	-1,797
Budget Amendments	4,026	0	0	2,506	6,532	0	6,532
Working Appropriation	\$111,950	\$5,322	\$0	\$319,924	\$437,196	\$50,112	\$487,308

USM: University System of Maryland

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

For fiscal 2016, the general fund appropriation for Towson University (TU) increased by \$5.7 million, which included a \$3.0 million deficiency related to a shortfall in health benefits. A budget amendment added a further \$2.7 million to restore a 2% pay reduction.

Other unrestricted funds decreased by \$1.9 million. Budget amendments added \$1.5 million including \$0.8 million in tuition and fee revenue related to the annualization of the mid-year rate increase in fiscal 2015 and \$0.7 million in the sales and services of educational activities.

Cancellation of unrestricted funds totaled \$3.4 million due to expenditures being less than anticipated.

Cancellation of restricted funds amounted to \$7.4 million due to expenditures on grants and contracts being less than budgeted.

Fiscal 2017

To date, in fiscal 2017, the general fund appropriation for TU has increased by \$2.2 million. Budget amendments added \$3.6 million related to salary increments, a \$0.4 million transfer from the University of Maryland System Office to support student completion initiatives, and a \$70,000 transfer from the University of Maryland, Baltimore related to the grounds maintenance, operations, and utilities of Hidden Waters, the Chancellor's residence that is owned by the University System of Maryland Foundation. This increase was partly offset by \$1.8 million in cost containment measures.

Other unrestricted funds increased \$2.5 million including \$1.6 million in auxiliary enterprises related to the opening of two residence halls, \$0.8 million in the sales and services of educational activities, and \$0.3 million in tuition and fee revenues associated with an increase in the student orientation fee. This increase is slightly offset by an additional \$0.2 million being transferred to the fund balance.

Appendix 2
Audit Findings

Audit Period for Last Audit:	December 12, 2011 – June 30, 2015
Issue Date:	November 2016
Number of Findings:	9
Number of Repeat Findings:	1
% of Repeat Findings:	11.1%
Rating: (if applicable)	

- Finding 1:** Towson University (TU) lacked an adequate process to monitor and adjust Provost Scholarship awards to ensure students were receiving the correct scholarship award amount based on their current residency status.
- Finding 2:** The university did not adequately restrict employee access capabilities for critical functions related to recording financial aid awards in its financial management system.
- Finding 3:** **TU entered into three consecutive interagency agreements with Maryland State Department of Education that enable the department to fill its chief information officer position in a manner inconsistent with State law.**
- Finding 4:** There were insufficient controls over changes to the student residency status recorded in student accounts.
- Finding 5:** Sensitive personally identifiable information was not properly protected.
- Finding 6:** There were insufficient procedures for maintaining and securing numerous computers.
- Finding 7:** Collections received by the Athletics Department were not adequately accounted for and controlled since checks were not recorded and endorsed upon receipt.
- Finding 8:** Lack of sufficient controls existed over the addition of contractual employees to its payroll records and rate changes for these employees.
- Finding 9:** TU did not adequately investigate the propriety of payments to its employees who were on multiple State payrolls.

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

Appendix 3
Object/Fund Difference Report
University System of Maryland – Towson University

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	2,117.00	2,131.00	2,131.00	0.00	0%
02 Contractual	955.80	950.80	950.80	0.00	0%
Total Positions	3,072.80	3,081.80	3,081.80	0.00	0%
Objects					
01 Salaries and Wages	\$ 191,471,954	\$ 202,492,827	\$ 200,235,492	-\$ 2,257,335	-1.1%
02 Technical and Spec. Fees	44,120,056	46,778,102	47,168,411	390,309	0.8%
03 Communication	1,179,932	2,166,414	3,204,253	1,037,839	47.9%
04 Travel	4,722,287	4,716,365	4,716,365	0	0%
06 Fuel and Utilities	6,549,597	13,037,030	13,037,030	0	0%
07 Motor Vehicles	931,630	1,743,642	1,740,958	-2,684	-0.2%
08 Contractual Services	47,961,380	50,849,984	55,689,053	4,839,069	9.5%
09 Supplies and Materials	17,967,824	20,128,025	20,128,025	0	0%
10 Equipment – Replacement	5,546,075	3,758,034	5,258,034	1,500,000	39.9%
11 Equipment – Additional	11,132,761	11,971,289	12,971,289	1,000,000	8.4%
12 Grants, Subsidies, and Contributions	66,236,414	71,385,343	72,940,528	1,555,185	2.2%
13 Fixed Charges	33,287,359	40,240,785	44,540,602	4,299,817	10.7%
14 Land and Structures	28,616,658	18,040,232	18,857,426	817,194	4.5%
Total Objects	\$ 459,723,927	\$ 487,308,072	\$ 500,487,466	\$ 13,179,394	2.7%
Funds					
40 Unrestricted Fund	\$ 416,915,542	\$ 437,195,741	\$ 450,375,135	\$ 13,179,394	3.0%
43 Restricted Fund	42,808,385	50,112,331	50,112,331	0	0%
Total Funds	\$ 459,723,927	\$ 487,308,072	\$ 500,487,466	\$ 13,179,394	2.7%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 4
Fiscal Summary
University System of Maryland – Towson University

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Instruction	\$ 117,879,992	\$ 119,309,131	\$ 123,740,547	\$ 4,431,416	3.7%
02 Research	3,394,113	5,248,050	5,709,082	461,032	8.8%
03 Public Service	13,763,304	20,611,187	20,616,694	5,507	0%
04 Academic Support	38,355,168	43,828,772	44,765,955	937,183	2.1%
05 Student Services	18,696,074	20,642,497	20,595,638	-46,859	-0.2%
06 Institutional Support	38,801,519	36,447,279	37,058,822	611,543	1.7%
07 Operation and Maintenance of Plant	49,019,568	51,364,407	52,416,090	1,051,683	2.0%
08 Auxiliary Enterprises	113,917,377	120,800,919	124,973,623	4,172,704	3.5%
17 Scholarships and Fellowships	65,896,812	69,055,830	70,611,015	1,555,185	2.3%
Total Expenditures	\$ 459,723,927	\$ 487,308,072	\$ 500,487,466	\$ 13,179,394	2.7%
Unrestricted Fund	\$ 416,915,542	\$ 437,195,741	\$ 450,375,135	\$ 13,179,394	3.0%
Restricted Fund	42,808,385	50,112,331	50,112,331	0	0%
Total Appropriations	\$ 459,723,927	\$ 487,308,072	\$ 500,487,466	\$ 13,179,394	2.7%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.