

R30B30
University of Maryland University College
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$15,191	\$20,069	\$25,142	\$5,073	25.3%
Other Unrestricted Funds	212,100	236,148	255,405	19,256	8.2%
Total Unrestricted Funds	227,291	256,218	280,547	24,329	9.5%
Restricted Funds	<u>7,997</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>	
Total Funds	\$235,288	\$266,218	\$290,547	\$24,329	9.1%

- General funds increase 25.3%, or \$5.1 million in the fiscal 2008 allowance.
- In terms of total funds, the University of Maryland University College (UMUC) budget increases 9.1%. However, one-time health insurance savings free an additional \$1.8 million for expenditure in fiscal 2008. After adjusting for the one-time savings, UMUC's total budget increases by 9.9%.
- Other unrestricted funds in the allowance grow mostly from institutional needs related to significant increases in enrollment.

Personnel Data

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>
Regular Positions	824.71	848.71	848.71	0.00
Contractual FTEs	<u>857.07</u>	<u>881.56</u>	<u>1,049.56</u>	<u>168.00</u>
Total Personnel	1,681.78	1,730.27	1,898.27	168.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	48.29	5.69%
Positions Vacant as of 12/31/06	31.00	3.70%

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

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- Regular positions remain unchanged.
- Contractual positions increase by 168 due to a large increase in enrollment. The enrollment increase requires additional course offerings that UMUC plans to staff with adjunct professors.

Analysis in Brief

Major Trends

On-line and Distance Education Enrollment May Not Meet Fiscal 2009 Objectives: UMUC's efforts to broaden educational opportunities through on-line and distance learning may not meet its fiscal 2009 objectives.

Minority Enrollment and Economically Disadvantaged Enrollment Holds Steady: Enrollment of minority undergraduates is maintained at above 40% while enrollment of economically disadvantaged students holds at above 30%, exceeding its peers.

Issues

Student Headcount Enrollment: Although projected to increase, UMUC stateside student headcount enrollment decreased from 28,374 students in fall 2004 to 27,429 students in fall 2005. UMUC undertook efforts to increase enrollment for fall 2006 and estimates an increase to 33,096 students which is 5.1% higher than the University System of Maryland's (USM) fall 2006 projection and 17.0% higher than the Maryland Higher Education Commission's fall 2006 projection. UMUC's fall 2006 headcount estimate is 0.8% lower than USM's fall 2007 projection. **The President should discuss the sustainability of current enrollment growth.**

Personnel Changes: The fiscal 2008 allowance proposes 168 new contractual positions to address enrollment growth. **The President should comment on the use of contractual positions for instruction to address enrollment growth and whether or not these positions will be eventually converted into regular positions.**

Recommended Actions

1. Concur with Governor's allowance.

R30B30
University of Maryland University College
University System of Maryland

Operating Budget Analysis

Program Description

The University of Maryland University College (UMUC) specializes in providing access to public higher education for Maryland's adult learners. Most UMUC students have career or family commitments that lead them to study part-time. UMUC serves its students through traditional and innovative delivery of undergraduate and graduate degree programs, noncredit professional development programs, and conference services.

UMUC provides courses at 20 locations throughout the State and the Washington, DC metropolitan area. The institution also offers special programs in other states and programs overseas for U.S. service members and their families, U.S. citizens, and international students. UMUC's vision is to be the Global University in Maryland; its on-line education programs began in 1994.

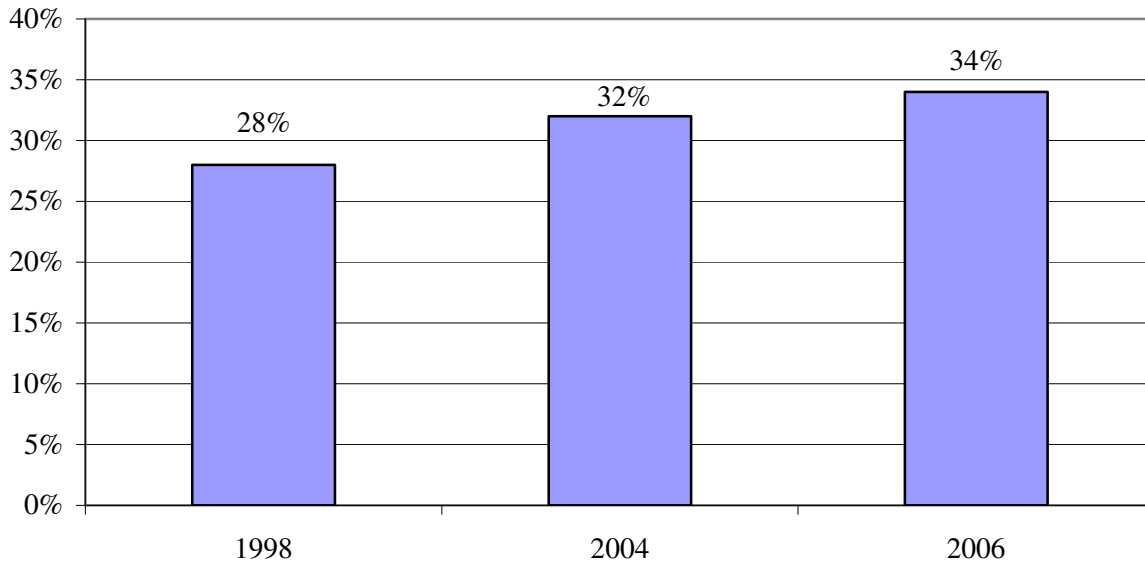
Academic programs include Bachelor of Arts and Bachelor of Science degrees with 26 majors and 36 minors. The most extensive offerings are in business and management and computer studies. Master's degrees (19) are offered in management and technology areas that, like bachelor's degree concentrations, represent fields with significant current or anticipated workforce needs. UMUC also offers a Doctor of Management and a noncredit professional program emphasizing management and executive development. The university has a role in renewing and upgrading the experienced workforce.

Performance Analysis: Managing for Results

UMUC tracks a number of performance measures that are comparable to other University System of Maryland (USM) institutions. These performance measures do not include overseas military students. UMUC students historically have been predominately professionally oriented, part-time adults. However, the student demographics appear to be shifting. **Exhibit 1** shows that the average age of its first-time degree seeking students is dropping. It is also important to note that 79% of UMUC students work full time.

UMUC's first performance goal is to create and maintain a well-educated workforce. Since fiscal 2000 the employment rate of graduates as reported in a Maryland Higher Education Commission survey has averaged 95%. UMUC's goal is to annually have 1,500 graduates employed in Maryland by fiscal 2009; the fiscal 2005 survey indicates that 1,107 graduates are employed in Maryland. The next survey will be administered in 2008.

Exhibit 1
Percent of UMUC First-time Degree Seeking Students 25 Years or Younger
Fiscal 1998, 2004, and 2006



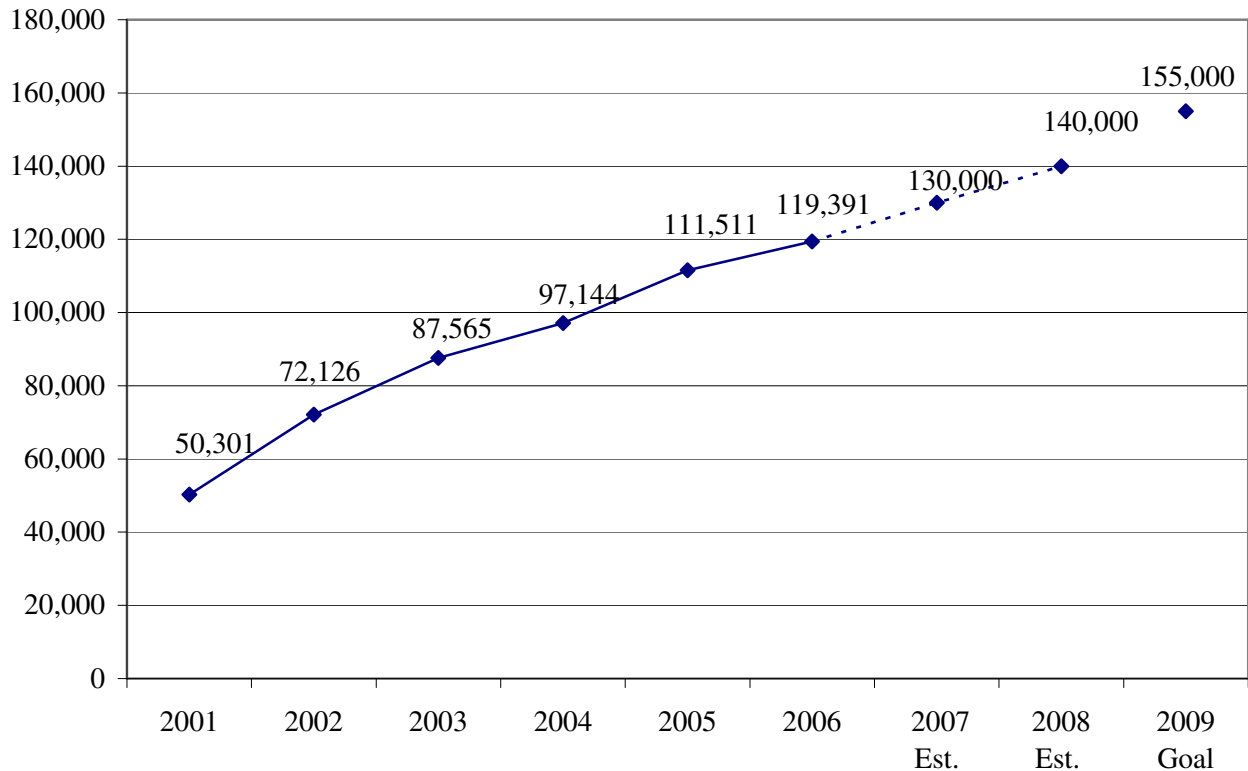
Source: University of Maryland University College, Managing for Results

On-line and Distance Education Enrollment May Not Meet Fiscal 2009 Objectives

Another UMUC goal is to broaden access to educational opportunities through on-line education. The on-line education measure corresponds to the number of people enrolled in an on-line course from anywhere in the United States. If a single student enrolls in two on-line courses, that student is counted twice in the enrollment number. On-line education enrollment has increased dramatically since it first was offered in 1994. Though UMUC exceeded the fiscal 2004 objective of 86,920 courses taken, the growth in the number of on-line courses taken leveled off in fiscal 2006. **Exhibit 2** tracks the number of on-line courses taken since 2001 and shows projections through 2008. **UMUC should comment on efforts to grow on-line enrollments.**

In a related objective, the institution is working to increase enrollment in courses delivered off campus or through distance education. The off-campus/distance education measure includes students enrolled in a course at one of UMUC's locations throughout Maryland, Virginia, and Washington, DC. As with on-line enrollment, if a single distance education student enrolls in two courses, that student is counted twice in the enrollment number. The measure does not include summer enrollment. The institution exceeded its fiscal 2004 objective of 72,000 off-campus or distance education courses taken. However, UMUC reports that it will not meet its 2009 goal of 198,750 enrollments/registrations in courses delivered off campus or through distance education. **UMUC should comment on efforts to increase distance education enrollments.**

Exhibit 2
Number of On-line Courses Taken
Fiscal 2001-2009

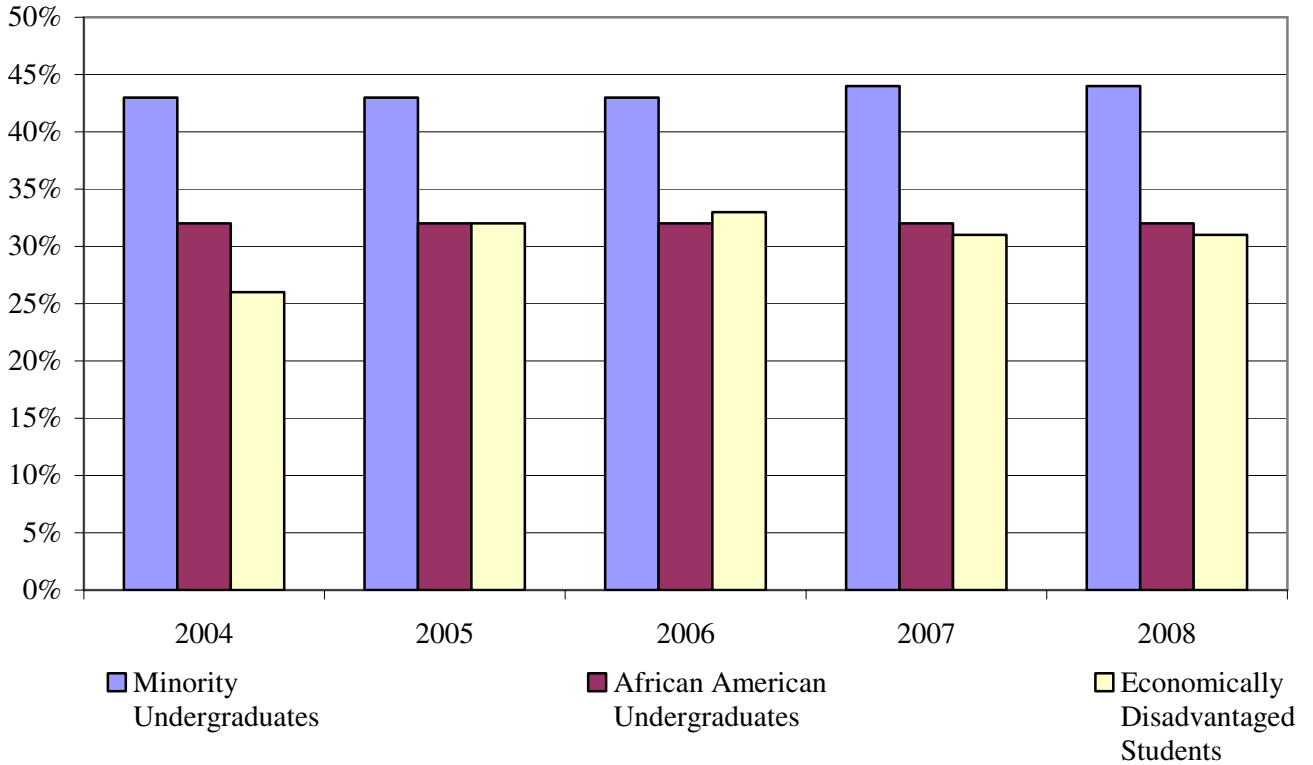


Source: University of Maryland University College, Managing for Results

Minority Enrollment and Economically Disadvantaged Enrollment Holds Steady

Another UMUC goal is to increase access for economically disadvantaged and minority students. **Exhibit 3** shows the proportion of all minority undergraduates, all African American undergraduates, and all economically disadvantaged students related to UMUC's goal. An analysis of peer performance by the Maryland Higher Education Commission indicates that UMUC is well above the average of its peers on this measure.

Exhibit 3
Access for Economically Disadvantaged and Minority Students
Fiscal 2004-2008



Source: University of Maryland University College, Managing for Results

Governor's Proposed Budget

The general fund allowance for fiscal 2008 is \$5.1 million above fiscal 2007, an increase of 25.3%, as shown in **Exhibit 4**. Overall, the UMUC budget increases 9.9%. The increase reflects an adjustment for one-time health insurance savings that will allow for funds to be redirected to other purposes in fiscal 2008.

Exhibit 4
Governor's Proposed Budget
University of Maryland University College
(\$ in Thousands)

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$15,191	\$20,069	\$25,142	\$5,073	25.3%
Other Unrestricted Funds	212,100	236,148	255,405	19,256	8.2%
Total Unrestricted Funds	227,291	256,218	280,547	24,329	9.5%
Restricted Funds	7,997	10,000	10,000	0	0.0%
Health Insurance Adjustment*		-1,838			
Total Funds	\$235,288	\$264,380	\$290,547	\$26,167	9.9%

*Fiscal 2007 costs for retiree health insurance do not appear in fiscal 2008 due to one-time savings.

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

Unrestricted Funds

Budget changes in the allowance by program are shown in **Exhibit 5**. This exhibit considers only unrestricted funds, of which general funds and tuition and fee revenues are the majority. In the fiscal 2008 allowance, unrestricted funds grow mostly from costs related to enrollment growth. UMUC stateside enrollment (includes in-state students and on-line out-of-state students) is estimated to have grown by 2,221 full-time equivalent students (FTES) in fiscal 2007 over 2006. An additional 1,000 FTES are expected to enroll in fiscal 2008.

In the fiscal 2008 allowance, instruction programs grow 16.7%, academic support grows by 15.6%, and student services grows by 9.7% in order to accommodate the enrollment increase. The increase for academic support is also explained by UMUC upgrading its PeopleSoft Student Administrative Enterprise System. The growth in public service, by 29.1%, relates directly to expanded business for the UMUC Inn and Conference Center. The unrestricted funds for institutional support decrease 8.0% as UMUC will have completed an upgrade of its financial system in fiscal 2007. Auxiliary enterprises at UMUC are almost entirely made up of overseas textbook operations. Though the operations were profitable in fiscal 2006, UMUC expects to break even in fiscal 2007 and has budgeted a loss in fiscal 2008. If there is a shortfall, other revenue sources will subsidize the deficit.

Exhibit 5
UMUC Budget Changes for Unrestricted Funds by Program
Fiscal 2006-2008
(\$ in Thousands)

	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Working</u>	<u>2006-2007</u> <u>% Change</u>	<u>2008</u> <u>Allowance</u>	<u>2007-2008</u> <u>Change</u>	<u>2007-2008</u> <u>% Change</u>
Expenditures						
Instruction	\$70,139	\$78,396	11.8%	\$91,454	\$13,058	16.7%
Research	574	498	-13.2%	611	113	22.7%
Public Service	15,751	14,187	-9.9%	18,310	4,123	29.1%
Academic Support	29,040	39,347	35.5%	45,490	6,143	15.6%
Student Services	36,204	36,415	0.6%	39,933	3,518	9.7%
Institutional Support	51,381	59,715	16.2%	54,923	-4,792	-8.0%
Operation and						
Maintenance of Plant	14,648	14,166	-3.3%	16,187	2,021	14.3%
Scholarships and Fellowships	3,305	4,847	46.7%	4,847	0	0.0%
Education and						
General Total	\$221,042	\$247,571	12.0%	\$271,755	\$24,184	9.8%
Auxiliary Enterprises	\$6,247	\$8,647	38.4%	\$8,792	\$145	1.7%
Grand Total	\$227,289	\$256,218	12.7%	\$280,547	\$24,329	9.5%
Revenues						
Tuition and Fees	\$183,431	\$209,950	14.5%	\$222,458	\$12,508	6.0%
General Funds	15,191	20,069	32.1%	25,142	5,073	25.3%
Other Unrestricted Funds	23,250	21,272	-8.5%	28,115	6,844	32.2%
Subtotal	\$221,872	\$251,291	13.3%	\$275,716	\$24,424	9.7%
Auxiliary Enterprises	\$7,046	\$7,371	4.6%	\$7,506	\$135	1.8%
Transfer (to)/from						
Fund Balance	-1,627	-2,445	50.3%	-2,675	-230	9.4%
Grand Total	\$227,291	\$256,218	12.7%	\$280,547	\$24,329	9.5%

Note: Unrestricted funds only. All programs. Numbers may not sum to total due to rounding.

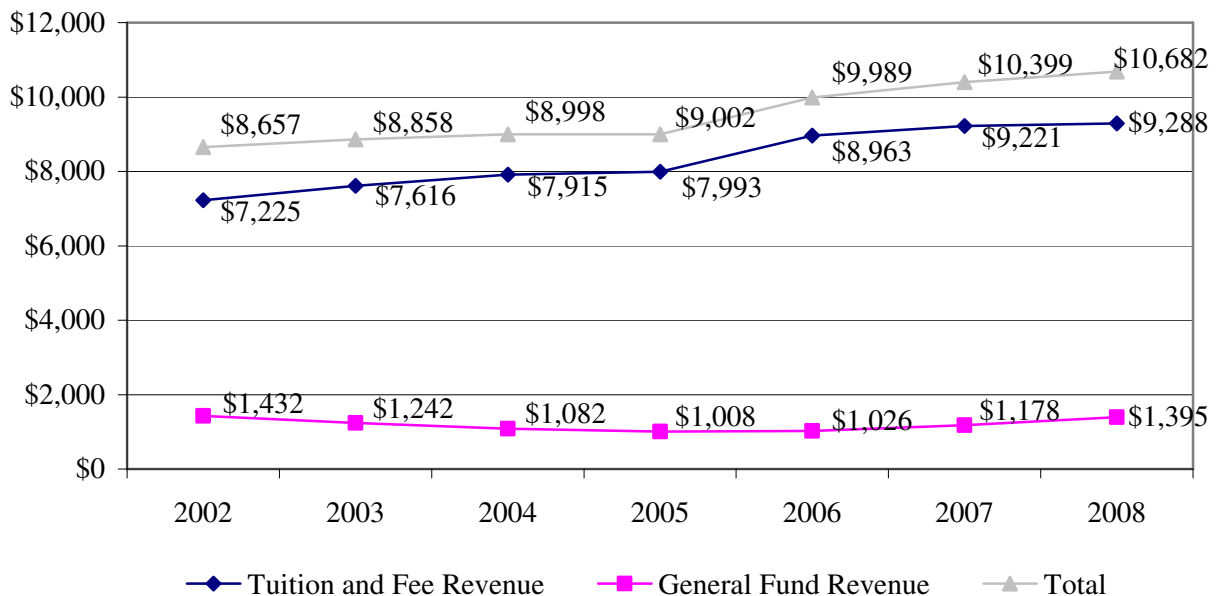
Source: Governor's Budget Books, Fiscal 2008

Tuition and Fees and General Fund Revenue

Exhibit 6 shows tuition and fees and general fund revenue per stateside full-time equivalent student (FTES) between fiscal 2002 and 2008. The general fund revenue per FTES provides a small portion of funds compared to tuition and fees. Overall, from fiscal 2002 through 2008, general fund revenue per FTES will have decreased 3% while tuition and fee revenue per FTES will have increased 29%. The total funds per FTES in the fiscal 2008 allowance are \$10,682 which is a 23% increase above the fiscal 2002 level and represents a 3% increase over the 2007 working appropriation. Tuition and fee revenue per FTES will be 87% of the total in fiscal 2008.

In fiscal 2006, tuition and fee revenue per FTES grew 12%. While FTES enrollment grew only 2% from fiscal 2005 to 2006, the makeup of stateside FTES shifted towards more out-of-state and graduate students. The higher tuition and fees paid by out-of-state and graduate students accounts for the increase in tuition and fee revenue per FTES in fiscal 2006. Contributing to the moderate growth in fiscal 2007 through 2008 are frozen in-state tuition rates. Tuition and fee revenues as well as enrollment numbers for overseas students are not included in this exhibit.

Exhibit 6
Tuition and Fee and General Fund Revenues
Per Stateside Full-time Equivalent Student
Fiscal 2002-2008



Note: FTES include Maryland students and out-of-state students. Overseas students are not included in the exhibit.

Source: Governor's Budget Books, Fiscal 2008

Issues

1. Student Headcount Enrollment

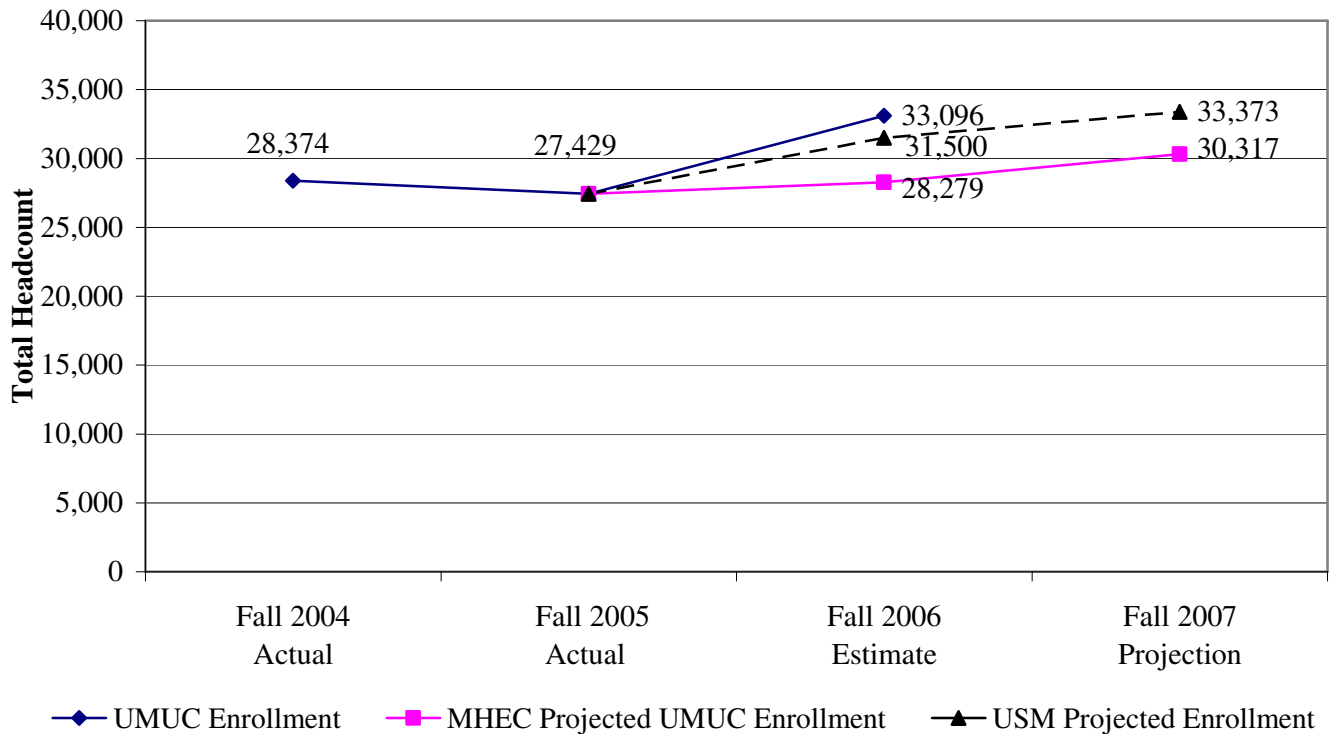
UMUC has seen significant shifts in enrollment over the past two years. Following a decrease in stateside student headcount enrollment from fall 2004 to 2005, UMUC enrollment grew 20.7% from fall 2005 to 2006.

Although projected to increase, UMUC student headcount decreased from 28,374 students in fall 2004 to 27,429 students in fall 2005. Various causes were cited for the drop. First, UMUC shifted students from its Adelphi division based in the United States to its European and Asian divisions to balance the numbers in these divisions in what amounts to an internal accounting transfer. Second, students experienced on-line registration difficulties due to problems with the rollout of the PeopleSoft software. Class schedules are typically published May 1, but due to PeopleSoft implementation problems, the class schedules were published six weeks later. UMUC's students are sensitive to schedule timing; therefore, some portion of the headcount enrollment may be attributed to PeopleSoft implementation. Third, UMUC's national marketing plan to attract non-resident students was delayed almost 18 months by lawsuits filed by an unsuccessful contract bidder. UMUC reports that it did not meet its non-resident student targets as a result of these lawsuits, none of which were found to have merit.

UMUC has undertaken efforts to address the drop in headcount enrollment. Staff joined in universitywide initiatives to help increase enrollment. In order to re-attract students potentially lost during the PeopleSoft migration, UMUC offered various incentives such as waived application fees and waived fees for a non-credit course in on-line library and resource use to those students who could not enroll due to the delays.

UMUC saw dramatic increases in enrollment for fall 2006. The numbers represented a 20.7% increase over the previous year. UMUC's fall 2006 estimated headcount enrollment of 33,096 is 5.1% higher than USM's projections of 31,500 and 17.0% higher than MHEC's projections of 28,279. UMUC, as of fall 2006, has nearly reached USM's fall 2007 projection of 33,373 students. **Exhibit 7** compares the USM and MHEC enrollment projections from fall 2004 through 2007 to the actual headcount enrollment. **The President should discuss the sustainability of current enrollment growth.**

Exhibit 7
UMUC Stateside Student Headcount Enrollment
Fall 2004-2007



Source: University of Maryland University College; Maryland Higher Education Commission

2. Personnel Changes

In the fiscal 2008 allowance, 168 contractual positions are proposed due to an enrollment driven growth in course offerings. While there is a total increase of 168 contractual positions in the allowance, contractual positions decrease by 14 for institutional support and by 2 for public service. Instruction saw the largest increase with 171 contractual positions, student services with 11, and academic support with 2. The total UMUC workforce, regular and contractual, is 1,898 in the fiscal 2008 allowance.

UMUC, as of December 31, 2006, had a vacancy rate of 3.7%. The 31 vacant positions include 8 nonexempt and 23 exempt positions. Exempt personnel generally are higher paid administrators and managers and are exempt from overtime pay. Of the vacancies, 12 are instructional positions, 8 are student services related, and 11 are administrative positions.

Exhibit 8 shows how the composition of UMUC personnel (filled regular positions only) has changed from fiscal 2002 to 2007. The number of filled positions has increased in all but one category, public service. Filled regular positions in institutional support have seen the greatest growth since fiscal 2002 and now account for the largest share of filled positions. **The President should comment on the use of contractual positions for instruction to address enrollment growth and whether or not these positions will be eventually converted into regular positions.**

**Exhibit 8
Filled Regular Positions
Fiscal 2002 and 2005-2007**

	2002		2005		2006		2007		Change in Share of Total FY02-07
	<u>FTEs</u>	<u>% of Total FTEs</u>	<u>FTEs</u>	<u>% of Total FTEs</u>	<u>FTEs</u>	<u>% of Total FTEs</u>	<u>FTEs</u>	<u>% of Total FTEs</u>	
Instruction	148	23.3%	148	23.2%	163	30.0%	171	20.9%	-2.4
Research	6	0.9%	4	0.6%	4	0.7%	9	1.1%	0.2
Public Service	6	0.9%	5	0.8%	0	0.3%	3	0.4%	-0.6
Academic Support	186	29.2%	160	25.0%	192	16.7%	209	25.5%	-3.7
Student Services	102	16.1%	112	17.5%	142	27.3%	146	17.8%	1.8
Institutional Support	181	28.4%	205	32.1%	260	24.2%	273	33.3%	4.9
Operations, Maintenance of Plant	7	1.1%	5	0.8%	8	0.8%	8	1.0%	-0.1
Total	635	100%	639	100%	769	100%	819	100%	

Source: Self-reported by UMUC; Department of Legislative Services

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets University of Maryland University College (\$ in Thousands)

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2006					
Legislative Appropriation	\$14,963	\$229,326	\$244,289	\$10,000	\$254,289
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	228	0	228	0	228
Reversions and Cancellations	0	-17,226	-17,226	-2,003	-19,229
Actual Expenditures	\$15,191	\$212,100	\$227,291	\$7,997	\$235,288
Fiscal 2007					
Legislative Appropriation	\$17,474	\$238,744	\$256,218	\$10,000	\$266,218
Budget Amendments	0	0	0	0	0
Working Appropriation	\$17,474	\$238,744	\$256,218	\$10,000	\$266,218

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

Fiscal 2006

Budget amendments increased UMUC's general fund appropriation by \$227,943 to cover employee cost-of-living adjustment increases and health insurance costs.

An unrestricted fund cancellation of \$17.2 million was due to lower enrollment than was projected. As such, UMUC did not realize anticipated tuition revenue.

A restricted fund cancellation of \$2 million is attributed to the same enrollment gap but pertains to lower than projected federal financial aid needs.

Audit Findings

Audit Period for Last Audit:	September 6, 2001 – June 30, 2005
Issue Date:	March 2006
Number of Findings:	10
Number of Repeat Findings:	2
% of Repeat Findings:	20%
Rating: (if applicable)	n/a

- Finding 1:** UMUC did not verify that revenue reported by the hotel and conference center contractor, and related payments to UMUC, were proper.
- Finding 2:** UMUC did not transfer delinquent student accounts to the Department of Budget and Management's Central Collection Unit in a timely manner.
- Finding 3:** Federal fund reimbursement requests were not always submitted timely, resulting in an approximate \$73,000 loss of interest income to UMUC.
- Finding 4:** **The internal computer network was not sufficiently secured and monitoring of network traffic was not accurate.**
- Finding 5:** User account and password controls for the on-line education application were inadequate.
- Finding 6:** Security over critical data within UMUC's on-line education application was inadequate.
- Finding 7:** User account and password controls over critical administrative applications and the related database were inadequate.
- Finding 8:** Security over the monitoring of a critical database and the use of default database accounts was not adequate.
- Finding 9:** UMUC did not transfer funds totaling \$134,464, which were incorrectly deposited into its working fund account, to the proper accounts.
- Finding 10:** **Equipment records were not adequately maintained and physical inventories of sensitive equipment were not conducted at required intervals.**

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

Object/Fund Difference Report
USM – University of Maryland University College

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	824.71	848.71	848.71	0	0%
02 Contractual	857.07	881.56	1049.56	168.00	19.1%
Total Positions	1,681.78	1,730.27	1,898.27	168.00	9.7%
Objects					
01 Salaries and Wages	\$ 126,826,457	\$ 146,258,856	\$ 160,066,929	\$ 13,808,073	9.4%
02 Technical and Spec. Fees	4,195,241	4,901,877	5,146,971	245,094	5.0%
03 Communication	4,337,202	5,681,880	5,682,103	223	0%
04 Travel	3,047,246	3,766,532	3,766,532	0	0%
06 Fuel and Utilities	1,270,881	2,085,164	2,703,045	617,881	29.6%
07 Motor Vehicles	213,467	117,396	90,389	-27,007	-23.0%
08 Contractual Services	56,166,516	59,846,012	68,940,452	9,094,440	15.2%
09 Supplies and Materials	10,964,540	15,688,738	15,688,738	0	0%
10 Equipment – Replacement	758,159	1,494,999	1,494,999	0	0%
11 Equipment – Additional	1,434,451	2,126,989	2,126,989	0	0%
12 Grants, Subsidies, and Contributions	10,364,407	14,268,851	14,753,509	484,658	3.4%
13 Fixed Charges	9,825,722	7,866,132	7,866,132	0	0%
14 Land and Structures	5,883,942	2,114,358	2,220,075	105,717	5.0%
Total Objects	\$ 235,288,231	\$ 266,217,784	\$ 290,546,863	\$ 24,329,079	9.1%
Funds					
40 Unrestricted Fund	\$ 227,290,996	\$ 256,217,784	\$ 280,546,863	\$ 24,329,079	9.5%
43 Restricted Fund	7,997,235	10,000,000	10,000,000	0	0%
Total Funds	\$ 235,288,231	\$ 266,217,784	\$ 290,546,863	\$ 24,329,079	9.1%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

Fiscal Summary
USM – University of Maryland University College

<u>Program/Unit</u>	<u>FY06 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
01 Instruction	\$ 70,890,834	\$ 79,196,160	\$ 92,254,001	\$ 13,057,841	16.5%
02 Research	574,236	498,468	610,598	112,130	22.5%
03 Public Service	15,751,437	14,186,593	18,310,207	4,123,614	29.1%
04 Academic Support	29,040,207	39,346,742	45,490,397	6,143,655	15.6%
05 Student Services	36,776,525	37,614,934	41,133,164	3,518,230	9.4%
06 Institutional Support	51,384,517	59,714,927	54,923,138	-4,791,789	-8.0%
07 Operation and Maintenance of Plant	14,648,027	14,165,938	16,186,659	2,020,721	14.3%
08 Auxiliary Enterprises	6,247,273	8,647,438	8,792,115	144,677	1.7%
17 Scholarships and Fellowships	9,975,175	12,846,584	12,846,584	0	0%
Total Expenditures	\$ 235,288,231	\$ 266,217,784	\$ 290,546,863	\$ 24,329,079	9.1%
Unrestricted Fund	\$ 227,290,996	\$ 256,217,784	\$ 280,546,863	\$ 24,329,079	9.5%
Restricted Fund	7,997,235	10,000,000	10,000,000	0	0%
Total Appropriations	\$ 235,288,231	\$ 266,217,784	\$ 290,546,863	\$ 24,329,079	9.1%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.