

**R30B25**  
**University of Maryland Eastern Shore**  
**University System of Maryland**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 16</u></b>	<b><u>FY 17</u></b>	<b><u>FY 18</u></b>	<b><u>FY 17-18</u></b>	<b><u>% Change</u></b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Funds	\$37,284	\$40,019	\$38,976	-\$1,043	-2.6%
Adjustments	0	267	-62	-329	
<b>Adjusted General Fund</b>	<b>\$37,284</b>	<b>\$40,286</b>	<b>\$38,914</b>	<b>-\$1,372</b>	<b>-3.4%</b>
Special Funds	1,731	1,884	1,755	-129	-6.8%
Adjustments	0	-143	0	143	
<b>Adjusted Special Fund</b>	<b>\$1,731</b>	<b>\$1,741</b>	<b>\$1,755</b>	<b>\$14</b>	<b>0.8%</b>
Other Unrestricted Funds	66,625	68,656	65,333	-3,324	-4.8%
<b>Adjusted Other Unrestricted Fund</b>	<b>\$66,625</b>	<b>\$68,656</b>	<b>\$65,333</b>	<b>-\$3,324</b>	<b>-4.8%</b>
Total Unrestricted Funds	105,640	110,559	106,063	-4,496	-4.1%
Adjustments	0	124	-62	-186	
<b>Adjusted Total Unrestricted Funds</b>	<b>\$105,640</b>	<b>\$110,683</b>	<b>\$106,001</b>	<b>-\$4,682</b>	<b>-4.2%</b>
Restricted Funds	27,509	33,382	33,390	9	
<b>Adjusted Restricted Fund</b>	<b>\$27,509</b>	<b>\$33,382</b>	<b>\$33,390</b>	<b>\$9</b>	<b>0.0%</b>
<b>Adjusted Grand Total</b>	<b>\$133,148</b>	<b>\$144,064</b>	<b>\$139,391</b>	<b>-\$4,673</b>	<b>-3.2%</b>

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, of which University of Maryland Eastern Shore's (UMES) share is \$0.1 million. A fiscal 2017 deficiency appropriation is also provided to offset the underattainment of Higher Education Investment Fund (HEIF) revenues, of which UMES's share is estimated to be \$0.1 million.
- The General Fund decreases 3.4%, or \$1.4 million, in fiscal 2018 after adjusting for an across-the-board contingent pension reduction. However, when accounting for an anticipated transfer from the Maryland Higher Education Commission (MHEC) in fiscal 2018, the General Fund increases 1.0%, or \$0.4 million.
- The HEIF increases 0.8%, or \$14,012, after adjusting for a \$0.1 million shortfall in fiscal 2017.

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

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- When including funds to be transferred from MHEC, overall growth in State funds between fiscal 2017 and 2018 is 1.0%, or \$0.4 million.
- Other unrestricted funds decrease 4.8%, or \$3.3 million. This is mainly attributed to a \$3.8 million decline in tuition and fees revenue, which is partly offset by a \$0.4 million increase in auxiliary enterprises.

## ***Personnel Data***

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	<b><u>FY 16</u></b> <b><u>Actual</u></b>	<b><u>FY 17</u></b> <b><u>Working</u></b>	<b><u>FY 18</u></b> <b><u>Allowance</u></b>	<b><u>FY 17-18</u></b> <b><u>Change</u></b>
Regular Positions	802.32	807.32	807.32	0.00
Contractual FTEs	<u>135.00</u>	<u>135.00</u>	<u>135.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>937.32</b>	<b>942.32</b>	<b>942.32</b>	<b>0.00</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	15.90	1.97%
Positions and Percentage Vacant as of 12/31/16	68.50	8.48%

- The fiscal 2018 allowance does not provide for any new regular positions. However, the University System of Maryland (USM) institutions have personnel autonomy and may create new positions during the year. In fiscal 2017 year-to-date, UMES added 5.0 positions over the original appropriation.
- As of the end of December 2016, UMES had 68.5 vacant positions, 52.6 more than what is needed to meet budgeted turnover. Of the total number of positions, 626.71 are State-supported, of which 55.5, or 8.86%, are vacant. Non-State-supported positions totaled 180.61, of which 13.0, or 7.2%, are vacant.

## ***Analysis in Brief***

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### **Major Trends**

***Student Performance:*** The third-year retention rate steadily improved from 51.0% with the 2009 cohort to 55.5% with the 2013 cohort. While the six-year graduation rate for the fiscal year cohort is higher than that of the first-time, full-time (FT/FT) cohorts, the gap between the two narrowed, indicating that FT/FT students are performing at almost the same level as other students.

***Enrollment:*** In fall 2016, undergraduate enrollment fell 12.4%, or 465 students, which was driven by a 30.1%, or 321, drop in the number of first-time students. Continuing and transfer students also declined by 97 and 47 students, respectively. UMES has taken a number of steps to stabilize and increase enrollment.

### **Issues**

***Hawk Plaza Graduate Housing:*** At its October 21, 2016 meeting, the Board of Regents approved UMES' acquisition of the Hawk Plaza Student Housing complex and assumption of the related debt obligations of \$12.7 million. The Maryland Hawk Corporation originally purchased and developed the property but debt service payments were based on a 100% lease out of the property. In fall 2016, only 83% of the units were leased out resulting in a lack of funds to cover the monthly debt. With no prospect for the required future streams of revenue, the Maryland Hawk Corporation engaged UMES, USM, and both lenders to develop a plan so UMES would maintain access and use of Hawk Plaza.

***Meeting College Expenses:*** In fiscal 2014, total expenditures on institutional aid decreased \$0.5 million, with \$0.6 million less spent on need-based aid. This is despite the fiscal 2014 supplemental budget providing \$324,000 specifically to increase the amount spent on need-based aid over fiscal 2013. While spending on need-based aid increased by \$0.5 million to \$1.9 million in fiscal 2015, it is still below the \$2.2 million spent in fiscal 2013.

### **Recommended Actions**

1. Add language restricting funds pending a report on revised fiscal 2017 and 2018 revenues and expenditures.

***R30B25 – USM – University of Maryland Eastern Shore***

**R30B25**  
**University of Maryland Eastern Shore**  
**University System of Maryland**

## ***Operating Budget Analysis***

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### **Program Description**

The University of Maryland Eastern Shore (UMES) is the State's 1890 land-grant institution, and as such, it maintains a legacy of a historically black college and university offering equal education opportunities to all students who qualify for admission. UMES emphasizes selected baccalaureate programs in liberal arts and sciences and career fields with particular relevance to its land-grant mandate including agriculture, marine and environmental science, hospitality, and technology.

UMES serves the education and research needs of government agencies, business and industry, while focusing on the economic development needs of the Eastern Shore. UMES aspires to become an educational model of a teaching/research institution and will continue to enhance its interdisciplinary curriculum-sponsored research and outreach to the community and expand its collaborative arrangement within the system and with external agencies and constituencies.

**Carnegie Classification:** Doctoral Universities (moderate research activity)

#### **Fall 2016 Undergraduate Enrollment Headcount**

Male	1,473
Female	1,805
<b>Total</b>	<b>3,278</b>

#### **Fall 2016 Graduate Enrollment Headcount**

Male	243
Female	385
<b>Total</b>	<b>628</b>

#### **Fall 2016 New Students Headcount**

First-time	744
Transfers/Others	151
Graduate	154
<b>Total</b>	<b>1,049</b>

#### **Campus (Main Campus)**

Acres	1,130
Buildings	745
Average Age	38 years
Oldest	1940

#### **Programs**

Bachelor's	38
Master's	14
Doctoral	8

#### **Degrees Awarded (2015-2016)**

Bachelor's	574
Master's	89
Doctoral	105
<b>Total Degrees</b>	<b>768</b>

#### **Proposed Fiscal 2018 In-state Tuition and Fees\***

Undergraduate Tuition	\$5,207
Mandatory Fees	\$2,753

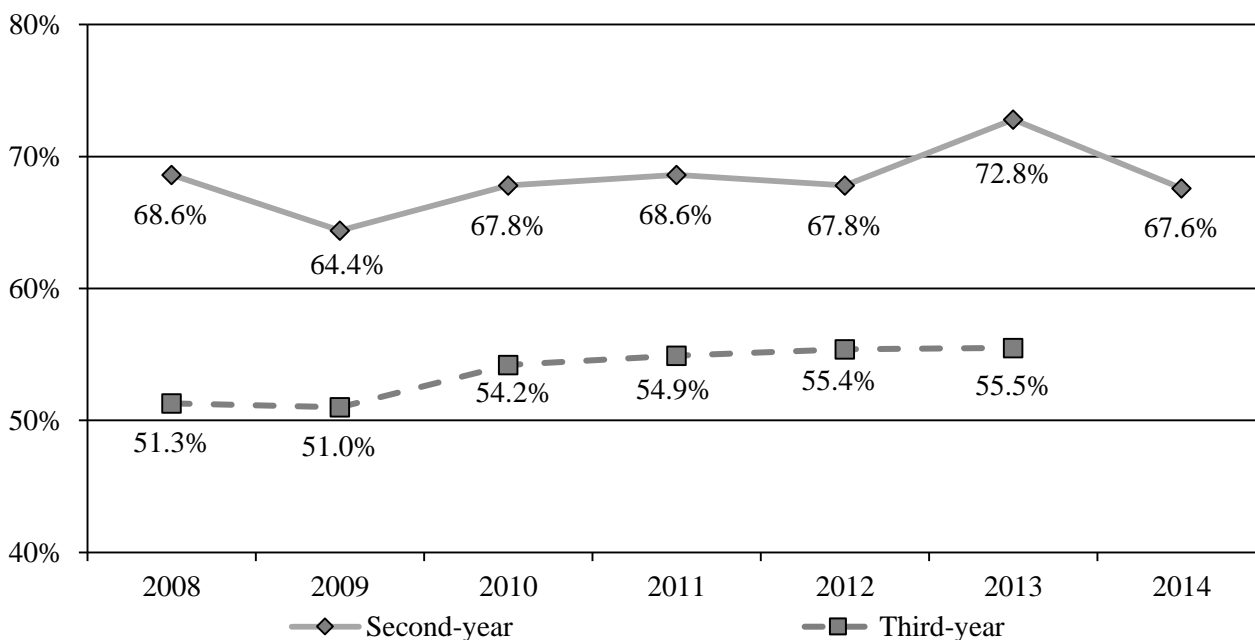
\*Contingent on Board of Regents approval.

## Performance Analysis

### 1. Student Performance

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. As students are most likely to dropout 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. After remaining fairly stable, averaging 68.1% for three cohorts (2010 to 2012), the second-year retention rate spiked 5.8 percentage points to 72.8% with the 2013 cohort, the highest level since the 1999 cohort, as shown in **Exhibit 1**. The rate then fell back to that of the previous cohorts of 67.6% with the 2014 cohort, indicating that the rate of the 2013 cohort may have been an anomaly. The rate for the 2015 cohort is expected to fall, as UMES noted that the retention rate of this cohort significantly declined. Overall, the third-year retention rate steadily improved from 51.0% with the 2009 cohort to 55.5% with the 2013 cohort.

**Exhibit 1**  
**Second- and Third-year Retention Rates**  
**First-time, Full-time 2008-2014 Cohorts**

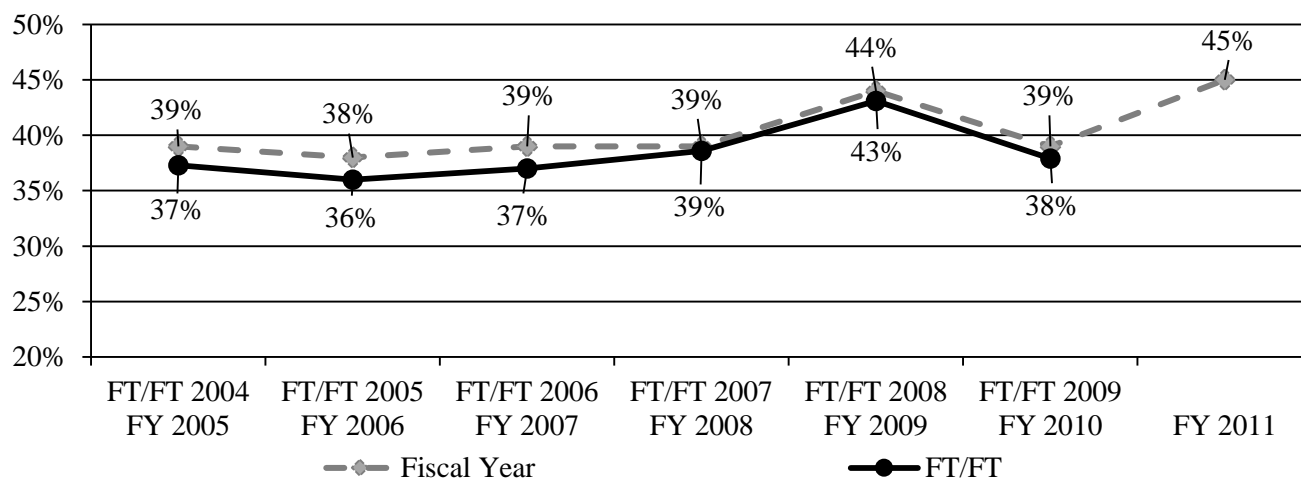


Source: Maryland Higher Education Commission, Retention and Graduation Rates at Maryland Four-year Institutions, September 2016

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 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 UMES in 2016 was 4.8 years, up from 4.2 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. The University System of Maryland (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 2** compares the traditional MHEC six-year graduation rate to the USM revised measure. Overall, while the rate for the fiscal year cohort is higher than that of the FT/FT cohorts, the gap between the two narrowed, indicating that FT/FT students are performing at almost the same level as other students.

**Exhibit 2**  
**Comparison of Six-year Graduation Rates**  
**Various Cohorts**



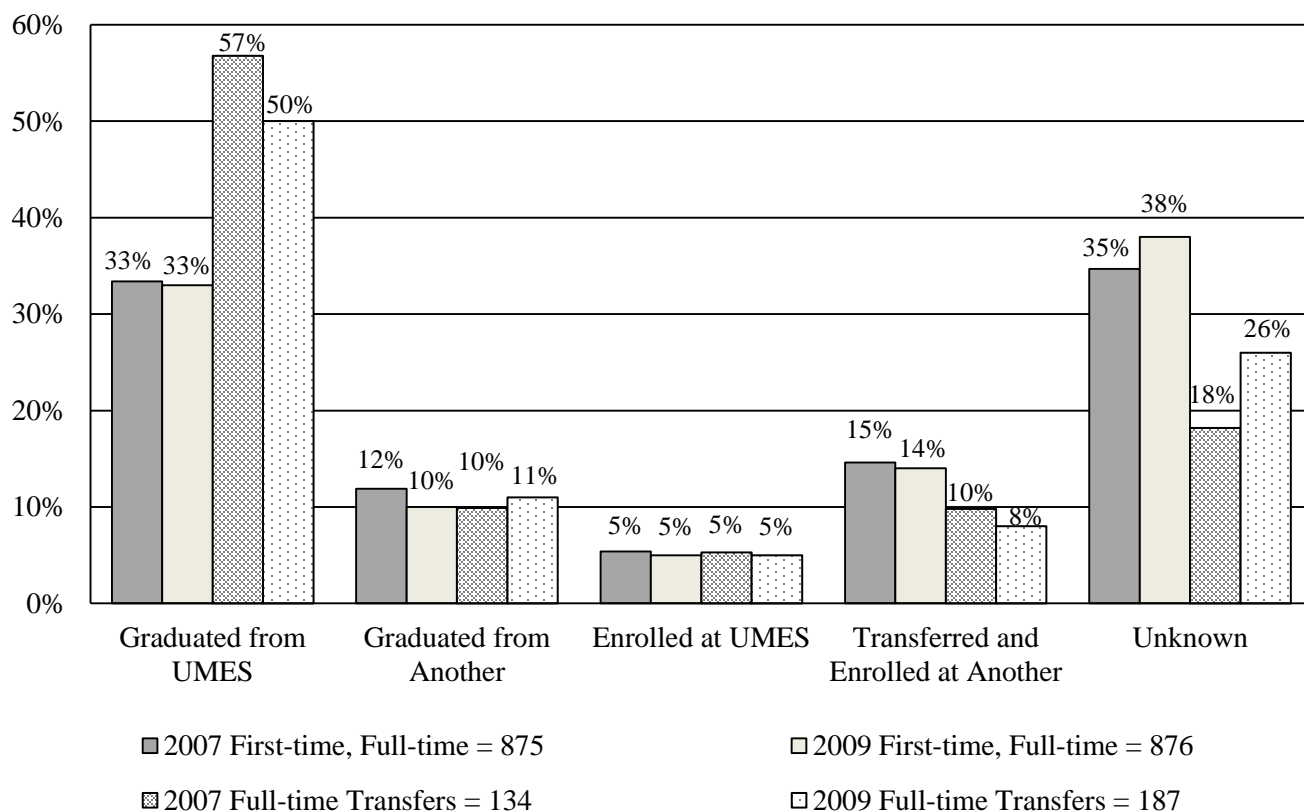
FT/FT: first-time, full-time  
FY: fiscal year

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, and spring admits) who enrolled in the fiscal year.

Source: Maryland Higher Education Commission; University System of Maryland

The six-year graduation rate 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. The SAM is a voluntary reporting system that tracks the progress of FT/FT and full-time transfer students throughout their college careers. Overall, the full-time transfer students perform better than the FT/FT students, with 50% of the fall 2009 transfers graduating within six years of enrolling at UMES compared to 33% of the FT/FT students, as shown in **Exhibit 3**. About one-quarter of the FT/FT students transferred to another institution, while the status is not known for 38% of the 2009 cohort. In addition, the status is not known for 26% of the 2009 cohort of transfer students.

**Exhibit 3**  
**Six-year Graduation Rate for First-time, Full-time and First-time Transfers**  
**Seeking a Bachelor's Degree**  
**Fall 2007 and 2009 Cohorts**



UMES: University of Maryland Eastern Shore

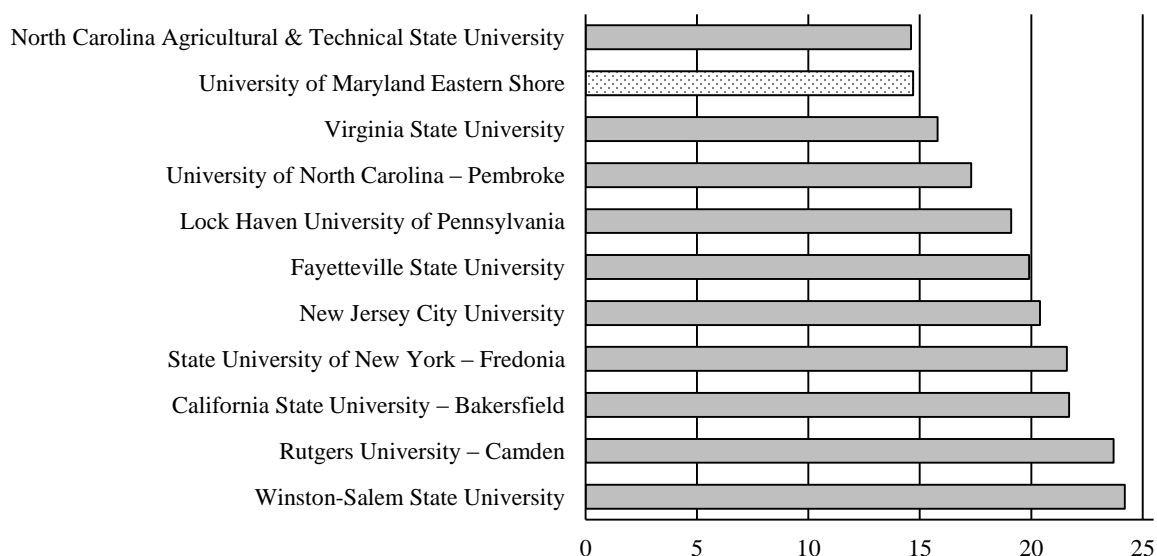
Source: Student Achievement Measures



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 students (FTES) shows how effectively institutions turn degree seekers into degree holders. **Exhibit 4** compares the three-year average of UMES's ratio to that of its peers. Peer institutions are those used to benchmark UMES's performance in USM Dashboard Indicators. Depending on the institution, the optimal value is 25.0 but would be higher for those that mainly offer upper-division programs or have a relatively high number of transfer students. Overall, UMES, at 14.7 degrees, only exceeds one of its peers – North Carolina Agricultural & Technical State University – with a ratio of 14.6 degrees.

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**Exhibit 4**  
**Comparison of Three-year Average of Undergraduate Degrees Per**  
**100 Undergraduate FTES to Performance Peers**  
**2011-2013**



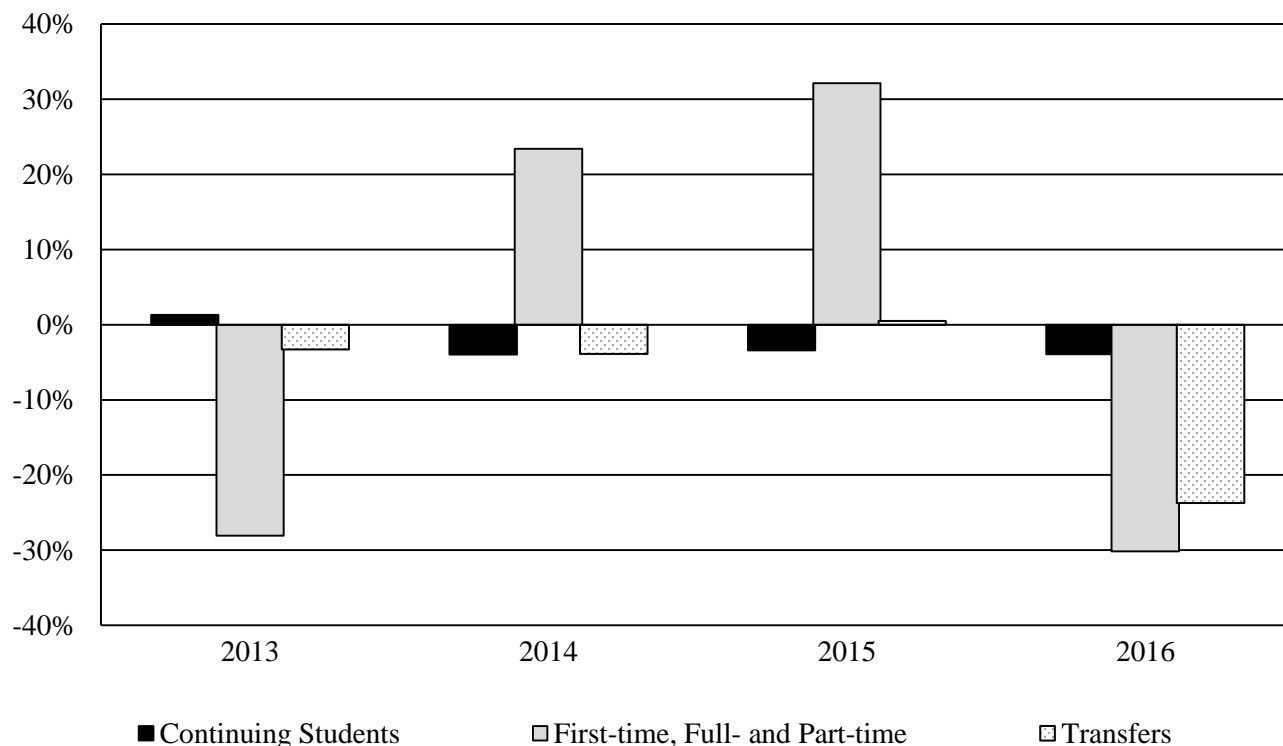
Source: Chronicle of Higher Education, College Completion

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## **2. Enrollment**

After declining 6.0% in fall 2013, total undergraduate enrollment grew 5.9% (211) in fall 2014 and 2015, mainly due to a 63.1% (412) increase in the number of first-time students, as shown in **Exhibit 5**. In fall 2016, undergraduate enrollment fell 12.4% (465), which was driven by a 30.1% (321) drop in the number of first-time students. Continuing students declined 3.9% (97), and transfers also fell 23.7% (47) in fall 2016.

**Exhibit 5**  
**Percentage Change – Undergraduate Headcount Enrollment**  
**Fall 2013-2016**



Source: University System of Maryland

In fall 2015, the number of first-time students increased 32.1%, or 259 students, which was attributable to UMES hiring Royall & Company (Royall), an enrollment management firm that offers various recruitment services to institutions, to help increase the number of applicants. According to UMES, it received over 13,000 applications for admission, although over 5,000 were incomplete. As shown in **Exhibit 6**, the number of applicants for first-time admissions increased 76.1%, to 7,403, in fall 2015. Of these applicants, 3,702 were accepted, of which 1,110 of these students enrolled.

**Exhibit 6**  
**Undergraduate Applicants for First-time Admissions**  
**Fall 2011-2016**

	<u>Applicants</u>	<u>Acceptance Rate</u>	<u>Yield Rate</u>
2011	4,247	50%	37%
2012	4,409	57%	36%
2013	4,081	55%	29%
2014	4,205	62%	32%
2015	7,403	50%	30%
2016	10,481	39%	19%

Note: The acceptance rate is the percentage of applicants who were accepted, and the yield rate is the percentage of accepted students who enrolled.

Source: University System of Maryland Data Journal

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The increase in the number of applicants in fall 2015 led to an increase in the workload of the admissions office, which was not prepared to handle the increase in applicants. In addition, there were a number of vacancies within the office, which led to admission decisions taking as long as four weeks compared to the goal of two weeks. Additionally, UMES stated that Royall’s methodology “primarily focuses on lead generation instead of targeted search matching,” which resulted in more applications rather than students who were actually interested in attending UMES and also the acceptance of students who were ill-prepared to succeed in college. According to UMES, this can be seen by the decrease in the second-year retention rate of the fall 2015 cohort. However, it should be noted Royall offers a variety of services, which include data driven methods that target qualified prospective students. It appears that UMES did not choose to purchase this service.

UMES further asserts that Royall does not manage communication to potential students. Therefore, it had to manage the communication process with limited resources. However, Royall does offer this service, and again it appears that UMES did not choose to purchase this service. It should be noted that Coppin State University, for example, is using Royall to help with the follow-up of its applications. **The President should comment on the admission process and enrollment targets and whether UMES had the capacity and resources to accommodate a significant increase in enrollment and if the academic preparedness of students admitted in fall 2015 was equivalent to previous classes.**

As previously mentioned, the number of first-time students fell 30.1% in fall 2016, despite the number of applicants increasing by 3,078, to 10,481, as shown in Exhibit 6. This underscores the notion that Royall was generating applications but this was not translating into students enrolling at UMES. While the percentage of applicants accepted was lower than in previous years, the yield rate (the percentage of accepted students who enrolled) was significantly lower, falling from 30.0% in fall 2015

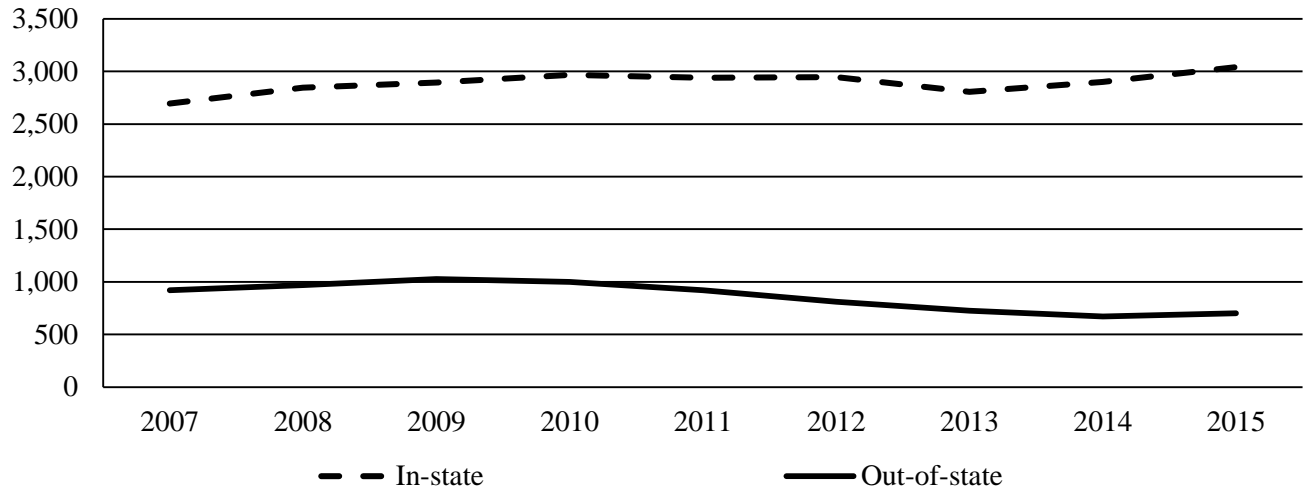
to 19.0% in fall 2016. According to UMES, several factors led to the decline of first-time students including a decrease in the number of on-site school visits due a limited number of recruitment staff.

UMES is taking several steps to stabilize enrollment including:

- relocating Enrollment Management to the Division of Academic Affairs. An Interim Associate Vice President for Enrollment Management was hired to coordinate the university's enrollment efforts. Additionally, the Registrar, the Center for Access and Academic Success, and Upward Bound were added to the Enrollment Management area;
- filling all vacant recruiting positions by the end of January 2017 in time for the fall 2017 recruitment push, which starts in February;
- developing a new recruitment plan to look at new markets of students, including transfer and international students, and implementing better territory management planning, targeting those areas and schools across the State and region that have yielded the most students;
- exploring the use of a communication relations management software solution to create an online application that will manage communications with applicants. UMES states that according to feedback from Royall, applicants and prospective students indicated that UMES did not communicate with them early and/or frequently enough;
- looking at implementing Naviance Active Matching that will assist in building a profile of the ideal UMES student and then target students who meet this profile; and
- exploring the use of Starfish, an early alert solution, which identifies at-risk students so that they can be matched with the appropriate intervention.

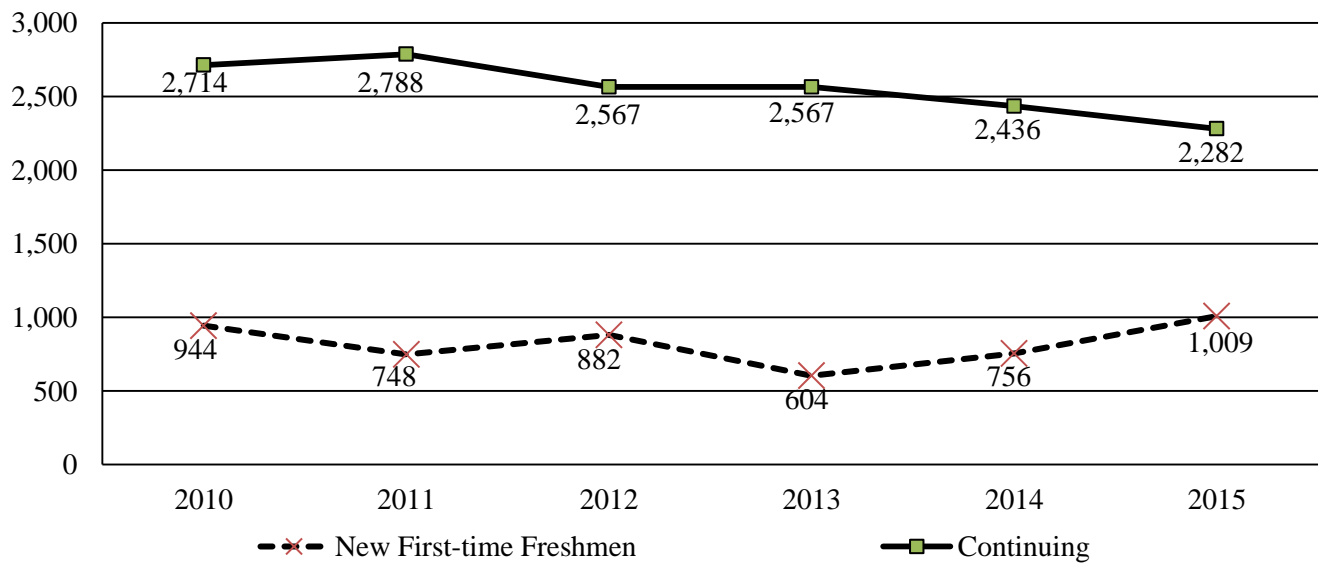
UMES has faced continuing enrollment challenges particularly with out-of-state and continuing students. As shown in **Exhibit 7**, the portion of out-of-state undergraduate students has shrunk from 35.5% in fall 2009 to 23.1% in fall 2015. Between fall 2009 and 2015, the number of out-of-state students fell 31.8% (327). Additionally, since fall 2011, the number of continuing students steadily declined 18.2%, or 506 students, as shown in **Exhibit 8**. This was partially offset with a 27.6%, or 261, increase in first-time freshmen during this time. **The President should comment on reasons for the decline in continuing students and efforts being taken to retrain students so they progress and earn a degree.**

**Exhibit 7**  
**Fall In- and Out-of-state Undergraduate Enrollment**  
**Fall 2007-2015**



Source: Maryland Higher Education Commission

**Exhibit 8**  
**Fall Undergraduate Headcount Enrollment by**  
**Continuing Students and New First-time Freshmen Fall 2010-2015**



Source: Maryland Higher Education Commission; Department of Legislative Services

## **Fiscal 2016 Actions**

### **Cost Containment and Proposed Deficiency**

The November 2016 Board of Public Works (BPW) action resulted in a 1.4%, or \$0.5 million, reduction in UMES's appropriation, of which \$0.4 million was met by the elimination of 4 vacant positions. The remaining \$0.1 million was to be offset by a transfer from the Higher Education Investment Fund (HEIF) fund balance. However, due to insufficient HEIF funds, a fiscal 2017 deficiency provides the University System of Maryland Office (USMO) 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 a decline in the HEIF revenues. UMES's share of each deficiency is estimated to be \$0.1 million.

### **Proposed Budget**

As shown in **Exhibit 9**, the general fund allowance for fiscal 2018 is 1.0%, or \$0.4 million, higher than in fiscal 2017, after adjusting for the fiscal 2017 deficiencies, the across-the-board contingent pension reduction, and the anticipated transfer of the Office for Civil Rights enhancement funds from MHEC in fiscal 2018. The HEIF increases 0.8%, or \$14,012, after adjusting for the fiscal 2017 deficiency. Overall, State funding increases 1.0%, or \$0.4 million, to \$42.5 million in fiscal 2018.

**Exhibit 9**  
**Proposed Budget**  
**University of Maryland Eastern Shore**  
**(\$ in Thousands)**

	<b><u>FY 16</u></b>	<b><u>FY 17</u></b>	<b><u>FY 18</u></b>	<b><u>FY 17-18</u></b>	<b><u>% Change</u></b>
	<b><u>Actual</u></b>	<b><u>Adjusted</u></b>	<b><u>Adjusted</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Funds	\$37,284	\$38,395	\$38,976		
Deficiencies		267			
Across-the-board			-62		
Transfers from MHEC <sup>1</sup>		1,624	1,794		
<b>Total General Funds</b>	<b>\$37,284</b>	<b>\$40,286</b>	<b>\$40,707</b>	<b>\$421</b>	<b>1.0%</b>
HEIF	\$1,731	\$1,884	\$1,755		
Deficiencies		-143			
<b>Total HEIF</b>	<b>\$1,731</b>	<b>\$1,741</b>	<b>\$1,755</b>	<b>\$14</b>	<b>0.8%</b>
<b>Total State Funds</b>	<b>\$39,014</b>	<b>\$42,027</b>	<b>\$42,462</b>	<b>\$435</b>	<b>1.0%</b>
Other Unrestricted Funds	\$66,625	\$68,656	\$65,333	-\$3,324	-4.8%
<b>Total Unrestricted Funds</b>	<b>\$105,640</b>	<b>\$110,683</b>	<b>\$107,795</b>	<b>-\$2,888</b>	<b>-2.6%</b>
Restricted Funds	\$27,509	\$33,382	\$33,390	\$9	0.0%
<b>Total Funds</b>	<b>\$133,148</b>	<b>\$144,064</b>	<b>\$141,185</b>	<b>-\$2,879</b>	<b>-2.0%</b>

HEIF: Higher Education Investment Fund  
MHEC: Maryland Higher Education Commission

<sup>1</sup> Transfers in fiscal 2017 and anticipated transfer in fiscal 2018 of Office for Civil Rights enhancement funds from MHEC.

Note: Fiscal 2017 general funds and the HEIF are adjusted to reflect deficiencies, and fiscal 2018 general funds are adjusted to reflect the across-the-board reduction.

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

The fiscal 2018 contingent reduction is part of an across-the-board contingent reduction for a supplemental pension payment totaling \$54.5 million. 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. UMES's share of the reduction is \$62,393 in general funds. This action is also tied to a provision in the Budget Reconciliation and Financing Act of 2017.

## **Continuing Budget Shortfalls**

The 12.4% drop in fall 2016 undergraduate enrollment, along with the loss of the Physician Assistant Program (PA) in December 2015 (a loss of 100 graduate students), combine to reduce anticipated tuition and fee revenues by \$4.6 million below the fiscal 2017 appropriation. According to UMES, the PA program accounts for \$1.5 million of the loss. While this is not the first time UMES has experienced a decline in tuition and fee revenue, it is the largest decline in revenues since at least fiscal 2011. In fiscal 2014 and 2016, revenues decreased \$1.9 and \$1.6 million, respectively, from the prior year.

UMES has faced deficits in the academic enterprise in fiscal 2012 and in fiscal 2014 to 2016, as shown in **Exhibit 10**. In fiscal 2012, education and general (E&G) expenditures exceeded revenues by \$0.1 million. It should be noted that the ramp up in the pharmacy program in fiscal 2012 generated \$3.6 million in tuition revenues. However, a deficit of \$1.7 million in auxiliary enterprises led to UMES using \$1.8 million of its fund balance to cover the shortfalls. The \$0.3 million E&G surplus in fiscal 2013 was used to partially offset the \$0.6 million deficit in auxiliary enterprises. The fund balance was used to cover the remaining \$0.3 million shortfall. A 5.3% decline in enrollment contributed to a \$1.1 million E&G shortfall in fiscal 2014, which led to UMES using a combination of auxiliary surpluses and the fund balance to cover E&G expenditures. In fiscal 2016, despite total fall 2015 enrollment increasing 4.3%, tuition and fee revenues declined \$1.6 million, resulting in a \$1.0 million shortfall in E&G that UMES once more needed a combination of auxiliary surpluses and the fund balance to cover. Overall, from fiscal 2014 to 2016, E&G spending increased \$10.1 million, while revenues grew by \$8.8 million.

As also shown in Exhibit 10, it is expected that the anticipated \$4.6 million shortfall in tuition and fee revenues in fiscal 2017 will leave UMES, again facing a deficit. However, the amount of the E&G shortfall cannot be determined as, according to UMES, the fiscal 2017 working budget has not been adjusted to reflect the decline in revenues. In addition, since auxiliary enterprises are self-supported, the decline in enrollment will result in a decrease in revenues although also presumably lower expenditures. Thus, it is not known if there will be a surplus from auxiliary enterprises that could be used offset the shortfall in E&G revenues. Therefore, UMES may have to use its fund balance to cover the budget gap. UMES's fund balance is estimated to be \$6.7 million at the end of fiscal 2017 with the State-supported portion having a deficit of \$0.6 million. UMES will likely have to borrow from the non-State-supported portion of the fund balance.

Tuition and fee revenues in the fiscal 2018 allowance decrease \$3.7 million from the fiscal 2017 working budget indicating UMES was projecting a significant enrollment decline, as shown in **Exhibit 11**. When taking account of the \$4.6 million loss of tuition and fee revenues in fiscal 2017, revenues increase \$0.8 million in fiscal 2018 which may be realistic due to the 2% increase in tuition



and if enrollment stabilizes. However, the auxiliary revenues increase \$0.4 million in fiscal 2018 even though UMES is estimating a decline in enrollment. Furthermore, after increasing steadily since fiscal 2014, auxiliary expenditures decrease \$3.1 million in fiscal 2018 resulting in a project surplus of \$3.9 million. This raises questions if UMES was projecting a shortfall of E&G revenues and therefore was reducing auxiliary spending so as to create a surplus to cover the budget gap.

**Exhibit 10**  
**Unrestricted Revenues and Expenditures**  
**Fiscal 2011-2017**  
**(\$ in Thousands)**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> <u>Working</u>	<u>DLS 2017</u> <u>Estimate</u>
<b>E&amp;G Unrestricted Revenues</b>								
Tuition and Fees	\$26,909	\$30,533	\$32,374	\$30,512	\$33,148	\$31,543	\$34,912	\$30,312
State Funds	31,867	32,448	32,376	34,933	36,606	39,014	42,027	42,027
Other	1,832	3,540	2,975	2,972	5,658	6,012	2,990	2,990
<b>Total E&amp;G Revenues</b>	<b>\$60,609</b>	<b>\$66,520</b>	<b>\$67,724</b>	<b>\$68,417</b>	<b>\$75,412</b>	<b>\$76,569</b>	<b>\$79,929</b>	<b>\$75,329</b>
<b>Total E&amp;G Expenditures</b>	<b>\$60,572</b>	<b>\$66,639</b>	<b>\$67,444</b>	<b>\$69,517</b>	<b>\$75,583</b>	<b>\$77,547</b>	<b>\$79,127</b>	<b>\$79,127</b>
<b>E&amp;G Surplus/Deficit</b>	<b>\$37</b>	<b>-\$119</b>	<b>\$280</b>	<b>-\$1,100</b>	<b>-\$171</b>	<b>-\$978</b>	<b>\$802</b>	<b>-\$3,798</b>
<b>Auxiliary</b>								
Revenues	\$32,486	\$28,958	\$28,032	\$25,798	\$26,851	\$28,945	\$31,822	TBD
Expenditures	30,662	30,617	28,659	25,395	26,037	28,092	31,432	TBD
<b>Auxiliary Surplus/Deficit</b>	<b>\$1,825</b>	<b>-\$1,659</b>	<b>-\$627</b>	<b>\$403</b>	<b>\$814</b>	<b>\$852</b>	<b>\$390</b>	<b>TBD</b>
<b>Total Surplus/Deficit</b>	<b>\$1,861</b>	<b>-\$1,777</b>	<b>-\$347</b>	<b>-\$697</b>	<b>\$643</b>	<b>-\$126</b>	<b>\$1,192</b>	<b>TBD</b>
Transfer (to)/from Fund Balance	-\$1,861	\$1,777	\$351	\$697	-\$643	\$126	-\$1,068	TBD

Note: Fiscal 2017 working and DLS estimate State funds are adjusted to reflect deficiencies.

DLS: Department of Legislative Services

E&G: education and general

TBD: to be determined

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

**Exhibit 11**  
**Unrestricted Education and General and Auxiliary Revenues and Expenditures**  
**Fiscal 2016-2018 Allowance**

	<u>2016</u>	<u>2017</u> <u>Working</u>	<u>2017</u> <u>DLS Est.</u>	<u>2018</u> <u>Allowance</u>
<b>E&amp;G Unrestricted Revenues</b>				
Tuition and Fees	\$31,543	\$34,912	\$30,312	\$31,122
State Funds	39,014	42,027	42,027	42,462
Other	6,012	2,990	2,990	3,082
<b>Total E&amp;G Revenues</b>	<b>\$76,569</b>	<b>\$79,929</b>	<b>\$75,329</b>	<b>\$76,666</b>
<b>Total E&amp;G Expenditures</b>	<b>\$77,547</b>	<b>\$79,127</b>	<b>\$79,127</b>	<b>\$77,752</b>
<b>E&amp;G Surplus/Deficit</b>	<b>-\$978</b>	<b>\$802</b>	<b>-\$3,798</b>	<b>-\$1,086</b>
<b>Auxiliary Enterprises</b>				
Revenues	\$28,945	\$31,822	TBD	\$32,200
Expenditures	28,092	31,432	TBD	28,311
<b>Auxiliary Surplus/Deficit</b>	<b>\$852</b>	<b>\$390</b>	<b>TBD</b>	<b>\$3,888</b>

DLS: Department of Legislative Services

E&G: education and general

Note: Fiscal 2017 working and DLS estimate State funds adjusted to reflect deficiencies, and fiscal 2018 State funds are adjusted to reflect the across-the-board reduction and anticipated transfer of Office for Civil Rights enhancement funds from the Maryland Higher Education Commission.

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

Since the fiscal 2017 working budget is clearly unsustainable, there are concerns a similar situation will occur in fiscal 2018. However, without a sense of what the fiscal 2017 working budget actually looks like, it is impossible to make that judgement. **Therefore, the Department of Legislative Services recommends restricting \$100,000 of UMES's general fund appropriation until it submits a report on its actual fiscal 2017 revenues and expenditures by program area and its fiscal 2018 revenues and expenditures by program area based on fall 2017 enrollment.**

## Budgetary Actions

To address the \$4.6 million decline in tuition and fee revenues in fiscal 2017, UMES has implemented a spending and hiring freeze. Only those expenses essential to the education mission and immediate institution operations will be approved. Expenses under \$5,000 require approval from the appropriate budget manager, unit head, or director, while those over \$5,000 require approval from the appropriate dean or vice president. Budget managers are responsible for ensuring sufficient funds are

available to cover all approved expenses. Discretionary expenses, such as travel, supplies, equipment, and deferred maintenance, need prior approval of the division head or vice president. Longer-term initiatives include:

- improving the recruitment, enrollment, retention, and progression of a more diverse student demographic, including transfers, nontraditional students, online students, and graduate students;
- evaluating, implementing, and enhancing alternative academic platforms, including eight-week sessions, weekend and evening courses, online courses, and offering programs at regional higher education centers;
- using scholarships and fellowships strategically to maximize enrollment and net tuition revenue;
- evaluating tuition level and fee structures in order to maximize revenue, while maintaining access and affordability;
- continuing a comprehensive review of administrative and support structures, academic and nonacademic, with the goal of consolidating administrative support;
- engaging in a comprehensive review of academic programs and activities to evaluate the status, effectiveness, and progress of programs and identify future direction, needs, and priorities; and
- hiring a consultant to assist with the review of third-party contracts to identify opportunities for cost savings, review vendor compliance with contract terms and conditions, identify areas of duplicate services and activities, and assessing the competitiveness of the current procurement process. In addition, the consultant will make recommendations, including innovative approaches to reengineer business and operating processes and in- and out-sourcing options.

### **USM Assistance**

Overall, the Board of Regents (BOR) provides oversight over all USM institutions. As staff to the BOR, USMO's role is not only to coordinate academic programs but assist with long-range planning and resource management, and provide financial stewardship. USMO has taken several steps to provide assistance to UMES to address management, enrollment, and completions concerns including:

**Management Review:** The President requested assistance in providing the resources and guidance needed to help further assess the effectiveness of the institution's administrative structure, senior staffing, and operations. The Chancellor and the President invited Dr. Terrence "Terry" MacTaggart, Senior Fellow at the Association of Governing Boards, to conduct a review. A report was submitted in May 2016 that identified a number of recommendations for consideration by the Chancellor and President.

***Meetings with the Chancellor:*** A number of meetings were held with the President to provide guidance and feedback, and to discuss issues and strategies.

***Internal Audit Review:*** USM's Office of Internal Audit (OIA) conducted reviews of management issues and recommended improvements in oversight structures to enhance the operations of UMES. OIA also provided follow-up services to UMES to assist in assessing progress toward fully implementing the findings cited in the most recent Office of Legislative Audit reports.

***Enhancement Funding:*** UMES was provided \$0.2 million in fiscal 2017 to support improvement in student enrollment and completion.

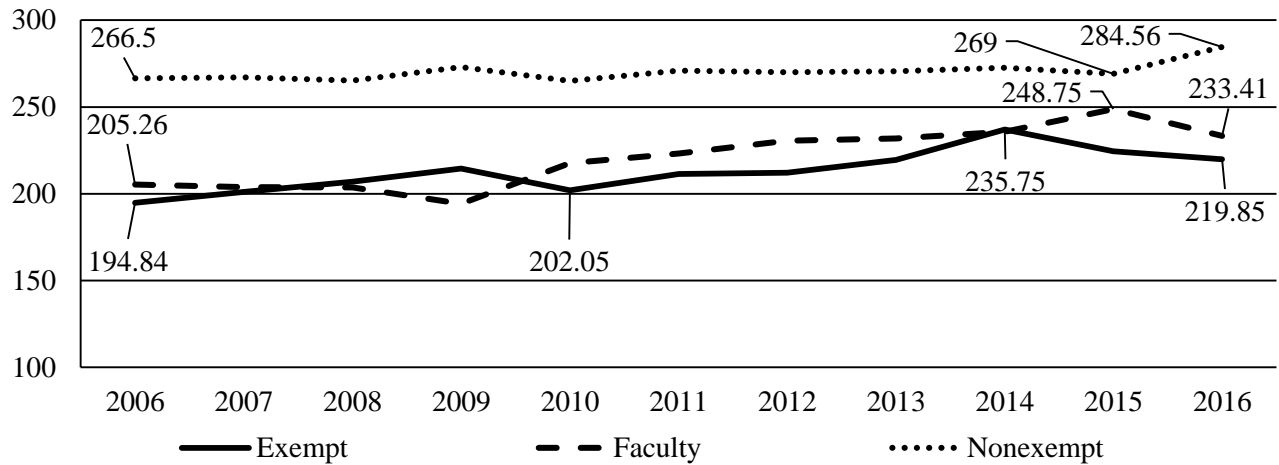
**USMO should comment on its oversight responsibilities in ensuring the financial stability of UMES, the admissions process, the quality of programs, and the success of its students.**

### **Trends in Personnel**

Over the past 10 years, the total number of filled positions increased 10.7% (71.2 full-time equivalents (FTE)), as shown in **Exhibit 12**. After remaining stable from 2010 to 2015, the number of nonexempt positions grew 5.8% (15.6 FTEs) in 2016. After steadily growing since 2010, the number of exempt positions declined from a high of 235.8 FTEs in 2014 to 219.9 FTEs in 2016. The number of faculty positions declined by 15.3 FTEs in 2016, of which 11.3 FTEs were instructional faculty, which may be partly attributed to the loss of the PA program.

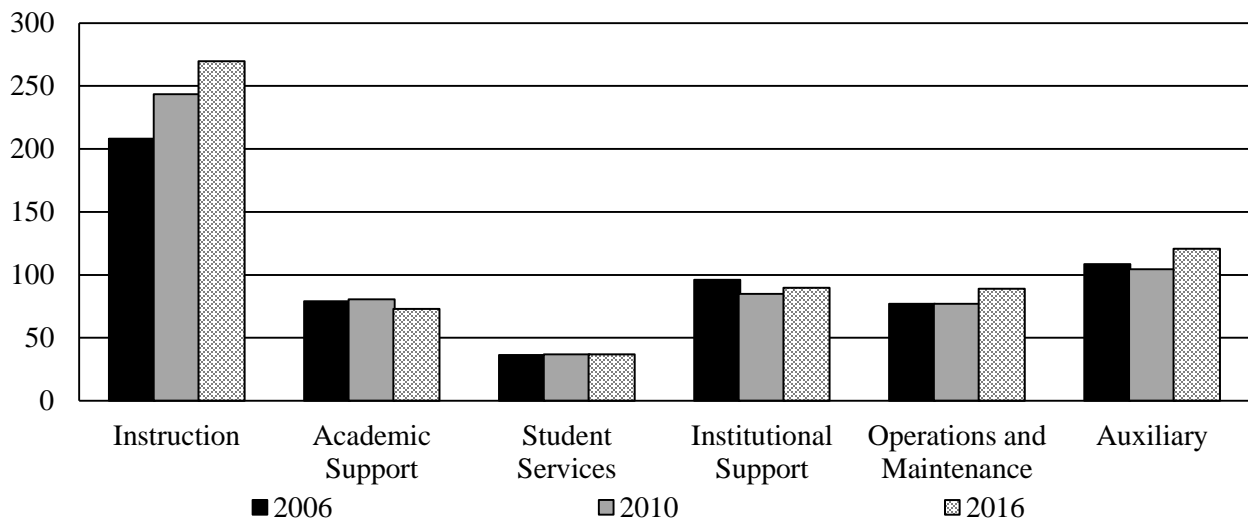
**Exhibit 13** shows the number of filled positions by program area, excluding research and public service, before (2006), during (2010), and after the most recession (2016). The number of filled instruction positions increased in all years, even during the recession. Between 2006 and 2010, instruction positions increased 16.1%, keeping pace with an enrollment growth of 19.1%. Positions continue to grow 10.7% from 2010 to 2016, exceeding the enrollment growth of 4.1%. During this time, only academic support experienced a decline of 7.7 FTEs.

**Exhibit 12**  
**Total Filled Positions by Classification**  
**October 2006-2016**



Source: University of Maryland Eastern Shore

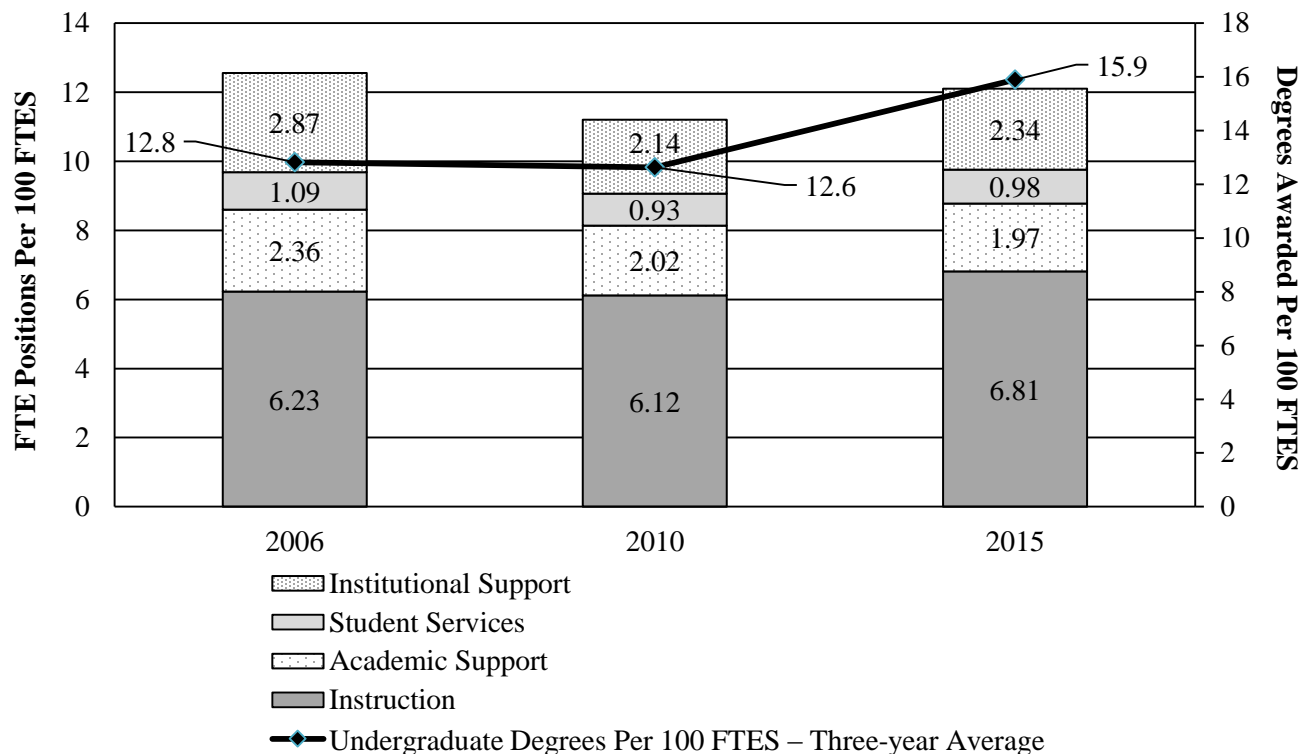
**Exhibit 13**  
**Changes in Filled Related to Students Related Positions**  
**October 2006, 2010, and 2016**



Source: University of Maryland Eastern Shore

**Exhibit 14** considers the impact the 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 number of undergraduate degrees awarded per 100 undergraduate FTES. In 2010, all program areas experienced a reduction in positions per 100 FTES. The decline in positions per 100 FTES appears not to have a significant impact on completions, with degrees per 100 FTES declining from 12.8 degrees to 12.6 degrees. In 2015, instruction increased from 6.12 in 2010 to 6.81 per 100 FTES, which may have affected completions which improved to 15.9 degrees.

**Exhibit 14**  
**Academic Positions Per 100 Undergraduate FTES Compared to Undergraduate**  
**Degrees Per 100 Undergraduate FTES**  
**October 2006, 2010, and 2015**



FTE: full-time equivalent

FTES: full-time equivalent student

Source: University of Maryland Eastern Shore; Integrated Postsecondary Education System; Department of Legislative Services

## ***Issues***

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### **1. Hawk Plaza Graduate Housing**

In October 2016, the BOR approved UMES' acquisition of the Hawk Plaza Student Housing complex and the assumption of the related debt obligations of \$12.7 million to the Bank of Delmarva and the U.S. Department of Agriculture (USDA). This was approved by BPW on February 8, 2017.

The property for Hawk Plaza (27 acres) was purchased and developed by the Maryland Hawk Corporation (Maryland Hawk) in 2013 to provide graduate student housing. Maryland Hawk is a not-for-profit corporation established by UMES in 2003 to advance economic development activities on the Eastern Shore. In 2013, Maryland Hawk secured financing of \$5.1 million from the Bank of Delmarva and \$7.6 million from USDA to construct Phase I of the project (90 two bedroom, two bath units in three buildings) and the infrastructure (*i.e.*, paving, parking, and streets) for Phases II and III. The project was solely the financial responsibility of Maryland Hawk.

In November 2014, the Office of Legislative Audits (OLA) released an audit for UMES that found \$385,000 of UMES's funds were improperly transferred to Maryland Hawk. It was agreed that Maryland Hawk would repay the funds back to the university, but at the time it did not have sufficient liquidity to return the funds. In addition, the BOR directed USM's Office of Internal Audits to examine the period preceding that audited by OLA and found an additional \$497,260 in funds that UMES improperly transferred to Maryland Hawk. This resulted in a total of \$882,260 that Maryland Hawk had to return to the university. Maryland Hawk was depending on Hawk Plaza producing an income when it opened in fall 2015 to repay the funds.

In fall 2016, graduate enrollment dropped, primarily due to the loss of the PA program, leading to a decreased demand for graduate student housing. Debt service and payment of operating costs to the project manager were based on 100% occupancy of the units. In fall 2016, only 83% of the 180 beds were leased. This resulted in a lack of funds for Maryland Hawk to make the approximately \$60,000 monthly debt service payments on the loans. By October 2016, it was 90 days delinquent on its loans. With no prospects for future streams of revenue, Maryland Hawk engaged UMES, USM, and both lenders to develop a plan so that UMES would maintain access and use of Hawk Plaza.

This project is important to UMES in the short and long term to meet the demand for student housing. For example, by opening Hawk Plaza to undergraduate students, it can reduce some of its reliance on private student housing. UMES currently leases 429 beds under two-year master leases in two private student housing projects adjacent to campus, at a cost of \$4.6 million. The leases expire at the end of fiscal 2017. In the long-term, if the demand for student housing warrants construction of residence halls, UMES can proceed with the original development plan and build out Phases II and III, which would add 120 and 58 beds, respectively.

Currently, UMES, USM, and the lenders are working toward a March 30, 2017 closing. UMES's monthly debt service payments will be \$57,676. According to USM, once UMES assumes title to the property, it will no longer be responsible for property taxes, can eliminate the use of the

property manager, and integrate the maintenance and upkeep of the facility with existing residential facilities staff. USM further states these cost savings, in combination with a full-lease up of Hawk Plaza and a reduction in the privately owned bed capacity that UMES currently leases, will mitigate any financial burden and produce positive cash flows for UMES, rather than representing an additional cost or spending burden. However, the master leases do not expire until June 30, 2017, and Hawk Plaza probably will not be fully leased until fall 2017. Therefore, there will be additional costs until Hawk Plaza is fully leased. In addition, according to the BPW agenda item, UMES will work with Maryland Hawk to identify other options and possible sources for repayment of the \$882,260, but it may be necessary to seek BPW approval to release the debt. Overall, there are concerns regarding UMES taking on \$12.7 million in debt amid its continuing financial challenges.

**The President should comment on the financial impact of assuming the \$12.7 million debt, especially in the near-term when Hawk Plaza will not be fully occupied and the projected occupancy revenues and costs for fiscal 2018. The President should also comment on if UMES received any concessions from the lenders for assuming the \$12.7 million of debt.**

## **2. 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 UMES students, the average net price for a FT/FT Maryland undergraduate student at UMES was \$13,839 in fiscal 2016 compared to the list price of \$21,739 (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 36.3% reduction in the net cost of attendance. For those with a family income of up to \$30,000, the average net price was \$12,076 in fiscal 2016.

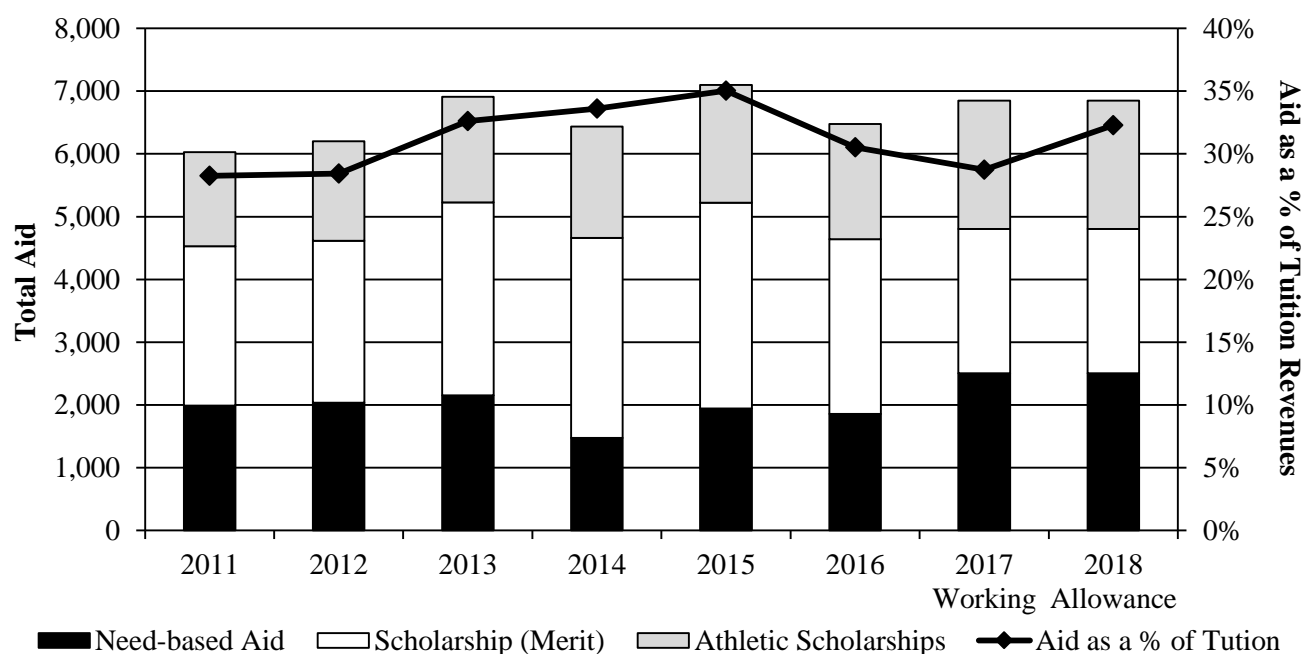
In fiscal 2016, 54% of UMES's undergraduate students received Pell awards, which are given to those who otherwise could not afford college and have an expected family contribution (EFC) of less than a specific amount, which was \$5,815 in fiscal 2016. EFC is an indicator of the amount that a family is able to contribute for a student's college education: the lower the EFC, the greater the financial aid.

Total spending on institutional financial aid increased 14.6%, or \$0.9 million, from fiscal 2011 to 2013, as shown in **Exhibit 15**, with scholarships accounting for \$0.5 million of the increase. In fiscal 2014, total expenditures decreased \$0.5 million, with \$0.6 million less spent on need-based aid. This is despite the fiscal 2014 supplemental budget providing \$324,000 specifically to increase the amount spent on need-based aid over fiscal 2013. UMES stated that the decline was due to the elimination of a diversity grant and not including foster care and homeless student waivers in the need-based aid expenditures, even though funds were disbursed from the budget. While spending on need-based aid increased by \$0.5 million to \$1.9 million in fiscal 2015, it is still below the \$2.2 million spent in fiscal 2013. In fiscal 2016, \$0.6 million less was being spent on institutional aid, of which scholarships accounted for \$0.4 million. Overall, since fiscal 2011 the portion of institutional aid going



toward need-based aid declined from 33.0% to 28.7% in fiscal 2016. **The President should comment on the decline in the portion of institutional aid going toward need-based aid.**

**Exhibit 15**  
**Institutional Aid – Total Aid, and Aid as a Percentage of Undergraduate Tuition Revenues**  
**Fiscal 2011-2018 Allowance**  
**(\$ in Thousands)**

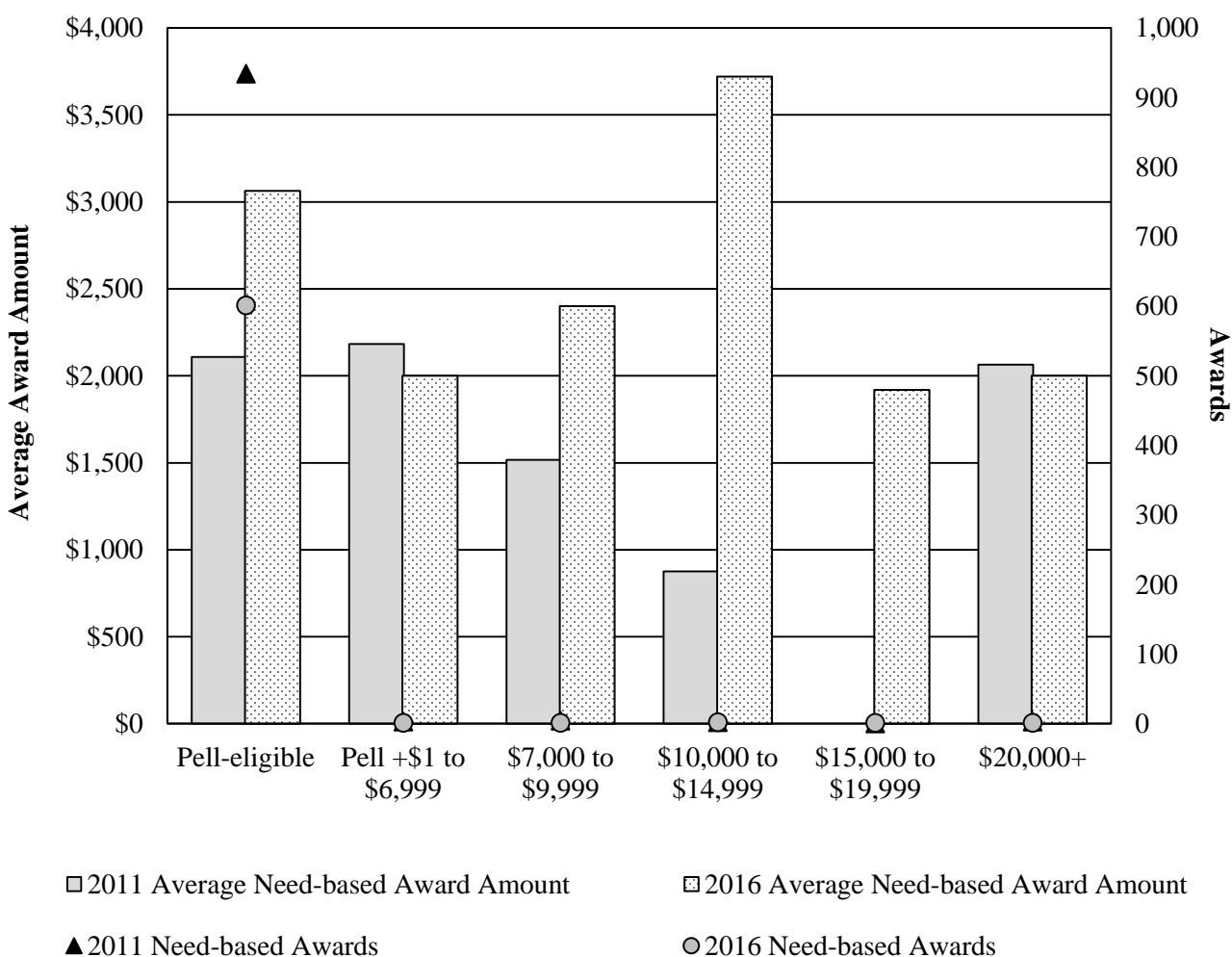


Source: University System of Maryland; Department of Legislative Services

The USM BOR has instructed institutions to use a portion of annual tuition revenue increases for institutional aid, directing it toward those undergraduate students with the highest financial need, offsetting increases in tuition rates, and holding harmless those with the greatest need. The percentage of institutional aid as a percentage of undergraduate tuition revenue declines from a high of 35.0% in fiscal 2014 to 28.7% in fiscal 2017.

While the number of need-based aid awards decreased 35.8%, or 339, between fiscal 2011 and 2016, the average award amount increased across all EFC categories, except for those with an EFC of Pell+\$1 to \$6,999 and greater than \$20,000, as shown in **Exhibit 16**. The average amount of an award to Pell-eligible students increased by \$945 to \$3,063 in fiscal 2016. The number of awards going to students with EFCs other than Pell-eligible decreased from 12 in fiscal 2011 to 6 in fiscal 2016. The highest average award of \$3,721 went to 2 students with an EFC of \$10,000 to \$14,999.

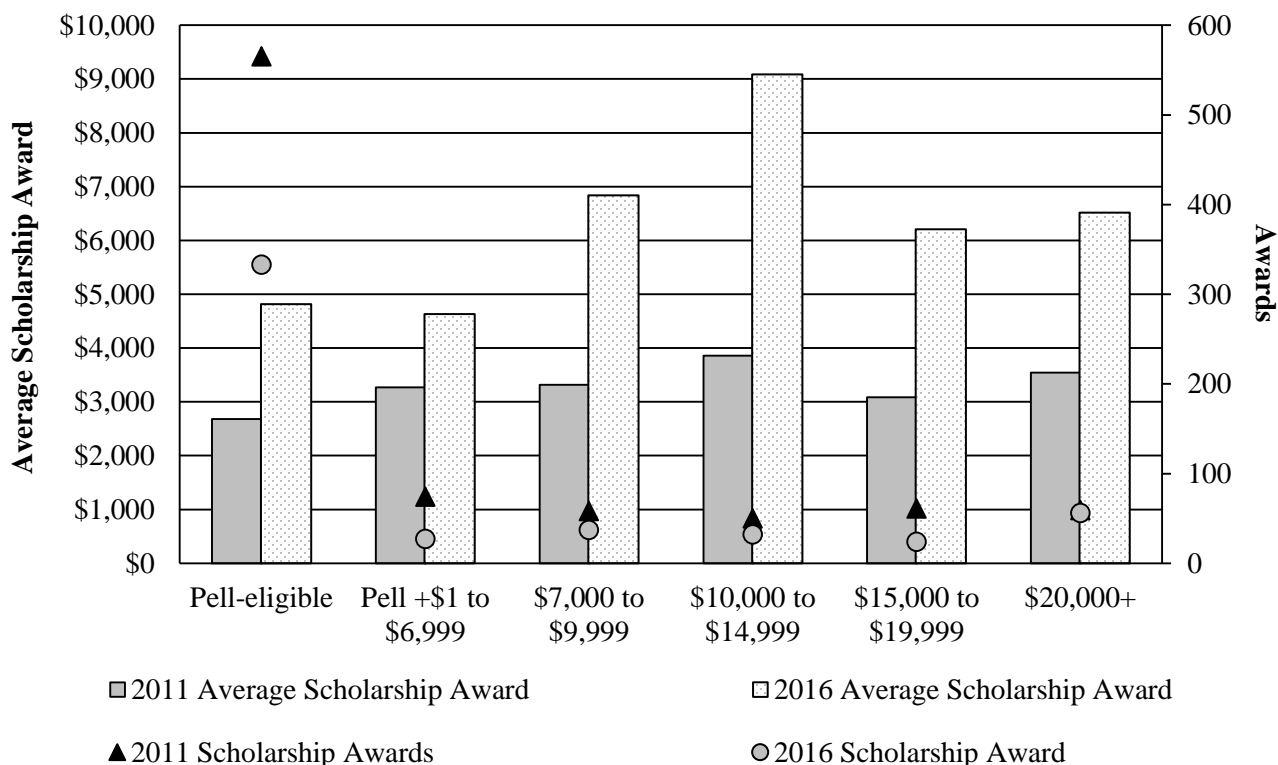
**Exhibit 16**  
**Comparison of Number and Average Amount of Need-based Aid Received Per**  
**Recipient by Expected Family Contribution**  
**Fiscal 2011 and 2016**



Source: University System of Maryland

While the average amount of a scholarship award increased between fiscal 2011 and 2016, the number of awards decreased 41.3%, or 358, as shown in **Exhibit 17**. Those with EFCs from \$7,000 to \$19,999 experience the highest growth in their awards with awards, on average, increasing 114.4%. Awards to students with an EFC of \$10,000 to \$14,999 increased \$5,233 to \$9,089 in fiscal 2016. The average award amount for Pell-eligible students increased by \$2,133 to \$4,814 in fiscal 2016. Overall, 65.0% of the awards went to Pell-eligible students in fiscal 2011 and 2016.

**Exhibit 17**  
**Comparison of Number and Average Amount of Scholarship Received Per**  
**Recipient by Expected Family Contribution**  
**Fiscal 2011 and 2016**

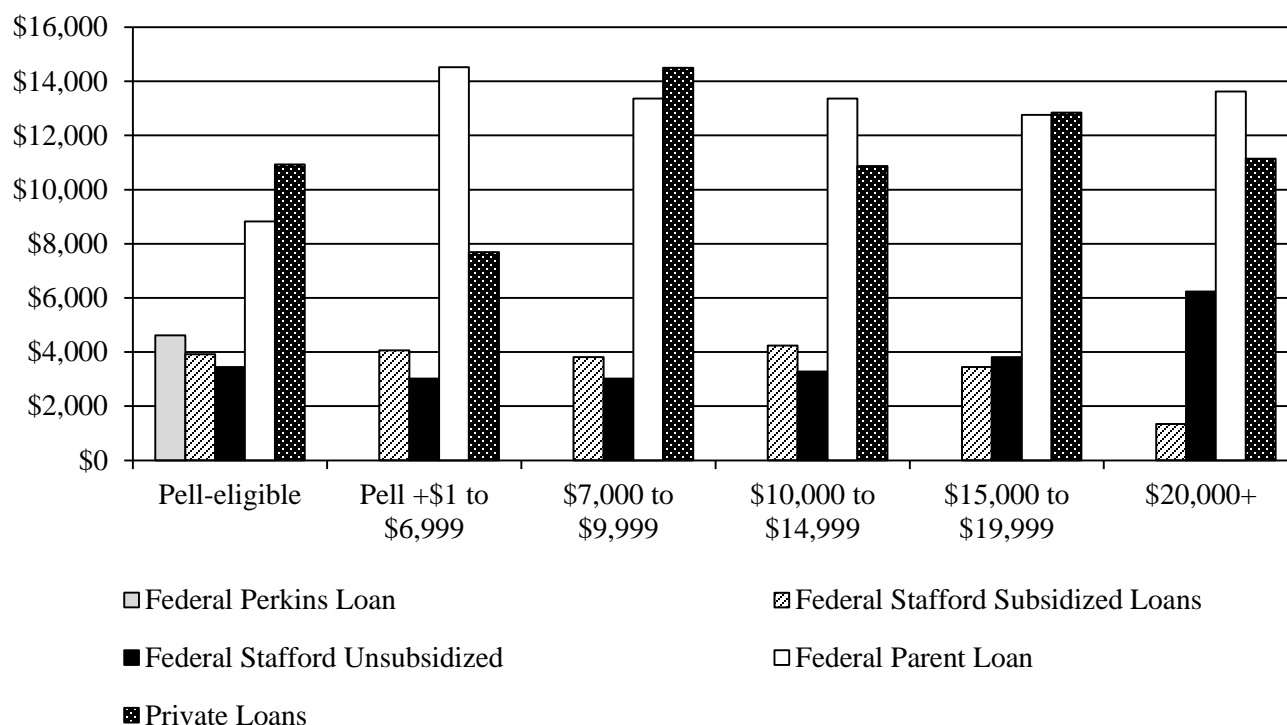


Source: University System of Maryland

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 18**, 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 18**  
**Mean Loan Amount by Type and Expected Family Contribution**  
**Fiscal 2016**



Source: University System of Maryland

In fiscal 2016, of the 2,089 Pell-eligible students, 84.2% and 73.7% used subsidized and unsubsidized loans, respectively, to help pay for their college education, with average loans of \$3,916 and \$3,451. In addition, 66 of these students took out an average of \$10,927 in private loans.

According to College Insight, the percentage of students graduating with debt from UMES decreased from 82.0% to 77.0% between fiscal 2012 and 2014, although still above the national average of 61.0% in fiscal 2014. During this time period, the average debt for the UMES graduates increased 1.3% from \$27,215 to \$27,562, which is slightly above the national average of \$27,022 in fiscal 2014. It should be noted that information on student debt is not available prior to fiscal 2012, as UMES did not submit data to the Common Data Set prior to academic year 2011-2012. **The President should comment on financial literacy efforts being taken to educate and guide students in making financial decisions.**

## ***Recommended Actions***

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

, provided that \$100,000 of this appropriation may not be expended until the University of Maryland Eastern Shore submits a report by November 10, 2017, to the budget committees on the actual fiscal 2017 revenues and expenditures by program areas and the fiscal 2018 revenues and expenditures by program area based on the fall 2017 enrollment. The budget committees shall have 45 days to review and comment on the report. Funds restricted pending receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.

**Explanation:** The language restricts \$0.1 million of the current unrestricted (general fund) appropriation until the University of Maryland Eastern Shore (UMES) submits a report by November 1, 2017, to the budget committees on the actual fiscal 2017 revenues and expenditures by program area and the fiscal 2018 revenues and expenditures by program area based on the fall 2017 enrollment.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Fiscal 2017 and 2018 revenues and expenditures	UMES	November 10, 2017

**Appendix 1**  
**Current and Prior Year Budgets**  
**USM – University of Maryland Eastern Shore**  
**(\$ in Thousands)**

	<b><u>General</u></b> <b><u>Fund</u></b>	<b><u>Special</u></b> <b><u>Fund</u></b>	<b><u>Federal</u></b> <b><u>Fund</u></b>	<b><u>Other</u></b> <b><u>Unrestricted</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b> <b><u>Unrestricted</u></b> <b><u>Fund</u></b>	<b><u>Restricted</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2016</b>							
Legislative Appropriation	\$35,531	\$1,731	\$0	\$70,389	\$107,651	\$33,679	\$141,330
Deficiency Appropriation	930	0	0	0	930	0	930
Budget Amendments	822	0	0	1,520	2,342	-289	2,054
Reversions and Cancellations	0	0	0	-5,284	-5,284	-5,882	-11,166
<b>Actual</b>							
<b>Expenditures</b>	<b>\$37,284</b>	<b>\$1,731</b>	<b>\$0</b>	<b>\$66,625</b>	<b>\$105,640</b>	<b>\$27,509</b>	<b>\$133,148</b>
<b>Fiscal 2017</b>							
Legislative Appropriation	\$37,690	\$1,884	\$0	\$68,856	\$108,430	\$33,382	\$141,811
Cost Containment	-558	0	0	0	-558	0	-558
Budget Amendments	2,887	0	0	-200	2,687	0	2,687
<b>Working</b>							
<b>Appropriation</b>	<b>\$40,019</b>	<b>\$1,884</b>	<b>\$0</b>	<b>\$68,656</b>	<b>\$110,559</b>	<b>\$33,382</b>	<b>\$143,941</b>

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 the University of Maryland Eastern Shore (UMES) increased by \$1.8 million, including a \$0.9 million deficiency related to a shortfall in health benefits and a budget amendment for \$0.8 million to restore a 2% pay reduction.

Other unrestricted funds decreased by \$3.8 million. Budget amendments added \$1.5 million including:

- a \$2.2 million transfer from fund balance to be used to assist students transferring from the Physician Assistant program (which lost accreditation in 2015) to accredited programs at Towson University or the University of Maryland, Baltimore. These costs included relocation expenses, tuition differences, and other costs negotiated with the Attorney General;
- \$0.4 million in State and local grants and contracts; and
- \$35,760 related to an increased use of fund balance.

This increase was offset by declines of \$1.1 million in auxiliary enterprises and \$1,086 in tuition and fee revenues.

Cancellation of unrestricted funds amounted to \$5.3 million due to auxiliary enterprises expenditures being less than budgeted.

Restricted funds decreased by \$6.2 million. A budget amendment decreased funds \$0.3 million to realign federal grants and contracts with current projections. The cancellation of restricted funds totaled \$5.9 million due to federal contract and grant expenditures being less than budgeted.

## **Fiscal 2017**

To date in fiscal 2017, the general fund appropriation for UMES increased \$2.3 million. Budget amendments have added \$2.9 million, including \$1.1 million related to salary increments, a \$1.6 million transfer of Office of Civil Rights enhancement funds from the Maryland Higher Education Commission, and a \$0.2 million transfer of general funds from the University of Maryland System Office to support student completion initiatives. This increase is partly offset by \$0.6 million in cost containment measures. Other unrestricted funds decrease \$0.2 million due to a decline in enrollment.

**Appendix 2**  
**Object/Fund Difference Report**  
**USM – University of Maryland Eastern Shore**

<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>
<b>Positions</b>					
01 Regular	802.32	807.32	807.32	0.00	0%
02 Contractual	135.00	135.00	135.00	0.00	0%
<b>Total Positions</b>	<b>937.32</b>	<b>942.32</b>	<b>942.32</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 75,239,964	\$ 81,404,481	\$ 79,663,341	-\$ 1,741,140	-2.1%
02 Technical and Spec. Fees	543,704	462,740	429,981	-32,759	-7.1%
03 Communication	435,969	608,142	608,151	9	0%
04 Travel	2,833,976	1,954,220	1,954,220	0	0%
06 Fuel and Utilities	4,090,140	5,289,039	5,289,039	0	0%
07 Motor Vehicles	231,667	167,925	171,165	3,240	1.9%
08 Contractual Services	17,297,629	11,790,832	10,495,845	-1,294,987	-11.0%
09 Supplies and Materials	4,829,292	7,282,618	7,182,618	-100,000	-1.4%
10 Equipment – Replacement	6,891	152,615	152,615	0	0%
11 Equipment – Additional	3,414,594	2,388,454	2,560,678	172,224	7.2%
12 Grants, Subsidies, and Contributions	16,863,423	17,624,352	17,624,352	0	0%
13 Fixed Charges	7,188,759	10,806,323	9,392,182	-1,414,141	-13.1%
14 Land and Structures	172,291	4,008,852	3,929,385	-79,467	-2.0%
<b>Total Objects</b>	<b>\$ 133,148,299</b>	<b>\$ 143,940,593</b>	<b>\$ 139,453,572</b>	<b>-\$ 4,487,021</b>	<b>-3.1%</b>
<b>Funds</b>					
40 Unrestricted Fund	\$ 105,639,660	\$ 110,559,056	\$ 106,063,293	-\$ 4,495,763	-4.1%
43 Restricted Fund	27,508,639	33,381,537	33,390,279	8,742	0%
<b>Total Funds</b>	<b>\$ 133,148,299</b>	<b>\$ 143,940,593</b>	<b>\$ 139,453,572</b>	<b>-\$ 4,487,021</b>	<b>-3.1%</b>

USM: University System of Maryland

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



**Appendix 3**  
**Fiscal Summary**  
**USM – University of Maryland Eastern Shore**

<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	\$ 34,698,798	\$ 34,482,076	\$ 32,954,645	-\$ 1,527,431	-4.4%
02 Research	9,934,957	17,706,622	17,963,914	257,292	1.5%
03 Public Service	3,354,315	2,358,987	2,128,491	-230,496	-9.8%
04 Academic Support	10,969,072	10,798,624	10,798,624	0	0%
05 Student Services	4,218,040	3,831,523	3,831,523	0	0%
06 Institutional Support	12,507,829	12,552,317	12,898,708	346,391	2.8%
07 Operation and Maintenance of Plant	13,031,558	14,655,420	14,443,281	-212,139	-1.4%
08 Auxiliary Enterprises	28,103,219	31,432,128	28,311,490	-3,120,638	-9.9%
17 Scholarships and Fellowships	16,330,511	16,122,896	16,122,896	0	0%
<b>Total Expenditures</b>	<b>\$ 133,148,299</b>	<b>\$ 143,940,593</b>	<b>\$ 139,453,572</b>	<b>-\$ 4,487,021</b>	<b>-3.1%</b>
Unrestricted Fund	\$ 105,639,660	\$ 110,559,056	\$ 106,063,293	-\$ 4,495,763	-4.1%
Restricted Fund	27,508,639	33,381,537	33,390,279	8,742	0%
<b>Total Appropriations</b>	<b>\$ 133,148,299</b>	<b>\$ 143,940,593</b>	<b>\$ 139,453,572</b>	<b>-\$ 4,487,021</b>	<b>-3.1%</b>

USM: University System of Maryland

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