

R30B26
Frostburg State University
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Approp</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03-04</u> <u>Change</u>	<u>FY 03-04</u> <u>% Change</u>
General Funds	\$28,660	\$28,751	\$26,302	-\$2,449	-8.5%
FY 2003 Cost Containment	0	-1,035	0	1,035	
Contingent & Back of Bill Reductions	0	-1,414	0	1,414	
Adjusted General Funds	\$28,660	\$26,302	\$26,302	\$0	0.0%
Other Unrestricted Funds	37,039	38,608	41,374	2,766	7.2%
Total Unrestricted Funds	\$65,699	\$64,911	\$67,677	\$2,766	4.3%
Restricted Funds	7,142	6,624	6,624	0	0.0%
Adjusted Grand Total	\$72,841	\$71,535	\$74,301	\$2,766	3.9%

- Fiscal 2003 general funds are reduced \$2.5 million for cost containment.
- The fiscal 2004 general fund allowance does not increase from the fiscal 2003 working appropriation after cost containment.
- Other unrestricted funds increase 7.2%, or \$2.8 million, while restricted funds remain the same as fiscal 2003.

Personnel Data

	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Working</u>	<u>FY 04</u> <u>Allowance</u>	<u>Change</u>
Regular Positions	680.50	673.50	651.50	-22.00
Contractual FTES	159.80	165.40	158.30	-7.10
Total Personnel	840.30	838.90	809.80	-29.10

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	16.03	2.46%
Positions Vacant as of 09/31/02	34.50	5.12%

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

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- The abolished regular positions are largely administrative and have been vacant throughout fiscal 2003.
- Seven vacant contractual positions are abolished.

Analysis in Brief

Major Trends

Second Year Retention Rate Remains High: FSU continues to retain all students, including minority students and African American students, at a rate higher than its peers.

Nearly All Teacher Education Graduates Work in Maryland: Over 90% of FSU's teacher education graduates have stayed to work in Maryland since 2001; this trend is expected to continue for 2003 and 2004 graduates.

Recommended Actions

1. Concur with Governor's allowance.

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Operating Budget Analysis

Program Description

Frostburg State University (FSU) is a regional, largely residential university. The university attracts students from across Maryland and nearby states. Approximately half of FSU's students are from Allegany, Garrett, Washington, and Frederick counties. Students rank in the top one-third of their high school or community college class.

Academic programs at the baccalaureate and master's level build upon a strong liberal arts foundation and are responsive to regional and State needs. Degree programs emphasize education, business, environmental studies, and the creative and performing arts. Excellence in teaching, a core value at the university, is evidenced through the university's strong faculty.

FSU is dedicated to contributing to the emerging workforce needs of the State in information technology and teaching, seeking to expand undergraduate and graduate programs in these areas. FSU also promotes economic development in western Maryland, working with Allegany County to attract businesses and to provide a solid workforce.

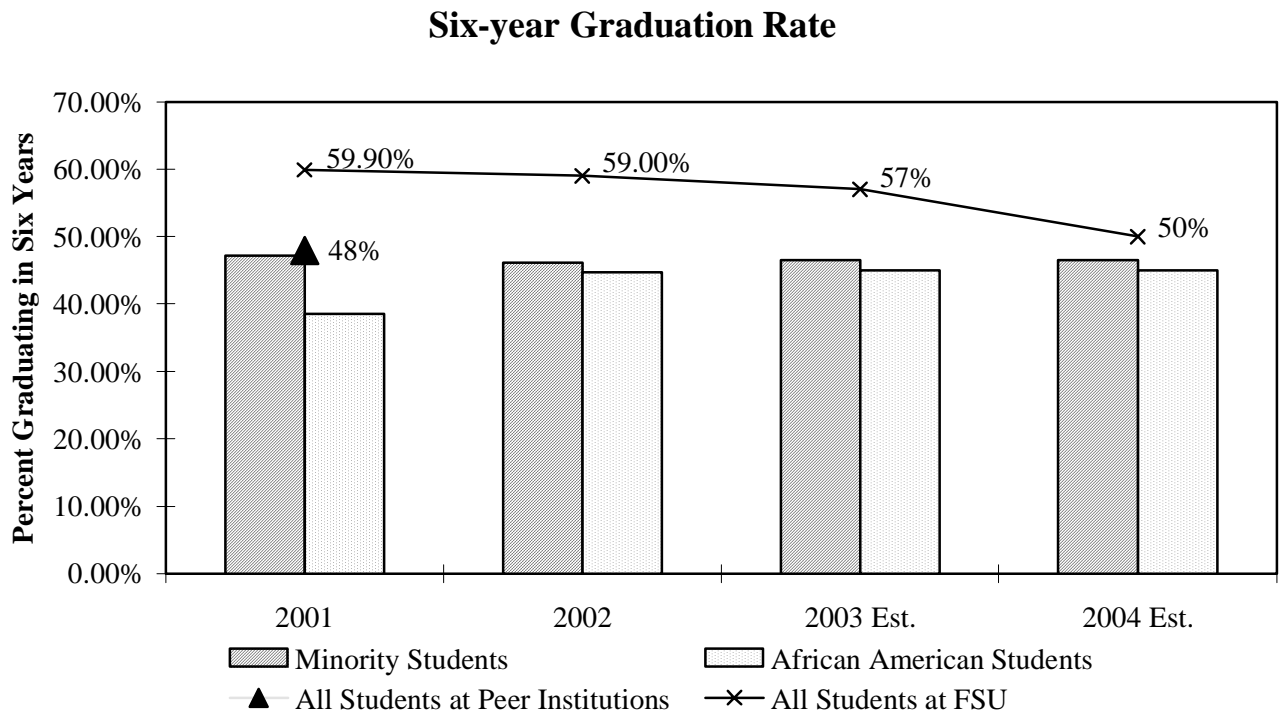
Performance Analysis: Managing for Results

The performance measures for Maryland's four-year public colleges and universities focus on graduation and retention rates for all students and African American students. Due to the shortage of workers in critical fields such as nursing and teaching, higher education institutions are placing importance on tracking students graduating from and entering the workforce in those fields. The following discussion of performance measurements tracks progress over a period of years and compares FSU to its nationwide peer group.

Exhibit 1 depicts Frostburg’s six-year graduation rate for all students, African American students, and minority students. In comparison to its peers, FSU has the third highest graduation rate for all students. The university’s six-year graduation for African American students is 6% higher than the peer average. Exhibit 1 shows the following:

- The six-year graduation rate of African American students is catching up to that of all minority students at FSU; and
- FSU’s graduation rate surpassed its peer average by more than 10% in 2001.

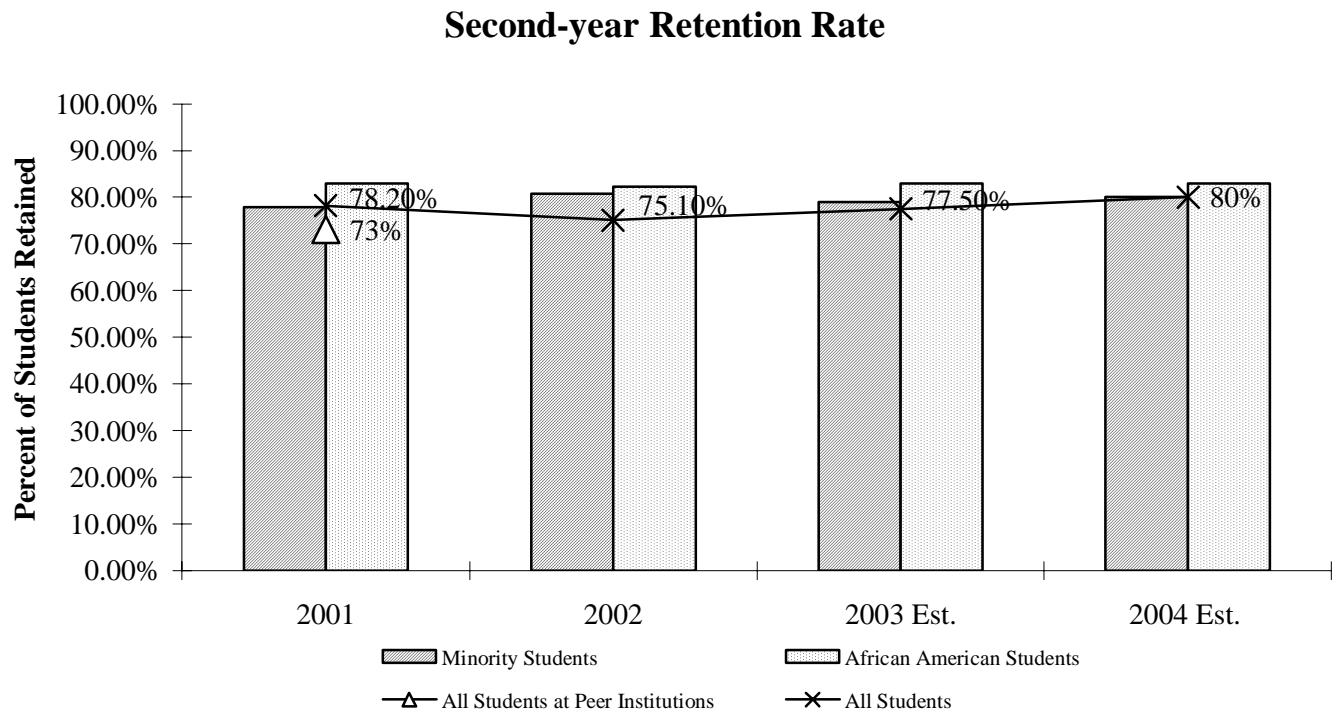
Exhibit 1



Source: Frostburg State University

FSU also exceeds the average of its peers for second-year retention rates for all students. The retention rates for all students, African American students, and minority students are similar, as shown in **Exhibit 2**. After a small decline from 2001 to 2002 the retention rate for all students is expected to increase 5% between 2003 and 2004. FSU's goal is for the retention of all students to be at 80% by 2004.

Exhibit 2

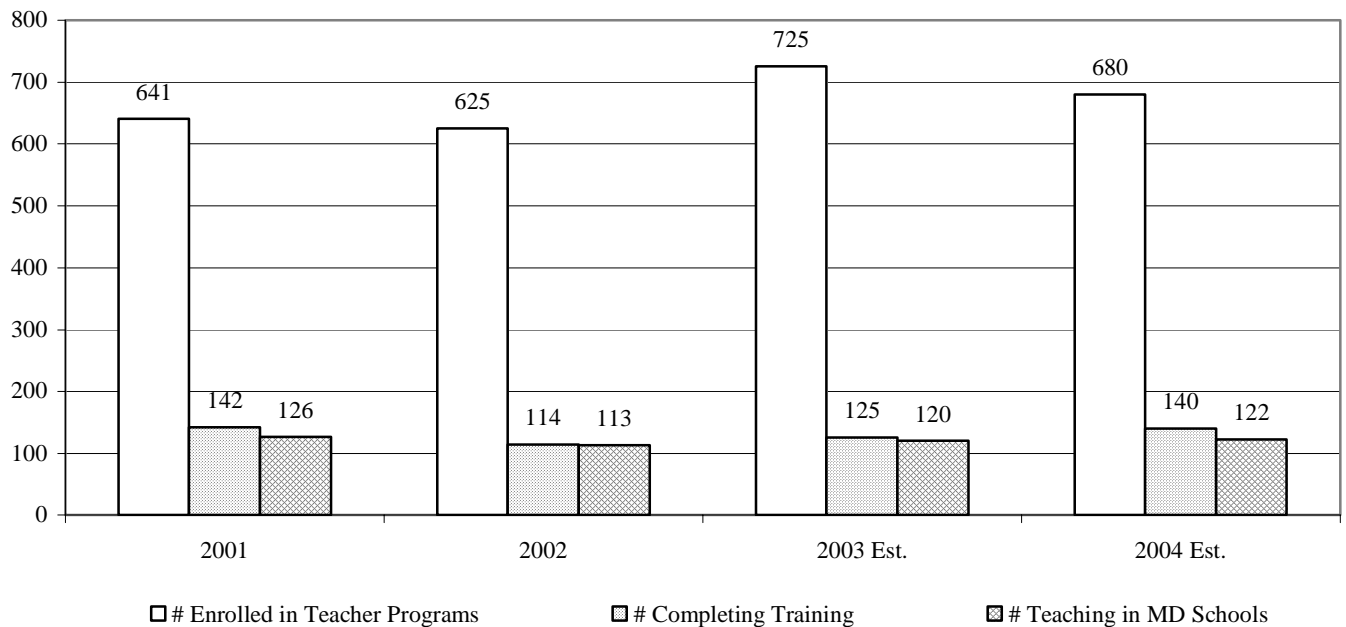


Source: Frostburg State University

FSU is one of the few universities that track the number of teacher education enrollees as well as graduates and the number employed in Maryland. Over 90% of the university’s teacher education graduates have been employed in Maryland for the last two years; this trend is expected to continue in 2003 and 2004. **Exhibit 3** shows the number of students enrolled, graduating, and working in Maryland. While the ratio of graduates working in Maryland is extremely high, only about 15% to 20% of enrollees actually complete the teacher education program. **The Department of Legislative Services (DLS) recommends the President discuss measures the university could take to increase the retention rate in the teacher education program.**

Exhibit 3

Teacher Education Enrollees Compared with Graduates



Source: Frostburg State University

Fiscal 2003 Actions

Impact of Cost Containment

Fiscal 2003 cost containment actions will reduce FSU's budget by \$2.5 million, or 8.5%. The first round of cost containment approved by the Board of Public Works on January 8, 2003, reduced the appropriation by \$1.035 million. Governor Robert Ehrlich has proposed an additional \$1.4 million reduction. Some of the cost containment savings were achieved through the following measures:

- savings from holding ten full-time positions vacant through fiscal 2003 and furloughing all full-time employees up to four days (\$1,000,000);
- delaying the purchase of a new vehicle (\$20,000);
- reducing equipment budgets for academic and institutional support (\$50,000);
- reducing contractual services related to the implementation of the PeopleSoft system (\$102,000);
- freezing part-time employment in all areas of the institution (\$256,000);
- delaying equipment purchases for the new Compton Science Center (\$443,000); and
- other operating expenditures (\$125,000).

The remainder of the reductions – 18% – will be supplemented by the mid-year tuition increase, which is expected to generate approximately \$447,000.

Governor's Proposed Budget

The fiscal 2004 allowance for FSU is approximately \$74 million, an increase of \$2.8 million, or 3.9% over the revised fiscal 2003 working appropriation. The general fund allocation of the allowance is \$26 million, the same as the fiscal 2003 appropriation after cost containment. Other unrestricted funds increase by 7.2%, or \$2.8 million. Restricted funds do not increase over the fiscal 2003 appropriation. **Exhibit 4** shows the major changes in the fiscal 2003 allowance.

Exhibit 4

**Governor's Proposed Budget
Frostburg State University
(\$ in Thousands)**

	FY 02	FY 03	FY 04	FY 03-04	FY 03-04
	<u>Actual</u>	<u>Approp</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$28,660	\$28,751	\$26,302	-\$2,449	-8.5%
FY 2003 Cost Containment	0	-1,035	0	1,035	
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Adjusted General Funds	\$28,660	\$26,302	\$26,302	\$0	0.0%
Other Unrestricted Funds	37,039	38,608	41,374	2,766	7.2%
Total Unrestricted Funds	\$65,699	\$64,911	\$67,677	\$2,766	4.3%
Restricted Funds	7,142	6,624	6,624	0	0.0%
Adjusted Grand Total	\$72,841	\$71,535	\$74,301	\$2,766	3.9%

Where It Goes:

Other Changes

Restoration of cost containment reductions (vehicle purchase, PeopleSoft implementation, and costs which will be funded through fund balance and tuition increases in fiscal 2003)	\$1,476
Operating expenses and equipment for the new Compton Science Center	492
Contractual services for construction management of Gunter Hall and the Compton Science Center	344
Fuel inflation and Columbus Center rent	125
Debt service on Academic Revenue Bonds (systemwide)	104
Personnel costs	73
Other	152
Total	\$2,766

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

Education and General Revenues Grow Despite Stagnant Enrollment Growth

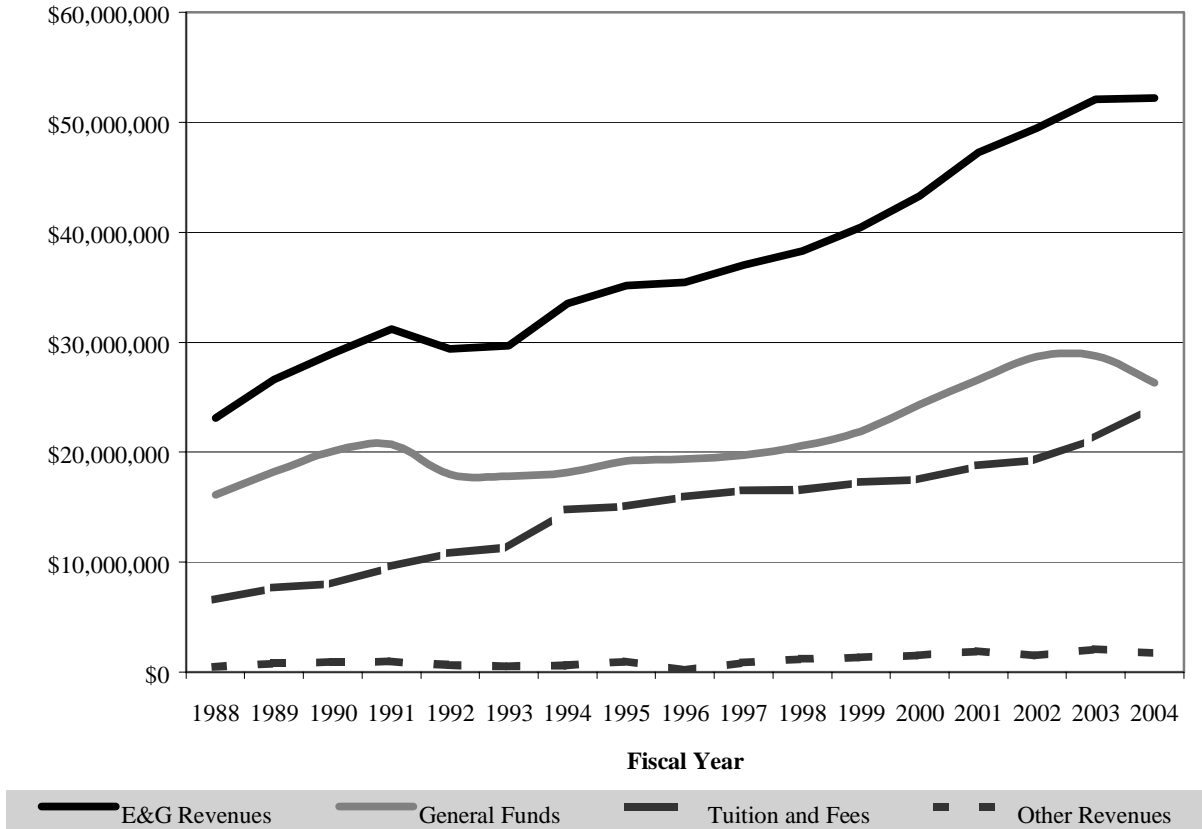
Exhibit 5 shows Education and General (E&G) revenues. E&G funds can be used to examine the primary, mission-related, operating revenues of an institution, excluding restricted funds over which the institution has little or no discretion. E&G funds also exclude auxiliary funds, used in non-core functions such as dining halls, athletics, and dormitories. As shown in Exhibit 5, the E&G funds at FSU declined in fiscal 1992 and 1993; E&G funds rebounded in 1994 and have grown steadily ever since. However, overall E&G funding is relatively flat from fiscal 2003 to 2004.

Exhibit 5 also shows general fund support for FSU since 1988. Beginning in 1992, general fund support declined \$2.9 million over two years, from \$20.7 million in 1991 to \$17.8 million in 1993. State support did not rebound to pre-decline levels until fiscal 1998. On average, State support for FSU has increased 1.9% per year since 1990. No increase is provided in fiscal 2004.

The third major portion of E&G revenue, tuition and fees, has increased steadily since 1998. This is the primary reason E&G revenues increased during the 1990s and continue to increase in fiscal 2003 and 2004. Despite efforts to moderate full-time, resident undergraduate tuition at the University System of Maryland (USM) institutions in the late 1990s, tuition and fee revenue at FSU has increased an average of 8.2% annually since 1990 and has never been flat or declined.

Exhibit 5

Education and General Revenues

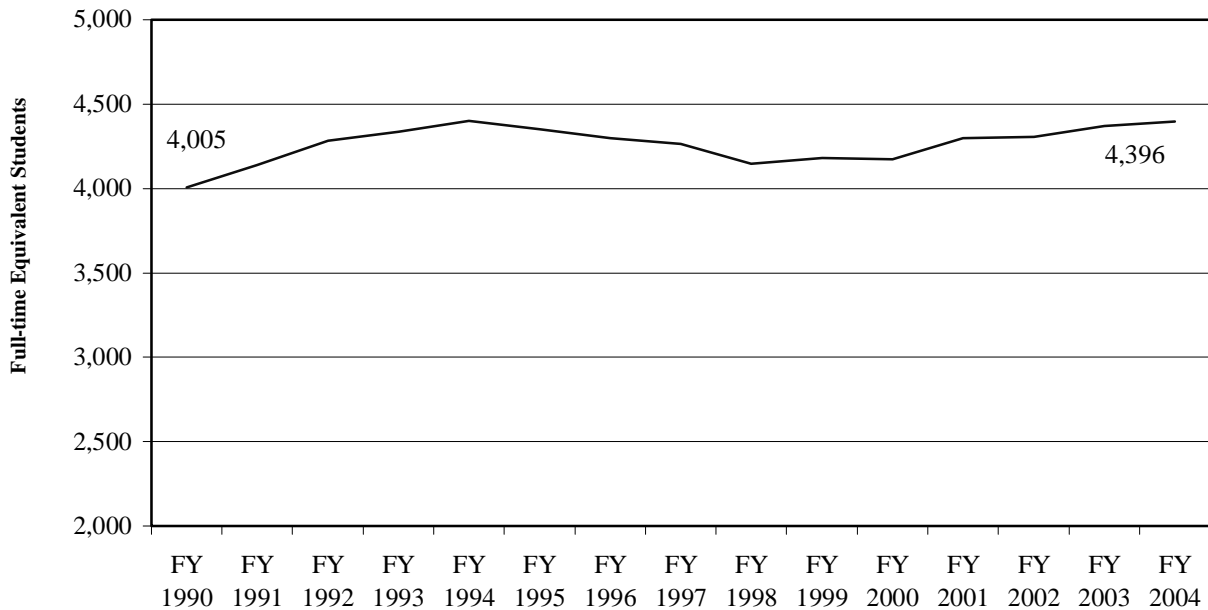


Source: Maryland State Budgets, 1990 through 2004

Exhibit 6 shows enrollment at FSU since fiscal 1990. Although enrollment has fluctuated between 4,000 and 4,500 full-time equivalent students (FTES), the average annual change is 0.7%. Despite nearly stagnant growth since 1990, State support and tuition and fees together have increased 4.3% on average annually.

Exhibit 6

**Enrollment Growth
Fiscal 1990 through 2004 Estimate**



Source: Frostburg State University

Tuition and Fees

Tuition and fee revenues for fiscal 2004 are expected to be \$22 million, a \$0.9 million, or 4.3% increase over fiscal 2003. FSU will implement a mid-year tuition increase of 5% that is expected to cost in-state students \$91 and out-of-state students \$182. The fiscal 2004 allowance assumes another 4% increase, bringing total tuition and fees for full-time in-state students to \$4,804, and the total for out-of-state students to \$10,842.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Frostburg State University (\$ in Thousands)

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$28,660	\$35,579	\$64,238	\$5,872	\$70,110
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	2,862	2,862	2,003	4,865
Reversions and Cancellations	0	-1,401	-1,401	-733	-2,134
Actual Expenditures	\$28,660	\$37,039	\$65,699	\$7,142	\$72,841
Fiscal 2003					
Legislative Appropriation	\$28,751	\$38,608	\$67,359	\$6,624	\$73,983
Budget Amendments	0	0	0	0	0
Cost Containment	-2,449	0	-2,449	0	-2,449
Working Appropriation	\$26,302	\$38,608	\$64,911	\$6,624	\$71,535

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

Fiscal 2002

Interest income was nearly \$400,000 under budget for fiscal 2002, as was cash carry-over for auxiliary and fuel and utilities, accounting for approximately \$1 million in reverted current unrestricted funds. The largest portion of reverted current restricted funds was budgeted for grants that were not received. The remainder of the reverted current restricted funds were related to the over-estimation of various student support services and project costs.

The fiscal 2002 budget amendment changes increased current unrestricted funds by \$2.9 million, due to higher than expected enrollment and an increase in the sale of educational and auxiliary revenues. FSU increased current restricted funds through an additional \$2 million in grants and contracts.

**Object/Fund Difference Report
USM - Frostburg State University**

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	680.50	673.50	651.50	-22.00	-3.3%
02 Contractual	159.80	165.40	158.30	-7.10	-4.3%
Total Positions	840.30	838.90	809.80	-29.10	-3.5%
Objects					
01 Salaries and Wages	\$ 39,353,281	\$ 40,088,725	\$ 39,946,487	-\$ 142,238	-0.4%
02 Technical & Spec Fees	6,882,176	7,280,010	6,837,007	-443,003	-6.1%
03 Communication	875,359	971,682	971,682	0	0%
04 Travel	742,718	673,204	673,204	0	0%
06 Fuel & Utilities	1,946,331	2,163,580	2,263,613	100,033	4.6%
07 Motor Vehicles	284,572	352,496	352,496	0	0%
08 Contractual Services	6,534,115	6,656,356	7,000,868	344,512	5.2%
09 Supplies & Materials	4,322,916	4,518,333	4,582,490	64,157	1.4%
10 Equip - Replacement	53,837	260,761	346,315	85,554	32.8%
11 Equip - Additional	1,707,529	2,140,365	2,140,594	229	0%
12 Grants, Subsidies, Contr	5,638,518	5,258,315	5,338,315	80,000	1.5%
13 Fixed Charges	2,551,160	2,804,373	3,032,567	228,194	8.1%
14 Land & Structures	1,948,755	815,000	815,000	0	0%
Total Objects	\$ 72,841,267	\$ 73,983,200	\$ 74,300,638	\$ 317,438	0.4%
Funds					
40 Unrestricted Fund	\$ 65,699,385	\$ 67,359,394	\$ 67,676,832	\$ 317,438	0.5%
43 Restricted Fund	7,141,882	6,623,806	6,623,806	0	0%
Total Funds	\$ 72,841,267	\$ 73,983,200	\$ 74,300,638	\$ 317,438	0.4%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

**Fiscal Summary
Frostburg State University**

<u>Unit/Program</u>	<u>FY 02 Actual</u>	<u>FY 03 Legislative Appropriation</u>	<u>FY 03 Working Appropriation</u>	<u>FY 02 - 03 % Change</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 % Change</u>
01 Instruction	\$ 22,838,377	\$ 23,765,817	\$ 24,692,888	8.1%	\$ 24,207,382	-2.0%
03 Public Service	3,812,154	3,272,034	3,233,543	-15.2%	3,233,543	0%
04 Academic Support	6,229,813	6,072,934	6,033,894	-3.1%	5,748,909	-4.7%
05 Student Services	3,273,260	3,011,879	2,997,384	-8.4%	2,943,968	-1.8%
06 Institutional Support	8,439,588	8,087,963	8,401,485	-0.5%	8,614,335	2.5%
07 Operation and Maintenance of Plant	5,941,491	6,461,435	6,458,570	8.7%	7,294,573	12.9%
08 Auxiliary Enterprises	16,368,628	16,471,212	16,573,420	1.3%	16,585,912	0.1%
17 Scholarships and Fellowships	5,937,956	4,771,485	5,592,016	-5.8%	5,672,016	1.4%
Total Expenditures	\$ 72,841,267	\$ 71,914,759	\$ 73,983,200	1.6%	\$ 74,300,638	0.4%
Unrestricted Fund	\$ 65,699,385	\$ 66,042,993	\$ 67,359,394	2.5%	\$ 67,676,832	0.5%
Restricted Fund	7,141,882	5,871,766	6,623,806	-7.3%	6,623,806	0%
Total Appropriations	\$ 72,841,267	\$ 71,914,759	\$ 73,983,200	1.6%	\$ 74,300,638	0.4%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.