

# Overview of University Finance and Budget

**Dylan Baker**

*AVP Finance & Personnel and  
Deputy CFO*

Fall 2025





# AGENDA

1. Overview of budgets on campus
2. Budget Activity
3. Finance Activity
4. FY26 Challenges



# Not a joke: UMD has no money

State control: UMD is only allowed to spend money that the Legislature appropriates each April during the budget process.

Enforced simply: The State of MD issues all our paychecks and all payments to vendors.

So, the President, Provost, CFO, and New Academic Administrators are all **stewards** with the ability to direct resource usage but not to ultimately pay a bill.

Many rules for responsibly stewarding the **\$2.9 billion** authorized by the State each year are in place, but the key distinction is whether the funds are **Restricted or Unrestricted**.



# Rule #1 of Reporting and Accountability

## No mixing of Restricted and Unrestricted Funds

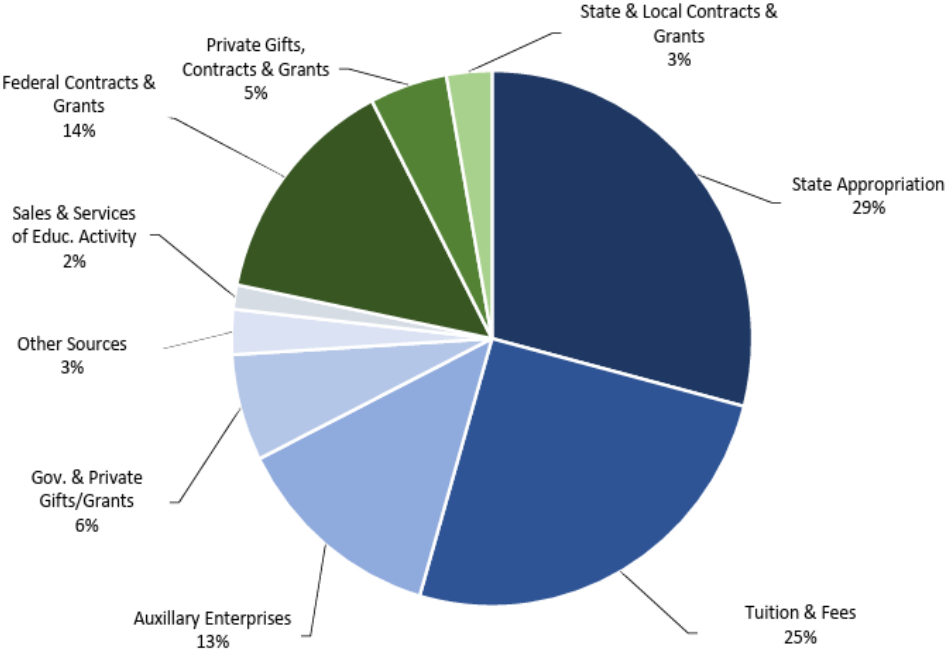
- **Restricted** indicates that an entity other than the State of MD requests a service – *whether specialized research for a federal agency or the express wishes of a donor on scholarship support for a gift* – and sets the terms for the usage of the money they provide.
- **Unrestricted** does not equal no rules, rather it denotes that there is no specific process to request permission to change BUDGETED uses, but the money's use still needs to follow a broad directive.

*Regardless of Fund Type, all spending must follow state and university policy.*



# Budget by Revenue Type (FY26 Budget)

UNRESTRICTED TOTAL:	\$2,335M	78%
Revenue Type	Budget	Description
State Appropriation	\$868M	Funding provided by the Governor for our core state-supported mission.
Tuition & Fees	\$759M	Paid by students for instruction and course fees; includes Academic Year, Fall/Winter
Auxillary Enterprises	\$392M	Business-like activities (dorms, dining, athletics, etc.)
Gov. & Private Gifts/Grants	\$193M	Indirect F&A cost recoveries from contract and grant activities & gift revenue from Foundation
Other Sources	\$81M	Interest and investments, rents, health center medical
Sales & Services of Educ. Activity	\$44M	Educational-related, such as internal sales, lab services, conferences and short courses, consortiums, licensing and royalties, etc.
RESTRICTED TOTAL:	\$650M	22%
Revenue Type	Budget	Description
Federal Contracts & Grants	\$423M	Federal Agencies - Defense, Commerce, HHS, NASA, etc.
Private Gifts, Contracts & Grants	\$144M	Foundations, corporations, universities, foreign organizations, etc.
State & Local Contracts & Grants	\$84M	State of Maryland, local government, other state governments
TOTAL REVENUE: \$2,986M		



# Rule #2 of Reporting and Accountability

## Expenses must align with revenues

- **Management** must understand the type of revenue in play to properly allocate resources.
- Understanding the interaction (planned or otherwise) of *unrestricted* revenues will show short- and long-term availability of funds that can guide major decisions, like hires.
- **Example:** permanent faculty hires that provide undergraduate instruction should be hired on and funded **exclusively** by state-supported allocations.
  - *If other revenues/fund types are used to support this salary and they do not produce what was expected, the state account will have a fixed expense it can't support = structural deficit.*



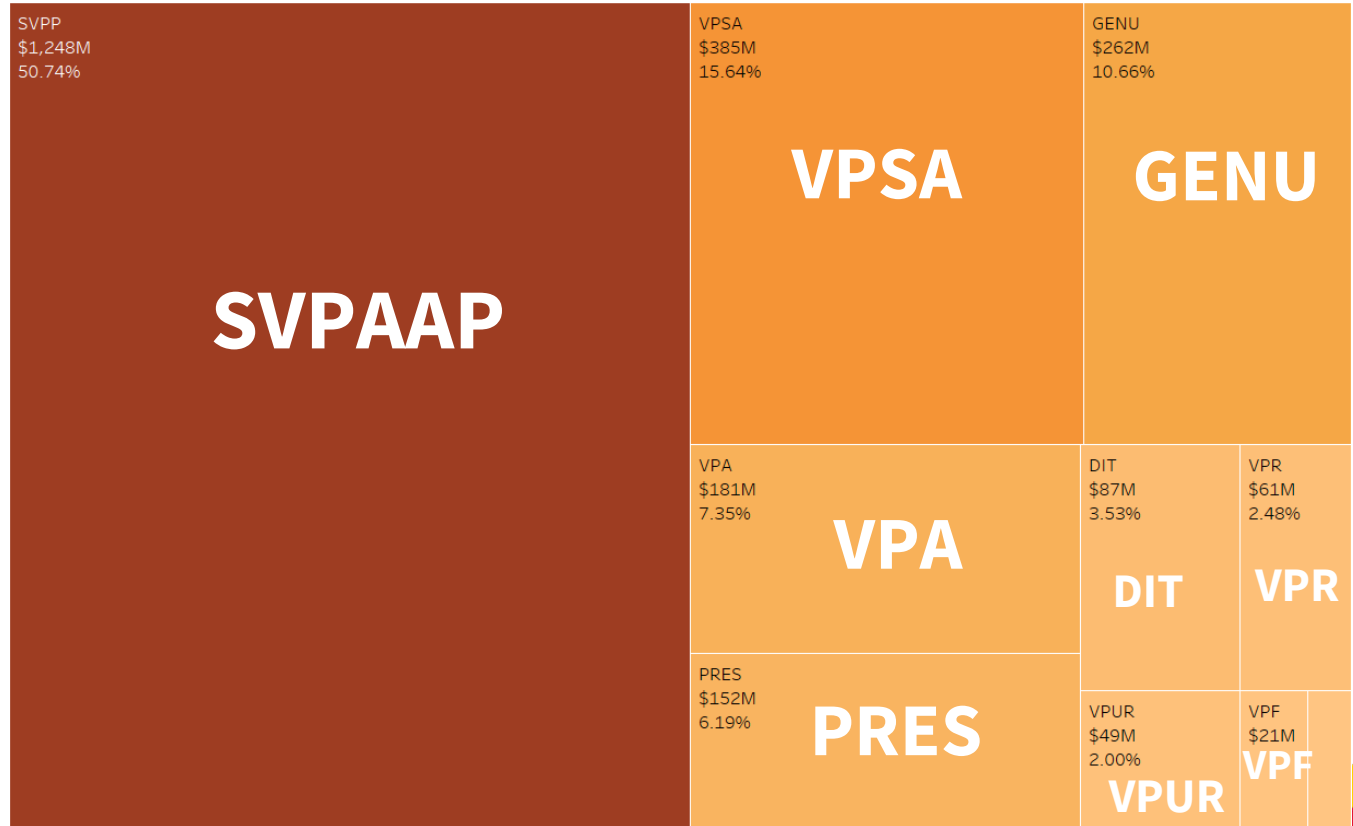
# Campus Unrestricted FY26 Budget

## Unrestricted Includes:

- State Support
- Auxiliary
- E&G + DRIF
- Self-Support
- Plant Reserves
- Summer/Winter/  
Freshman Connection
- Agency
- *AGNR Capacity & County  
funds are quasi-restricted for  
use only with state support.*

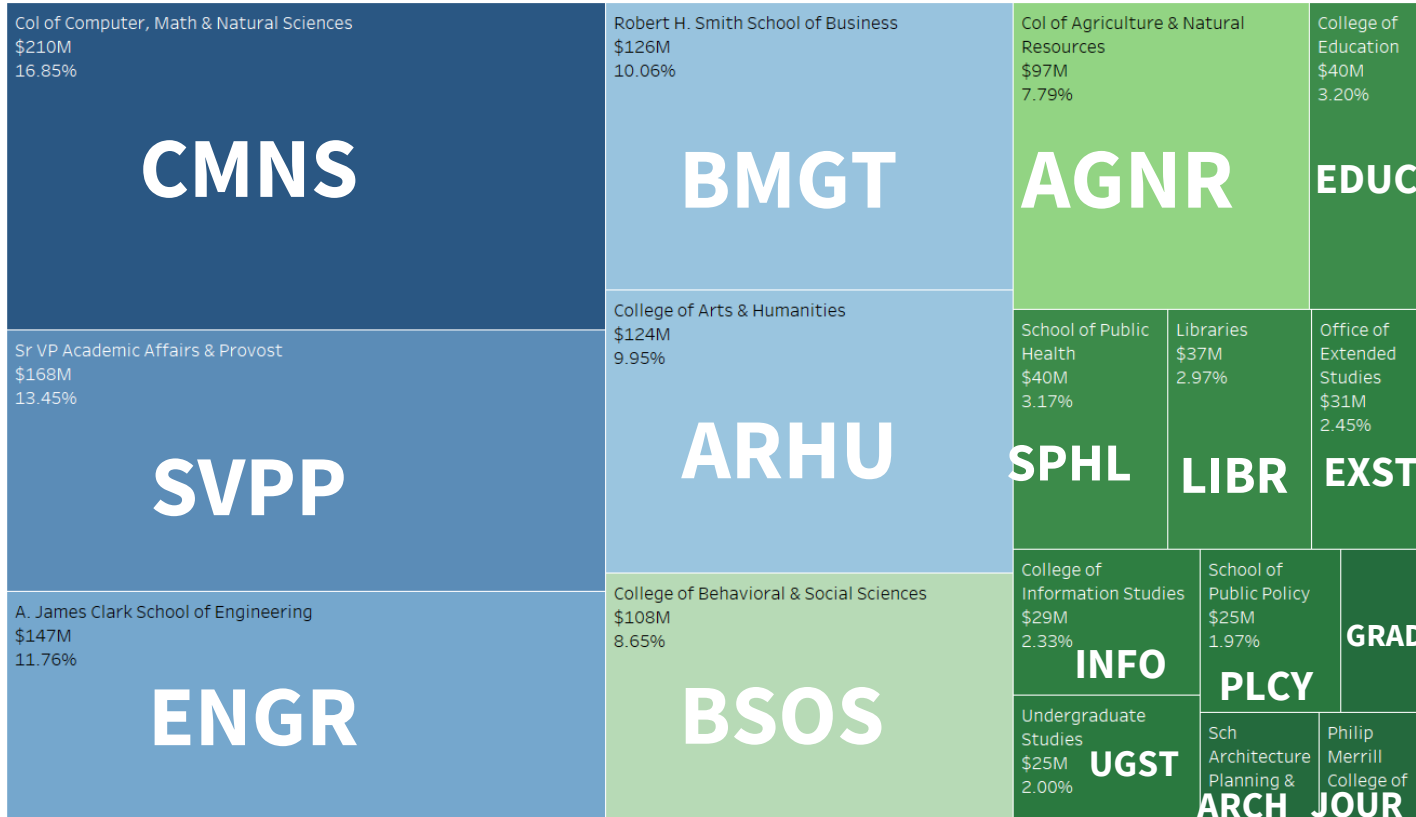
## Restricted (not shown)

- Sponsored Research
- Foundation Funds
- Capital Projects



*Relative Size of ACAF in Unrestricted \$ amounts*

# ACAFUnrestricted FY26 Budget



**12** Academic Colleges

**3** Administrative Units

+ Extended Studies

+ Libraries

*Complexity of operations follows volume but all units face similar challenges*





# Translating use of funds from budget to actuals

Budget actions departmental/college staff focus on:

Fiscal Year: When it will occur \*\*\*

Organizational Hierarchy : Who made the decision

Fund Type: Under which rule set (all Worktags have one)

Spend/Revenue Code: For what purpose



UNIVERSITY OF  
MARYLAND

FEARLESSLY  
FORWARD



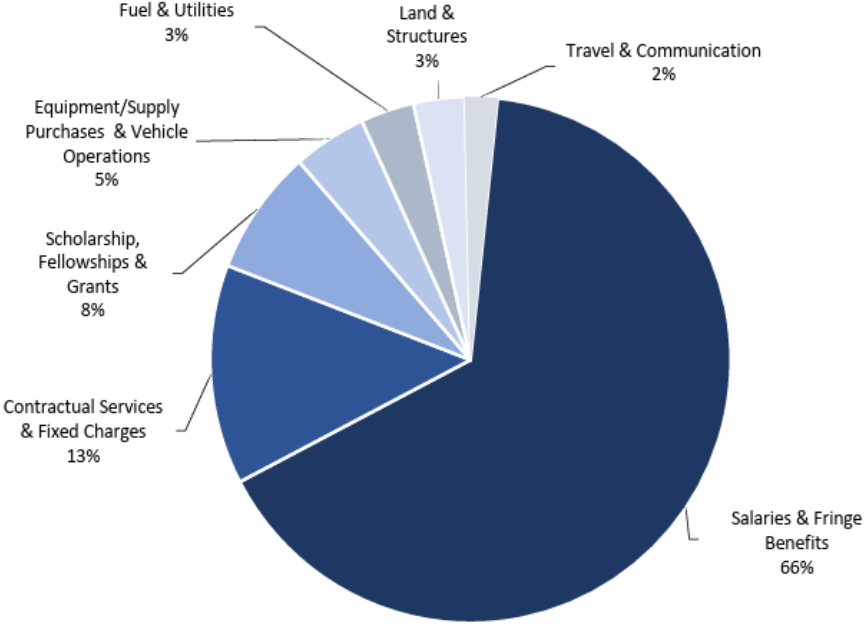
# Budget Activity (Periodic)

- Budget documents the plans & intentions for each Worktag (*Usource / Grant / Gift / Project*)
  - All Worktags must balance the Revenues/ Expenses they contain.
- Documentation occurs at the detailed spend code level
  - Accuracy improved by knowledge of historical timing of major activity (so periodic forecasting guides the likely spend/intake).
  - Majority of time spent by units aligns salaries to pay changes and/or updated funding source mix across Worktags.
- The budget is completed months before fiscal year begins, so the figures are open to variation between plan and outcome.



# Campus FY26 Budget by Expense Type

Expense Type	Budget	Description
Salaries & Fringe Benefits	\$1,961M	Salaries and wages for faculty, staff, and graduate assistants and their benefits, such as health, remissions, etc.
Contractual Services & Fixed Charges	\$403M	Subcontractors, maintenance and repair, printing and reproduction, insurance, interest of debt, rents
Scholarship, Fellowships & Grants	\$231M	Financial aid to students and fellowships
Equipment/Supply Purchases & Vehicle Operations	\$137M	Purchases for resale, office, instructional and research supplies and equipment purchases, vehicle fuel and maintenance
Fuel & Utilities	\$99M	Natural gas, electricity, water & sewer, steam
Land & Structures	\$95M	Transfers to Plant for facilities renewal, new construction, and reserves
Travel & Communication	\$60M	All travel, business meals, phone and networks, postage
Total Expenses: \$2,986M		



# Finance Activity (day-to-day)

## In-year financial management

- Automated processes – *Salary, Revenue (CCP), Financial Aid*
- Manual processes – *Procurements, Travel, Funding Transfers*
- Changing limits – *Budget Amendments, Journal Entries*
- Reporting – *Analysis of Spending Trends, Timing of Revenue, course corrections as reality assaults the budget plan*

*Workday* has altered these processes significantly, and the campus has experienced delays in the past year as a result



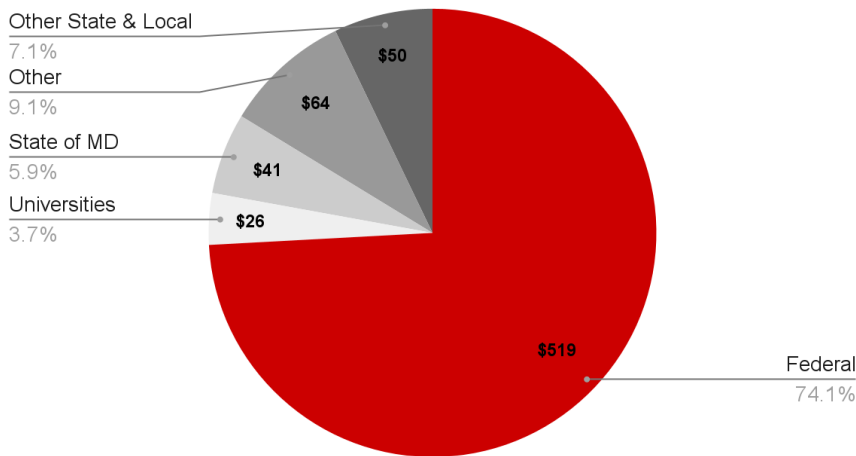
# FY26 Outlook

**With that base, what environment will you and your teams be administering in this year?**

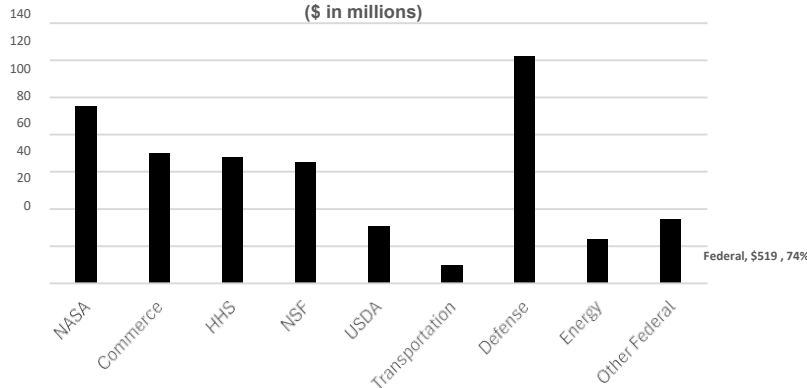


# Federal Budget Conditions

Grants & Contracts Components (in millions)



Federal Grants and Contracts Components (\$ in millions)



## **Research Funding: Federal Grants & Contracts**

Federal grants and contracts comprise  $\frac{3}{4}$  of the University's grant and contracts revenues.

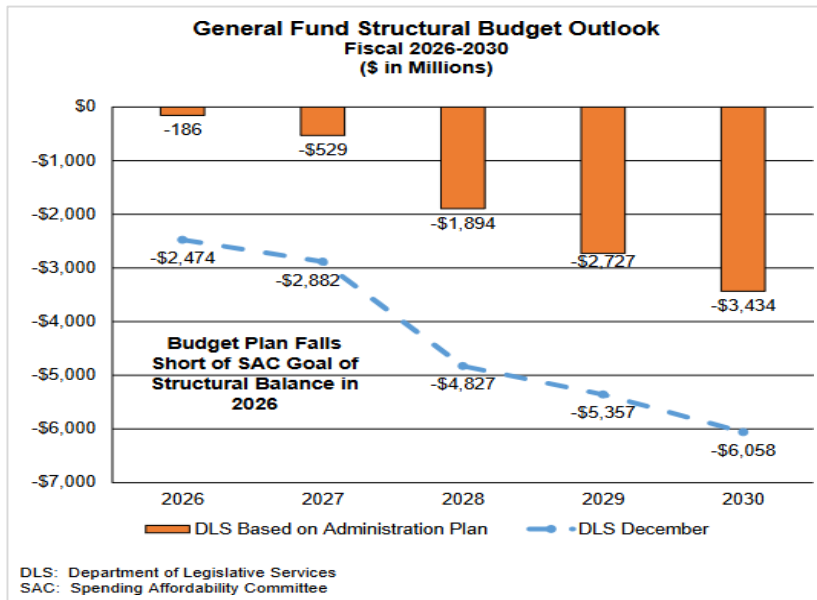
The University's portfolio is diversified across federal agencies with the Department of Defense comprising the largest percentage at 24%.

## **Key Risk**

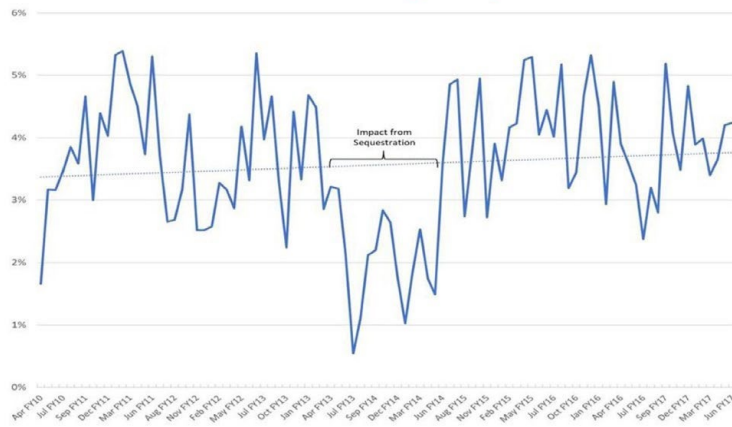
Current recovery of \$120M in IDC annually, half supporting infrastructure & half new research.

Lower IDC rate and/or fewer awards will result in changes on both fronts. Full direct charging will imperil discretionary lab/equipment investments

# Maryland Budget Conditions



## Sequestration Impact - Withholding Revenues Six-Month Moving Average



Source: Bureau of Revenue Estimates

- State solved FY26 \$3 billion problem, but it recurs in 3 years without further action.
  - Caused by higher mandated spending than MD's slow economic growth
- Highly vulnerable state revenue/spend to federal activity
  - Both in from tax collection side and program replacement costs (Medicaid)

# Campus Budget Conditions

- FY26 State reductions:
  - **\$42 million** - 5%, reductions were allocated to the colleges and units.
  - **\$17 million** - 2%, these reductions were not assigned to colleges and units.
  - DBM is holding \$35 million for FY26 COLA, merit & longevity, which were distributed to employees.
- Campus Budget Actions on State-Supported Operations
  - **Reduced Personnel spending by \$23 million**, through the elimination of itemized vacancies (\$9.2 million), Graduate Assistants (\$7.8 million), Student Wages / Contractual (\$2 million) and their related fringe benefits of \$4 million
  - **Reduced Operating Expense by \$19 million** include contractual services (\$11 million), supplies / materials (\$3 million), travel (\$2 million) and other (\$3 million).





# Campus Budget Conditions (cont.)

- Revenue offsets:
  - a net increase of tuition (\$33 million) and other revenue streams including fees, sales and services (\$8 million) offsets some of the expense pressure.
  - *Indirect Cost recovery flat in the budget but will likely decline.*
- Like all other USM schools (besides USM's targeted approached not related to budget) **no campuswide layoffs** were required TO BALANCE THE BUDGET (assumes units follow budget).
- Beyond the budget cut, the campus also faces increased fiscal 2026 operating costs, including utilities increases (\$18 million) and ICA revenue sharing (\$20 million).



# Campus Budget Conditions (cont.)

- Our campus budget actions leaves a \$99 million “Surplus before Plant Transfers”, consistent with fiscal 2025, but prior commitments and personnel reductions limit our options for the use of incremental revenue to a much greater degree.
  - This surplus, less USM fund balance growth target (\$22.6 million), represents our annual funds available for investment in capital projects, vital facilities renovations, and large equipment purchases across the entire campus.
- **New financial condition:**
  - In the past, the university has had significant favorable budget variances, primarily driven by high vacancies that drove our ability to provide funding for large capital projects - Workday HCM / Finance, Network Refresh, etc.
  - This cushion is gone now. So, in FY26 we will need a concerted effort to meet our obligations, BEFORE any future hits to our budget are felt.



# Recommended Actions

- Frequently review revenue received against the amount budgeted
  - Under attained revenues are a frequent cause of deficits because they set the limit you plan to spend.
- Scrutinize all hiring, especially of permanent positions, to ensure they have been funded in the FY26 budget
  - Both the amount of funding and the proper fund source should support them to avoid problems down the line.
- Limit discretionary spending to enable investments in core activities that either maintain quality of existing services or build attractive new programs that serve students and the mission
  - Ensure all decision makers in your areas support department and college strategic goals given increasing scarcity of funds.



