

January 25, 2010

TO: The UMBC Community

FR: Freeman Hrabowski

Elliot Hirshman

RE: Budget Update

The FY 2011 operating and capital budgets, which Governor O'Malley submitted this past week to the Maryland General Assembly, reflect continued, strong support for both public higher education and UMBC – even as the State's fiscal challenges persist. The Governor's operating budget proposal maintains the current level of base funding for University System of Maryland (USM) institutions, reduces institutional fund balances (reserves) by \$40 million, and supports a modest tuition increase of three percent for in-state, undergraduate students. Because of the State's fiscal constraints, the budget proposal does not include merit or cost-of-living adjustments for State and USM employees.

We are especially encouraged that the Governor's capital budget proposal includes \$36.3 million for the first year of construction of our Performing Arts and Humanities Building, to begin this summer. (The total cost of the building is estimated to be \$170 million.) The first phase of construction includes classrooms, class and open laboratories, multi-media study and collaboration spaces, a 275-seat main theater, a 100-seat black box theater, and support spaces.

After a four-year freeze on in-state, undergraduate tuition, the Governor has endorsed a three-percent tuition increase to preserve both the quality of USM programs and access to classes. If approved by the Board of Regents, the increase would add \$195 to the annual bill for each full-time, in-state UMBC undergraduate. Increases in fees would add another \$104 annually. Out-of-state and graduate student tuition charges are expected to increase by five percent.

The Governor's proposals will now be considered by the Legislature, which has the authority to reduce but not add to the budget. Given the slow economic recovery, we anticipate facing another challenging budget environment this coming year, and we have already begun a number of initiatives to prepare for the possibility of additional budget cuts. Cost-management strategies already in progress or being considered for FY 2011 include the following: continuing the hiring freeze and hiring exceptions process; reductions in merit aid and facilities renewal funds; utility savings achieved through new procurement contracts; a Blue Ribbon Commission to develop recommendations regarding the future of the Library; a work group to assess strategies to increase efficiencies in IT support; an effort to identify and reduce low-enrollment classes; and encouraging saving FY 2010 discretionary funds to apply to strategic priorities. On the revenue side, we have been conservative about our estimates for

growth, and we expect that higher than projected enrollments will provide some resources to meet our most pressing needs and address some of the possible additional budget reductions.

While we continue to face major challenges, we have been preparing for them through careful fiscal management and consultation with our campus Senate leaders about campus priorities. As always, we will be guided by our principles of preserving the academic core and supporting people. Everyone has a role to play as we work together to protect and strengthen the UMBC experience, and we are deeply appreciative of the positive approach students, faculty, and staff are taking in this process. We will continue to keep you informed about future budget developments.