
University System of Maryland Fiscal 2018 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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Analysis of the FY 2018 Maryland Executive Budget, 2017

R30B00
University System of Maryland
Fiscal 2018 Budget Overview

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</u> <u>Year</u>
General Funds	\$1,200,718	\$1,259,679	\$1,295,978	\$36,299	2.9%
Adjustments	0	8,737	-1,957		
Adjusted General Funds	\$1,200,718	\$1,268,417	\$1,294,020	\$25,604	2.0%
Higher Education Investment Fund	\$56,605	\$61,605	\$57,936	-\$3,669	-6.0%
Adjustments	0	-4,683	0	0	
Adjusted Special Funds	\$56,605	\$56,922	\$57,936	\$1,015	1.8%
Other Unrestricted Funds	\$2,660,911	\$2,764,384	\$2,833,965	\$69,581	2.5%
Adjusted Other Unrestricted Funds	\$2,660,911	\$2,764,384	\$2,833,965	\$69,581	2.5%
Total Unrestricted Funds	\$3,918,234	\$4,085,668	\$4,187,879	\$102,211	2.5%
Adjustments	0	4,054	-1,957	-6,011	
Adjusted Total Unrestricted Funds	\$3,918,234	\$4,089,722	\$4,185,922	\$96,200	2.4%
Restricted Funds	\$1,195,418	\$1,284,329	\$1,298,450	\$14,120	1.1%
Adjusted Restricted Funds	\$1,195,418	\$1,284,329	\$1,298,450	\$14,120	1.1%
Adjusted Grand Total	\$5,113,652	\$5,374,051	\$5,484,371	\$110,320	2.1%

Note: Includes targeted reversions, deficiencies, and contingent reductions and anticipated fiscal 2018 transfers from the Maryland Higher Education Commission. \$8.8 million in special funds for the Maryland Fire and Rescue Institute are included as restricted funds.

- There are two deficiency appropriations for fiscal 2017 totaling \$8.7 million providing general funds of \$4.1 million to partially offset the November 2016 Board of Public Works reduction and \$4.7 million to offset a shortfall in the Higher Education Investment Fund (HEIF).
- General funds increase \$25.6 million, or 2.0%, in fiscal 2018 after accounting for the deficiencies in fiscal 2017, the across-the-board pension and contingent reductions, and anticipated transfers from the Maryland Higher Education Commission in fiscal 2018.

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- The HEIF increases 1.8%, or \$1.0 million, after accounting for a deficiency reducing the fiscal 2017 appropriation by \$4.7 million due to a downward revision in the estimated revenues.

Personnel Data

	<u>FY 16 Actual</u>	<u>FY 17 Working</u>	<u>FY 18 Allowance</u>	<u>FY 17-18 Change</u>
Regular Positions	23,635.79	23,923.39	23,918.39	-5.00
Contractual FTEs	<u>6,156.06</u>	<u>6,059.64</u>	<u>6,344.22</u>	<u>284.58</u>
Total Personnel	29,791.85	29,983.03	30,262.61	279.58

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	596.38	2.49%
Positions and Percentage Vacant as of 12/31/16	1,212.19	5.10%

- The number of regular positions declines due to the elimination of 5.0 positions at the University of Baltimore (UB) in the fiscal 2018 allowance. It should be noted that the University System of Maryland (USM) institutions have personnel autonomy and may create new positions during the year. For example, in fiscal 2017 year-to-date, it has added 287.59 positions over the original appropriation.
- The allowance also provides for an additional 284.58 contractual positions.

Analysis in Brief

Major Trends

Enrollment: Undergraduate enrollment at USM institutions grew 6.2%, or 7,563 students, in fall 2016 mainly due to continuing and transfer students at the University of Maryland University College (UMUC) increasing by 4,053 and 2,589, respectively. However, when UMUC is excluded, enrollment grew 0.8%.

Student Performance: The second-year retention rate improved at all institutions except at UB. Strides have been made in improving the retention of students beyond the second year, with the third-year rate increasing, on average, 2.6 percentage points. USM revised the calculation of the six-year graduation rate by defining the cohort to all new students enrolled by fiscal year. The rate of the fiscal year cohorts tends to be higher at those institutions that have a higher proportion of transfer and part-time students who graduate at a higher rate than the first-time/full-time students.

Undergraduate Degree Production: Undergraduate degree production increased 29.1% from 19,950 in fiscal 2010 to 25,761 in fiscal 2016. The average time to degree at USM institutions, excluding the University of Maryland, Baltimore (UMB) and UMUC, slightly improved from 4.2 years in fiscal 2015 to 4.1 years in fiscal 2016.

Instructional Productivity: When only considering the workload of tenured/tenure-track faculty, two of the seven comprehensive institutions and one of the two research institutions met or exceeded the Board of Regents standard in fiscal 2016. If all core instructional faculty are included, three comprehensive institutions exceeded the standard while the two research institutions met or exceeded the target.

Issues

How Much Was Tuition Really Bought Down?: The Governor's allowance includes \$16.4 million in general funds to hold tuition increases for the 2017-2018 academic year to 2% for resident undergraduate students. However, due to executive confidentiality when developing the budget, it is not known how much of a tuition increase was requested by institutions. Therefore, it cannot be determined how much of an increase was truly bought down.

University of Maryland Strategic Partnership Act: Chapter 25 of 2016, while primarily formalizing the partnership between the University of Maryland, College Park and UMB, known as MPowering, also included requirements that USM develop a strategy to enhance funding guideline attainment for those residential campuses furthest below the seventy-fifth percentile and establish its corporate headquarters in Baltimore City.

Continuing Enrollment Decline at UB: Since fall 2013, total enrollment at UB declined 8.2%, or 535 students, with graduate enrollment accounting for 231 of the students. The decline in graduate

enrollment was mainly driven by a continual decline at the law school, which experienced a 33.0%, or 378, drop in students between fall 2011 and fall 2016. This culminated in UB reducing its fiscal 2017 operating budget by \$3.96 million.

Regional Higher Education Center Funding Model: Recognizing the current funding model for its regional higher education centers is not working due to various operating and finance issues challenging the expansion of the centers, USM is implementing a Memorandum of Understanding-based funding model for developing and maintaining high-cost programs at the centers.

B-Power Initiative: The B-Power initiative is designed to increase the educational and career opportunities for Baltimore City students. UB and Coppin State University will leverage their resources to strengthen the pipeline of students from Baltimore City Public Schools by building partnerships with the city schools and other organizations serving Baltimore.

Efficiency through Consolidation of the University of Maryland Center for Environmental Science: The merger of the units of the University of Maryland Center for Environmental Science with the appropriate USM institution(s) is recommended.

HelioCampus Launches into Competitive Space of Data Analytics: In September 2015, UMUC spun off its Office of Analytics into a private company as a way to establish new revenue for the institution. The new business, HelioCampus, is a software-as-a-service platform that analyzes higher education financial and enrollment data to find ways to improve efficiencies on campuses and increase student success.

Revision of the Chancellor’s Contract: The Chancellor’s 2015 contract included a provision for a performance bonus of up to 15.0% of his base salary (\$600,000 in fiscal 2016) based on the Board of Regents (BOR) assessment of his performance. In June 2016, BOR awarded a 12.5%, or \$75,000, performance bonus. After a legislative hearing regarding the Chancellor’s compensation, BOR revised the contract removing the performance bonus provision.

Recommended Actions

Funds

1. Add language to reduce unrestricted funds for the University System of Maryland.
2. Add language to reduce general funds for the University System of Maryland.
3. Add language to restrict the University System of Maryland’s general fund and the Higher Education Investment Fund appropriation.

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4. Add language to reduce general funds for the University of Maryland Center for Environmental Science.
5. Add language to reduce unrestricted funds for the University of Maryland Center for Environmental Science.
6. Add language to restrict general funds pending a report on the relocation of the University of Maryland Center for Environmental Science.
7. Add language to restrict unrestricted funds pending a report on the relocation of the University of Maryland Center for Environmental Science.
8. Eliminate deficiency to partially offset the University System of Maryland budget reduction. \$ 4,054,000
9. Eliminate deficiency to partially offset the University System of Maryland budget reduction. \$ 4,054,000
10. Eliminate the Higher Education Investment Fund swap. \$ 4,683,437

Updates

Expenditures Made on Behalf of USM Personnel: Language in the 2016 *Joint Chairmen's Report* required USM to submit a report on expenditures made by constituent institutions or their respective foundations on behalf of USM personnel for fiscal 2015, 2016, and any planned expenditures in fiscal 2017.

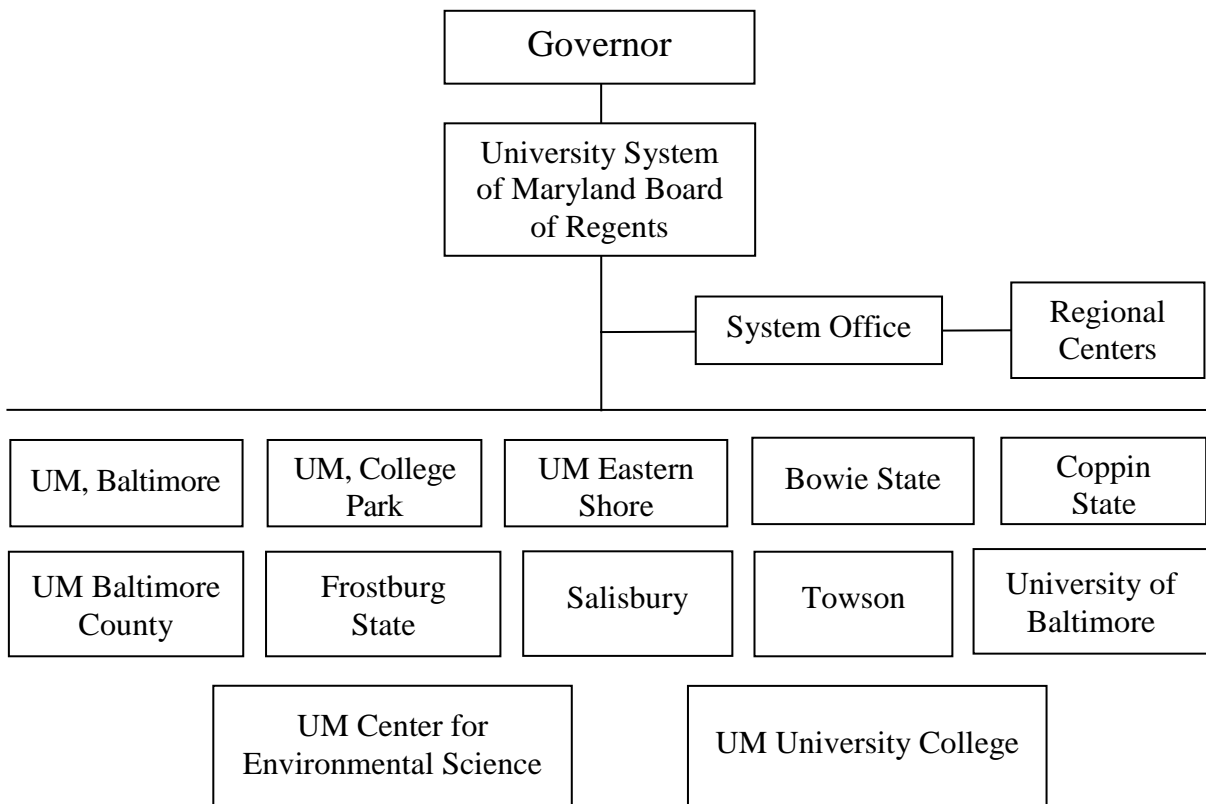
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Operating Budget Analysis

Program Description

Title 12 of the Education Article establishes the University System of Maryland (USM) to “foster the development of a consolidated system of public higher education, to improve the quality of education, to extend its benefits, and to encourage the economical use of the State’s resources.” USM consists of 11 degree-granting institutions, a research center, and the system office, which operates two regional higher education centers. **Exhibit 1** illustrates the structure of the system.

Exhibit 1
University System of Maryland



UM: University of Maryland

Source: Department of Legislative Services

The Board of Regents (BOR) is the governing body of USM. The board consists of 17 members, including a full-time student and the State Secretary of Agriculture (*ex officio*). Except for the Agriculture Secretary, each member is appointed by the Governor with the advice and consent of the Senate. The board appoints the Chancellor, who serves as the Chief Executive Officer of the system and the Chief of Staff to the board. The Chancellor and staff coordinate system planning; advise the board of systemwide policy; coordinate and arbitrate among system institutions; and provide technical, legal, and financial assistance.

The board reviews, modifies, and approves a system strategic plan developed by the Chancellor in consultation with institution presidents. The board is charged with assuring that programs offered by the institutions are not unproductive or unreasonably duplicative. Other board activities include reviewing and approving new programs, reviewing existing programs, setting minimum admission standards, and determining guidelines for tuition and fees. The board monitors the progress of each system institution toward its approved goals and holds each president accountable for the progress toward the goals. Furthermore, the board may delegate any of its responsibilities to the Chancellor.

USM goals, consistent with the State Plan for Higher Education, are to:

- create and maintain a well-educated workforce;
- promote economic development;
- increase access for economically disadvantaged and minority students; and
- achieve and sustain national eminence in providing quality education, research, and public service.

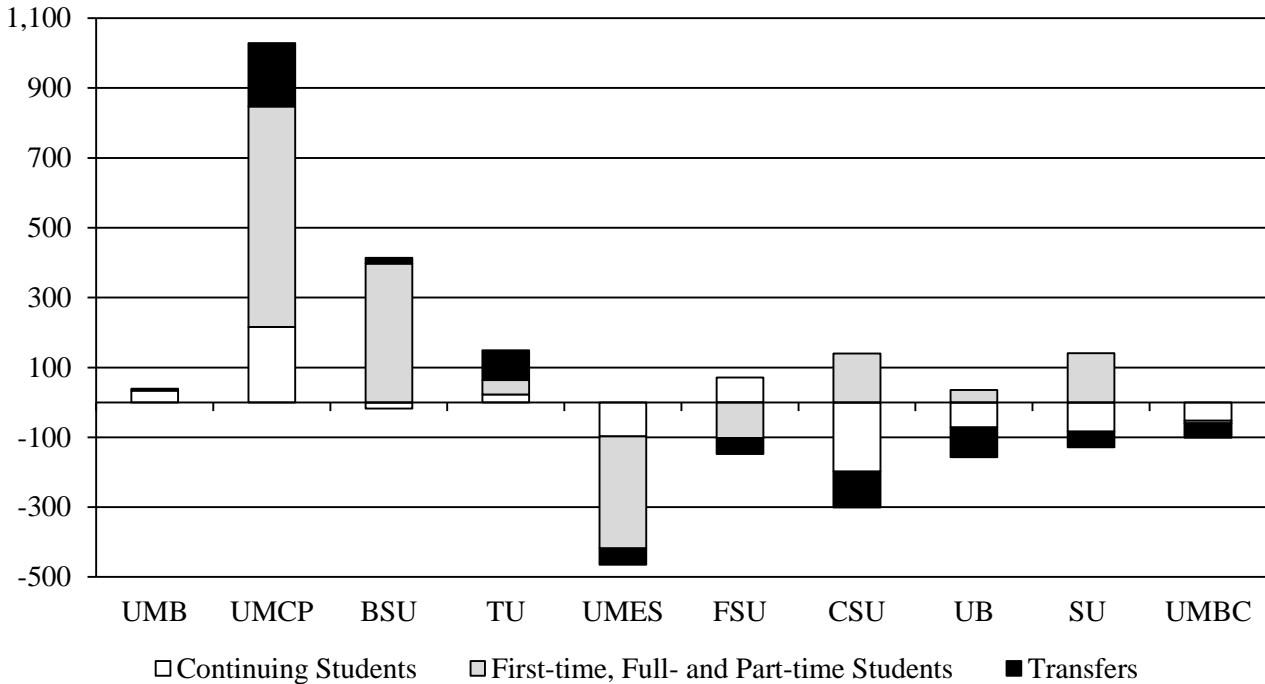
Performance Analysis

1. Enrollment

Undergraduate enrollment at USM institutions grew 6.2%, or 7,563 students, in fall 2016 mainly due to continuing and transfer students at University of Maryland University College (UMUC) increasing by 4,053 and 2,589, respectively. When excluding UMUC, enrollment grew 0.8%, with five institutions – Coppin State University (CSU), Frostburg State University (FSU), the University of Baltimore (UB), the University of Maryland Baltimore County (UMBC), the University of Maryland Eastern Shore (UMES) – experiencing an overall decline in enrollment ranging from 0.9% at UMBC to 12.4% at UMES, as shown in **Exhibit 2**. Overall, the number of first-time undergraduate students increased 7.1%, or 955 students, while transfer and continuing students declined by 178 and 78 students, respectively. The University of Maryland, College Park (UMCP) saw enrollment increase in all groups of students with first-time students increasing 16.0%, or 631 students. Bowie State University (BSU) and CSU had significant increases in their first-time students of 397 and 140 students, respectively. However, CSU experienced a decline of 103 students in transfers. Graduate enrollment,

excluding UMUC, decreased 1.7% in fall 2016, resulting in an overall enrollment growth of 0.2%. **The Chancellor should comment on how USM, along with the institutions, plans to manage enrollment particularly at those institutions experiencing weak growth.**

**Exhibit 2
Change in Fall 2015 and 2016 Undergraduate Headcount Enrollment**



BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 SU: Salisbury University
 TU: Towson University

UB: University of Baltimore
 UMB: University of Maryland, Baltimore
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore

Source: University System of Maryland

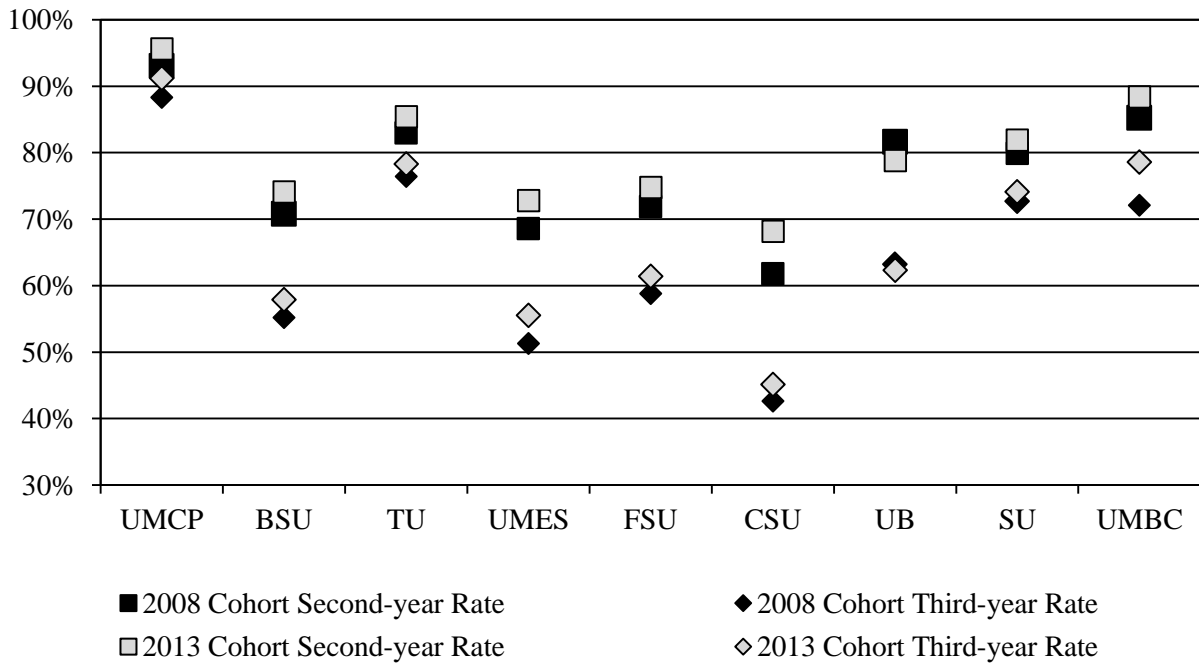
2. Student Performance

Retention Rates

Student retention rates provide insight into student progress, showing if students are on track to graduate in a timely manner. Higher rates indicate that students are moving faster through the pipeline,

freeing space for more students and leading to increased degree production. Improving the retention of students is a key component of the efforts of USM to double the number of undergraduate degrees awarded by 2020, one of the four key goals of the USM strategic plan. **Exhibit 3** shows the second- and third-year retention rates for the fall 2008 and 2013 first-time/full-time (FT/FT) cohorts by institution, excluding the University of Maryland, Baltimore (UMB). The second-year rate improved at all institutions except at UB, which declined 2.8 percentage points. CSU experienced the greatest improvement with the rate increasing 6.4 percentage points, from 61.8% to 68.2%. Institutions also made strides in improving the retention of students beyond the second year, with the third-year rate increasing, on average, 2.6 percentage points. Again, only UB experienced a decline, 0.9 percentage points. UMBC showed the most improvement with its third-year rate increasing 6.5 percentage points, from 72.1% to 78.6%.

Exhibit 3
Undergraduate Second- and Third-year Retention Rates
First-time, Full-time 2008 and 2013 Fall Cohort



BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 SU: Salisbury University
 TU: Towson University

UB: University of Baltimore
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore

Source: Maryland Higher Education Commission

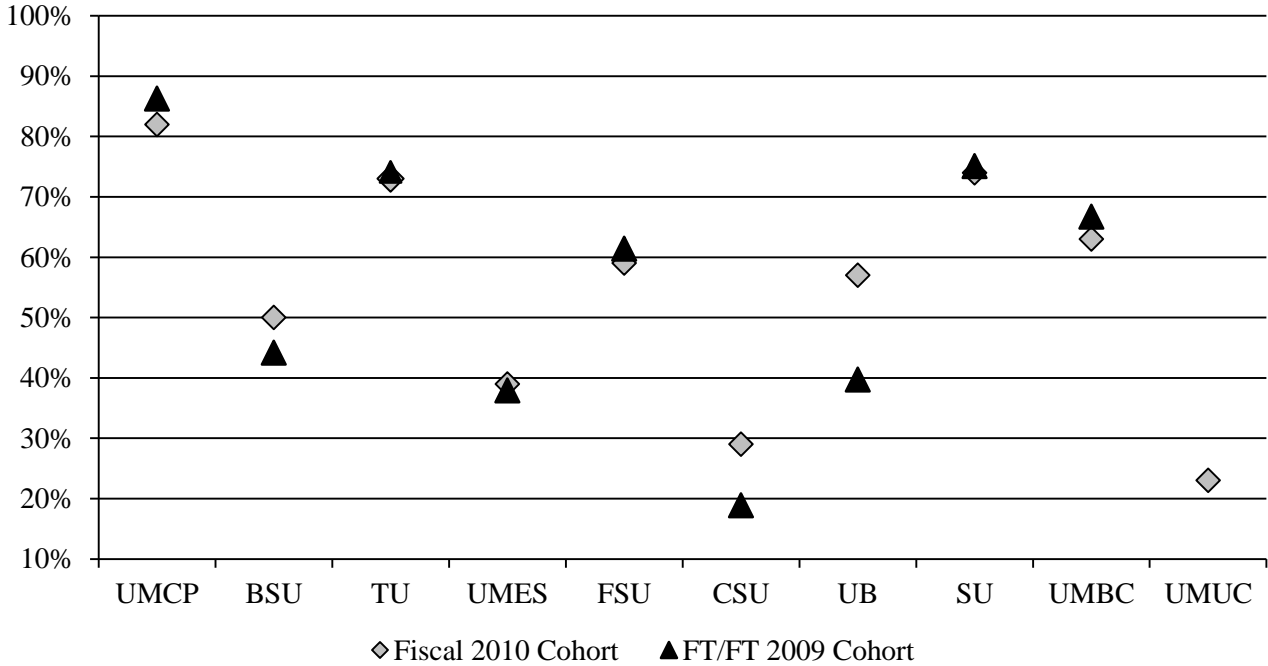
Graduation Rates

Traditional graduation measures such as those used by the Maryland Higher Education Commission (MHEC) and the federal government only track the completions of the “traditional” FT/FT students – those enrolled at an institution at the start of the academic year and who are continuously enrolled as a full-time student until completion. However, in general, for USM institutions, this only captures the progress of about a third of the students, providing only a partial picture of how an institution is performing. USM revised the performance measure to include the six-year graduation rates of all new degree-seeking students by fiscal year, which includes FT/FT; part-time students; transfers; and those who enroll in spring, stopped-out, or changed enrollment status. In addition, using a “fiscal cohort” instead of a FT/FT cohort allows for a calculation of the UMUC six-year graduation rate, which has been excluded from the traditional measure due to its unique student population that is mainly adult, nontraditional students.

Exhibit 4 compares the six-year graduation rate of the fall 2009 FT/FT and fiscal 2010 cohorts, the latter including the more expansive calculation of all new degree-seeking students. The fiscal 2010 cohort rate is higher at BSU, UMES, CSU, and UB, which have a higher proportion of transfer and part-time students who tend to graduate at higher rates than FT/FT students. The lower rates at UMCP and UMBC can be attributed to transfers not performing as well as FT/FT students at UMCP, and while transfers do almost as well as FT/FT students at UMBC, students who transfer out are not enrolling at USM institutions and, therefore, lower the graduation rate as calculated by USM. **The Chancellor should comment on the methodology used to calculate the fiscal year cohort, and in particular, why it does not capture students who transfer and graduate from non-USM institutions.**

The UMUC six-year fiscal 2010 cohort graduation rate of 23.0% is the lowest of all the institutions and is more comparable to the two-year graduation rates of Maryland community college transfer students at other institutions. This is to be expected given that transfer students comprised 90.0% of UMUC’s new undergraduate enrollment in fall 2016. Furthermore, 78.4%, or 34,648, of UMUC undergraduate students in fall 2016 were part-time students who take longer to graduate.

Exhibit 4
Comparison of Six-year Graduation Rates
First-time, Full-time 2009 and All-inclusive Fiscal 2010 Cohorts



BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 FT/FT: first-time, full-time
 SU: Salisbury University
 TU: Towson University

UB: University of Baltimore
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore
 UMUC: University of Maryland University College

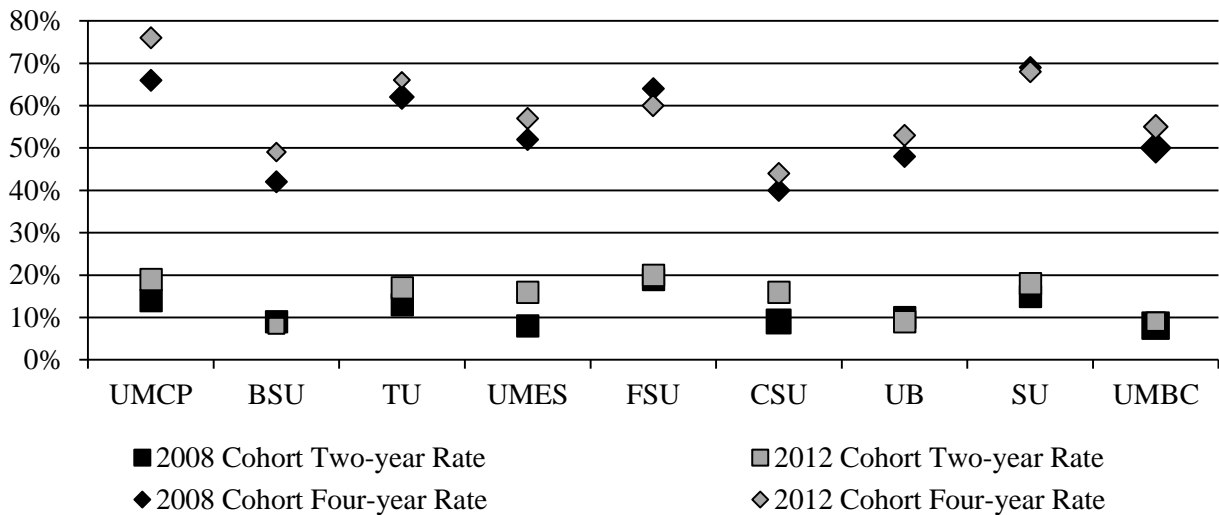
Note: Rates for the FT/FT cohort includes those who graduated from the institution or those that transferred and graduated from any Maryland public four-year institution. Fiscal year cohorts include all degree-seeking students (e.g., FT/FT, part-time, transfers, and spring admits) who enrolled in the fiscal year.

Source: Maryland Higher Education Commission; University System of Maryland

The two- and four-year graduation rates for the fiscal 2008 and 2012 cohorts of Maryland community college transfer students, which are equivalent to the four- and six-year rates for FT/FT students at the four-year institutions, are shown in **Exhibit 5**. Overall, 55% of community college transfers graduated within four years from any USM institution. In general, the four-year rate tends to be lower than the comparable six-year rate for FT/FT students (the USM average for the 2009 cohort was 69%) due to a significant percentage being part-time students. If only considering full-time transfer students, the USM average four-year rate increases to 69%, equivalent to the six-year FT/FT rate. In

addition, the percentage of transfers entering as freshmen and sophomores affect the rate, as they come in with fewer credits and take longer to graduate. For the fiscal 2012 cohort, 19% and 34% enter as either a freshman or a sophomore, respectively.

Exhibit 5
Two- and Four-year Graduation Rates of
Maryland Community College Transfers
2008 and 2012 Cohorts



BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 SU: Salisbury University
 TU: Towson University

UB: University of Baltimore
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore

Note: Graduation rates include those students who transferred in and then transferred and earned a degree at another University System of Maryland institution.

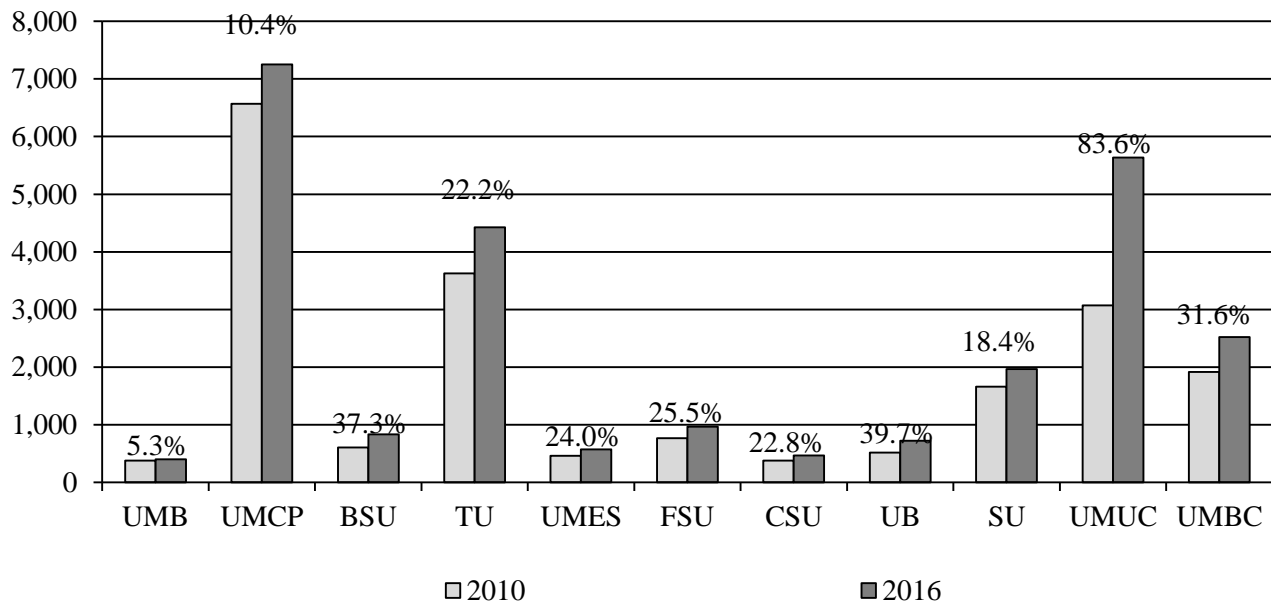
Source: University System of Maryland, *Transfer Students to the University System of Maryland: Patterns of Enrollment and Success*

In regard to the two-year graduation rate, UMES and CSU experienced the largest improvement with the rates increasing by 8 and 7 percentage points, respectively, while the BSU and UB rates declined slightly by 1 percentage point. UMCP and BSU showed the most improvement in the four-year rate increasing by 10 and 7 percentage points, respectively, indicating programs targeting transfer students have proven to be successful. However, FSU and Salisbury University rates declined by 4 and 1 percentage points, respectively, from the 2008 to the 2012 cohort.

3. Undergraduate Degree Production

In order to produce a well-educated workforce and meet the State’s completion goal, USM will need to increase the number of undergraduate degrees awarded. USM plans to increase annual degree production by approximately 8,800 degrees from 2010 to 2020. **Exhibit 6** compares the number of undergraduate degrees conferred by institutions between fiscal 2010 (the base year) and 2016. Overall, degree production increased 29.1% from 19,950 in fiscal 2010 to 25,761 in fiscal 2016. The highest growth rates occurred at UMUC, UB, BSU, and UMBC. In terms of the highest number of degrees, UMUC and Towson University (TU) awarded an additional 2,568 and 803 degrees, respectively. However, it should be noted that degrees awarded by UMUC in 2016 are not comparable to 2010 due to a change in the U.S. Department of Education reporting requirement. Because all UMUC’s online courses are now administered stateside, all degrees are included in the total.

Exhibit 6
Total Undergraduate Degrees Awarded and Percent Change
Fiscal 2010 and 2016



BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 SU: Salisbury University
 TU: Towson University
 UB: University of Baltimore

UMB: University of Maryland, Baltimore
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore
 UMUC: University of Maryland University College

Source: University System of Maryland

Time to Degree

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 cost not only for the student but for the institution and the State as well. A major goal of the BOR original Effectiveness and Efficiency initiative was to improve the time to degree, which is dependent on the efficiency and productivity of the faculty, quality of advising, and appropriateness of course offerings. USM annually reports progress on this measure in its faculty workload report that in years prior to 2015 was presented in terms of the average number of semesters to a degree and was based on cohorts of FT/FT students entering in fall of a particular year. Starting in 2015, the measure was revised to be more inclusive to include all students (*e.g.*, FT/FT, transfers, part-time students, students whose enrollment status changed, and those who stopped out) who received a degree in a particular fiscal year and looks back to when they first enrolled at an institution whether it be 4 or 15 years. This provides a more accurate picture of how an institution is performing. As shown in **Exhibit 7**, in 2015, only UMBC and CSU did not experience an increase in the time to degree, while in 2016 all but three institutions – UMES, CSU, and UMBC saw a decrease in the time to degree. Overall, the average time to degree at USM institutions, excluding UMB and UMUC, slightly improved from 4.2 years in 2015 to 4.1 years in 2016.

Exhibit 7
Average Undergraduate Time to Degree in Years
For Graduating Students
Fiscal 2014-2016

	Graduating Year		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
University of Maryland, College Park	4.3	4.4	3.9
Bowie State University	4.8	4.9	4.7
Towson University	4.0	4.1	4.0
University of Maryland Eastern Shore	4.1	4.2	4.8
Frostburg State University	3.7	4.2	3.7
Coppin State University	5.8	5.8	5.9
University of Baltimore	4.1	4.5	4.3
Salisbury University	3.9	4.0	4.0
University of Maryland Baltimore County	4.5	4.1	4.4
Average	4.2	4.2	4.1

Note: Averages are weighted. The University of Maryland University College and the University of Maryland, Baltimore are excluded from the Board of Regents' faculty workload policy.

Source: University System of Maryland's *Faculty Workload Report, 2016*

FSU, at 3.7 years, has the fastest time to degree. USM attributes this to a variety of factors including an increase in enrollment of transfer students relative to FT/FT and nursing students. The former is related to FSU building a strong pipeline of students from a combination of increased use of enrollment consultants at the University System of Maryland at Hagerstown (USMH) and improved recruiting. In regard to nursing students, because these students are, in general, working professionals, they are looking to rapidly upgrade to a bachelor of nursing degree, and, therefore, graduate more quickly. USM notes that undergraduate level nurses across USM average 3.3 years to degree compared to 4.8 years for the general population.

4. Instructional Productivity

Annual language in the *Joint Chairmen's Report (JCR)* requires USM to submit a report on the instructional workload of faculty. BOR sets standards of expectations of instructional workload for tenured/tenure-track faculty, which have not changed since fiscal 2005. The average target course units (equivalent to teaching a three-hour course) per full-time faculty member is 5.5 and 7.5 course units at research and comprehensive institutions, respectively.

As shown in **Exhibit 8**, when only considering the workload of tenured/tenure-track faculty, only two (CSU and UMES) of the seven comprehensive institutions and one (UMBC) of the two research institutions met or exceeded the BOR standard in fiscal 2016. The average course units for comprehensive institutions increased from 7.0 in fiscal 2015 to 7.1 in fiscal 2016, while the average for research institutions remained at 5.7 course units. When all core instructional faculty (*i.e.*, tenured/tenure-track and full-time nontenured instructional faculty who are responsible for the main activities of teaching and managing the instructional activity of the institution) are considered, three comprehensive institutions (BSU, CSU, and UMES) exceeded the standard, while UMBC is above the target for research institutions, and UMCP met the standard.

Exhibit 8 presented information for one measure that can be used when looking at instructional activity and effectiveness of faculty. As shown in **Exhibit 9**, another measure is the production of semester credit hours, which are based on time in the classroom multiplied by the total students enrolled in the course. For example, a 3-credit course with 10 students produces 30 semester credit hours. This measure also provides an indication of how well institutions are managing faculty and maintaining class size.

Exhibit 8
Average Course Units Taught by Full-time Equivalent
Tenured/Tenure-track and All Core Instructional Faculty
Fiscal 2012, 2015, and 2016

	2012		2015		2016	
	<u>Tenure</u>	<u>Core</u>	<u>Tenure</u>	<u>Core</u>	<u>Tenure</u>	<u>Core</u>
Bowie State University	7.5	7.7	7.2	7.3	7.2	8.0
Coppin State University	8.3	9.0	7.5	8.1	7.8	9.0
Frostburg State University	7.4	7.4	7.4	7.4	7.3	7.2
Salisbury University	7.6	7.8	6.9	7.1	7.2	7.3
Towson University	7.0	7.4	6.5	7.1	6.6	7.1
University of Baltimore	6.6	6.5	6.4	6.9	6.6	6.7
University of Maryland Eastern Shore	7.6	7.6	7.6	7.2	8.1	8.2
Comprehensive Average	7.4	7.6	7.0	7.1	7.1	7.3
Comprehensive Target	7.5		7.5		7.5	
University of Maryland Baltimore County	6.8	6.9	7.1	7.2	6.6	7.0
University of Maryland, College Park	5.6	5.6	5.3	5.4	5.4	5.5
Research Average	5.9	5.9	5.7	5.8	5.7	5.9
Research Target	5.5		5.5		5.5	

Note: One course unit is defined as a standard three-credit lecture course; all other courses and instructional activity such as undergraduate and dissertation research are converted to course units. Calculations for Salisbury University, Towson University, and the University of Baltimore omit the schools of business and law because accreditation standards requires law faculty to teach four course units and business faculty to teach six course units.

Source: University System of Maryland’s annual *Report on the Instructional Workload of USM Faculty*

Exhibit 9
Average Semester Credit Hours Generated by Tenured/Tenure-track and
All Core Instructional Faculty
Fiscal 2012, 2015, and 2016

	2012		2015		2016	
	<u>Tenure</u>	<u>Core</u>	<u>Tenure</u>	<u>Core</u>	<u>Tenure</u>	<u>Core</u>
Bowie State University	526	561	402	422	454	475
Coppin State University	263	255	316	311	316	313
Frostburg State University	496	494	480	476	472	482
Salisbury University	606	615	530	528	522	537
Towson University	402	425	423	442	402	434
University of Baltimore	404	419	375	402	379	380
University of Maryland Eastern Shore	448	542	684	615	638	637
University of Maryland Baltimore County	363	456	346	465	359	475
University of Maryland, College Park	491	568	420	521	405	517

Note: Excludes faculty on sabbatical and those exempted as a result of illness or death, and adjustments are also made for instruction-related activity and external funding. Calculations for Salisbury University, Towson University, and the University of Baltimore are adjusted to omit the schools of business and law.

Source: University System of Maryland’s annual *Report on the Instructional Workload of USM Faculty*

When data from faculty workload and semester hours generated is considered together, it provides a better picture of instructional productivity at each campus. For example, as previously shown in Exhibit 8, while faculty at CSU continually teach more course units than faculty at other comprehensive institutions, they also produce the least number of credit hours per semester, indicating faculty teach more classes with fewer students.

Fiscal 2017 Actions

Cost Containment and Proposed Deficiency

The November 2016 Board of Public Works action reduced the USM appropriation by 1.4%, or \$18.3 million. This was to be partly offset by a \$4.1 million transfer of the Higher Education Investment Fund (HEIF) fund balance. This would result in a 1.0%, or \$14.2 million, reduction in the USM appropriation. As shown in **Exhibit 10**, a majority of the expected \$14.2 million reduction was met by the elimination of 101 vacant positions, totaling \$9.0 million. The remaining \$5.2 million of the reduction was met through decreased spending on contractual services, supplies and materials, and financial aid. However, there were insufficient funds in the HEIF balance to cover the \$4.1 million

offset of the cost containment. A fiscal 2017 deficiency provides the University System of Maryland Office (USMO), with \$4.1 million in general funds to offset the cost containment measure to be allocated among the institutions.

Exhibit 10
Reduction and Deficiency by Institution
Fiscal 2017

<u>Institution</u>	<u>BPW Reduction</u>	<u>Deficiency</u>	<u>Total Reduction</u>	<u>Position Reduction</u>	<u>Salary and Wages</u>	<u>Operating</u>
UM, Baltimore	-\$2,936,774	\$520,373	-\$2,416,401	-20.0	-\$1,895,598	-\$520,803
UM, College Park	-6,925,352	1,460,017	-5,465,335	-40.0	-4,400,335	-1,065,000
Bowie State University	-590,607	119,295	-471,312	-2.0	-139,306	-332,006
Towson University	-1,796,868	530,974	-1,265,894	-9.0	-750,047	-515,847
UM Eastern Shore	-557,887	123,729	-434,158	-4.0	-354,691	-79,467
Frostburg State University	-605,009	159,044	-445,965	-3.0	-434,814	-11,151
Coppin State University	-613,268	111,754	-501,514	-2.0	0	-501,514
University of Baltimore	-542,264	141,265	-400,999	-3.0	-95,471	-305,528
Salisbury University	-786,134	230,556	-555,578	-5.0	-156,715	-398,863
UM University College	-552,166	106,555	-445,611	-4.0	-142,498	-303,113
UM Baltimore County	-1,637,220	365,650	-1,271,570	-8.0	-634,034	-636,536
UM Center for Environmental Science	-285,833	40,094	-245,739	-1.0	-28,605	-217,134
University System of Maryland Office	-424,618	144,694	-279,924	-0.0	0	-279,924
Total	-\$18,254,000	\$4,054,000	-\$14,200,000	-101.0	-\$9,032,114	-\$5,166,886

BPW: Board of Public Works

UM: University of Maryland

Source: University System of Maryland

In addition, the estimated fiscal 2017 HEIF revenues were written down by \$6.2 million. The fiscal 2016 fund balance was carried forward to partially offset the decline, resulting in a total shortfall of \$4.7 million in fiscal 2017. A second deficiency provides USM with \$4.7 million in general funds to cover the underattainment of the HEIF in fiscal 2017. In past years when the HEIF underattained, USM was notified that if revenues did not improve then the appropriation would be canceled by the amount of the shortfall. For instance in fiscal 2009, USM's HEIF appropriation was reduced by \$7.8 million and in fiscal 2014, \$11.1 million of USM's HEIF appropriation was canceled. USM is well positioned to absorb the revenue loss as tuition and fee revenues are 1.7%, or \$20.4 million higher than what was budgeted and will likely increase when USM recognizes additional revenues from the

spring and summer semesters. **Therefore, the Department of Legislative Services (DLS) recommends eliminating the \$4.1 million and the \$4.7 million fiscal 2017 deficiencies totaling \$8.7 million.**

Proposed Budget

As shown in **Exhibit 11**, the general fund allowance for fiscal 2018 is 2.0%, or \$25.6 million, higher than fiscal 2017 after adjusting for the fiscal 2017 deficiencies, and anticipated transfers of funds from MHEC, contingent reductions, and the across-the-board pension reduction in fiscal 2018. The HEIF increased 1.8%, or \$1.0 million, after adjusting for the fiscal 2017 deficiency. Overall, State funding increases 2.0%, or \$26.6 million, to \$1.4 billion in fiscal 2018.

Exhibit 11
Proposed Budget
University System of Maryland
(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Adjusted</u>	<u>FY 18</u> <u>Adjusted</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$1,200,718	\$1,255,783	\$1,295,978		
Deficiencies		8,737			
Across-the-board			-2,175		
Transfers from MHEC ¹		3,896	4,218		
Contingent Reductions			-4,000		
Total General Funds		1,268,417	1,294,020	\$25,604	2.0%
HEIF	56,605	61,605	57,936		
Deficiencies		-4,683			
Total HEIF		56,922	57,936	1,015	1.8%
Total State Funds	1,257,323	1,325,338	1,351,957	26,619	2.0%
Other Unrestricted Funds	2,660,911	2,764,384	2,833,965	69,581	2.5%
Total Unrestricted Funds	3,918,234	4,089,722	4,185,922	96,200	2.4%
Restricted Funds	1,195,418	1,284,329	1,298,450	14,120	1.1%
Total Funds	\$5,113,652	\$5,374,051	\$5,484,371	\$110,320	2.1%

HEIF: Higher Education Investment Fund

MHEC: Maryland Higher Education Commission

¹Transfer in fiscal 2017 and anticipated transfer in fiscal 2018 include Office for Civil Rights enhancement funds to Historically Black Colleges and Universities, the WellMobile, and management of the Waldorf Center.

Note: Fiscal 2017 general funds and the HEIF are adjusted to reflect deficiencies, and fiscal 2018 general funds are adjusted to reflect across-the-board and contingent reductions. Restricted funds include the Maryland Fire and Rescue Institute.

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

The allowance includes the funds stipulated in Chapter 25 of 2016 requiring the Governor to provide \$4.0 million to UMB and \$2.0 million to UMCP to establish two research centers. However, \$4.0 million in funding to increase the attainment levels of those residential campuses with the lowest estimated funding guideline attainment level in fiscal 2016 – UMBC (\$3.5 million) and TU (\$0.5 million) – is cut contingent on the Budget Reconciliation and Financing Act (BRFA) of 2017. The fiscal 2018 budget bill 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. USM's share of these reductions is \$2.2 million in general funds. This action is tied to a provision in the BRFA of 2017.

In addition, the general fund allowance for TU includes \$70,000 for ground maintenance, operations, and utilities at Hidden Waters, the Chancellor's residence in Baltimore County owned by the USM Foundation. These funds were also transferred by budget amendment in fiscal 2017 from UMB to TU. Since the property is owned by the foundation and not the State, it is the foundation's responsibility to maintain the property. Therefore, general funds should not fund the operations of the residence. **DLS recommends reducing the general funds.** This action will be taken up in the TU budget analysis since that is where the funds are budgeted. **The Chancellor should comment on the use of general funds to maintain Hidden Waters.**

Other current unrestricted funds increase 2.5%, or \$69.6 million, over fiscal 2017. This is due to a \$43.8 million increase in tuition and fee revenues partly due to a planned 2.0% increase in resident undergraduate tuition, \$17.4 million in auxiliary revenues, and the remaining funds from other sources such as sales and services of educational activities.

Current Service Costs

Overall, USM State-supported current services costs (CSC) are estimated to increase \$72.8 million, as shown in **Exhibit 12**. These costs are typically funded with unrestricted revenues (*e.g.*, general funds, the HEIF, and tuition and fee revenues). Typically, increases in personnel expenditure account for the majority of CSC, but with personnel costs basically remaining flat in fiscal 2018 due to no cost-of-living allowance or increments, and retirement and health insurance cost are also flat. Expenditures related to facilities comprise 53% of CSC. It should be noted that all institutions except UMES plan to increase expenditures on financial aid.

All institutions plan to increase spending on facilities renewal, which in times of budget shortfalls, is usually one of the first expenditures to be reduced. Prior to fiscal 2016, increases in facilities renewal spending was less than budgeted. In 2015, BOR and the Chancellor noted that facilities renewal is a priority and will hold presidents accountable in meeting the BOR target of annually increasing operating expenditures on facilities renewal by 0.2% until the amount equals 2.0% of the replacement value of the campus buildings. As a result, operating spending on facilities renewal in fiscal 2016 totaled \$81.7 million, a \$27.8 million increase over fiscal 2015. Funding for facilities renewal is estimated to be 0.9% of replacement value in fiscal 2018.

Exhibit 12
University System of Maryland
Increase in Current Service Costs
Fiscal 2018

	<u>Amount</u>
New Facilities	\$26,130,027
Facilities Renewal	13,762,154
Other	13,570,617
Mandated Costs (SB 1052)	6,000,000
Institutional Aid	9,427,350
Academic Revenue Bond Debt Service	2,870,000
Cost Related to Title IX Sexual Misconduct	2,014,090
Partial Relocation of System Office	354,000
Veterinary Medicine Agreement	290,849
Various Adjustments to Subobjects	287,056
Fuel and Utilities	259,602
Current Service Costs (CSC)	\$74,965,745
Across-the-board Adjustments	
Pension	-\$2,175,449
Total CSC	\$72,790,296

Note: The University System of Maryland estimated CSC increase \$88.9 million prior to reduction in pension. However, mandated costs are adjusted to reflect \$4.0 million in contingent reductions. Not included were \$8.0 million related to the University of Maryland, College Park's use of revenues from the differential tuition to enhance and maintain the quality of the programs that were not recognized as CSC in fiscal 2017; and \$2.3 million for the opening of the Academic Commons at Salisbury University, which was incurred in fiscal 2017 when the facility opened and, therefore, not an increase in costs in fiscal 2018. Other includes information technology upgrades, faculty related to the opening of the Health Sciences Facility III and honor's college, emergency management, training, and infrastructure to increase the effectiveness to secure philanthropic support.

Source: University System of Maryland; Department of Legislative Services

As shown in **Exhibit 13**, additional State-supported revenues totaling \$79.2 million are available to cover CSC. This includes \$26.6 million of State funds and \$43.8 million in tuition and fee revenues. Overall, revenues more than cover CSC, leaving a surplus of \$6.4 million available for enhancements. This raises two issues regarding (1) fund balance and (2) tuition and fee revenue.

Exhibit 13
USM State-supported Revenues Available for Program Enhancements
Fiscal 2018

	<u>\$ Amount</u>
Expenditures	
Current Services Cost Increase	\$72,790,296
Total Expenditures	\$72,790,296
Revenues	
New General Funds and the Higher Education Investment Fund ¹	\$26,618,609
New Tuition and Fee Revenues (Assumed 2.7% Increase in Allowance)	43,821,021
Other New Unrestricted Revenues	8,808,895
New General Fund, Tuition, and Other Revenues	\$79,248,525
Funds Available Over CSC Under Allowance	\$6,458,229
Additional Tuition and Fee Revenues based on DLS Assumed 4% Increase	\$21,917,018
Funds Available Over CSC Revised DLS Tuition Assumption	\$28,375,247
Planned Transfer of State-supported Revenues to Fund Balance²	\$23,425,416
Estimated Ending Fiscal 2018 Fund Balance	\$1,080,098,614

CSC: current services cost
DLS: Department of Legislative Services
USM: University System of Maryland

¹General funds are adjusted by \$2.2 million for pension adjustment, \$4.0 million in contingent reductions, and an anticipated \$4.2 million transfer from the Maryland Higher Education Commission.

²The planned fund balance transfer including non-State-supported dollars is \$41.7 million.

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

Fund Balance

As also shown in Exhibit 13, USM anticipates transferring \$41.7 million to the fund balance in fiscal 2018. This is in addition to \$41.3 million that is planned for transfer in 2017, resulting in a projected fiscal 2018 ending balance of almost \$1.1 billion (see **Exhibit 14**), which is 79.9% of total State funding. As a comparison, the estimated fiscal 2018 ending balance of the State’s Rainy Day Fund is \$860.0 million, which is equivalent to 5.0% of general fund revenues. Of the transfers in fiscal 2017 and 2018, over 56.0% are State-supported funds, which are primarily comprised of general funds, the HEIF, and tuition and fee revenues. In fiscal 2018, USM plans to transfer \$23.4 million of State-supported funds to the fund balance, which is slightly less than the total State fund increase of \$26.6 million provided in the allowance.

Exhibit 14
Fund Balance by Institution
(\$ in Thousands)

	Fiscal 2017					Estimated Fiscal 2018			
	<u>Fiscal 2016 Ending</u>	<u>Planned Incr./ (Dec.) to FB</u>	<u>Estimated State Support</u>	<u>Estimated Non-state Support</u>	<u>Estimated Fiscal 2017 Ending</u>	<u>Planned Incr./ (Dec.) to FB</u>	<u>Estimated State Support</u>	<u>Estimated Non State Support</u>	<u>Estimated Fiscal 2018 Ending</u>
UM, Baltimore	\$151,178	\$6,296	\$35,673	\$121,800	\$157,474	\$6,382	\$38,311	\$125,544	\$163,855
UM, College Park	418,896	15,509	182,851	251,554	\$434,405	15,509	198,360	251,554	449,914
Bowie State University	24,348	1,044	13,258	12,135	\$25,392	1,071	14,105	12,358	26,463
Towson University	73,822	4,360	-4,416	82,597	\$78,181	4,516	-4,416	87,114	82,698
UM Eastern Shore	5,647	1,068	-627	7,342	\$6,715	1,071	-627	8,413	7,786
Frostburg State University	16,315	1,065	0	17,380	\$17,380	1,087	0	18,467	18,467
Coppin State University	5,912	1,205	-12,085	19,201	\$7,116	1,227	-10,558	18,901	8,343
University of Baltimore	14,658	1,135	708	15,085	\$15,793	1,158	1,865	15,085	16,950
Salisbury University	56,671	1,912	8,622	49,961	\$58,583	1,880	7,215	53,248	60,463
UM University College	122,071	3,655	0	125,726	\$125,726	3,691	0	129,417	129,417
UM Baltimore County	85,349	3,447	26,086	62,710	\$88,795	3,572	28,946	63,421	92,367
UMCES	18,910	293	6,318	12,884	\$19,202	293	6,611	12,884	19,495
USM Office	3,346	267	313	3,299	\$3,612	267	313	3,566	3,879
Total	\$997,120	\$41,256	\$256,701	\$781,674	\$1,038,376	\$41,723	\$280,127	\$799,972	\$1,080,099
\$ Increase			\$23,659	\$17,597			\$23,425	\$18,298	

FB: fund balance
 UM: University of Maryland
 UMCES: University of Maryland Center for Environmental Science
 USM: University System of Maryland

Source: University System of Maryland

The fund balance consists of revenues set aside by each institution for use in times of budgetary downturns, to support future programs or initiatives, and for credit rating purposes. While USM did use the fund balance during the recession in fiscal 2010 by transferring \$113.0 million to the general fund in lieu of reductions to their base budget, USM more than replenished the fund balance with the transfer of \$124.6 million in fiscal 2011. As shown in **Exhibit 15**, since fiscal 2011, the fund balance increased 45.5%, with the State-supported portion growing 74.5%, or \$119.6 million.

Exhibit 15
University System of Maryland Fund Balance
Fiscal 2011-2018
(\$ in Millions)

	<u>Non-State-supported</u>	<u>State-supported</u>	<u>Total</u>	<u>\$ Change</u>
2011	\$582.4	\$160.6	\$743.0	
2012	631.9	190.8	822.7	\$79.7
2013	656.2	210.9	867.1	44.4
2014	681.9	199.2	881.1	14.0
2015	717.4	200.1	917.5	36.4
2016	764.1	233.0	997.1	79.6
Est. 2017	781.7	256.7	1038.4	41.2
Est. 2018	800.0	280.1	1080.1	41.7
\$ Change fiscal 2011-2018	217.6	119.6	337.1	
% Change fiscal 2011-2018	37.4%	74.5%	45.4%	

Source: University System of Maryland

USM needs to maintain a fund balance for credit rating purposes. Rating agencies take into account numerous factors when determining ratings, of which fund balance is one component. Other factors include enrollment, operating revenues, and management. However, USM has never made clear the expectations of the rating agencies. According to USM’s financial snapshot presented at the January 26, 2017 BOR Finance Committee meeting “...System manages the ratio of available funds to debt outstanding to not fall below 1:1 ratio to ensure the financial health does not fall below medians for Aa1 rating category.” For fiscal 2016, the ratio of available resources to outstanding debt was 162.7% and 112.0% when adjusted for cash not fully spent on capital projects and future cash-funded projects that are not authorized. In addition, according to the rating agencies, USM’s debt coverage ratio exceeds 3.0, for example, Moody’s three-year average is 3.3, meaning that USM has enough cash available to cover its outstanding debt at least three times over.

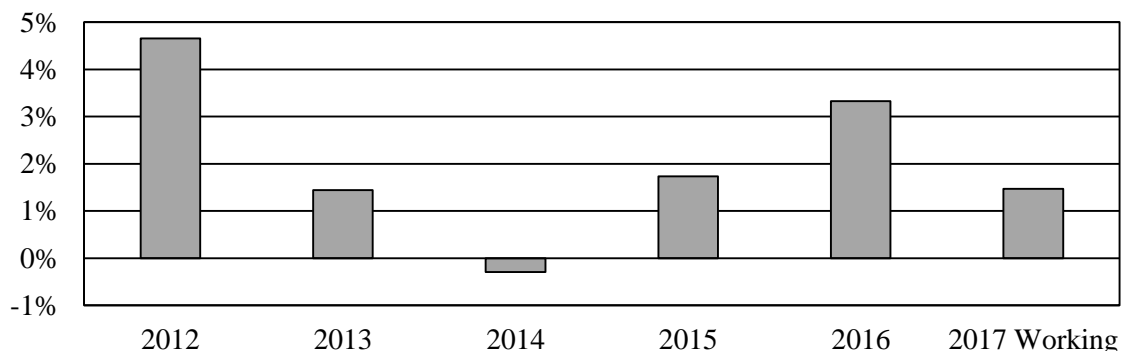
Tuition and Fee Revenue

As previously shown in Exhibit 13, State-supported revenues more than cover CSC leaving a surplus of \$6.4 million. However, USM is planning to transfer \$23.4 million of State-supported funds to the fund balance raising the question where are the revenues to cover CSC? One source is the tuition and fee revenue, which in the past two years has been underestimated in the allowance due to revenues being based on enrollments projected early in the year.

As shown in **Exhibit 16**, tuition and fee revenues exceeded the allowance in all years except in fiscal 2014 when revenues were 0.3%, or \$15.8 million, below the allowance. It is these instances when there is a revenue shortfall that institutions use fund balance to cover expenditures. In fiscal 2017, tuition and fee revenues are 1.5% above the allowance, which will increase when USM recognizes revenues from the spring and summer semesters. Given this, it is likely tuition and fee revenue growth will be higher than the budgeted 2.7% in fiscal 2018, further increasing the amount of revenue available for enhancements or transfers to fund balance.

Since new State-supported revenues are more than sufficient to cover CSC, and USM is planning on transferring \$23.4 million of these revenues to the fund balance, USM does not require the total amount of State funds provided in the allowance to cover its costs. Therefore, DLS recommends reducing USM’s general fund appropriation by \$16.6 million, which may result in USM reducing the amount transferred to the fund balance. Furthermore DLS recommends restricting the use of the remaining \$10.0 million of State funds (general funds and the HEIF) to fund the mandates as required in Chapter 25 of 2016.

Exhibit 16
Percent Difference between Actual Tuition and Fee Revenues and
Estimates Used in the Allowance
Fiscal 2012-2017 Working



Note: Excludes University of Maryland University College since it does not transfer any State-supported funds to the fund balance.

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

Current Unrestricted Fund Expenditures

Budget changes by program area are shown in **Exhibit 17**. Education and general (E&G) are those expenditures funded by State-supported revenues, which primarily include the General Fund, the HEIF, and tuition and fee revenues. In fiscal 2017 after adjusting for the \$4.1 million deficiency, E&G expenditures increased 4.4%, or \$143.6 million, over fiscal 2016 with the increases mainly attributed to personnel costs. In fiscal 2018, E&G expenditures grow 2.1%, or \$72.5 million, after adjusting for an anticipated transfer of \$4.2 million from MHEC, \$4.0 million in contingent reductions, and a \$2.2 million reduction in pension costs. In fiscal 2018, operations and maintenance of plant grow at the highest rate of 6.2%, or \$28.6 million, due to increased spending on facilities renewal and the opening of new facilities. Spending on instruction increases 2.0%, or \$25.7 million, and is attributable to an increase in part-time faculty and various software upgrades. Academic support increases 0.5%, or \$2.4 million, due to software and other technology upgrades.

Exhibit 18 shows the percentage change in State funds (General Fund/the HEIF) and tuition and fee revenues per full-time equivalent students (FTES) between fiscal 2008 and 2018 by institution. During this time period, on average, State funds and tuition and fee revenues per FTES grew 28.1% and 31.5%, respectively. In terms of State funding, CSU funding grew at the highest rate of 61.7%, increasing from \$10,604 in fiscal 2008 to \$17,149 in fiscal 2018, which largely reflects a significant decline in enrollment. SU grew at the next highest rate of 36.2% with State funds per FTES increasing \$1,858. The decline of 25.6% in tuition and fees revenues per FTES at UMUC is attributable to the change in federal reporting requirements in which all students enrolled in online programs are now included in its stateside numbers. Since revenues include all tuition and fees collected regardless if a student was stateside or not, it is expected that funding per FTES would decline. The change occurred in fiscal 2015 with UMUC stateside enrollment growing 15.5%. The highest growth rates of tuition and fee revenues per FTES of 50.1% and 45.2% occurred at CSU and UMCP, respectively.

Exhibit 17
USM Budget Changes for Unrestricted Funds by Program
Fiscal 2016-2018
(\$ in Thousands)

	<u>Actual</u> <u>2016</u>	<u>Working</u> <u>Adjusted</u> <u>2017</u>	<u>%</u> <u>Change</u> <u>2016-17</u>	<u>Adjusted</u> <u>2018</u>	<u>%</u> <u>Change</u> <u>2017-18</u>	<u>Change</u> <u>2017-18</u>
Expenditures						
Instruction	\$1,228,571	\$1,256,055	2.2%	\$1,281,769	2.0%	\$25,714
Research	262,569	268,453	2.2%	280,354	4.4%	11,901
Public Service	66,477	75,366	13.4%	76,206	1.1%	840
Academic Support	428,629	445,310	3.9%	447,754	0.5%	2,445
Student Services	202,249	209,422	3.5%	209,854	0.2%	432
Institutional Support	446,382	471,381	5.6%	471,296	0.0%	-85
Operation and Maintenance of Plant	428,312	461,147	7.7%	489,729	6.2%	28,582
Scholarships and Fellowships	189,224	204,812	8.2%	213,514	4.2%	8,702
Deficiency		\$4,054				
Transfers from MHEC				\$4,218		
Contingent Reductions				-\$4,000		
Cost Containment/Across-the-board				-\$2,175		
Education and General						
Total	\$3,252,413	\$3,396,000	4.4%	\$3,468,521	2.1%	\$72,520
Hospitals (UMB)	\$47,766	\$52,356	9.6%	\$52,356	0.0%	\$0
Auxiliary Enterprises	618,055	641,366	3.8%	665,045	3.7%	23,679
Grand Total	\$3,918,234	\$4,089,722	4.4%	\$4,185,922	2.4%	\$96,200
Revenues						
Tuition and Fees	\$1,571,991	\$1,599,630	1.8%	\$1,643,451	2.7%	\$43,821
General Funds	1,200,718	1,268,417	5.6%	1,294,020	2.0%	25,604
HEIF	56,605	56,922	0.6%	57,936	1.8%	1,015
Other Unrestricted Funds	546,524	541,193	-1.0%	550,002	1.6%	8,809
Subtotal – State Supported	\$3,375,838	\$3,466,161	2.7%	\$3,545,409	2.3%	\$79,249
Auxiliary Enterprises	\$622,020	\$664,817	6.9%	\$682,235	2.6%	\$1,742
Transfer (to)/from Fund Balance	-79,624	-41,256		-41,723		
Grand Total	\$3,918,234	\$4,089,722	4.4%	\$4,185,922	2.4%	\$96,200

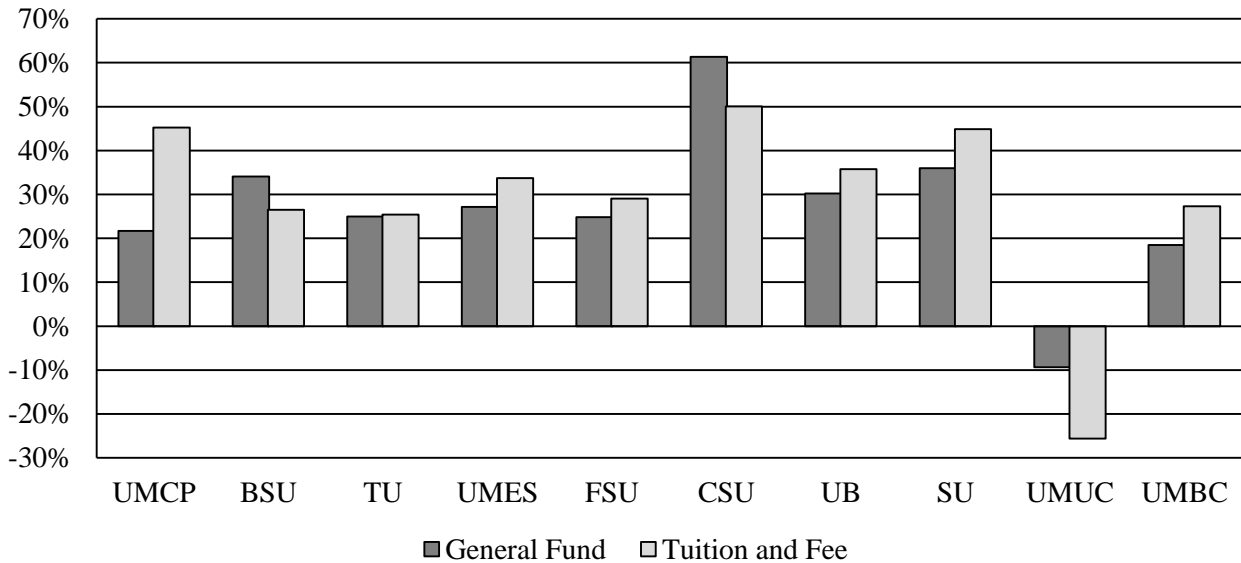
HEIF: Higher Education Investment Fund
MHEC: Maryland Higher Education Commission

UMB: University of Maryland, Baltimore

Note: Fiscal 2017 general funds are adjusted by \$8.7 million and the HEIF by \$4.7 million to reflect deficiencies. Fiscal 2018 general funds are adjusted to reflect \$2.2 million contingent reduction related to pensions, \$4.2 million anticipated transfers from MHEC, and \$4.0 million in other contingent reductions.

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

Exhibit 18
Percent Change of General Fund and Tuition and Fee Revenues Per FTES
Fiscal 2008 and 2018



BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 FTES: full-time equivalent student
 SU: Salisbury University

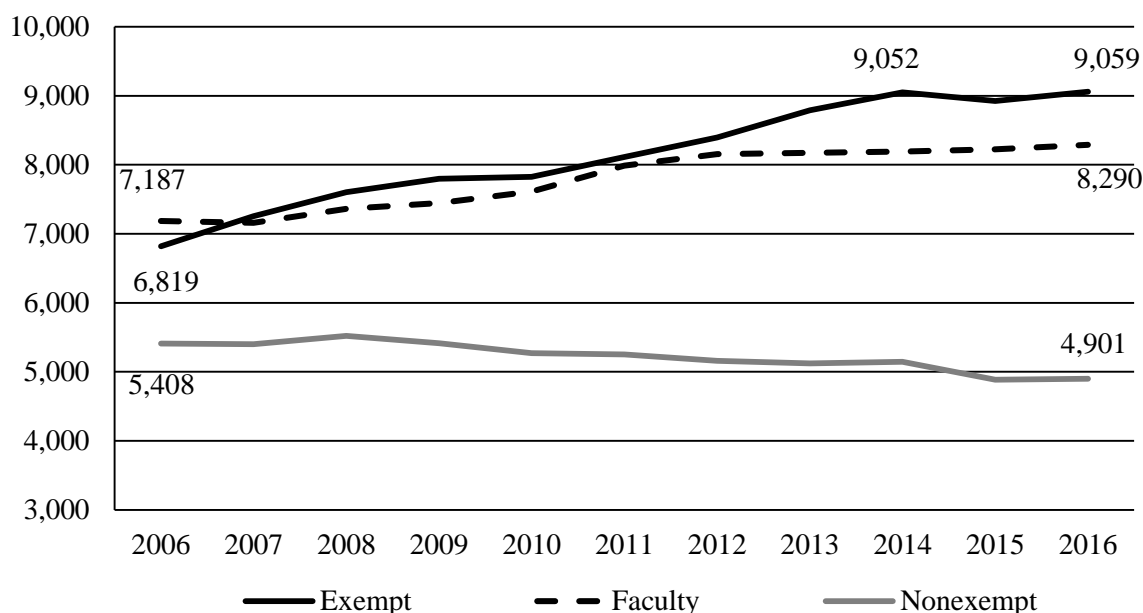
TU: Towson University
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland, College Park
 UMES: University of Maryland Eastern Shore

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

Personnel Trends

Over the past 10 years, the total number of filled positions (excluding hospitals) increased 15.0% (2,997.0 full-time equivalents (FTE)) with exempt positions increasing 32.9%, as shown in **Exhibit 19**. Exempt positions are executive, administrative, and professional positions exempted by the Fair Labor and Standards Act for minimum wage and overtime requirements. Over 50.0% of the increase in exempt positions were in three program areas: (1) academic support (564.7 FTEs); (2) instruction (368.8 FTEs); and (3) institutional support (361.1 FTEs). Filled faculty positions increased 15.3% (or 1,102.5 FTEs) with instructional faculty accounting for 56.0% of the growth.

Exhibit 19
Total USM Filled Positions by Classification (Excluding Hospitals)
As of October 2006-2016



USM: University System of Maryland

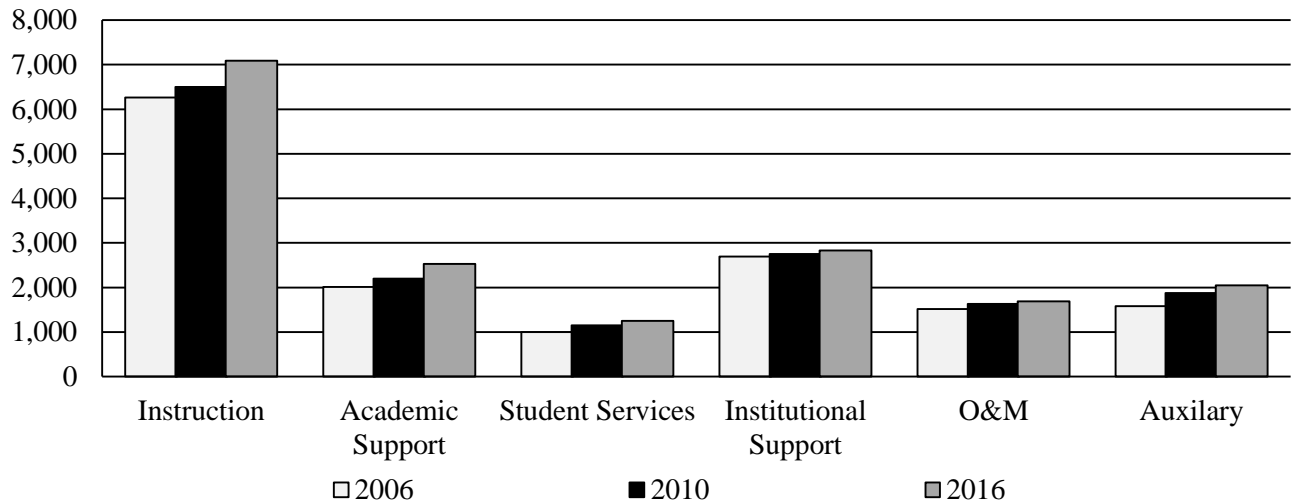
Source: University System of Maryland Institutions

During this time period, the number of nonexempt positions (those eligible for overtime) declined 9.4%. This can be attributed to a variety of factors including the outsourcing of various functions such as dining and maintenance services and increased processing efficiencies. However, nonexempt auxiliary-related positions increased 22.3% (183.1 FTEs), which is expected due to enrollment growth of 30.6% between 2006 and 2016.

Exhibit 20 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). Overall, the number of filled positions increased each year in all program areas with auxiliary having the largest rate of growth at 29.6% (468.23 FTEs), which is expected given an enrollment growth of 30.6% between fiscal 2006 and 2016. Academic support (services supporting the primary missions of an institution including libraries, academic computing, and advising and administration) increased at the next highest rate of 25.8% (519.38 FTEs) with filled instructional positions increasing 13.1% (821.32 FTEs). The number of institutional support positions (includes executive management, personnel, fiscal operations, logistical activities, and marketing) increased at the lowest rate, 5.1%

indicating that the institutions were focusing on positions that most directly impact student success such as advisors, counselors, and faculty.

Exhibit 20
Filled Positions by Program Area
October 2006, 2010, and 2016



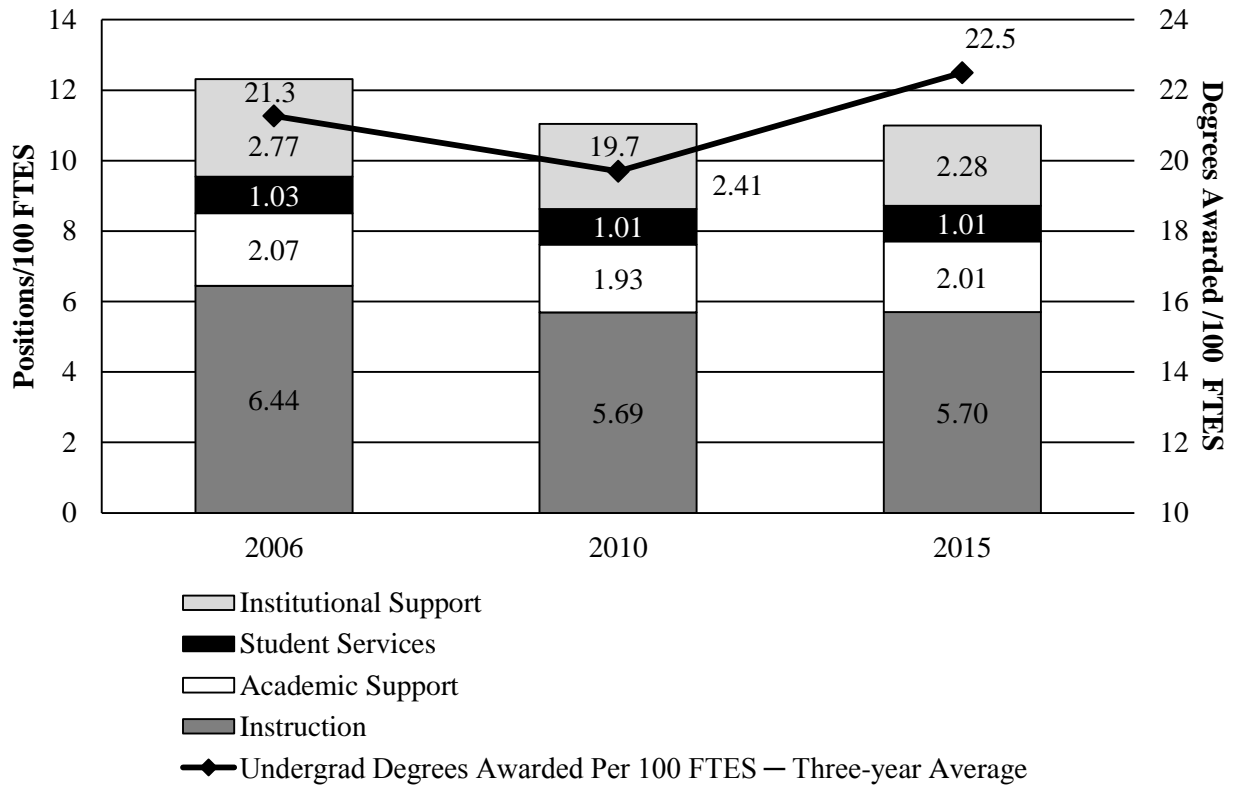
O&M: Operations and Maintenance

Note: Excludes the University System of Maryland Office, the University of Maryland Center for Environmental Science, and the University of Maryland Biotechnology Institute.

Source: University System of Maryland Institutions

Exhibit 21 considers the impact that positions have on institution performance by comparing the number of filled positions per 100 undergraduate FTES related to the academic enterprise on a per 100 undergraduate FTES basis to the three-year average of undergraduate degrees awarded per 100 undergraduate FTES. Overall, between 2006 and 2015, positions per 100 undergraduate FTES declined in all program areas with instruction declining from 6.44 to 5.70 FTES. The ratio was the lowest in 2010, which is expected given no growth in positions coupled with continued enrollment growth.

Exhibit 21
Academic-related Positions Per 100 Undergraduate FTES
Compared to Undergraduate Degrees Awarded Per 100 FTES
2006-2015



FTES: full-time equivalent student

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

The three-year average undergraduate degrees awarded per 100 FTES declined from 21.3 degrees in 2006 to 19.7 degrees in 2010 indicating that enrollment growth coupled with stagnant growth in personnel appears to have impacted institutions' effectiveness in graduating students. In 2015, positions per FTES for all program areas are slightly less than 2010, reflecting the impact of the budget reduction. The average three-year completion rate improved to 22.5 degrees in 2015, exceeding the 2006 rate with fewer academic-related positions, perhaps indicating adjustments were made to adapt to the new situation.

The Chancellor should comment if there is a correlation between positions per FTES and completion rates and what factors contributed to the increase in completions.

Issues

1. How Much Was Tuition Really Bought Down?

The Governor’s allowance includes \$17.5 million in general funds to hold tuition increases for the 2017-2018 academic year to 2% for resident undergraduate students at Maryland’s public four-year institutions with USM’s portion totaling \$16.4 million. According to the Governor’s January 10, 2017 press release, “Maryland universities requested to raise tuition by as much as five percent in 2017...” implying some institutions may have been planning smaller tuition increases. However, due to executive confidentiality when developing the budget, it is not known what tuition increases were requested by the institutions.

Since the respective governing boards of USM, Morgan State University, and St. Mary’s College of Maryland do not approve the tuition and fee schedules for the coming academic year until April or May after passage of the budget bill, it cannot be determined how much of an increase was truly bought down. In addition to this lack of transparency, approving rates four months before the start of the academic year makes it difficult for students and families to budget for increases in costs. Furthermore, financial aid offices generally put together aid packages for students early in the year before rates are approved, which can lead to students not receiving enough financial aid to cover increases in costs.

The USM BOR initially approved a tuition policy (VIII-2.01) on June 11, 1993, which has been amended four times. The policy requires each institution to annually update a four-year tuition plan that includes, if necessary, changes in assumptions that result in a revision to the tuition rates. Yet four-year tuition plans have not been submitted, or if they have been, they have not been made public. Publicizing such plans would help reduce some of the unpredictability to students and families when budgeting for college. In addition, before implementing tuition rates, the policy states “...Board approval of tuition rates for a given academic year will occur near the start of the preceding academic year.” As previously mentioned, in recent years, BOR has been approving tuition and fee rates in April.

The Chancellor should comment on why USM and, in particular, BOR are not adhering to their tuition policy in approving rates at the beginning of the prior academic year and why four-year tuition plans have not been developed and publicized to help alleviate some financial uncertainty for students and families.

2. University of Maryland Strategic Partnership Act

Chapter 25 of 2016, while primarily formalizing the partnership between UMCP and UMB known as MPowering, also included requirements that USM develop a strategy to enhance funding guideline attainment for those residential campuses furthest below the seventy-fifth percentile and establish its corporate headquarters in Baltimore City.

Strategic Partnership

The University of Maryland (UM) strategic partnership leverages the resources of UMCP and UMB to improve and enhance academic programs and experiences for students and research, technology transfer, and commercialization. The statute requires the presidents to jointly develop and implement a plan to encourage and promote the alignment, cooperation, and collaboration between the campuses that includes:

- identifying academic and research programs that may benefit from alignment and collaboration between the campuses;
- identifying competitor state funding peers for UM; and
- promoting effectiveness and efficiencies between the campuses.

A joint steering committee, a successor to MPowering, has been established along with two task forces on research infrastructure and administration. These task forces seek to identify opportunities to align functions and areas for cooperation and collaboration such as taking a shared services approach to research and institutional administration and designing internal controls for oversight and monitoring of awards.

The bill also requires the presidents to recommend mechanisms that would permit the joint reporting of the UM campuses for national university rankings, including reporting under a unified federal identification number. The National Science Foundation's (NSF) Higher Education Research and Development (HERD) survey is the primary source of data that serves as the basis for determining the national rankings of those institutions engaged in sponsored research. The long-standing practice of NSF and the HERD Director is the reporting of an institution's research funding is based upon the finding that it has one president with overall responsibility. For UM to fit this definition, it needs to demonstrate significant and convincing evidence to the NSF HERD Director that it functions in a manner similar to an institution having one president. This could include appointing Co-Vice Presidents for Research, showing the research enterprise is jointly managed, and the presidents have equal authority over research-related decisions on both campuses. UM is currently developing a strategy which may result in joint reporting of research.

Establishment of Research Centers

The statute establishes two centers – the Center for Maryland Advanced Ventures at the University of Maryland (CMAVUM) at UMB and the University of Maryland Center for Economic and Entrepreneurship Development (UMCEED) at UMCP. CMAVUM will focus on transferring technology developed at UM to the private sector, while UMCEED will concentrate on advancing the education of students by developing degree and credential programs in virtual and augmented reality, neurosciences, biomedical devices, data analytics, and cybersecurity. In order to fund these centers, the Governor is required to provide in fiscal 2018 \$3 million to support CMAVUM, \$1 million to UMB

to encourage the development and location of university-created or sponsored technology companies in Baltimore City, and \$2 million for UMCEED. This funding is included in the budget.

UM plans to integrate CMAVUM into UM Ventures, which will implement CMAVUM initiatives. The majority of the \$3 million will be targeted to funding grants and investments and will also be used to provide services to any Maryland public higher education institution requesting assistance. The \$1 million will be used to fund the Baltimore City Fund, which will provide grants and/or investments to university-created or sponsored companies that locate in the city. The funds for UMCEED will be used to develop new programs and hire faculty, and USM will leverage funds to obtain corporate sponsorships for chairs and professorships.

Plan to Improve Funding Guideline Attainment

The bill also required the Governor to provide at least an additional \$4.0 million for each year from fiscal 2018 to 2021 to increase the attainment levels of those residential campuses (excluding UMUC) with the lowest estimated funding guideline attainment level in fiscal 2016. Funds allocated for the purpose of increasing attainment of the funding guideline were to be incorporated into the institution’s base budget, resulting in a total additional funding amount of \$16.0 million by fiscal 2021. As shown in **Exhibit 22**, under the fiscal 2016 estimated funding guidelines, TU and UMBC had the lowest funding guideline attainment, of 60% and 59%, respectively. As previously discussed, the BRFA of 2017 eliminates this funding for TU (\$0.5 million) and UMBC (\$3.5 million).

Exhibit 22 Funding Guideline Attainment for Fiscal 2016 Estimate

<u>Institution</u>	<u>2016 Funding Guideline</u>	<u>2016 Legislative Appropriation</u>	<u>2016 Attainment</u>
Bowie State University	\$46,880,371	\$41,525,890	89%
Coppin State University	34,861,742	44,755,130	128%
Frostburg State University	45,444,946	38,470,741	85%
Salisbury University	66,992,685	47,533,057	71%
Towson University	177,855,983	107,050,342	60%
University of Baltimore	53,756,094	34,639,444	64%
UM, Baltimore	317,827,128	215,405,339	68%
UM Baltimore County	189,588,395	111,151,119	59%
UM Center for Env. Science	27,468,459	22,353,347	81%
UM, College Park	644,606,126	480,925,509	75%
UM Eastern Shore	49,051,468	38,083,911	78%
UM University College	72,352,702	38,596,667	53%
USM Office		23,567,555	
USM Total	\$1,726,686,099	\$1,244,058,051	72%

UM: University of Maryland

USM: University System Office

Source: Maryland Higher Education Commission

USM was required to submit a report on a multi-year strategy to enhance funding guideline attainment for institutions. In the report, USM provided four options to improve guideline attainment:

- request extension of the \$4 million until all institutions fully achieve the funding guideline;
- establish a funding guideline floor and direct enhancement funds for improving attainment levels over multiple years;
- optimize systemwide enrollment growth through targeted enrollment funding focusing growth at high-performing institutions and limit growth to improving retention at struggling institutions; and
- designate two or three institutions to increase resident tuition rates above USM average.

Establishment of Corporate Offices in Baltimore City

USM was also required to establish its corporate headquarters in Baltimore City by July 1, 2017, but the bill allowed it to maintain staff at other locations. USM will establish its headquarters at the Columbus Center, which is owned by UMBC. As required, USM submitted a report outlining its plan for moving its offices to Baltimore City that was to be completed in two phases. In the first phase, the Chancellor's office (comprised of eight people) was moved to Baltimore in July 2016. This included the Chancellor, chief of staff, an executive assistant, deputy chief of staff, and the Vice Chancellor for Economic Development and an assistant. The second phase involved moving the following positions in November 2016 – Chief Operating Officer/Vice Chancellor for Administration and Finance; Director of Procurement and Real Property Initiatives; Director of Capital Planning; Vice Chancellor for Communications; a senior writer; and a media relations and web manager.

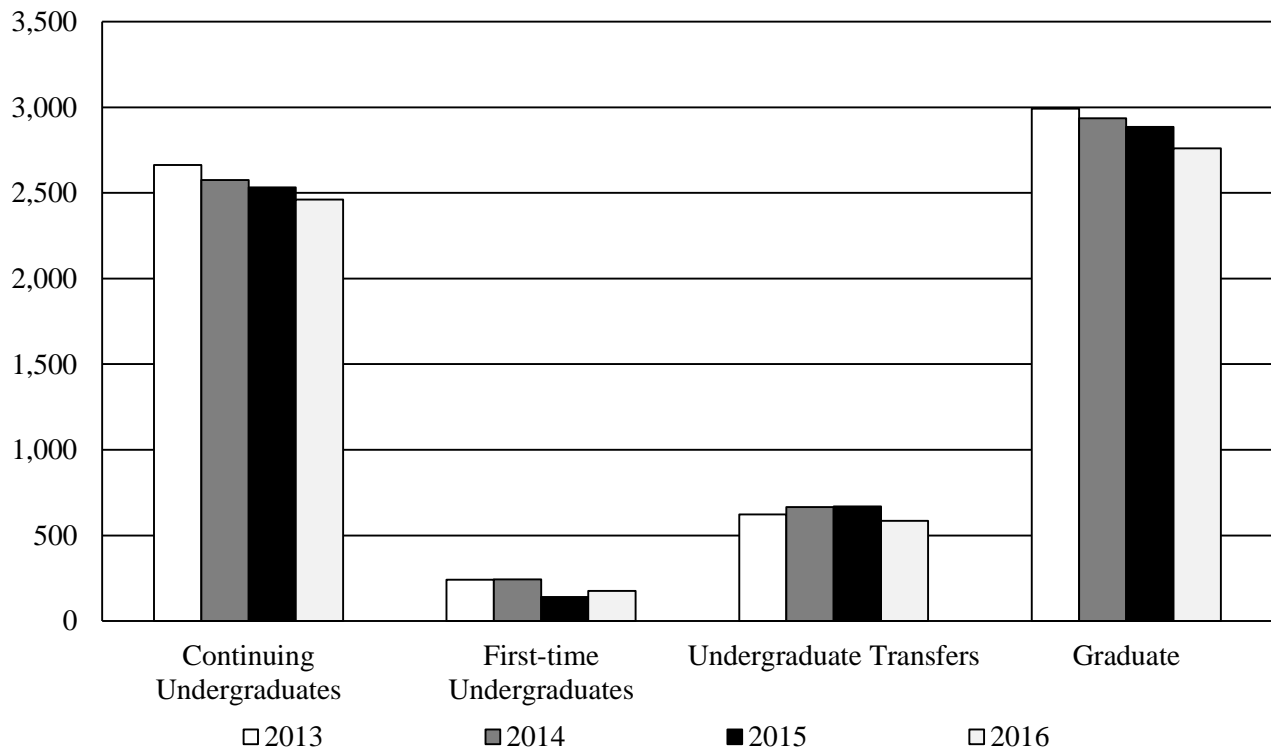
USM entered into a Memorandum of Understanding (MOU) with UMBC with the base rent of \$28.00 per square foot (USM occupies 4,893 of net assignable square feet) with an automatic renewal and 3% annual escalation. The annual total rent is \$137,004. There were one-time costs of \$190,000 including moving and information technology needs such as computers and servers. In addition, employees at the Columbus Center are required to pay for garage parking. Since UMBC and the University of Maryland Center for Environmental Services (UMCES) employees receive a 50% subsidy from the institution for parking, USM is doing the same for its employees, which amounts to \$88.50 per month for each employee, for a total annual cost of \$12,744. However, other ongoing costs such as utilities were not included in the report. When considering these expenses, the total annual cost is \$289,149.

The Chancellor should update the committees on progress implanting the strategic partnership and the new USM office in Baltimore.

3. Continuing Enrollment Decline at UB

Since fall 2013, total enrollment at UB declined 8.2%, or 535 students, with graduate and continuing students accounting most of the decline (433 students). As shown in **Exhibit 23**, graduate enrollment steadily declined 7.7% between fall 2013 and 2016. The number of continuing students also declined over the time period by 5.3%. First-time undergraduate students increase in fall 2016 after decreasing 42.0%, or 102 students, in fall 2015. According to UB, this was consistent with its enrollment objective to have a stronger entering class by increasing the admissions standards such as requiring higher high school grade point averages and Scholastic Aptitude Test scores. In addition, the number of transfers declined by 85 students in fall 2016.

Exhibit 23
Fall Headcount Enrollment
Fall 2013-2016



Source: University System of Maryland

The decline in graduate enrollment was mainly driven by a continual decline in law school enrollment, which experienced a 33.0%, or 378, drop in students between fall 2011 and fall 2016, as shown in **Exhibit 24**. This resulted in an annual average decline of \$1.6 million in revenues from

fiscal 2014 to 2017. According to UB, between 2011 and 2015, applications to its law school declined 43.0%; nationwide applications decreased 31.0% during this time. UB did not lower its admissions standards as some schools around the country did in order to maintain its ranking. This led to enrolling fewer first-year students. UB believes this strategy has paid off with first-year Juris Doctor students increasing from 208 in fall 2015 to 212 in fall 2016. However, enrollment in other law school programs declined resulting in a 10.6% drop in total law school enrollment in fall 2016.

Exhibit 24
University of Baltimore Law School Revenue and Enrollment
Fiscal 2012-2017

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> <u>Working</u>
Fall Law School Enrollment	1,144	1,112	1,028	940	857	766
Change		-32	-84	-88	-83	-91
Revenue (\$ in Thousands)	\$27,822	\$27,552	\$25,930	\$24,001	\$22,420	\$20,755
\$ Change		-270	-1,622	-1,929	-1,581	-1,665

Note: Fiscal 2012 and subsequent years enrollment is based on enrollment in the fall of that year.

Source: University of Baltimore

The law school implemented a number of strategies to expand other sources of revenues including establishing a flat-rate competitive pricing for its Master’s of Law (LL.M.) programs for foreign-trained lawyers and the Graduate Tax Program (GTP). Enrollment in the LL.M. program increased from 11 to 44 students between 2012 and 2016. The law school is also developing online flexibility in the GTP, which they believe will help increase enrollment in future semesters. Additionally, the school plans to launch a Certificate in Family Law in fall 2017.

As shown in the **Exhibit 25**, the overall impact of the decline in enrollment can be seen starting in fiscal 2014 when actual tuition and fee revenues were \$2.1 million lower than the allowance. The loss of revenue due to the enrollment decline was mitigated by increases in tuition and fee rates resulting in small year-to-year increases in revenue. The continual decline in enrollment led to UB reducing its fiscal 2017 appropriation by \$3.96 million. This resulted in the elimination of 45 positions – 28 State-supported and 17 non-State-supported positions. Of the 28 State-supported positions, 15 were vacant due to resignations and retirements, and the remaining 13 were filled positions. Of the 17 non-State-support positions, 15 were funded by a contract that ended in September 2016 and 2 were filled positions.

Exhibit 25
University of Baltimore Tuition and Fee Revenue
Fiscal 2013-2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Allowance	\$66,170,322	\$68,381,781	\$69,242,164	\$71,020,250
Actual	65,964,999	66,227,985	66,239,095	66,392,439
Difference	-205,323	-2,153,796	-3,003,069	-4,627,811
Year-over-year Difference in Actual Revenues		262,986	11,110	153,344

Source: Governor's Budget Books

To bolster its undergraduate enrollment, UB is strengthening recruitment efforts including:

- ***Summer Achievement Institute (SAI)***: applicants not meeting admissions requirements are invited to participate in SAI and if they pass can enroll as freshmen;
- ***Freshman Transition Program***: launched in 2016 in partnership with the Community College of Baltimore County (CCBC), it provides one year of foundational and college-level coursework to UB applicants who do not meet admission or SAI requirements, in which students attend classes taught by CCBC faculty on UB's campus; and
- ***Beeline Agreements with Community Colleges***: simplifies the transfer pathway.

4. Regional Higher Education Center Funding Model

USM operates two regional higher education centers – the Universities at Shady Grove (USG) and USMH, which respond to the workforce needs of the region by providing access to programs offered by USM institutions. Institutions provide upper-level undergraduate and graduate degrees and certificate programs. The centers work with the community college that accounts for a majority of its transfers – primarily Montgomery College for USG and Hagerstown Community College for USMH – and the local business community to identify programs that will meet the workforce demand in the area.

Over the years, the number of programs at the centers increased with nine institutions offering 80 programs at USG and six institutions offering 20 programs at USMH. Despite the growth at the centers, there is no systemwide policy or process for institutions offering programs at the centers. In

general, a center identifies programs based on the workforce needs as determined by the center’s Board of Advisors comprised of representatives for local businesses and the community college. A request is then made systemwide to determine if any USM institution is interested in offering the program.

It is the responsibility of the interested institution to develop a plan to offer a program at a center, including determining the number of faculty and other support personnel, developing enrollment and revenue projections, and estimating costs. The majority of the expenses are related to faculty, particularly for science, technology, engineering, and mathematics (STEM) and health profession programs, which must meet accreditation requirements in regard to the faculty-student ratio. In general, tuition revenues from these programs do not cover costs, requiring an internal reallocation of resources by the institution to fund the budget gap. An institution may receive incentive or “startup” funding from the center of \$50,000 for a new program until it is up and running after which the center will use those funds to expand its program offerings. It should be noted that some institutions do not centrally budget or track programs offered at the center, but rather this is done at the department level. Therefore, it is not known if there is a funding gap.

In addition to the direct program expenses, all nine institutions at USG are required to provide an annual payment to USG totaling \$3.2 million, as shown in **Exhibit 26**. This annual payment dates back to fiscal 2007 when USM institutions received Enrollment Funding Initiative (EFI) funds to grow enrollment. An institution’s payment was calculated by multiplying the projected enrollment growth at USG by one-half of the general funds per FTES it received from EFI. The funds were used to support various student service activities such as a counseling center, the Center for Academic Success, and a library. Since the EFI funds were incorporated into the institution’s base budget, they are still required to fund the cost associated with the centers.

Exhibit 26

Annual Payments by Institutions to Universities at Shady Grove

<u>Institution</u>	<u>Payment</u>
University of Maryland, Baltimore	\$638,250
University of Maryland, College Park	2,005,095
Bowie State University	19,493
Towson University	64,993
University of Maryland Eastern Shore	63,228
University of Baltimore	204,106
Salisbury University	27,500
University of Maryland University College	25,076
University of Maryland Baltimore County	215,106
Total	3,262,848

Source: University System of Maryland

USM recognizes that the current funding model for the centers is not working due to various operating and finance issues challenging the expansion of the centers including cultural differences between the centers and campuses, governance issues, and accreditation issues. In order to address these issues, USM is implementing an MOU-based funding model for new programs at USG for developing and maintaining high-cost programs at the center. The MOU includes the institution's and USG's goals for the program and how it should respond to workforce needs of the region; enrollment and other measures such as degree output; projected cost of offering or expanding a program; tuition and other revenues that the program is expected to generate; and responsibility and process for covering any funding gaps.

The MOU will designate a review period to assess the continuation of the program. The new funding model would also use incentive funding for new programs in order to bridge the gap between revenues and expenditures until the program builds enrollment. Once the program is viable and able to recoup the costs, the incentive funding will be used to bring in other programs.

While the MOU financial model will help ensure the viability and sustainability of new programs, the Chancellor should comment on if there will be a review of existing programs at USG and USMH to determine if the program meets enrollment and revenue projections, and if not, what accommodations will be made for the institution.

Enhancement Funding

In fiscal 2017, USG and USMH received \$1.8 and \$0.3 million, respectively, in enhancement funding. USM stated that \$1.0 million of the funds at USG would be used to offer two new STEM programs from UMCP and UMBC, and \$0.8 million would be used to expand programs offered by TU and UMES. Due to the November 2016 Board of Public Works cost containment, the total amount of the enhancement funding was reduced to \$1.6 million of which \$0.8 million will support UMCP's and UMBC's programs and \$0.1 million will expand TU's and UMES' programs. Of the remaining \$0.7 million, \$0.4 million is being used to expand and enhance one UMB program and three UB programs, and \$0.3 million is being used to fund additional positions at USG. According to USM, ramp up time for the TU and UMES programs was always envisioned to give institutions time to identify and recruit additional faculty and staff and work with stakeholder groups to expand the pipeline of students. Since all the funds were not needed for these programs in fiscal 2017, USM thought an appropriate use of the funds would be to support one-time needs of other programs. However, given that TU's and UMES's programs are still in the planning phase and, therefore, enrollment has not increased, there are questions regarding the use of \$0.3 million to fund new positions at USG.

USMH received \$250,000 to expand its program offerings by bringing UMES's Hospitality and Tourism program to Hagerstown. However, not all the funds are going to support the program – \$60,000 is to lease space for STEM labs and \$40,000 is for the facility operating costs for the STEM and Hospitality facility. Of the remaining funds, \$100,000 is for rent for space for the program and \$50,000 is incentive funding for UMES that will eventually be used to bring other programs to USMH.

The Chancellor should comment on why enhancement funds are not fully being used to support the programs identified during the 2016 session and, in particular, are being used to increase personnel at USG and for lease space for STEM labs at USMH.

5. B-Power Initiative

The B-Power (for Baltimore Power) initiative is designed to increase educational and career opportunities for Baltimore City students. Through leveraging their resources, UB and CSU will strengthen the pipeline of students from Baltimore City Public Schools (BCPS) by building partnerships with the city schools and other organizations serving Baltimore, including the College Bound Foundation, Baltimore City Community College (BCCC), and Junior Achievement of Central Maryland. A leadership group comprised of representatives from USMO, UB, and CSU was established in September 2016 to develop an implementation plan. The ultimate goal is to increase the retention and graduation of BCPS students not only at CSU and UB but at all USM institutions. All institutions were included in meetings with the College Bound Foundation and Baltimore’s Promise to identify strategies to support BCPS students on their campuses.

The next steps include forming a steering committee and developing timelines and measurable objectives for each of the three phases:

- **Phase I:** increase enrollments of BCPS students at UB and CSU;
- **Phase II:** increase retention of BCPS students at UB and CSU and increase success of College Bound Foundation students at all USM institutions; and
- **Phase III:** build networks of support with BCCC, Junior Achievement, and other partners.

UB and CSU developed plans that included strategies for increasing the recruitment and retention of students from BCPS. Each received one-time funding to be used over two years from the USMO cash/fund balance to support B-Power-related activities. UB received \$233,333, and CSU received \$116,667. While plans initially included collaborative activities and investments between CSU and UB, each institution proceeded separately in order to take advantage of the school calendar earlier in the year.

Progress in Implementing B-Power Programs

UB launched the B-Power College Readiness Academy at four Baltimore City public high schools – Knowledge and Success Academy, Dunbar, Patterson, and the Academy for College and Career Exploration – in fall 2016. Each school identified up to 20 juniors and seniors for a total of 80 students for the College Readiness Academy. At the College Readiness Academy, UB instructors preview college writing and algebra courses in preparation for entry into dual enrollment that will be launched in spring 2017. Eighty students will take a freshman composition course taught by UB instructors at their school. UB plans to expand the program to five or six new schools in fall 2017 for

a total of up to 180 to 200 students. UB is in contact with five high schools to expand the program – the National Academy Foundation, REACH, Western, Carver, and the Baltimore Leadership School for Young Women. In addition, UB is working closely with the College Bound Foundation. UB instructors and College Bound Foundation counselors are working together to support and motivate students and intervening if students are struggling.

UB is using the one-time funds for instructional and related costs for the fall 2016 College Readiness Academy, 1 full-time contractual academic program specialist to support the program for two years, three credits of UB tuition for all B-Power students, and undergraduate student coaches to support dual enrollment courses.

CSU's efforts will build upon and expand its existing College Academic Readiness Collaborative (CARC) and dual enrollment. In fall 2016, CSU initiated planning for the B-Power CARC, which included:

- establishing a Director of the Office of P-20 Initiatives;
- enrolling 12 dual-credit students from the Coppin Academy;
- completing BCPS Articulation Agreement for Dual Credit;
- enrolling 85 BCPS students in the Coppin Bridge initiative, which includes wrap-around services from BridgeEDU (an educational startup providing support to low-income first year students who may require additional support in transitioning to college providing academic, financial, and personal coaching);
- recruiting BCPS students to participate in the Summer Academic Success Academy with a targeted enrollment of 250 students; and
- discussing ways to collaborate with the College Bound Foundation.

CSU is recruiting BCPS students for its dual-enrollment program for spring 2017. The target is to enroll 25 students who will be taught by CSU instructors in traditional and online classes. CSU will continue to grow its dual enrollment beyond the current 18 participating schools, increasing student participation from 100 to 150 students, and will seek permission to hold classes at the high schools.

The Chancellor should comment on how the institutions will be able to fund the continuation of their B-Power programs if proven successful. The Chancellor should also comment on when Phase III will begin, particularly outreach to BCCC to increase transfer pathways for students.

6. Efficiency through Consolidation of the University of Maryland Center for Environmental Science

UMCES, USM's only independent research institute, was originally established in 1925 as the Chesapeake Biological Laboratory at Solomons Island and is the oldest permanent State-supported marine laboratory in continuous operation on the East Coast. In 1941, it became, by statute, the Department of Research and Education and, in 1961, was transferred by statute to the University of Maryland as the Natural Resources Institute. In 1975, the Center for Environmental and Estuarine Studies (CEES) was created by statute and included the Natural Resource Institute. In 1988, USM was created with CEES as an independent center that became UMCES in 1997.

UMCES includes four geographically distinct laboratories under a single administration:

- ***Appalachian Laboratory:*** located in Frostburg, founded in 1962 at the headwaters of the Chesapeake Bay watershed with research focusing on landscape and watershed ecology;
- ***Chesapeake Biological Laboratory:*** on Solomon's Island, founded in 1925, conducts marine research and is home to UMCES's research fleet;
- ***Horn Point Laboratory:*** located in Cambridge, founded in 1973, conducts research on biology, chemistry, physics, and ecology of the organisms and ecosystems from wetlands and estuarine water of the Chesapeake Bay; and
- ***Institute of Marine and Environmental Technology (IMET):*** located in Baltimore, is a joint research institute between UMCES; UMBC; and UMB. UMCES at IMET researchers focus on developing biotechnology solutions to protecting coastal and marine environments.

Chapter 95 of 2013 granted UMCES the ability to award graduate degrees in marine and environmental sciences jointly with another public senior higher education institution. Students in academic year 2013-2014 were the first eligible to graduate with the new joint degree. Faculty also contribute to the education and training of graduate and undergraduate students attending USM degree-granting institutions. Approximately 80 graduate students are pursuing master's and doctoral degrees under the direction of UMCES faculty members. Faculty members participate and teach many courses in the following graduate programs:

- ***Marine, Estuarine, Environmental Sciences (MEES) Graduate Program:*** a multi-campus graduate program in which nearly one-half of the students are based at one of the UMCES laboratories. This is the joint degree program with UMCP. The Director of MEES holds a half-time research appointment with UMCES.
- ***Graduate Program in Toxicology or Molecular Microbiology and Immunology:*** a systemwide program with students pursuing a master's or doctoral degree from UMB based at the Chesapeake Biological Laboratory.

- ***Wildlife Fisheries Biology or Applied Ecology and Conservation Biology at FSU:*** allows students pursuing a master’s degree to study at UMCES’ Appalachian Laboratory.

While faculty generally do not teach undergraduate courses, UMCES offers opportunities for undergraduate students to spend the summer assisting researchers. Additionally, a faculty member may be granted graduate faculty status, which allows faculty to teach graduate courses and serve on graduate student committees within the joint-degree program. Appointment to the UMCES graduate faculty is not automatic and does not provide faculty status at all USM institutions.

Some units or functions of UMCES are already co-located or collaborative with other USM institutions, as discussed above, including UMCP, UMB, UMBC, and FSU. For example, the MEES program, established in 1978, is an interdisciplinary and interinstitutional graduate program with courses available to graduate students at five institutions: UMB, UMBC, UMCES, UMCP, and UMES. Even with the recent degree-granting status change, the MEES program remains administratively housed at UMCP for support services including admissions, registration, and billing. UMCES meets the financial need of its graduate students with stipends. However, if a graduate student sought a federal loan, the student would have to go through the other institution offering the joint degree, as UMCES does not participate in Title IV federal financial aid programs. The present Director of the MEES holds a joint position with a half time administrative appointment supported by UMCP and a half-time research and teaching appointment funded by UMCES. The Maryland Sea Grant College, a partnership between UMCES and the National Oceanic and Atmospheric Administration to support marine research, education, and advisory services, also has its offices in College Park.

Benefits and Savings from Merging Functions

In the fiscal 2018 allowance, UMCES receives \$22.8 million, the smallest appropriation of any USM institution. It is also the only USM institution with declining State support. As a research institute, UMCES does not collect tuition and fee revenues, even for its small number of joint degree students. Cost savings from administrative efficiencies could be achieved by merging or reorganizing UMCES as a whole or the four research laboratories with the appropriate USM institution(s). The allowance includes \$6.1 million for central administrative costs at UMCES. Overall, of the total 141.1 filled State-supported FTE positions at UMCES, 37.9%, or 53.5 FTEs, are exempt (nonfaculty) positions, which include executives, professional, and administrative personnel, as shown in **Exhibit 27**. Cost savings would be achieved through the elimination of duplicative and unnecessary exempt nonfaculty positions and associated administrative costs.

Exhibit 27
Total State-supported Filled Full-time Equivalent
Exempt and Nonexempt Positions
Fiscal 2017

	<u>Filled FTE</u>	<u>% of Filled</u>	<u>Vacant Positions</u>	<u>Total Positions</u>	<u>% of Total</u>
Exempt	53.5	37.9%	4.9	58.4	38.4%
Nonexempt	37.0	26.2%	2.6	39.6	26.0%
Faculty	50.6	35.9%	3.5	54.1	35.6%
Total	141.1		11.0	152.1	

FTE: full-time equivalent

Note: Data is as of October 15, 2016.

Source: University of Maryland Center for Environmental Science

The benefits from UMCES merging with appropriate USM institutions include:

- increasing efficiencies through the elimination of duplicative administrative functions;
- minimizing the impact of budgetary reductions (as part of a larger institution, the effect of a budgetary reduction would be lessened since a decrease would be allocated among all programs and colleges);
- maximizing the potential for collaborative research;
- increasing faculty access to resources, which may provide an advantage when competing for grants and contracts; and
- increasing both undergraduate and graduate students' access to faculty, providing opportunities for students to gain knowledge from experienced research faculty either from class or work on research projects.

As authorized in the Education Article Section 12-104(f), BOR may establish, merge, consolidate, or close any center or institute. This authority was used to successfully reallocate the University of Maryland Biotechnology Institute's (UMBI) resources to five USM institutions at the beginning of fiscal 2011. The reorganization of UMBI ultimately resulted in \$4.1 million in savings attributable to the elimination of duplicative administrative services.

This shows that administrative efficiencies and the associated cost savings can be achieved through consolidation of services. Of note is that UMBI's final budgeted State support in fiscal 2010, \$21.2 million, and central administration budget of \$6.4 million is very similar to the fiscal 2018 allowance for UMCES.

Finally, transferring UMCES to one or more USM institutions would make for an arrangement similar to the Virginia Institute of Marine Science (VIMS). VIMS is a research institute within the College of William and Mary, a public four-year research university. VIMS has multiple campuses, offers graduate degrees in marine science, and serves as the headquarters of the Virginia Sea Grant College. It also spent about two decades as an independent state agency before joining the College of William and Mary. It receives a separate appropriation from the College of William and Mary.

DLS recommends restricting \$250,000 of the general fund appropriation for USMO until BOR submits a report to merge UMCES, either as a whole or by individual laboratories, with the appropriate USM institution(s) whose mission most closely aligns with UMCES or its component laboratories. BOR should submit the report by December 1, 2017, outlining a plan and timeline for merging UMCES with other USM institutions and identifying ongoing cost savings totaling at least \$3 million from this process.

DLS also recommends reducing UMCES's current unrestricted funds (general funds) by \$100,000 to reflect expected cost savings from the merging and consolidation of UMCES in fiscal 2018.

7. HelioCampus Launches into Competitive Space of Data Analytics

In September 2015, UMUC spun off its Office of Analytics into a private company as a way to establish new revenue for the institution. The new business, HelioCampus, is a software-as-a-service platform that analyzes higher education financial and enrollment data to find ways to improve efficiencies on campuses and increase student success. It will provide clients with reporting models, visualization of big data, and analysis of trends. HelioCampus is certified as a High Impact Economic Development Activities (HIEDA) entity and is legally distinct from UMUC. In June 2016, BOR approved the creation of a second HIEDA entity, UMUC Ventures, as a new tax-exempt holding company. This would strongly suggest that UMUC intends to spin off at least one more business. At the same time, UMUC transferred its entire stake of ownership in HelioCampus to UMUC Ventures, which has its own board of directors.

To date, UMUC has transferred \$10 million from its own fund balance as startup funding for HelioCampus and will transfer an additional \$15 million to UMUC Ventures in three installments. Rather than send periodic profits from the business that HelioCampus generates to UMUC, any financial gain is instead planned to be realized when HelioCampus is eventually sold off or made public. UMUC reports that any profits derived from HelioCampus will fund an endowment to provide support for UMUC, such as financial aid.

UMUC's Vice President for Data Analytics and 15 staff were transferred to HelioCampus, which has corporate offices in Bethesda rather than in Adelphi. Since its launch, an additional 12 staff have been hired. HelioCampus effectively did not begin business operations until January 2016, which proved to be unfortunate timing. The higher education procurement cycle generally occurs over the fall and winter for purchasing effective at the beginning of the fiscal year in the summer. Because of its winter business launch, HelioCampus was not able to participate in many competitive bidding processes during fiscal 2016. To date, it has secured three clients, including UMUC, FSU, and one non-USM institution. UMUC states that HelioCampus is active in bidding for projects at institutions across the country that would be effective in fiscal 2018 and anticipates announcements of successful bids in spring 2017. Competitors to HelioCampus include traditional consulting firms that work with software companies, as well as established firms in the higher education industry like Blackboard Analytics and PAR Framework.

HelioCampus reports that it is well positioned to serve institutions focused on nontraditional students who are more difficult to initially enroll and often require more student services. HelioCampus believes that it can help client institutions by serving as an outsourced business analytics system. This includes data models, data dashboards, and computer applications all bundled with professional services from a dedicated data analyst. UMUC reports that these tools and analysis were effective in reversing its own abrupt enrollment decline that occurred in fall 2013. HelioCampus will now have an opportunity to use these tools to better inform the response to FSU's decline in enrollment that occurred in fall 2016.

The President of UMUC, on behalf of HelioCampus, should comment on the near-term profitability of the new company and how it may be judged as successful or not. The President should also comment on any anticipated business spinoffs that may fall under the umbrella of UMUC Ventures.

8. Revision of the Chancellor's Contract

The original terms of the Chancellor's 2015 contract included a provision for a performance bonus of up to 15% of his base salary (\$600,000 in fiscal 2016) based on the BOR assessment of his performance. Language in the 2015 JCR required USMO to submit a report on the performance criteria and goals used to evaluate the performance of the Chancellor. Seven goals were identified – three relate to institutional academic and economic development performance, two pertain to advocacy, and the remaining two relate to USMO's organization and structure, and Effectiveness and Efficiency Initiative 2.0. In June 2015, BOR awarded the Chancellor a \$75,000, or 12.5%, bonus.

A legislative hearing was held in August 2016 regarding the Chancellor's compensation and in particular the \$75,000 performance bonus. In December 2016, BOR revised the Chancellor's contract removing the provision for a performance bonus. The provision was replaced with a new compensation agreement in which USM will contribute to a deferred compensation plan – \$150,000 to be contributed in January 2017 and \$250,000 in January 2018, both of which are related to the Chancellor's performance starting in 2017. The benefits are contingent on the Chancellor remaining at his job until January 2019 for the 2017 contribution and January 2020 for the 2018 contribution.

The provision that the Chancellor's base annual salary will increase by at least 5% annually, which includes both merit and cost-of-living adjustment (COLA) still remains. This provision increased his annual base salary to \$630,000 in fiscal 2017. The increase in fiscal 2018 would be \$31,500, bringing his base salary to \$661,500. The contract stipulates in any year in which there is systemwide salary freeze or other limitations on the granting of COLA or merit raises, there will be no increase the annual base salary. **BOR should comment on if the Chancellor will not be receiving the 5% increase in his annual base salary considering the fiscal 2018 allowance does not include funds for COLA or merit increases for State employees.**

Recommended Actions

1. Add the following language:

Provided that current unrestricted appropriation made for the purpose of the University System of Maryland institutions shall be reduced by \$16,600,000.

Explanation: This language reduces the University System of Maryland (USM) current unrestricted (general fund) appropriation by \$16.6 million. New State revenues comprised of general funds and the Higher Education Investment Fund increase by \$26.6 million. The increase is nearly identical to the \$23.4 million that USM is planning on transferring from State-supported revenues to the fund balance. USM already has a fund balance in excess of \$1 billion. The proposed reduction limits new State dollars to fulfilling the mandate required in Chapter 26 of 2016.

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

Further provided that this appropriation made for the purpose of the University System of Maryland institutions shall be reduced by \$16,600,000.

Explanation: This language reduces the University System of Maryland (USM) general fund appropriation by \$16.6 million. New State revenues comprised of general funds and the Higher Education Investment Fund increase by \$26.6 million. The increase is nearly identical to the \$23.4 million that USM is planning on transferring from State-supported revenues to the fund balance. USM already has a fund balance in excess of \$1 billion. The proposed reduction limits new State dollars to fulfilling the mandate required in Chapter 26 of 2016.

3. Add the following language:

Provided that \$8,985,000 of the general fund appropriation and \$1,015,000 of the Higher Education Investment Fund appropriation made for the purpose of the University System of Maryland institutions may only be expended to fund the mandates as required in Chapter 25 of 2016.

Explanation: This language restricts \$9.0 million of the general fund and \$1.0 million of the Higher Education Investment Fund appropriation to the University System of Maryland institutions to fund the mandates required in Chapter 25 of 2016 including \$4.0 million for the University of Maryland, Baltimore; \$3.5 million for the University of Maryland Baltimore County; \$2.0 million for the University of Maryland, College Park; and \$0.5 million for Towson University.

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

Further provided that this appropriation made for the purpose of the University of Maryland Center for Environmental Science shall be reduced by \$100,000.

Explanation: This language reduces State support (general funds) for the University of Maryland Center for Environmental Science by \$100,000 to reflect minimal cost savings to be realized in fiscal 2018 by the relocation of this institution to other University System of Maryland institutions. Further cost savings information is to be provided in a report from the University System of Maryland Board of Regents due by December 1, 2017.

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

, provided that the appropriation herein for the University of Maryland Center for Environmental Science shall be reduced by \$100,000.

Explanation: This language reduces State support (general funds) for the University of Maryland Center for Environmental Science by \$100,000 to reflect minimal cost savings to be realized in fiscal 2018 by the relocation of this institution to other University System of Maryland institutions. Further cost savings information is to be provided in a report from the University System of Maryland Board of Regents due by December 1, 2017.

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

Further provided that \$250,000 of this appropriation made for the purpose of administration at the University System of Maryland Office may not be expended until the University System of Maryland Board of Regents (BOR) submits a report on the relocation of the University of Maryland Center for Environmental Science (UMCES) to the appropriate University System of Maryland institution(s). The report should detail cost savings to be realized from the relocation of UMCES, or its laboratories, and include information on the rationale for why the selected academic institution(s) most closely aligns with UMCES and/or its laboratories and a schedule for when the transfer(s) will be completed. BOR should find at least \$3,000,000 in ongoing savings for the State as a result of the transfer(s). The report should be submitted by December 1, 2017.

Explanation: This language restricts \$250,000 in general funds in the University System of Maryland Office (USMO) pending submission of a report from BOR detailing how UMCES will be relocated to other University System of Maryland institutions. The rationale for the division of the constituent laboratories of UMCES should be explained and cost savings to the State, totaling at least \$3,000,000, should be identified.

Information Request	Author	Due Date
Report on the relocation of UMCES	USMO	December 1, 2017

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

, provided that \$250,000 of this appropriation made for the purpose of administration at the University System of Maryland Office may not be expended until the University System of Maryland Board of Regents (BOR) submits a report on the relocation of the University of Maryland Center for Environmental Science (UMCES) to the appropriate University System of Maryland institution(s). The report should detail cost savings to be realized from the relocation of UMCES, or its laboratories, and include information on the rationale for why the selected academic institution(s) most closely aligns with UMCES and/or its laboratories and a schedule for when the transfer(s) will be completed. BOR should find at least \$3,000,000 in ongoing savings for the State as a result of the transfer(s). The report should be submitted by December 1, 2017.

Explanation: This language restricts \$250,000 in general funds in the University System of Maryland Office pending submission of a report from BOR detailing how UMCES will be relocated to other University System of Maryland institutions. The rationale for the division of the constituent laboratories of UMCES should be explained and cost savings to the State, totaling at least \$3,000,000, should be identified.

Information Request	Author	Due Date
Report on the relocation of UMCES	USMO	December 1, 2017

8. Eliminate the general fund deficiency related to using the fiscal 2016 Higher Education Investment Fund (HEIF) balance to partially offset the November 2016 Board of Public Works reduction. Since the fund balance was insufficient to cover the \$4.1 million offset, it was used to reduce the shortfall in fiscal 2017. In previous years when there was a shortfall in the HEIF, those revenues were canceled, and the University System of Maryland adjusted its budget accordingly. \$ 4,054,000 UF
9. Eliminate the general fund deficiency related to using the fiscal 2016 Higher Education Investment Fund (HEIF) balance to partially offset the November 2016 Board of Public Works reduction. \$ 4,054,000 GF

Since the fund balance was insufficient to cover the \$4.1 million offset, it was used to reduce the shortfall in fiscal 2017. In previous years when there was a shortfall in the HEIF, those revenues were canceled and the University System of Maryland adjusted its budget accordingly.

10. Eliminate the general fund deficiency related to providing funds to cover the shortfall in the Higher Education Investment Fund (HEIF). In previous years when there was a shortfall in the HEIF, those revenues were canceled, and the University System Office adjusted its budget accordingly. \$ 4,683,437 GF

Updates

1. Expenditures Made on Behalf of USM Personnel

Language in the 2016 JCR required USM to submit a report on expenditures made by constituent institutions or their respective foundations on behalf of USM personnel for fiscal 2015, 2016, and any planned expenditures in fiscal 2017. USM submitted a report on July 5, 2016, summarizing the controls that are in place to ensure spending is appropriate, is legal, and serves an important purpose and relevant role in pursuing USM's goals and objectives.

Overall, almost all the expenditures made by institutions to USM personnel were expenses related to professional licenses and association memberships, subscriptions, and moving expenses for fiscal 2015 and 2016 that totaled \$4.0 million and \$3.2 million, respectively, with an estimated \$3.5 million to be spent in fiscal 2017. Expenditures made on behalf of the Chancellor by USM-affiliated foundations totaled \$70,343 and \$106,867 in fiscal 2015 and 2016, respectively, which included golf and club memberships and expenses related to Hidden Waters, the Chancellor residence. Expenditures on presidents totaled \$28,595 and \$28,837 in fiscal 2015 and 2016, respectively, and included golf and club memberships, professional licenses and association memberships, and supplies and hospitality. For fiscal 2017, it was estimated a total of \$161,808 would be expended on behalf of USM personnel of which \$150,000 is related to a planned kitchen renovation at Hidden Waters.

Appendix 1
University System of Maryland
State Funds Per Full-time Equivalent Student
(\$ in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	Working 2017	Allowance 2018
UMB	\$29,589	\$30,292	\$28,973	\$28,643	\$28,450	\$28,593	\$30,558	\$32,740	\$33,807	\$34,182	\$35,549
UMCP	11,938	12,124	12,031	11,886	11,984	12,149	12,800	13,451	13,900	14,363	14,529
BSU	7,698	7,817	7,800	7,704	7,990	8,392	8,683	8,803	9,543	10,154	10,321
TU	5,119	5,161	5,077	5,034	5,077	5,057	5,158	5,573	5,926	6,310	6,398
UMES	8,644	8,101	8,590	7,454	7,487	7,504	8,410	8,620	8,961	11,180	10,993
FSU	7,296	7,390	7,041	6,941	7,264	7,350	7,706	8,112	8,411	8,983	9,105
CSU	10,604	10,919	11,997	12,546	13,061	13,760	15,337	17,003	18,275	17,436	17,112
UB	7,475	7,651	7,127	7,050	6,852	6,387	7,224	7,738	8,333	8,915	9,733
SU	5,129	5,356	5,208	5,143	5,049	5,130	5,308	5,716	6,162	6,567	6,973
UMUC	1,448	1,539	1,447	1,466	1,290	1,360	1,483	1,409	1,201	1,253	1,312
UMBC	8,978	9,171	9,092	9,000	8,875	8,732	9,058	9,511	9,969	10,469	10,637

BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 SU: Salisbury University
 TU: Towson University

UB: University of Baltimore
 UMB: University of Maryland Baltimore
 UMBC: University of Maryland Baltimore County
 UMES: University of Maryland Eastern Shore
 UMUC: University of Maryland University College

Source: University System of Maryland