

R30B26
Frostburg State University
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 05-06</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$24,409	\$24,839	\$26,027	\$1,188	4.8%
Other Unrestricted Funds	43,922	45,284	47,165	1,881	4.2%
Total Unrestricted Funds	68,331	70,122	73,192	3,069	4.4%
Restricted Funds	5,921	6,888	6,888	0	
Total Funds	\$74,252	\$77,010	\$80,079	\$3,069	4.0%
Contingent & Back of Bill Reductions					
Adjusted Total	\$74,252	\$77,010	\$80,079	\$3,069	4.0%

- General funds increase \$1.2 million, or 4.8%, in the fiscal 2006 allowance.
- Other unrestricted funds grow mostly from a tuition and fee revenue increase of \$1.8 million, which is 6.5% above the fiscal 2005 level.

Personnel Data

	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 05-06</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	651.50	654.50	653.00	-1.50
Contractual FTEs	<u>169.60</u>	<u>181.10</u>	<u>184.00</u>	<u>2.90</u>
Total Personnel	821.10	835.60	837.00	1.40

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	14.56	2.23%
Positions Vacant as of 12/31/04	44.00	6.70%

- The fiscal 2006 allowance includes 1.5 fewer regular positions and 2.9 additional contractual positions.

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

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Analysis in Brief

Major Trends

Teacher Graduates Employed in State Decline: The number of students enrolled in teacher education programs has leveled off since fiscal 2003, and the number completing teacher training has declined. Despite these trends, Frostburg State University (FSU) expects to meet its objective for teacher graduates employed in Maryland.

On-line Courses Help Speed Time to Degree: FSU launched an on-line education program in summer 2003. In summer 2004, FSU offered 32 graduate and undergraduate courses on-line and enrolled 398 students.

Academic Program Recognition Measures on Track: The number of programs awarded professional accreditation and student pass rates on the teacher certification exam are on track.

Retention and Graduation Rates below USM Average but Better Than Peers: Two-year retention and six-year graduation rates – for African American students as well as all undergraduate students – show some cause for concern. However, FSU is performing better than its peers on these measures.

Issues

Plans Set for Achieving Administrative and Academic Efficiencies: The University System of Maryland (USM) has begun an ambitious efficiency initiative. FSU's share of the administrative cost savings in fiscal 2006 is \$515,344. Academic efficiencies are expected to support 43 additional students through fiscal 2008 at no cost to the State. Faculty workload increases are a key part of USM's academic efficiencies, but workload at FSU already was near the top of the Board of Regents' range in fiscal 2004.

Affordability in Spotlight at FSU and Across USM: Tuition and fee increases at FSU outpace the USM average in fiscal 2006. FSU institutional financial aid focuses on merit.

Selected Executive Salaries Vary as Compared to Median; Mid-level Administrative Salaries Are Below Median: Three of the five selected executive salaries are above the national median, and two are below. The two selected mid-level salaries reported by FSU are below the regional median.

Personnel Level Rebounds; Share of Instructional Personnel Holds Steady: The total FSU workforce has almost regained the level it was before cost containment measures of the last several

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years. Instructional personnel – who fulfill the institution’s core mission – account for a slightly larger share of the total since fiscal 2002.

Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds: USM’s credit rating was downgraded in 2004, so the system has begun a plan to improve institutions’ ratio of fund balance to debt. In FSU’s case, fund balance has grown nearly \$3 million since fiscal 1999. Facilities maintenance needs are also putting pressure on unrestricted funds, with needs estimated at \$6 million over the next 10 years.

Recommended Actions

1. Concur with Governor’s allowance.

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R30B26
Frostburg State University
University System of Maryland

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.

FSU helps meet the workforce needs of the State in information technology and teaching, and it is seeking to expand undergraduate and graduate programs in these areas. The institution also promotes economic development in Western Maryland by working with Allegany County to attract businesses.

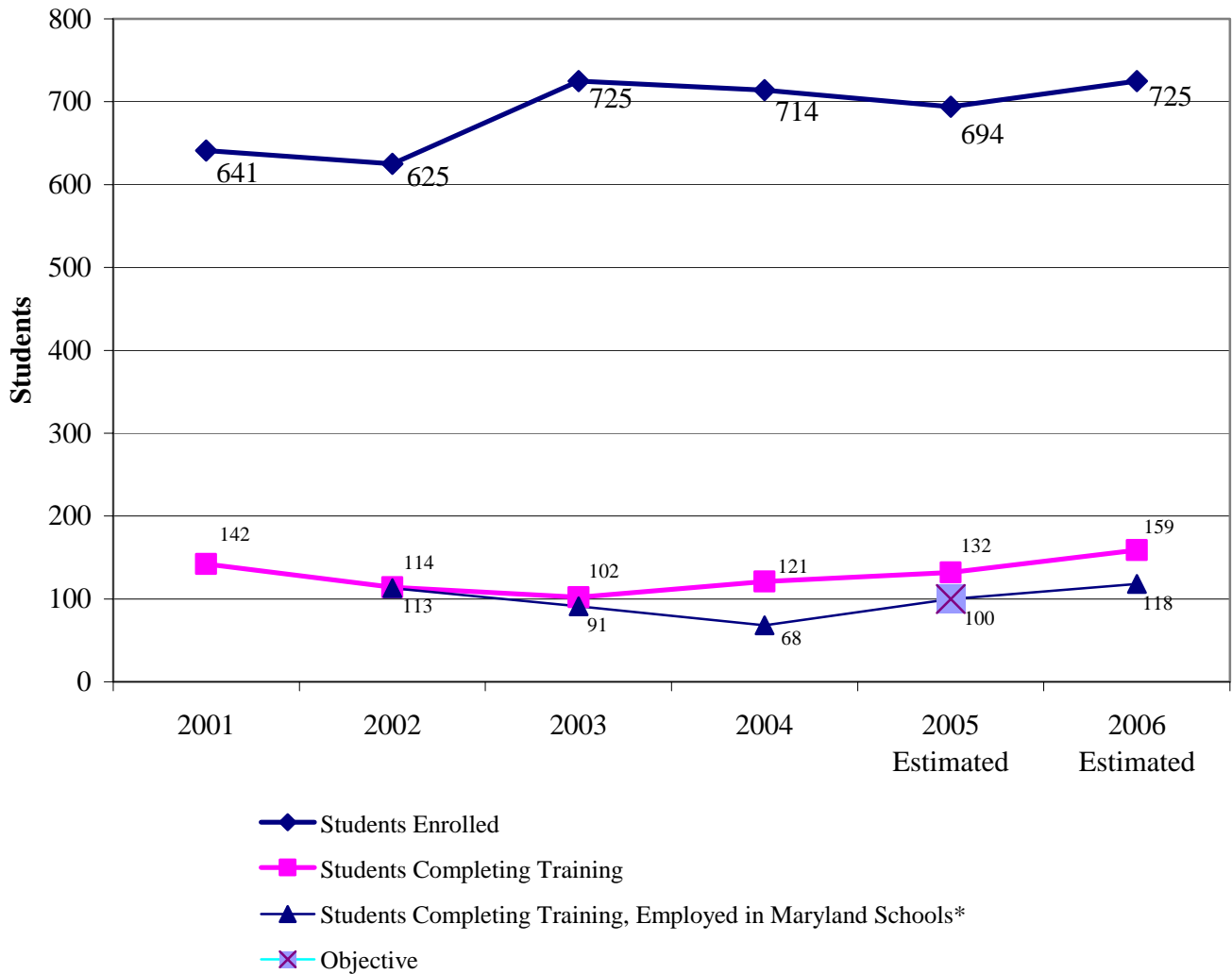
Performance Analysis: Managing for Results

Teacher Graduates Employed in State Decline

FSU's first goal is to meet critical workforce needs in the region and the State. Teaching is one of these workforce needs. The number of enrolled students in FSU teacher education programs has leveled off since fiscal 2003, as shown in **Exhibit 1**. FSU reports that its recent work with regional community colleges to develop Associate of Arts in Teaching (AAT) degrees, and its orientation course for prospective education students should help boost enrollment. Results from the AAT effort are taking longer than FSU anticipated because many students have enrolled in the program part-time, which lengthens their time to degree.

The number of students completing teacher training declined from fiscal 2001 to 2003. FSU reports that the decline is due to a relatively new requirement that students pass the Praxis I certification exam before their teacher training is complete. FSU expects this measure to improve since it is offering workshops, computer-based assistance, and workbooks to help students pass the exam. FSU expects to meet its 2005 objective of having 100 teacher education graduates employed in Maryland public schools.

Exhibit 1
Students Enrolled in and Graduating from Teacher Training Programs
Employed in Maryland Public Schools
Fiscal 2001 – 2006



* These data are obtained from a survey of graduates one year after they complete their degree and thus do not correspond directly with the students completing teacher training requirements from the same year. The data include new hires only.

Source: Maryland State Budget Books; University System of Maryland Office

On-line Courses Help Speed Time to Degree

FSU launched an on-line education program in summer 2003 to help students speed their time to degree completion. On-line courses are particularly helpful to FSU students because many of them do not stay in the area during summer and intersession (the time between fall and spring semesters), so they can continue to work on their degrees remotely. In summer 2004, FSU offered 32 graduate and undergraduate courses on-line and enrolled 398 students. In the 2005 intersession, 262 students enrolled in 17 on-line courses.

Academic Program Recognition Measures on Track

FSU also has a goal to increase recognition for its academic programs. As one measure of performance on this goal, the institution aims to increase the number of programs awarded professional accreditation to four by fiscal 2005. FSU achieved this objective in 2003 and is on track to have seven programs professionally accredited in 2006.

As another eminence measure, FSU tracks pass rates on the teacher certification exam. The undergraduate pass rate was 96% in fiscal 2004 and is expected to be 98% in 2005, which would match the 2005 objective. The post-baccalaureate pass rate was 100% in 2004.

Retention and Graduation Rates below USM Average but Better Than Peers

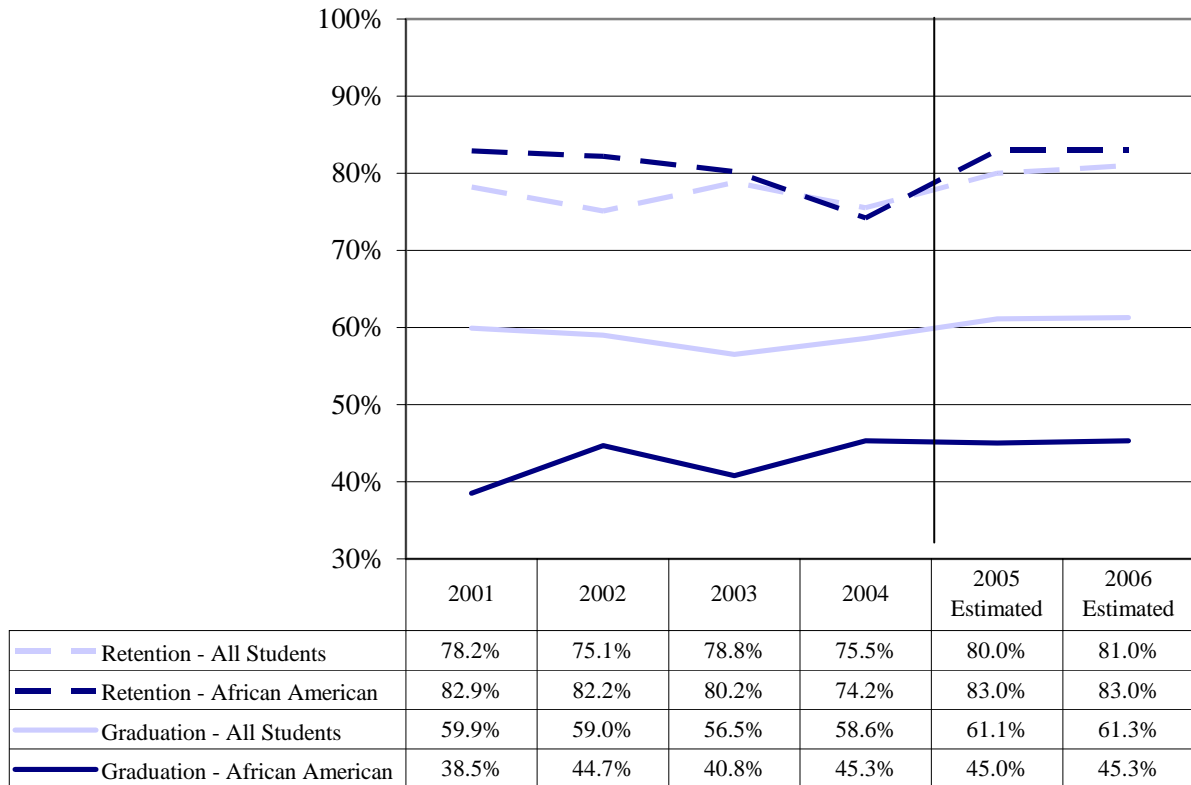
Another goal of FSU is to increase campus diversity to more closely approach the racial, ethnic and gender composition of the State. The proportion of African American students enrolled at FSU was 12.3% in fiscal 2004, which is nearly the same as the objective of 12.6%.

Two-year retention and six-year graduation rates – for African American students as well as all undergraduate students – show some cause for concern, as reflected in **Exhibit 2**. Retention rates for African American students have dropped since fiscal 2001. In fiscal 2004, the rate was 74.2%, which is slightly below the University System of Maryland (USM) average of 77% and is markedly below the FSU 2005 objective of 83%. Retention rates for all students have been uneven since 2001. In 2004, FSU's retention rate was 75.5% for all students, while the USM average was 85%. Interestingly, the retention rate for African American students historically has been higher than the rate for all students.

Graduation rates for all students dropped in fiscal 2003 but regained some ground in 2004 to 58.6%. The USM average graduation rate for all students was 63% in 2004. Graduation rates for African American students have been uneven since 2001, but fiscal 2004 saw an upturn to 45.3%. Still, this was below the 2004 USM average of 48%.

Despite the fact that FSU is performing below the USM average in terms of retention and graduation rates, a March 2004 analysis of peer performance by the Maryland Higher Education Commission indicates that FSU is performing the same as or better than its peers on these measures.

Exhibit 2
Graduation and Retention Rates
All Students and African American Students
Fiscal 2001 – 2006



Source: Maryland State Budget Books

FSU reports that efforts such as its learning community program improve retention rates for all students, including African American students. Retention rates are set to rebound in fiscal 2005, possibly higher even than original estimates. **The President should comment on efforts to improve retention and graduation.**

Governor’s Proposed Budget

The general fund allowance for fiscal 2006 is \$1.2 million above the 2005 level, an increase of 4.8%, as shown in **Exhibit 3**. FSU reports that it intends to use the additional general funds for the library and health center, faculty salaries, on-line course technology, a new program to help transfer students, and conversion of contractual employees to regular status.

Exhibit 3
Governor’s Proposed Budget
University System of Maryland
(\$ in Thousands)

	FY 04	FY 05	FY 06	FY 05-06	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$24,409	\$24,839	\$26,027	\$1,188	4.8%
Other Unrestricted Funds	43,922	45,284	47,165	1,881	4.2%
Total Unrestricted Funds	68,331	70,122	73,192	3,069	4.4%
Restricted Funds	5,921	6,888	6,888		0.0%
Total Funds	\$74,252	\$77,010	\$80,079	\$3,069	4.0%

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

Other unrestricted funds in the allowance grow mostly from a tuition and fee revenue increase of \$1.8 million, which is 6.5% above the fiscal 2005 level. Considering all increases and decreases, other unrestricted funds increase \$1.9 million. Overall, the FSU budget increases 4.0%.

Budget changes in the allowance by program are shown in **Exhibit 4**. This exhibit considers only unrestricted funds, of which general funds and tuition and fee revenues are the majority. In the fiscal 2006 allowance, operation and maintenance of plant expenditures increase at the highest rate (11.9%). Operation and maintenance also increased at the highest rate when looking at expenditures from fiscal 2002 to 2005. FSU reports that these expenditures have increased to cover the costs of equipment for a newly-renovated building and rising utility costs.

Scholarships and fellowships increase at the second highest rate (10.3%) from fiscal 2005 to 2006. Instruction programs have the second lowest growth rate (1.8%). This differs from expenditure patterns from 2002 to 2005, where instruction growth outpaced scholarship and fellowship growth.

Exhibit 4
Frostburg State University
Budget Changes for Unrestricted Funds by Program
Fiscal 2002, 2005 and 2006
(\$ in Thousands)

	Fiscal 2002	Fiscal 2005	02-05 %	Fiscal 2006	05-06	05-06 %
	<u>Actual</u>	<u>Working</u>	<u>Change</u>	<u>Allowance</u>	<u>Change</u>	<u>Change</u>
Expenditures						
Instruction	22,772	25,341	11.3%	25,797	456	1.8%
Public Service	80	15	-81.4%	15		0.0%
Academic Support	6,224	5,964	-4.2%	6,314	350	5.9%
Student Services	3,246	3,081	-5.1%	3,210	128	4.2%
Institutional Support	8,432	7,494	-11.1%	8,026	532	7.1%
Operation and Maintenance of Plant	5,941	8,311	39.9%	9,301	990	11.9%
Scholarships and Fellowships	2,676	2,910	8.7%	3,210	300	10.3%
Education and General Total	\$49,371	\$53,116	7.6%	\$55,872	2,756	5.2%
Auxiliary Enterprises	16,328	17,007	4.2%	17,320	313	1.8%
Grand Total	\$65,699	\$70,122	6.7%	\$73,192	3,069	4.4%
Revenues						
Tuition and Fees	\$19,280	\$27,571	43.0%	\$29,354	1,782	6.5%
General Funds	28,660	24,839	-13.3%	26,027	1,188	4.8%
Other Unrestricted Funds	1,818	1,503	-17.3%	1,175	-328	-21.8%
Subtotal	\$49,758	\$53,913	8.3%	\$56,555	2,643	4.9%
Auxiliary Enterprises	16,275	\$16,532	1.6%	\$16,959	427	2.6%
Transfer (to)/from Fund Balance	-334	-322	-3.4%	-322		0.0%
Grand Total	\$65,699	\$70,122	6.7%	\$73,192	3,069	4.4%

Note: Unrestricted funds only. All programs.
Source: Maryland State Budget

Issues

1. Plans Set for Achieving Administrative and Academic Efficiencies

Given the continuing constrained State fiscal environment, the USM Board of Regents examined how the system can improve its efficiency. After more than a year of study, USM unveiled its efficiency and effectiveness plan in October 2004. The system will pursue more than a dozen initiatives beginning in fiscal 2006, and some of them will continue through 2008.

In its report, USM estimates fiscal effects for administrative and academic efficiency initiatives. Across USM institutions, administrative cost savings are expected to be \$17.1 million in fiscal 2006. These savings are built into the 2006 allowance, meaning estimates of mandatory cost increases would be \$17.1 million higher without the efficiency savings.

FSU's share of the administrative savings is estimated at \$515,344. To achieve these savings, FSU will eliminate the budget for its satellite location in Hagerstown, which is not needed since USM's new regional higher education center has opened there. Also, FSU will realize savings from changing its telecommunications provider for delivering distance education from Verizon to the USM Office. Finally, with the elimination of the USM technology service center, FSU will realize a savings from discontinued payments to support the center.

Academic Initiatives Estimated to Support 43 Additional Students at No Cost to State through 2008

To estimate the fiscal effects of academic initiatives, the USM Office identified the number of additional full-time equivalent students (FTES) each institution can serve with existing resource levels as a result of the efficiency efforts. This is in addition to increased enrollment supported with funds in the fiscal 2006 allowance. At FSU, the estimate is 43 additional FTES to be served at no cost to the State from fiscal 2006 to 2008, or 14 in 2006. (The actual number of additional FTES could vary in any given year of the three-year efficiency initiative.) This translates into \$254,775 in total cost avoidance, based on FSU's fiscal 2003 general fund support of \$5,925 per FTES, or \$84,925 for fiscal 2006. Since these are avoided costs, they are not reflected in the budget.

Faculty Workload at High End of Regents' Range

Most of the academic fiscal effects of USM's efficiency initiative will be realized through increases in faculty workload. FSU faculty workload increased in fiscal 2004 to the high end of the range approved by the Board of Regents. Tenured and tenure-track faculty taught 7.9 course units annually, as shown in **Exhibit 5**, compared to the Regents' target of 8 course units annually for these faculty. The workload average for USM comprehensive institutions as a whole was 7.5. FSU has outperformed the USM comprehensive average at least since fiscal 1999.

The President should comment on the challenges and opportunities provided by the efficiency initiatives. Since FSU already is at the high end of the Regents' instructional workload target range, the President should comment on other plans to achieve academic efficiencies.

Exhibit 5
Course Units Taught by FTE Tenured and
Tenure-track Faculty

	<u>1999-2000</u> <u>Courses/FTEF</u>	<u>2000-2001</u> <u>Courses/FTEF</u>	<u>2001-2002</u> <u>Courses/FTEF</u>	<u>2002-2003</u> <u>Courses/FTEF</u>	<u>2003-2004</u> <u>Courses/FTEF</u>
FSU	8.0	7.5	7.3	7.4	7.9
All USM Comprehensives	7.1	7.4	7.0	7.0	7.5

Notes:

Tenured and tenure-track faculty include those on sabbatical and exclude department charts.

The Board of Regents standard for instructional workload at comprehensive institutions is 7 to 8 course units annually.

FTEF = Full-Time equivalent faculty.

Source: University System of Maryland

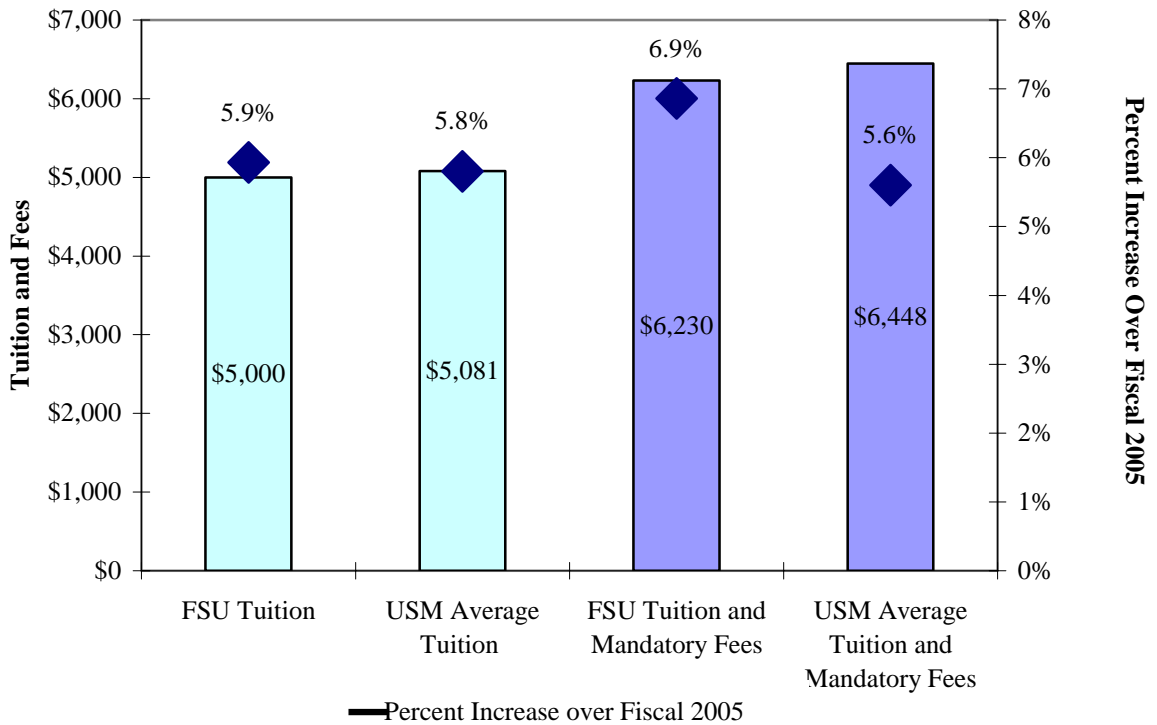
2. Affordability in Spotlight at FSU and Across USM

Affordability continues to be a concern for Maryland public higher education. In *Measuring Up 2004*, produced by the National Center for Public Policy and Higher Education, Maryland received an F in the affordability category (like many other states) after receiving a D– in 2002. The report measures whether students and families can afford to pay for a postsecondary education given income levels, financial aid, and the types of colleges and universities in the State.

Tuition and Fee Increases Outpace USM Average

A factor that directly affects affordability is tuition and fee rates. For fiscal 2006, the USM weighted average resident undergraduate tuition rate increases 5.8%, as shown in **Exhibit 6**. By comparison, FSU’s tuition rate increases 5.9%. Considering tuition together with mandatory fees, the USM weighted average increases 5.6%. FSU tuition and mandatory fees increase 6.9%.

**Exhibit 6
Frostburg State University
Tuition and Mandatory Fees for Resident Undergraduates
Fiscal 2006**



Note: University System of Maryland averages are weighted.

Source: University System of Maryland fiscal 2006 Board of Regents budget request.

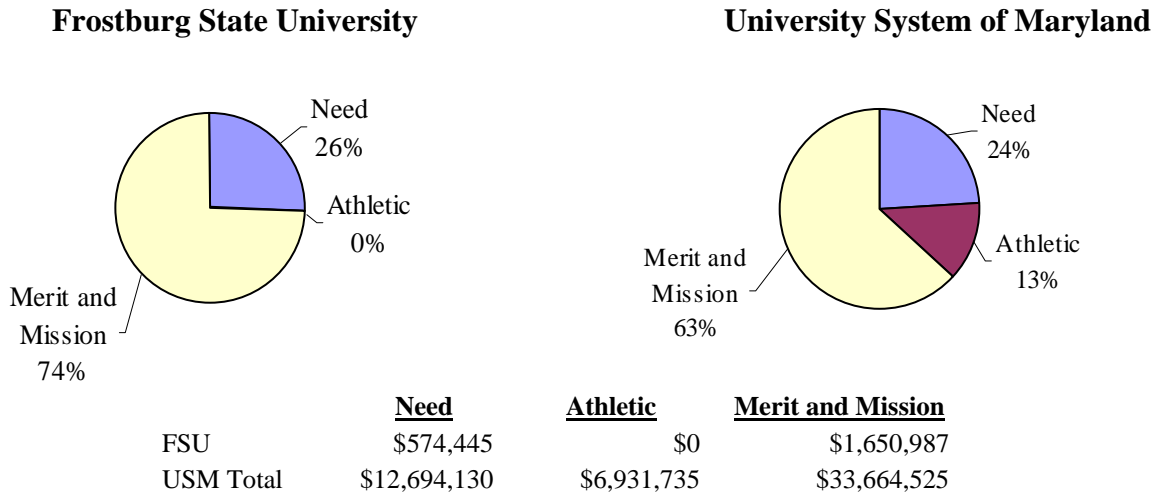
Institutional Aid Focuses on Non-need

Another factor that affects affordability is financial aid. Categories of institutional financial aid include merit, need, athletic, and mission. Data on funding amounts is available only in categories of need, athletic, and combined merit and mission. In summer 2004, the USM Chancellor convened a task force on financial aid, which found that much more aid should be directed to the need-based category.

At FSU, most institutional aid falls into the merit and mission category, and 26% goes to need, as shown in **Exhibit 7**. This is not too different from USM as a whole, where 63% of aid goes to the merit and mission category, 24% goes to need, and 13% goes to athletic. Institutional aid is one kind of aid students receive and may be accompanied by State and federal aid. **The President should comment on FSU’s future financial aid strategies.**

Analysis of the FY 2006 Maryland Executive Budget, 2005

**Exhibit 7
Institutional Financial Aid
Fiscal 2003**



Source: Maryland Higher Education Commission Financial Aid Information Systems report September, 2004

3. Selected Executive Salaries Vary as Compared to Median; Mid-level Administrative Salaries Are Below Median

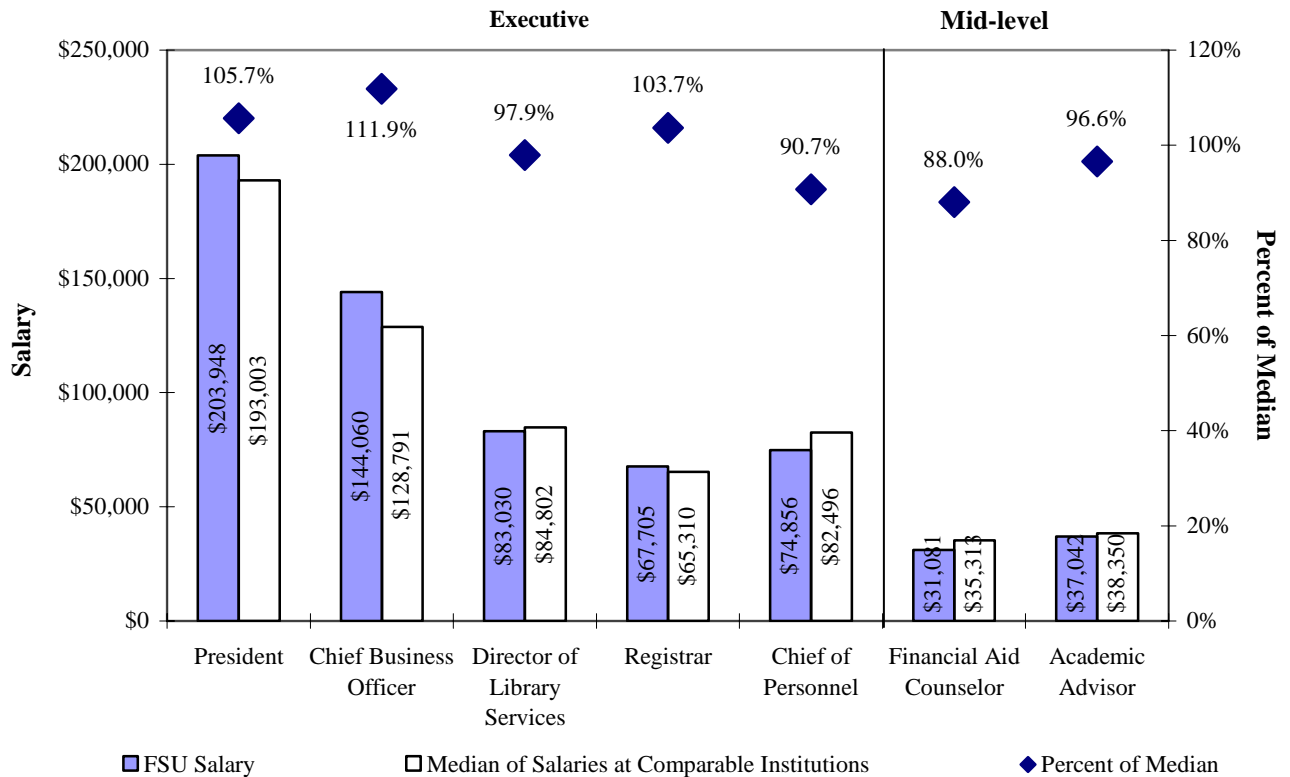
The Department of Legislative Services (DLS) analyzed salaries of selected administrative positions across all USM institutions. At FSU, three of the five selected executive salaries are above the national median and two were below. Systemwide, executive salaries tend to be above the median. The two selected mid-level salaries reported by FSU are below the regional median. Systemwide, mid-level positions tend to cluster near the regional median.

The analysis is based on fiscal 2004 salary survey data from the College and University Professional Association for Human Resources. USM uses these salary data for benchmarking, and DLS acquired the same data for an independent analysis. For the salary survey, about half the respondents are public institutions and about half are private institutions. As discussed in the USM Overview analysis, private institution average salaries are higher than those at public institutions, so USM likely is benchmarking against a higher paid group than its public peers.

Exhibit 8 shows the salary detail for FSU. Among the selected executive positions, the president, chief business officer, and registrar salaries are above the national median; however, these salaries fall within the target range set by the Board of Regents for executive positions, which is between the fiftieth percentile (which is the median) and the seventy-fifth percentile. The director of library services and chief of personnel salaries are below the median, and they also are below the Regents' target range.

For the selected mid-level positions, the financial aid counselor and the academic advisor are below the regional median and also below the Regents' target range. FSU did not report data for the third selected mid-level position of accountant.

**Exhibit 8
Frostburg State University
Administrative Salaries
Fiscal 2004**



Note: All selected Frostburg State University salaries are either within or below the Regents’ target range of the fiftieth to seventy-fifth percentile rank for executive positions and the sixtieth to seventieth percentile rank for mid-level positions.

Source: College and University Professional Association for Human Resources; Department of Legislative Services

FSU reports that its human resources office has contracted with a consultant to study salary issues, and a report is expected by summer 2005. **The President should comment on whether steps will be taken to address salaries that are outside the Regents’ target range.**

4. Personnel Level Rebounds; Share of Instructional Personnel Holds Steady

The total FSU workforce has almost regained the level it was before recent cost containment measures. In fiscal 2002, regular and contractual personnel totaled 840, and in 2005 the total is 837. These numbers include filled and unfilled positions.

Analysis of the FY 2006 Maryland Executive Budget, 2005

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FSU is carrying more vacant positions than called for in its fiscal 2005 budget. The budget allows for a vacancy rate of 3.7%, but FSU had a vacancy rate of 7.5% as of December 2004. FSU reports that it held open vacant positions until the fiscal 2006 budget was resolved in January 2005, and if the allowance holds as budgeted, it will act to aggressively fill vacancies.

The composition of FSU personnel has changed only slightly since fiscal 2002, as shown in **Exhibit 9** (the data in this exhibit are for filled regular positions only). Instructional personnel – who fulfill the institution’s core mission – account for a slightly larger share of total personnel. Furthermore, FSU’s proportion of instructional personnel (39%) is larger than the USM average (33%) in fiscal 2005. **The President should comment on FSU’s ability to hold the instructional share of personnel steady.**

Exhibit 9
Frostburg State University
Full-Time Equivalent Personnel by Budget Program
Fiscal 2002, 2004, and 2005

	Fiscal 2002		Fiscal 2004		Fiscal 2005		Change in Share of Total FY 02 – 05
	<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	238	38.7%	248	41.1%	237	39.2%	0.5%
Public Service	13	2.1%	14	2.3%	12	2.0%	-0.1%
Academic Support	60	9.8%	53	8.8%	58	9.6%	-0.2%
Student Services	41	6.7%	38	6.3%	40	6.6%	-0.1%
Institutional Support	107	17.4%	107	17.7%	105	17.4%	-0.1%
Operations and Maintenance of Plant	88	14.3%	80	13.3%	82	13.6%	-0.8%
Auxiliary	67	10.9%	63	10.4%	70	11.6%	0.7%
Total	614	100.0%	603	100.0%	604	100.0%	

Notes: Data are for filled positions only.
 Fiscal 2002 and 2004 data are self-reported and unaudited as of summer 2003.
 Fiscal 2005 data are self-reported and unaudited as of summer 2004.

Source: Frostburg State University

Vacancies Cause Non-Exempt Personnel to Be Largest Share of Total

DLS also reviewed personnel by faculty, exempt, and non-exempt categories. At FSU, faculty account for 35% of the fiscal 2005 total. FSU is slightly below the USM average (38.4%) in terms of faculty. Exempt personnel, who generally are higher-paid administrators and managers and are exempt from overtime pay, make up 24% of staff at FSU. For USM as a whole, exempt personnel account for 31.6% of the total.

Non-exempt personnel have the largest share of FSU's total, at 41.7%. FSU reports that many of its vacancies are for faculty and exempt positions, which makes the non-exempt personnel share of the total larger than it otherwise would be.

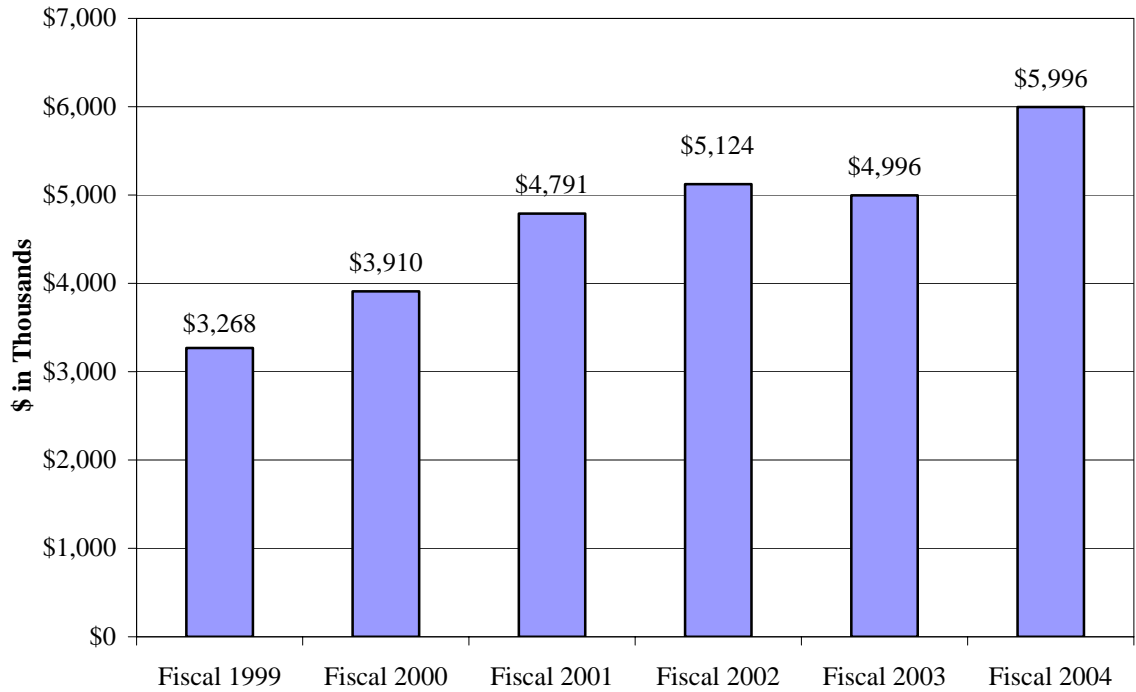
5. Fund Balance and Facilities Maintenance Put Pressure on Unrestricted Funds

Fund balance is an important part of the assets against which debt is issued. In May 2004, Standard & Poor's Rating Services lowered the rating on USM debt from AA+ to AA. In response, USM has a systemwide program to improve the ratio of fund balance to debt. As shown in **Exhibit 10**, FSU's fund balance has grown from \$3.3 million in fiscal 1999 to \$6 million in 2004. Institutions can build up fund balance by not spending all of their unrestricted funds. This, however, is a difficult choice because it means a lost opportunity to spend funds on programs.

Facilities maintenance needs also are putting pressure on unrestricted funds. Systemwide the backlog for facilities maintenance and renewal projects is estimated at \$1.7 billion. At FSU, projects that need to be addressed within five years are estimated at \$3 million, and projects that need to be addressed within the next five years are estimated at another \$3 million.

A 1992 Regents' policy states that each year, system institutions are supposed to set aside funds for maintenance in their operating budgets equal to 2% of the replacement value of all capital assets. Systemwide, the spending is about 0.63%, and at FSU, the spending was 1.0% in fiscal 2004. This includes operating funds as well as the capital funds that are channeled through the USM office. **The President should comment on the outlook for contributing unrestricted funds to fund balance and facilities maintenance.**

**Exhibit 10
Frostburg State University
Unrestricted Fund Balance
Fiscal 1999 – 2004**



	<u>Fiscal 1999</u>	<u>Fiscal 2000</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
Fund Balance	\$3,267,546	\$3,909,964	\$4,790,708	\$5,124,225	\$4,996,039	\$5,996,070
Change		\$642,418	\$880,744	\$333,517	-\$128,186	\$1,000,031

Note: Amounts reflect ending fund balances.

Source: Maryland State Budget Books

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 2004					
Legislative Appropriation	\$25,779	\$41,727	\$67,506	\$6,624	\$74,130
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	2,311	2,311	578	2,889
Cost Containment	-1,370	0	-1,370	0	-1,370
Reversions and Cancellations	0	-116	-116	-1,281	-1,397
Actual Expenditures	\$24,409	\$43,922	\$68,331	\$5,921	\$74,252
Fiscal 2005					
Legislative Appropriation	\$24,400	\$44,814	\$69,214	\$6,624	\$75,837
Budget Amendments	439	470	909	264	1,173
Working Appropriation	\$24,839	\$45,284	\$70,122	\$6,888	\$77,010

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

Fiscal 2004

FSU's general funds were reduced \$1.4 million through the Governor's July 2003 cost containment action. Other unrestricted funds increased \$2.3 million through budget amendments.

Of this net amount, increases include \$1.1 million from tuition revenues and \$1.7 million from auxiliary enterprises due to a room and board rate increase. Decreases include interest income that was \$0.2 million lower than expected and \$0.3 million to represent the amount of the General Assembly's general fund reduction in fiscal 2004. This amount was not originally deducted from the total unrestricted fund appropriation so an adjustment was needed. At the end of fiscal 2004, FSU cancelled \$0.1 million in unrestricted funds to align amounts with actual expenditures.

FSU increased restricted funds \$0.6 million through budget amendments. At the end of fiscal 2004, \$1.3 million in these funds were cancelled due to lower than expected spending of various grants and contracts.

Fiscal 2005

For fiscal 2005, FSU general funds increased \$0.4 million for the State employee cost-of-living increase. Other unrestricted funds have increased \$0.4 million through budget amendment, mostly from auxiliary enterprises. Restricted funds have increased \$0.2 million, mostly from federal grants and contracts.

Audit Findings

Audit Period for Last Audit:	September 1, 1999 – June 30, 2002
Issue Date:	January 2003
Number of Findings:	9
Number of Repeat Findings:	1
% of Repeat Findings:	11%
Rating: (if applicable)	

Finding 1: **Disbursements: Proper internal control was not established over certain disbursement transactions.**

Finding 2: Corporate purchasing cards: Sufficient administrative controls were not established over the issuance of corporate purchasing cards.

Finding 3: Information systems: Poor network architecture and inadequate firewall rules exposed the university's network to both internal and external risks.

Finding 4: Information systems: Reviews of firewall traffic logs were not documented.

Finding 5: Information systems: The university's information security policy, contingency plan, and back-up procedures were not sufficient.

Finding 6: Information systems: Employee access was not appropriately restricted, and password requirements did not provide sufficient control.

Finding 7: Foundation: The foundation did not fully reimburse the university for salary and fringe benefit costs of a shared employee.

Finding 8: Equipment: Equipment records were not properly maintained and physical inventories were not always reconciled with the detail records.

Finding 9: Payroll: Duties over the university's payroll processing were not adequately separated.

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

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

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	651.50	654.50	653.00	-1.50	-0.2%
02 Contractual	169.60	181.10	184.00	2.90	1.6%
Total Positions	821.10	835.60	837.00	1.40	0.2%
Objects					
01 Salaries and Wages	\$ 38,641,568	\$ 41,372,000	\$ 42,986,243	\$ 1,614,243	3.9%
02 Technical & Spec Fees	6,613,411	6,927,070	7,015,441	88,371	1.3%
03 Communication	614,501	880,889	868,404	-12,485	-1.4%
04 Travel	628,672	600,549	599,716	-833	-0.1%
06 Fuel & Utilities	2,600,050	2,653,613	3,137,613	484,000	18.2%
07 Motor Vehicles	234,582	284,305	290,101	5,796	2.0%
08 Contractual Services	6,859,666	6,936,770	7,225,478	288,708	4.2%
09 Supplies & Materials	4,276,002	4,792,795	4,818,549	25,754	0.5%
10 Equip - Replacement	142,982	211,641	209,641	-2,000	-0.9%
11 Equip - Additional	2,637,312	2,268,721	2,268,721	0	0%
12 Grants, Subsidies, and Contributions	5,748,359	5,803,065	6,043,065	240,000	4.1%
13 Fixed Charges	3,465,868	3,463,582	3,601,500	137,918	4.0%
14 Land & Structures	1,788,549	815,000	1,015,000	200,000	24.5%
Total Objects	\$ 74,251,522	\$ 77,010,000	\$ 80,079,472	\$ 3,069,472	4.0%
Funds					
40 Unrestricted Fund	\$ 68,330,903	\$ 70,122,132	\$ 73,191,604	\$ 3,069,472	4.4%
43 Restricted Fund	5,920,619	6,887,868	6,887,868	0	0%
Total Funds	\$ 74,251,522	\$ 77,010,000	\$ 80,079,472	\$ 3,069,472	4.0%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

Fiscal Summary
USM – Frostburg State University

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Instruction	\$ 23,072,061	\$ 25,449,464	\$ 25,905,327	\$ 455,863	1.8%
03 Public Service	2,541,217	3,497,605	3,497,605	0	0%
04 Academic Support	5,803,932	5,970,172	6,320,501	350,329	5.9%
05 Student Services	3,014,862	3,105,921	3,234,357	128,436	4.1%
06 Institutional Support	8,327,174	7,505,183	8,036,869	531,686	7.1%
07 Operation And Maintenance Of Plant	7,639,039	8,311,701	9,301,843	990,142	11.9%
08 Auxiliary Enterprises	17,709,011	17,021,510	17,334,526	313,016	1.8%
17 Scholarships And Fellowships	6,144,226	6,148,444	6,448,444	300,000	4.9%
Total Expenditures	\$ 74,251,522	\$ 77,010,000	\$ 80,079,472	\$ 3,069,472	4.0%
Unrestricted Fund	\$ 68,330,903	\$ 70,122,132	\$ 73,191,604	\$ 3,069,472	4.4%
Restricted Fund	5,920,619	6,887,868	6,887,868	0	0%
Total Appropriations	\$ 74,251,522	\$ 77,010,000	\$ 80,079,472	\$ 3,069,472	4.0%

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.