

R30B26
Frostburg State University
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	FY 05 <u>Actual</u>	FY 06 <u>Working</u>	FY 07 <u>Allowance</u>	FY 06-07 <u>Change</u>	% Change <u>Prior Year</u>
General Funds	\$24,839	\$26,345	\$28,729	\$2,384	9.0%
Other Unrestricted Funds	45,577	47,597	48,708	1,111	2.3%
Total Unrestricted Funds	70,416	73,942	77,437	3,495	4.7%
Restricted Funds	<u>5,966</u>	<u>6,731</u>	<u>6,731</u>	<u>0</u>	<u>0.0%</u>
Total Funds	\$76,382	\$80,673	\$84,168	\$3,495	4.3%

- General funds increase \$2.4 million, or 9%, in the fiscal 2007 allowance.
- Other unrestricted funds grow mostly from a tuition and fee revenue increase of \$1 million, which is 3.5% above the fiscal 2006 level. Overall, Frostburg State University's (FSU) budget increases 4.3%.

Personnel Data

	FY 05 <u>Actual</u>	FY 06 <u>Working</u>	FY 07 <u>Allowance</u>	FY 06-07 <u>Change</u>
Regular Positions	654.50	673.00	674.00	1.00
Contractual FTEs	<u>180.50</u>	<u>157.20</u>	<u>157.20</u>	<u>0.00</u>
Total Personnel	835.00	830.20	831.20	1.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	20.15	2.99%
Positions Vacant as of 12/31/05	63.50	9.44%

- The fiscal 2007 allowance includes one additional regular position for plant operations and no new contractual positions, an increase of 0.1%.

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

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Analysis in Brief

Major Trends

Teacher Education Program Graduates Employed in the State Increases: The number of teacher education program students completing training and employed in Maryland schools increased but fell short of the objective.

Retention and Graduation Rates Are Inconsistent: Retention rates and six-year graduation rates have been inconsistent since fiscal 2001. However, the graduation gap between all students and African American students decreased in fiscal 2005.

Issues

Faculty Workload Above Average: The University System of Maryland (USM) Board of Regents adopted a policy that requires the faculty workload of each institution to reach the midpoint of the recommended workload range by fiscal 2006. FSU's faculty workload has decreased slightly in fiscal 2005 but is above the midpoint.

Affordability Remains in Spotlight: Tuition and fee increases at FSU exceed the USM average increase in fiscal 2007. The share of need-based institutional aid decreases in fiscal 2007 but is above the USM average.

Personnel Studies Continue: The USM workforce as a whole is slightly less than the level it was before recent cost containment. At FSU the workforce is also smaller. Instructional personnel – who fulfill the institution's core mission – account for a smaller share of total personnel than they did in fiscal 2002.

Recommended Actions

1. Concur with Governor's allowance.

Updates

Efficiency Initiative in First Year: As part of the efficiency initiative, USM is expecting to save \$18.7 million in fiscal 2007. FSU's share of the savings is \$541,575 for fiscal 2007. Additionally, FSU is expecting to serve 14 additional students at no additional cost to the State in fiscal 2007.

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.

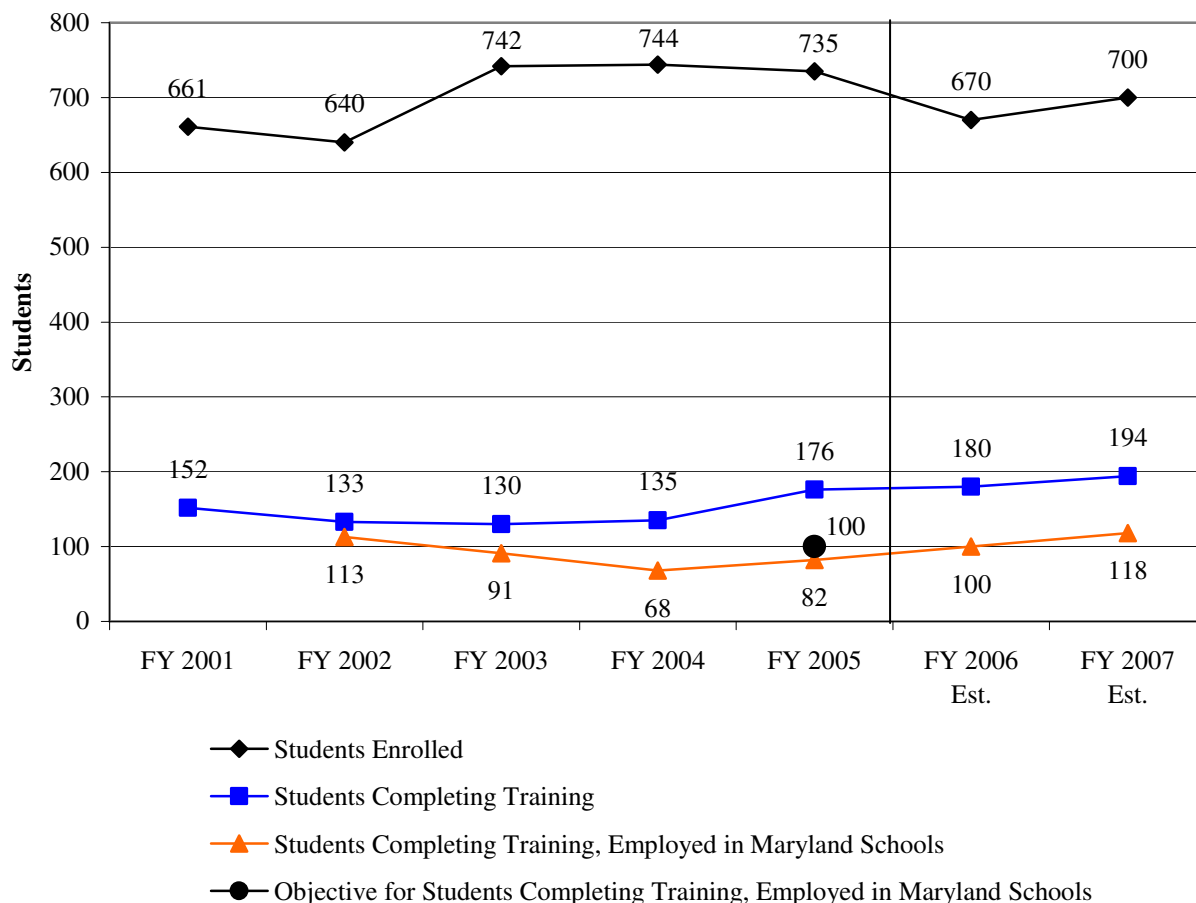
Performance Analysis: Managing for Results

Teaching Graduates Employed in the State Begin to Increase

FSU has a goal of meeting critical workforce needs in the region and the State. Teaching is one of these workforce needs. As shown in **Exhibit 1**, the number of students enrolled in teacher education programs at FSU, including undergraduate and post-baccalaureate students, increased from 661 in fiscal 2001 to 744 in fiscal 2004. In fiscal 2005, the number of students enrolled decreased slightly to 735. Enrollment in teacher education programs is estimated to decrease again in fiscal 2006 and then start to rebound in fiscal 2007. The number of students completing teacher training reached its highest level in at least five years in fiscal 2005 with 176 students completing training.

While the number of graduates employed in Maryland schools increased from 68 in fiscal 2004 to 82 in fiscal 2005, it fell short of the objective of 100 students. FSU reports that the objective was not met for 2 primary reasons. First, a greater number of students completed training, but the number of available teaching positions in surrounding counties was constrained. Second, a greater number of teaching graduates chose to continue their education and entered graduate programs. Specifically, 5 students usually enter graduate school directly, but in fiscal 2005 11 students did.

Exhibit 1
FSU Students Enrolled in and Graduating from Teacher Training Programs
and Employed in Maryland Schools
Fiscal 2001 – 2007



Note: Students enrolled and students completing training includes undergraduates and post-baccalaureate students.

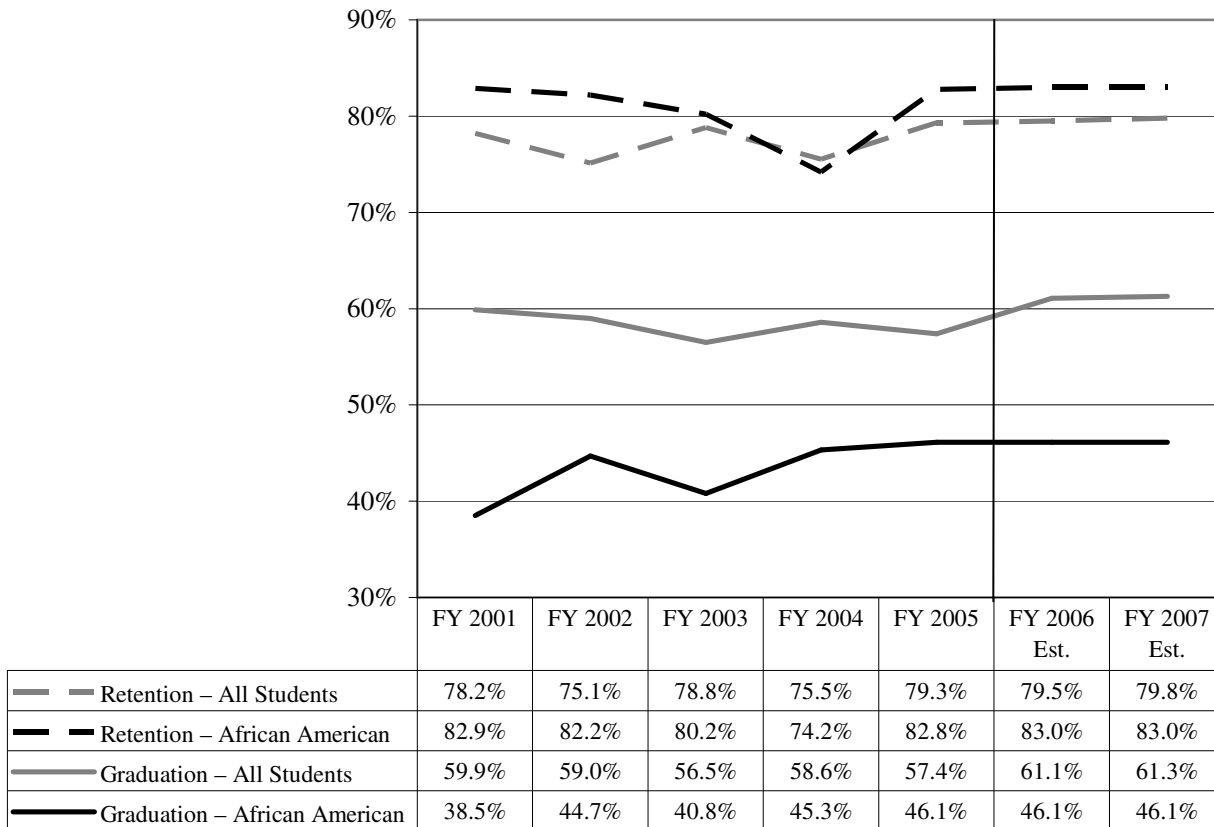
Source: Maryland State Budget Books; Frostburg State University

Retention and Graduation Rates Are Inconsistent

Another goal of FSU is to prepare students to live and work in a diverse society. They have set the objective to attain faculty diversity and student diversity. African Americans make up 12.7% of the undergraduate student body and 3.1% of the faculty.

FSU also tracks retention and graduation rates of all students and African American students. **Exhibit 2** shows that retention rates of all students and African American students have been fluctuating since fiscal 2001. The retention rate for all students increased from 75.5% in fiscal 2004 to 79.3% in fiscal 2005, close to the 80% objective. The retention rate for African American students has also increased from 74.2% in fiscal 2004 to 82.8% in fiscal 2005 surpassing the retention rate for all students. FSU attributes this to its Learning Community program, which provides first-semester freshmen with the opportunity to take classes together to build support networks. FSU has also provided additional scholarship support to students at risk of dropping out.

Exhibit 2
Graduation and Retention Rates
All Students and African American Students
Fiscal 2001 – 2007



Source: Maryland State Budget Books

The gap in graduation rates between all students and African American students has decreased from 13.3 percentage points in fiscal 2004 to 11.3 percentage points in fiscal 2005. This is due to the graduation rate for all students decreasing from 58.6% in fiscal 2004 to 57.4% in 2005 and an increase in the graduation rate of African Americans from 45.3% in fiscal 2004 to 46.1% in 2005, exceeding the objective of 45%. USM had a graduation gap of 17 percentage points in fiscal 2005. **The President should comment on efforts to improve the inconsistent retention and graduation rates and why the high African American retention rate has not resulted in an improved African American graduation rate.**

Governor's Proposed Budget

The general fund allowance for fiscal 2007 is \$2.4 million above the 2006 level, an increase of 9%, as shown in **Exhibit 3**. FSU reports that it intends to use the funds for current services cost increases (\$1.7 million), and enhancements and enrollment growth (\$0.7 million). Programmatic enhancements include faculty recruitment and retention and an academic advising center, among others.

Exhibit 3
Governor's Proposed Budget
Frostburg State University
(\$ in Thousands)

	FY 05	FY 06	FY 07	FY 06-07	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$24,839	\$26,345	\$28,729	\$2,384	9.0%
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Restricted Funds	5,966	6,731	6,731	0	0.0%
Total Funds	\$76,382	\$80,673	\$84,168	\$3,495	4.3%

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 million, which is 3.5% above the fiscal 2006 level. Considering all increases and decreases, other unrestricted funds increase \$1.1 million. Overall, FSU's budget increases 4.3%.

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 2007 allowance, operation and maintenance of plant expenditures increase at the highest rate

Exhibit 4
FSU Budget Changes for Unrestricted Funds by Program
Fiscal 2002, 2006, and 2007
(\$ in Thousands)

	<u>FY 2002</u> <u>Actual</u>	<u>FY 2006</u> <u>Working</u>	<u>FY 02-06</u> <u>% Change</u>	<u>FY 2007</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>	<u>FY 06-07</u> <u>% Change</u>
Expenditures						
Instruction	\$22,772	\$26,117	14.7%	\$27,083	\$967	3.7%
Public Service	80	15	-81.4%	5	-10	-68.0%
Academic Support	6,224	7,431	19.4%	7,883	452	6.1%
Student Services	3,246	3,377	4.0%	3,603	226	6.7%
Institutional Support	8,432	7,304	-13.4%	7,800	496	6.8%
Operation and Maintenance of Plant	5,941	9,041	52.2%	9,876	836	9.2%
Scholarships and Fellowships	2,676	3,258	21.7%	3,553	295	9.1%
Education and General Total	\$49,371	\$56,542	14.5%	\$59,804	\$3,262	5.8%
Auxiliary Enterprises	\$16,328	\$17,400	6.6%	\$17,633	\$233	1.3%
Grand Total	\$65,699	\$73,942	12.5%	\$77,437	\$3,495	4.7%
Revenues						
Tuition and Fees	\$19,280	\$29,354	52.2%	\$30,380	\$1,026	3.5%
General Funds	28,660	26,345	-8.1%	28,729	2,384	9.0%
Other Unrestricted Funds	1,818	1,437	-21.0%	1,437	0	0.0%
Subtotal	\$49,758	\$57,136	14.8%	\$60,546	\$3,410	6.0%
Auxiliary Enterprises	\$16,275	\$17,458	7.3%	\$18,156	\$698	4.0%
Transfer (to)/from Fund Balance	-334	-652	95.4%	-1,265	-613	94.0%
Grand Total	\$65,699	\$73,942	12.5%	\$77,437	\$3,495	4.7%

Note: Unrestricted funds only. All programs.

Source: Maryland State Budget Books

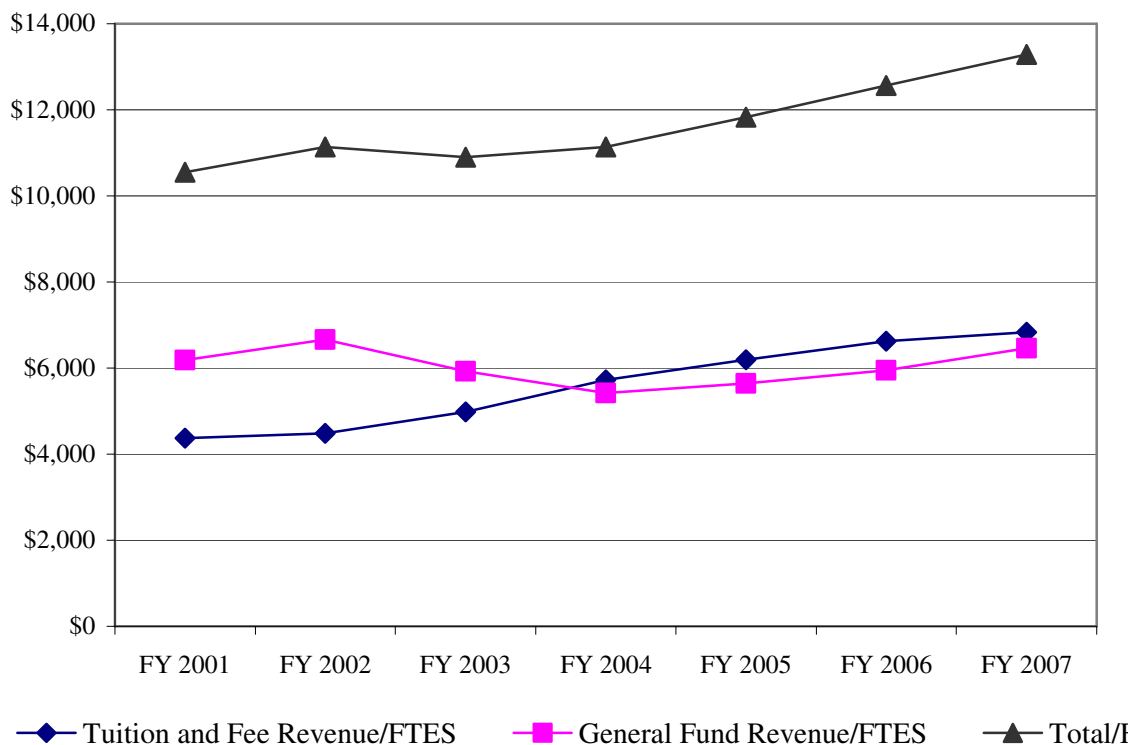
(9.2%). FSU reports these costs will increase in fiscal 2007 due to rising utility expenses and facility renewal. Scholarships and fellowships are budgeted to grow at the second highest rate (9.1%) and instruction programs have the lowest growth rate (3.7%). Operation and maintenance of plant was the fastest growing portion of the budget from fiscal 2002 to 2006. The expenditure pattern for instruction in fiscal 2007 differs from that of fiscal 2002 to 2006 when instruction increased 14.7%, the fourth highest increase.

In fiscal 2007, expenditures for public service are projected to decrease by 68%. The unrestricted fund portion of the public service program represents overhead from grants. The majority of funds that support public service are restricted funds, which have remained the same as in fiscal 2006. FSU is planning a large transfer to fund balance, a 94% increase over fiscal 2006, to support the renovation of the student center on campus. The transfers to fund balance for this project will be phased in over several years to reduce bond payments when construction is completed. **The President should comment on how FSU intends to spend the additional general funds including the \$0.7 million for enhancements and enrollment growth.**

Tuition and Fees and General Fund Revenue

Exhibit 5 shows tuition and fees and general fund revenues per full-time equivalent student (FTES) between fiscal 2001 and 2007. At FSU general fund revenue per FTES provided the majority of total revenue per FTES from fiscal 2001 through 2003. In fiscal 2004, tuition and fee revenue per FTES exceeded general fund revenue per FTES. From fiscal 2002 through 2004, the general fund revenue decreased 19%. Overall, from fiscal 2001 through 2007, general fund revenue per FTES will have increased 4% while tuition and fee revenue per FTES will have increased 56%. The total funds per FTES in the fiscal 2007 allowance are \$13,286, which is 26% above the fiscal 2001 level. Tuition and fee revenue per FTES will be 51% of the total in fiscal 2007.

**Exhibit 5
Tuition and Fee and General Fund Revenues Per FTES
Fiscal 2001 – 2007**



Source: Maryland State Budget Books

Enrollment Growth Planned for Frostburg University

USM is estimating that enrollment at Frostburg will grow by 16 additional students in fiscal 2007. This estimate does not include the additional 14 students that can be accommodated through the efficiency initiative discussed in the Update section. USM has allocated \$96,451 in general funds for fiscal 2007 for these additional 16 students. Accommodating additional students may require additional classroom space. An analysis was completed by the Department of Legislative Services (DLS) of the existing classroom space and whether this will meet the needs of the campus given current enrollment levels. In fiscal 2005, FSU’s classroom space was 103.8% of the needed classroom space for enrollment levels in fiscal 2005. This equates to a slight surplus in classroom space per FTES. **The President should comment on how FSU will accommodate the projected enrollment growth for FSU from the perspective of classroom space and other necessary building space including dormitories, dining services, and parking facilities.**

Issues

1. Faculty Workload Above Average

The University System of Maryland (USM) began an effectiveness and efficiency initiative in fiscal 2006 that will continue through 2008. Most of the academic effects of USM's efficiency initiative will be realized through increases in faculty workload. The Board of Regents requires the comprehensive institution's faculty workload to reach the midpoint of the target 7 – 8 course units per full-time equivalent tenured/tenure track faculty, or 7.5 course units by fiscal 2006. FSU has consistently outperformed the USM average workload since at least fiscal 2001. As shown in **Exhibit 6**, FSU has met the efficiency initiative goal of 7.5 course units taught. In fact, its faculty averaged 7.8 course units during fiscal 2005. All USM comprehensive institutions averaged 7.7 course units for the same year.

Exhibit 6
Course Units Taught by Full-time Equivalent
Tenured and Tenure-track Faculty
Fiscal 2001 – 2005

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005
	Courses/ FTEF	Courses/ FTEF	Courses/ FTEF	Courses/ FTEF	Courses/ FTEF
Frostburg State Univ.	7.5	7.3	7.4	7.9	7.8
All USM Comprehensives	7.4	7.0	7.0	7.5	7.7

Notes: Tenured and tenure-track faculty include those on sabbatical and exclude department chairs.
The Board of Regents standard for instructional workload at comprehensive institutions is 7-8 course units annually.

FTEF – Full-time equivalent faculty

Source: University System of Maryland

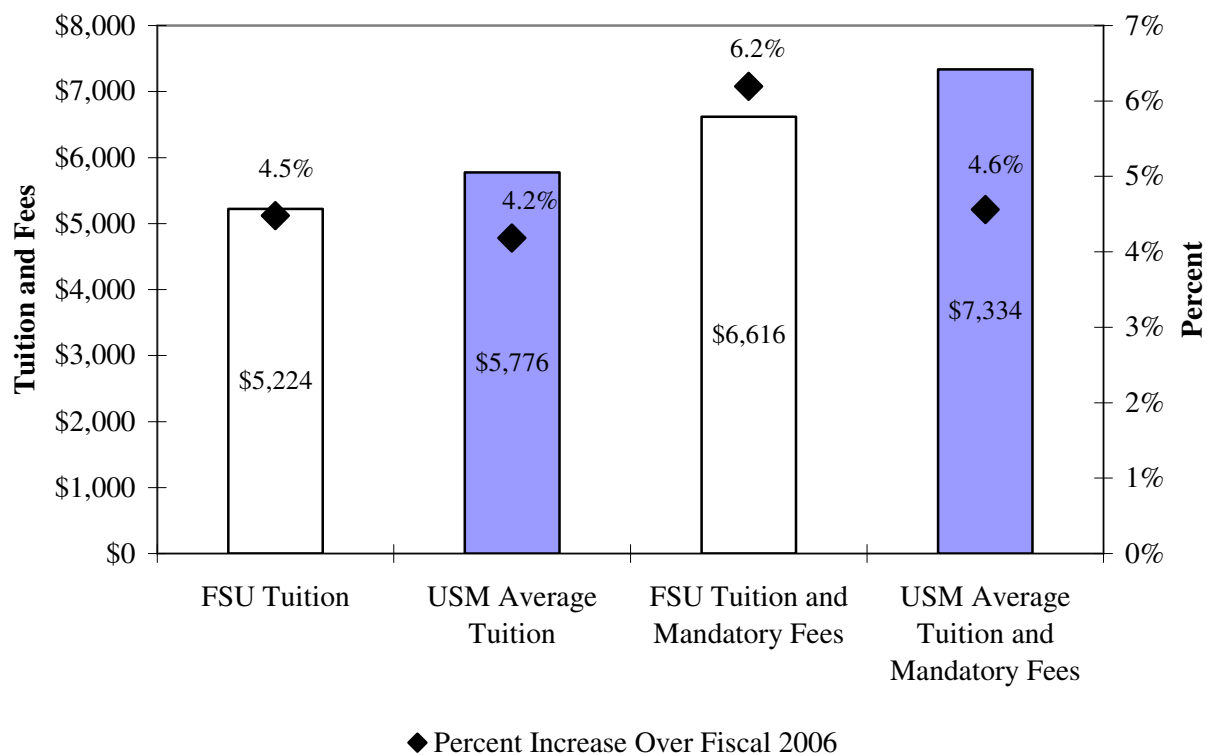
2. Affordability Remains in Spotlight

Affordability continues to be a concern for Maryland public higher education. Last year, *Measuring Up 2004*, produced by the National Center for Public Policy and Higher Education, rated Maryland an F in affordability. 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. An updated report is expected to be issued in 2006.

Tuition and Fee Increases

A factor that directly affects affordability is tuition and fee rates. In fiscal 2007, FSU increases exceed the USM average for both tuition and tuition and fees. For fiscal 2007, the USM weighted average in-state undergraduate tuition rate increases 4.2%, as shown in **Exhibit 7**. By comparison, FSU’s tuition rate increases 4.5%. Considering tuition together with mandatory fees, the USM weighted average increases 4.6%. FSU’s tuition and mandatory fees increase 6.2%. Most of the increase in fees is due to auxiliary facilities fees. These fees will be used to support the planned future renovation of the student university center.

Exhibit 7
Tuition and Mandatory Fees for Resident Undergraduates
Fiscal 2007



Note: USM averages are weighted.

Source: University System of Maryland

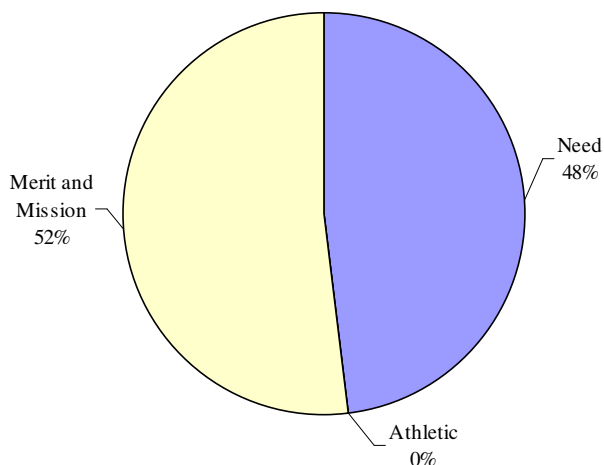
Share of Need-based Institutional Aid Decreases

Another factor that affects affordability is financial aid. Categories of financial aid include need, athletic, merit, 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.

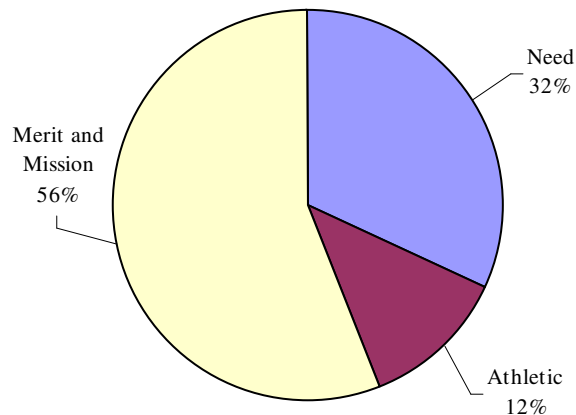
In fiscal 2006, most institutional aid at FSU falls into the merit and mission category (52%), and 48% goes to need-based aid, as shown in **Exhibit 8**. FSU does not provide athletic aid. FSU’s merit and mission category is less than the systemwide level of aid (56%). The proportion of need-based aid at FSU is higher than USM as a whole, which is 32%. Institutional aid is one kind of aid students receive and may be accompanied by State and federal aid.

Exhibit 8
Institutional Financial Aid
Fiscal 2006

Frostburg State University



University System of Maryland

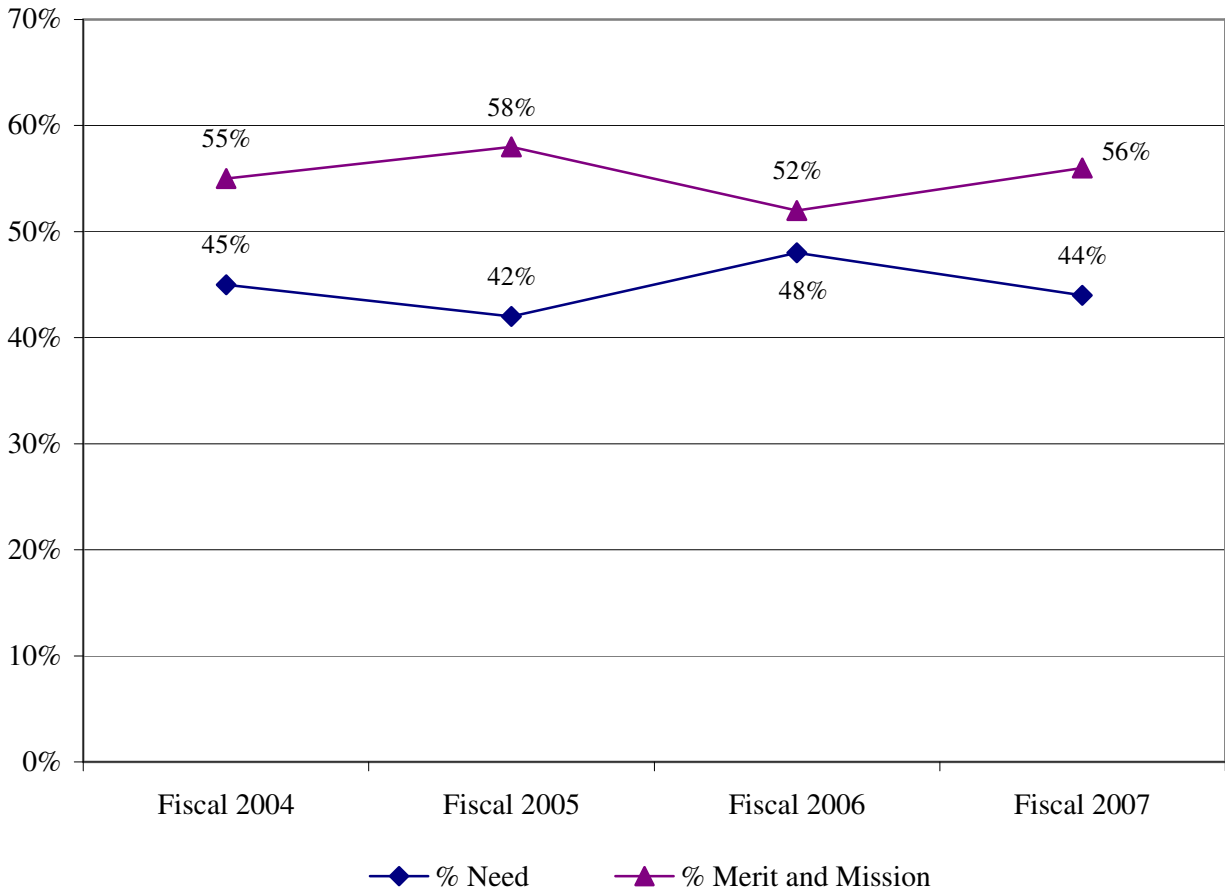


	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
Frostburg State University	\$1,645,277	\$0	\$1,771,144
USM Total	\$24,228,689	\$9,317,807	\$42,873,813

Source: University System of Maryland

Since fiscal 2004, the need-based aid share of total institutional aid at FSU has fluctuated, as shown in **Exhibit 9**. Need-based aid will decrease from 48% in fiscal 2006 to 44% in 2007. During the same time period, merit and mission aid will also fluctuate, but will increase in fiscal 2007 to 56% from 52% in fiscal 2006. In actual spending for aid, FSU dedicated \$1.2 million to need-based aid in fiscal 2004 and plans to dedicate \$1.4 million in fiscal 2007. For merit and mission aid, FSU dedicated \$1.4 million in fiscal 2004 and plans to dedicate \$1.8 million in fiscal 2007. Funds for need-based aid will decrease 15.3% from fiscal 2006 to 2007. Comparatively, FSU’s tuition has increased 4.5% during the same time period. **The President should comment on FSU’s future financial aid strategies.**

Exhibit 9
FSU’s Institutional Aid
Fiscal 2004 – 2007



Source: University System of Maryland

3. Personnel Studies Continue

In fiscal 2006, the USM workforce as a whole is slightly less than the level it was before recent cost containment. At FSU, the workforce is also less than it was before cost containment. In fiscal 2002, FSU's regular and contractual positions totaled 840, and in 2006 the total is 830. These numbers include filled and unfilled positions. The fiscal 2007 allowance would bring the number of total positions at FSU to 831 positions. This one additional regular position is in the plant operation program and has an exempt classification. Exempt personnel generally are higher paid administrators and managers and are exempt from overtime pay.

FSU is carrying more vacancies than called for in the fiscal 2006 budget. The fiscal 2006 budget calls for a vacancy rate of 3.8%, or 26 positions, but FSU had 64 vacancies as of December 2005, or 9.44%. The fiscal 2007 budget calls for a vacancy rate, excluding new positions, of 2.99%, or 20 positions.

The composition of FSU's personnel has changed somewhat since fiscal 2002, as shown in **Exhibit 10** (the data in this exhibit are for filled regular positions only). Instructional personnel – who fulfill the institution's core mission – account for slightly less of a share of total personnel than in fiscal 2002. Instructional personnel include faculty as well as faculty support staff. For USM as a whole, instructional personnel's share of the total declined slightly from fiscal 2002 to 2006. FSU's proportion of instructional personnel (38.1%) is larger than the USM average (32.7%) in fiscal 2006. The total number of filled regular positions at FSU has decreased from 614 in fiscal 2002 to 607 in fiscal 2006.

DLS also reviewed personnel by faculty, exempt, and non-exempt categories. Although FSU's overall instructional personnel proportion is above the USM average, it is below the USM average when considering faculty alone. At FSU, filled regular faculty positions account for 34.5% of the fiscal 2006 total as compared to the USM average of 38.7%. Exempt personnel, who generally are higher-paid administrators and managers and are exempt from overtime pay, make up 27% of staff at FSU, which is lower than the USM average of 33.3%. Non-exempt personnel make up 38.5% of the total at FSU, which is higher than the USM average of 28.1%.

Exhibit 10
FSU Full-time Equivalent Personnel by Budget Program
Filed Positions
Fiscal 2002, 2005, and 2006

	Fiscal 2002		Fiscal 2005		Fiscal 2006		Change in Share of Total <u>FY 02-06</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	238	38.7%	237	39.2%	231	38.1%	-0.6
Public Service	13	2.1%	12	2.0%	14	2.3%	0.2
Academic Support	60	9.8%	58	9.6%	66	10.9%	1.1
Student Services	41	6.7%	40	6.6%	39	6.4%	-0.3
Institutional Support	107	17.4%	105	17.4%	107	17.6%	0.2
Operations and Maintenance of Plant	88	14.3%	82	13.6%	77	12.7%	-1.6
Auxiliary	67	10.9%	70	11.6%	73	12.0%	1.1
Total	614	100.0%	604	100.0%	607	100.0%	

Notes: Data are for filled positions only.
All data is self-reported and unaudited.

Source: University System of Maryland

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Efficiency Initiative in First Year

In October 2004, USM unveiled its efficiency and effectiveness plan. The system will pursue more than a dozen initiatives which began in fiscal 2006 and will continue through fiscal 2008. USM estimates that the fiscal 2007 savings will be \$18.7 million. These savings are built into the 2007 allowance, meaning that estimates of current services cost increases would be \$18.7 million higher without the efficiency savings.

As shown in **Exhibit 11**, FSU’s share of the savings is estimated to be \$541,575 in fiscal 2007. This represents 1% of the State-supported budget. To achieve these savings, FSU will participate in collaborative energy purchasing, maintain vacancies in high-level positions, and implement on-line billing for students thus reducing processing costs.

Exhibit 11
FSU’s Expected Efficiency Savings
Fiscal 2006 – 2007

	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
Frostburg State University	\$515,344	\$541,575

Note: The expected savings represent 1% of the State-supported funds.

Source: University System of Maryland

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

One measure of the fiscal effects of the efficiency initiatives is the number of additional FTES that each institution can serve with existing resources. This is in addition to increased enrollment supported with funds in the fiscal 2007 allowance. There are many ways to achieve these savings. One is by increasing summer and winter term enrollment, which are auxiliary programs and require no State funding. Another is by increasing the number of students graduating in four years, allowing for an increased student turn-over and added capacity.

As shown in **Exhibit 12**, FSU is expecting to support 43 students through fiscal 2008 as a result of the efficiency initiative. In fiscal 2005, FSU accommodated 51 additional students as a result of increasing auxiliary semester enrollment. FSU is expected to support 14 students for each year of the efficiency initiative starting in fiscal 2006.

Exhibit 12
Additional Students Served at No Additional Cost to the State
Fiscal 2005 – 2008

	FY 2005 <u>Actual</u>	FY 2006 <u>Estimated</u>	FY 2007 <u>Estimated</u>	FY 2008 <u>Estimated</u>	FY 06-08 <u>Total</u>
Frostburg State University	51	14	14	14	43

Source: University System of Maryland

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 2005					
Legislative Appropriation	\$24,400	\$44,814	\$69,214	\$6,624	\$75,838
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	439	2,155	2,594	676	3,270
Reversions and Cancellations	0	-1,391	-1,391	-1,334	-2,725
Actual Expenditures	\$24,839	\$45,578	\$70,417	\$5,966	\$76,383
Fiscal 2006					
Legislative Appropriation	\$26,027	\$47,163	\$73,190	\$6,888	\$80,078
Budget Amendments	318	434	752	-157	595
Working Appropriation	\$26,345	\$47,597	\$73,942	\$6,731	\$80,673

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

Fiscal 2005

FSU's general funds increased \$0.4 million through budget amendment for State employee cost-of-living adjustment (COLA) increases. Other unrestricted funds increased \$2.2 million, also through budget amendments. Of this net amount, increases included \$1.8 million in sales and services of auxiliary enterprises including room and board increases, \$0.2 million in sales and services of educational activities, \$0.1 million in indirect cost recovery, miscellaneous income and other sources, and \$0.05 million in tuition and fee revenue related to technology and student teaching fees. A decrease of \$0.02 million was made for sales and services of education activities.

Restricted funds increased \$0.7 million through budget amendments. Of this net amount, increases included \$0.4 million in federal contracts and grants, \$0.2 million in State contracts and grants, and \$0.2 million in private contracts and grants. Decreases included \$0.05 in State contracts and grants and \$0.06 million in private contracts and grants.

At the end of fiscal 2005, \$1.4 million in unrestricted funds were cancelled primarily due to vacant positions. Also, \$1.3 million in restricted funds were cancelled due to less than anticipated expenditures from grants that were received. The grant funding spanned into the next fiscal year, and less was spent in fiscal 2005 than anticipated.

Fiscal 2006

For fiscal 2006, general funds for FSU increased \$0.3 million through budget amendment for State employee COLA increases. Other unrestricted funds increased a net \$434,323. Increases included \$499,606 in sales and services of auxiliary enterprises and \$25,000 in sales and services of educational activities. A decrease of \$90,283 was made from other sources.

Restricted funds decreased a net \$156,868. Decreases included \$192,968 in federal contracts and grants, and increases included \$36,100 in State and private contracts and grants.

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)	n/a

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>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	654.50	673.00	674.00	1.00	0.1%
02 Contractual	180.50	157.20	157.20	0	0%
Total Positions	835.00	830.20	831.20	1.00	0.1%
Objects					
01 Salaries and Wages	\$ 39,777,219	\$ 44,808,000	\$ 47,273,203	\$ 2,465,203	5.5%
02 Technical & Spec Fees	6,988,389	6,419,075	6,417,122	-1,953	0%
03 Communication	376,616	827,426	827,426	0	0%
04 Travel	691,883	656,191	656,191	0	0%
06 Fuel & Utilities	2,944,501	3,345,113	3,723,988	378,875	11.3%
07 Motor Vehicles	240,852	290,101	291,979	1,878	0.6%
08 Contractual Services	5,872,368	5,662,604	5,596,510	-66,094	-1.2%
09 Supplies & Materials	4,668,279	4,937,509	4,858,303	-79,206	-1.6%
10 Equip - Replacement	416,559	437,441	488,180	50,739	11.6%
11 Equip - Additional	937,683	1,168,995	1,168,995	0	0%
12 Grants, Subsidies, and Contributions	6,154,051	6,043,069	6,318,069	275,000	4.6%
13 Fixed Charges	5,024,015	5,262,476	5,451,890	189,414	3.6%
14 Land & Structures	2,289,622	815,000	1,096,336	281,336	34.5%
Total Objects	\$ 76,382,037	\$ 80,673,000	\$ 84,168,192	\$ 3,495,192	4.3%
Funds					
40 Unrestricted Fund	\$ 70,416,020	\$ 73,942,000	\$ 77,437,192	\$ 3,495,192	4.7%
43 Restricted Fund	5,966,017	6,731,000	6,731,000	0	0%
Total Funds	\$ 76,382,037	\$ 80,673,000	\$ 84,168,192	\$ 3,495,192	4.3%

Fiscal Summary
USM – Frostburg State University

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Instruction	\$ 23,558,959	\$ 26,225,071	\$ 27,191,645	\$ 966,574	3.7%
03 Public Service	2,381,811	3,340,733	3,330,601	-10,132	-0.3%
04 Academic Support	6,163,907	7,437,935	7,889,899	451,964	6.1%
05 Student Services	3,285,197	3,401,679	3,628,165	226,486	6.7%
06 Institutional Support	7,704,501	7,314,904	7,811,239	496,335	6.8%
07 Operation and Maintenance of Plant	8,692,271	9,041,673	9,877,227	835,554	9.2%
08 Auxiliary Enterprises	18,020,954	17,415,016	17,648,427	233,411	1.3%
17 Scholarships and Fellowships	6,574,437	6,495,989	6,790,989	295,000	4.5%
Total Expenditures	\$ 76,382,037	\$ 80,673,000	\$ 84,168,192	\$ 3,495,192	4.3%
Unrestricted Fund	\$ 70,416,020	\$ 73,942,000	\$ 77,437,192	\$ 3,495,192	4.7%
Restricted Fund	5,966,017	6,731,000	6,731,000	0	0%
Total Appropriations	\$ 76,382,037	\$ 80,673,000	\$ 84,168,192	\$ 3,495,192	4.3%