

**R30B26**  
**Frostburg State University**  
**University System of Maryland**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$37,533	\$39,439	\$40,359	\$920	2.3%
Adjustments	0	343	-96	-439	
<b>Adjusted General Fund</b>	<b>\$37,533</b>	<b>\$39,782</b>	<b>\$40,263</b>	<b>\$481</b>	<b>1.2%</b>
Special Funds	1,748	1,903	1,803	-100	-5.3%
Adjustments	0	-184	0	184	
<b>Adjusted Special Fund</b>	<b>\$1,748</b>	<b>\$1,719</b>	<b>\$1,803</b>	<b>\$83</b>	<b>4.8%</b>
Other Unrestricted Funds	60,890	64,572	66,092	1,520	2.4%
<b>Adjusted Other Unrestricted Fund</b>	<b>\$60,890</b>	<b>\$64,572</b>	<b>\$66,092</b>	<b>\$1,520</b>	<b>2.4%</b>
Total Unrestricted Funds	100,171	105,914	108,253	2,339	2.2%
Adjustments	0	159	-96	-255	
<b>Adjusted Total Unrestricted Funds</b>	<b>\$100,171</b>	<b>\$106,073</b>	<b>\$108,157</b>	<b>\$2,084</b>	<b>2.0%</b>
Restricted Funds	13,242	13,281	13,281	0	
<b>Adjusted Restricted Fund</b>	<b>\$13,242</b>	<b>\$13,281</b>	<b>\$13,281</b>	<b>\$0</b>	<b>0.0%</b>
<b>Adjusted Grand Total</b>	<b>\$113,413</b>	<b>\$119,354</b>	<b>\$121,438</b>	<b>\$2,084</b>	<b>1.7%</b>

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- A fiscal 2017 deficiency appropriation is provided to the University System of Maryland (USM) Office to partially offset the November 2016 Board of Public Works cost containment action, which will be allocated among the institutions, of which Frostburg State University's (FSU) share is \$0.2 million. A fiscal 2017 deficiency appropriation is also provided to offset the underattainment of Higher Education Investment Fund (HEIF) revenues, of which FSU's share is estimated to be \$0.2 million.
- The General Fund increases \$0.5 million, or 1.2%, in fiscal 2018 after adjusting for the fiscal 2017 deficiencies, and \$96,094 in an across-the-board contingent pension reduction.

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

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*R30B26 – USM – Frostburg State University*

- The HEIF increases \$83,254, or 4.8%, in fiscal 2018 after adjusting for the shortfall in the HEIF.
- The overall growth in State funds in fiscal 2018 over 2017 is 1.4%, or \$0.6 million.

***Personnel Data***

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	<b><u>FY 16</u></b> <b><u>Actual</u></b>	<b><u>FY 17</u></b> <b><u>Working</u></b>	<b><u>FY 18</u></b> <b><u>Allowance</u></b>	<b><u>FY 17-18</u></b> <b><u>Change</u></b>
Regular Positions	734.00	731.00	731.00	0.00
Contractual FTEs	<u>161.30</u>	<u>156.90</u>	<u>156.90</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>895.30</b>	<b>887.90</b>	<b>887.90</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	26.31	3.60%
Positions and Percentage Vacant as of 12/31/16	42.00	5.75%

- The fiscal 2018 allowance does not provide for any new regular positions. However, the USM institutions have personnel autonomy and may create new positions during the year. In fiscal 2017 year to date, FSU has 3.0 less positions than in the original appropriation.

## ***Analysis in Brief***

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### **Major Trends**

***Enrollment:*** Total undergraduate enrollment declined 1.6%, or 77 students, in fall 2016. First-time students fell 10.6%, or 102 students, and transfers were down 8.2%, or 41 students. However, the number of continuing students increased 2.0%, or 71 students.

***Student Performance:*** The second-year retention rate fluctuated over the past six cohorts from a low of 70.8% with the 2010 cohort to 76.8% with the 2012 and 2014 cohorts. The average time to degree for FSU students graduating in 2016 was 3.7 years, the shortest time of the USM institutions.

### **Issues**

***Affordability, Meeting College Expenses:*** Spending on institutional financial aid increased 40.6%, or \$1.6 million, from fiscal 2011 to 2016, with need-based aid accounting for \$1.3 million of the growth. In fiscal 2018, expenditures on need-based aid increase 10.2%, or \$0.4 million, while scholarships are level funded. Overall, the portion of aid going toward need-based aid increased from 52.9% in fiscal 2011 to 62.8% in fiscal 2018.

### **Recommended Actions**

1. See the University System of Maryland Overview for systemwide recommendations.

*R30B26 – USM – Frostburg State University*

**R30B26**  
**Frostburg State University**  
**University System of Maryland**

## ***Operating Budget Analysis***

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### **Program Description**

Frostburg State University (FSU) is a mid-size, comprehensive university. It is the only four-year institution within the University System of Maryland (USM) located west of the Baltimore-Washington corridor and serves as the premier educational and cultural center for Western Maryland. As such, it is largely a residential campus drawing students from all counties in Maryland as well as neighboring states and foreign countries. Approximately half of FSU's students are from Allegany, Frederick, Garrett, and Washington counties.

FSU offers an array of high-quality and affordable undergraduate and graduate degrees, emphasizing academic programs in education, business, applied science and technology, and creative and performing arts, with selected programs in the humanities and social services. It also offers students opportunities to engage in regional volunteerism, service learning activities, undergraduate research, and internships.

FSU promotes regional development through a variety of initiatives. For example, the university provides technical and business expertise, and space is made available for business incubation with an emphasis on engaging faculty and students with business to ensure the collaborative nature of all ventures.

**Carnegie Classification:** Master's Colleges and Universities (larger programs)

**Fall 2016 Undergraduate Enrollment Headcount**

Male	2,345
Female	2,539
<b>Total</b>	<b>4,884</b>

**Fall 2016 Graduate Enrollment Headcount**

Male	317
Female	475
<b>Total</b>	<b>792</b>

**Fall 2016 New Students Headcount**

First-time	831
Transfers/Others	514
Graduate	134
<b>Total</b>	<b>1,479</b>

**Campus (Main Campus)**

Acres	260
Buildings	45
Average Age	41
Oldest	Old Main – 1902

**Programs**

Bachelor's	46
Master's	10
Doctoral	1

**Degrees Awarded (2015-2016)**

Bachelor's	964
Master's	217
Doctoral	1
<b>Total Degrees</b>	<b>1,182</b>

**Proposed Fiscal 2018 In-state Tuition and Fees\***

Undergraduate Tuition	\$6,468
Mandatory Fees	\$2,446

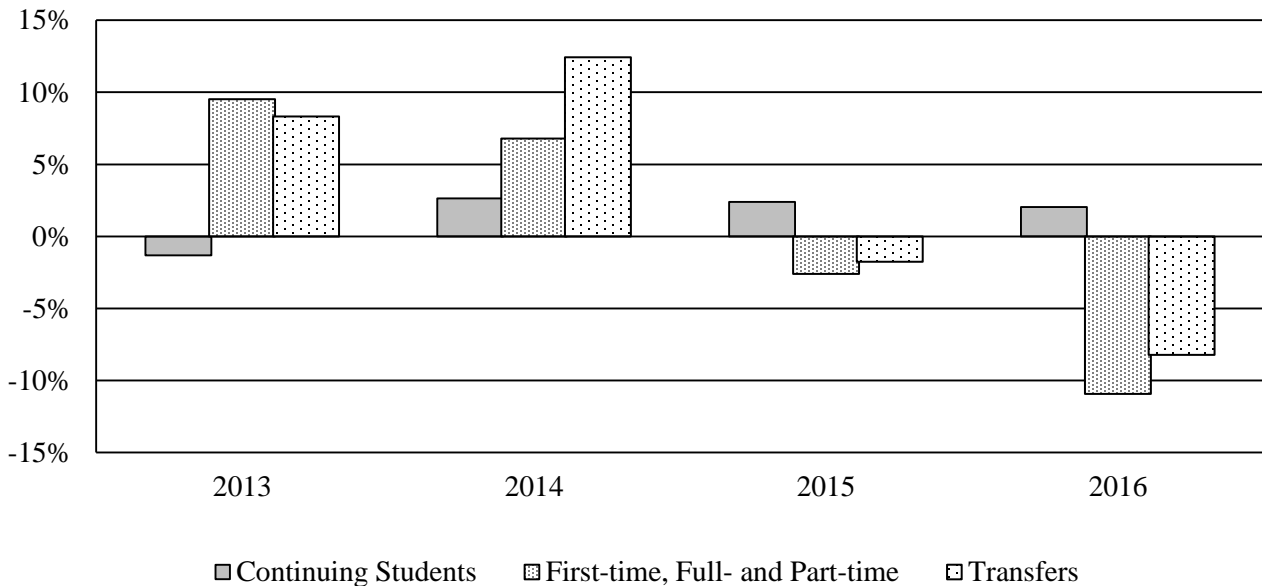
\*Contingent on Board of Regents approval.

## **Performance Analysis**

### **1. Enrollment**

Total undergraduate enrollment declined 1.6%, or 77 students, in fall 2016. First-time students fell 10.6%, or 102 students, and transfers were down 8.2%, or 41 students, as shown in **Exhibit 1**. The declines were partially offset by a 2.0% increase in continuing students, 71 students. After two years of growth, the number of transfer and first-time students declined in fall 2015 and 2016. According to FSU, the transfer students decline is related to fewer students transferring to the nursing program. After increasing by 139 students in fall 2013 and 2014, the number of first-time students dropped by 127 students in fall 2015 and 2016. FSU attributes the two-year drop in first-time students to the continuing low number of high school graduates in rural Maryland and increased competition for these students among public and private institutions. **The President should comment on the enrollment decline, particularly the decline in students transferring to the nursing program and what efforts are being taken to stabilize and increase enrollment.**

**Exhibit 1**  
**Percentage Change in Undergraduate Headcount Enrollment**  
**Fall 2013-2016**

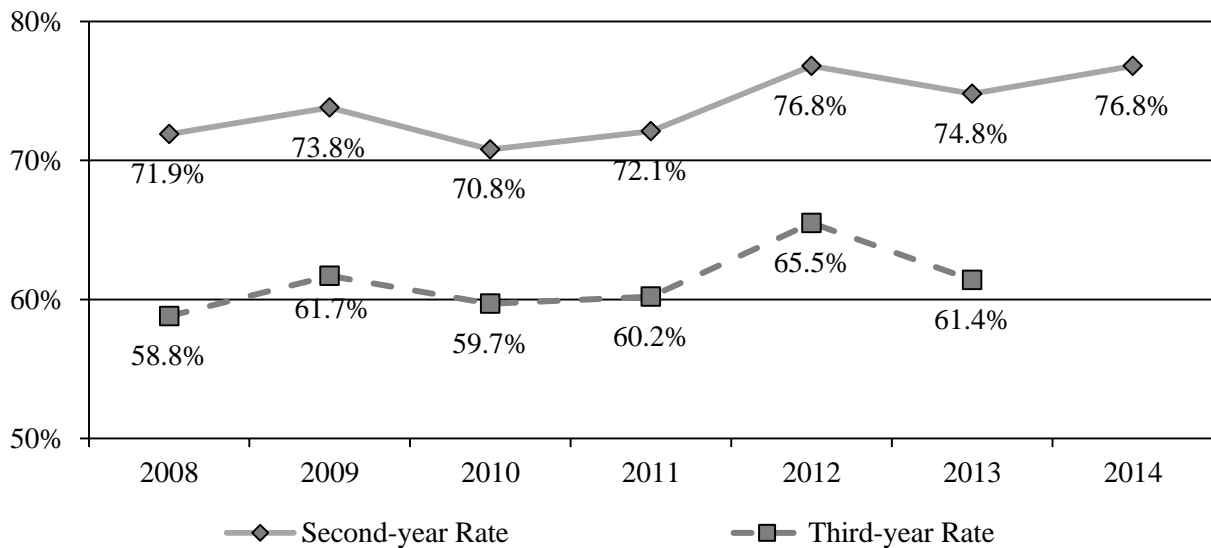


Source: University System of Maryland

## 2. Student Performance

Student persistence, or retention, provides a measure of student progress and an indication of an institution's performance: the higher the retention rate, the more likely that students will persist and graduate. As students are most likely to dropout during their first year, the second-year retention rate provides an indication if interventions are working or if further investigation is needed to identify areas of improvement. The second-year retention rate fluctuated over the past six cohorts, as shown in **Exhibit 2**, from a low of 70.8% with the 2010 cohort to 76.8% with the 2012 and 2014 cohorts. The third-year retention rate mirrors the trends of the second-year rate. However, after the 2012 cohort achieved the highest level since at least the 1994 cohort of 65.5%, the rate of the proceeding cohort declined 4.1 percentage points to 61.4%. It is expected that the rate of the 2014 cohort will improve reflecting the trend of the second-year rate.

**Exhibit 2**  
**Second- and Third-year Retention Rates**  
**First-time, Full-time 2008-2014 Cohorts**



Source: Maryland Higher Education Commission, Retention and Graduation Rates at Maryland Four-year Institutions

Completion rates are greatly influenced by time – the longer it takes a student to graduate, the more likely (s)he will dropout as other priorities compete with classes. Longer completion times translate into increased costs, not only for the student, but for the institution and the State as well. According to the report on the *Report on the Instructional Workload of the USM Faculty*, the average time to degree for FSU students graduating in 2016 was 3.7 years, down from 4.2 years in 2015. At 3.7 years, FSU has the fastest time to degree of any USM institution. According to USM, this is due to a variety of factors including an increase in enrollment of transfer students relative to first-time, full-time (FT/FT) students and the influence of nursing students. The former is related to FSU building a strong pipeline of transfer students from a combination of increased use of enrollment consultants at the USM at Hagerstown and improved recruiting. In regard to nursing students, these students are in general working professionals looking to rapidly upgrade to a bachelor of nursing degree and, therefore, wanting to graduate more quickly. USM notes that undergraduate level nurses across USM average 3.3 years to degree compared to 4.8 years for the general population. However, the recent decline in transfer students, particularly nursing students, may result in an increase in the time to degree.

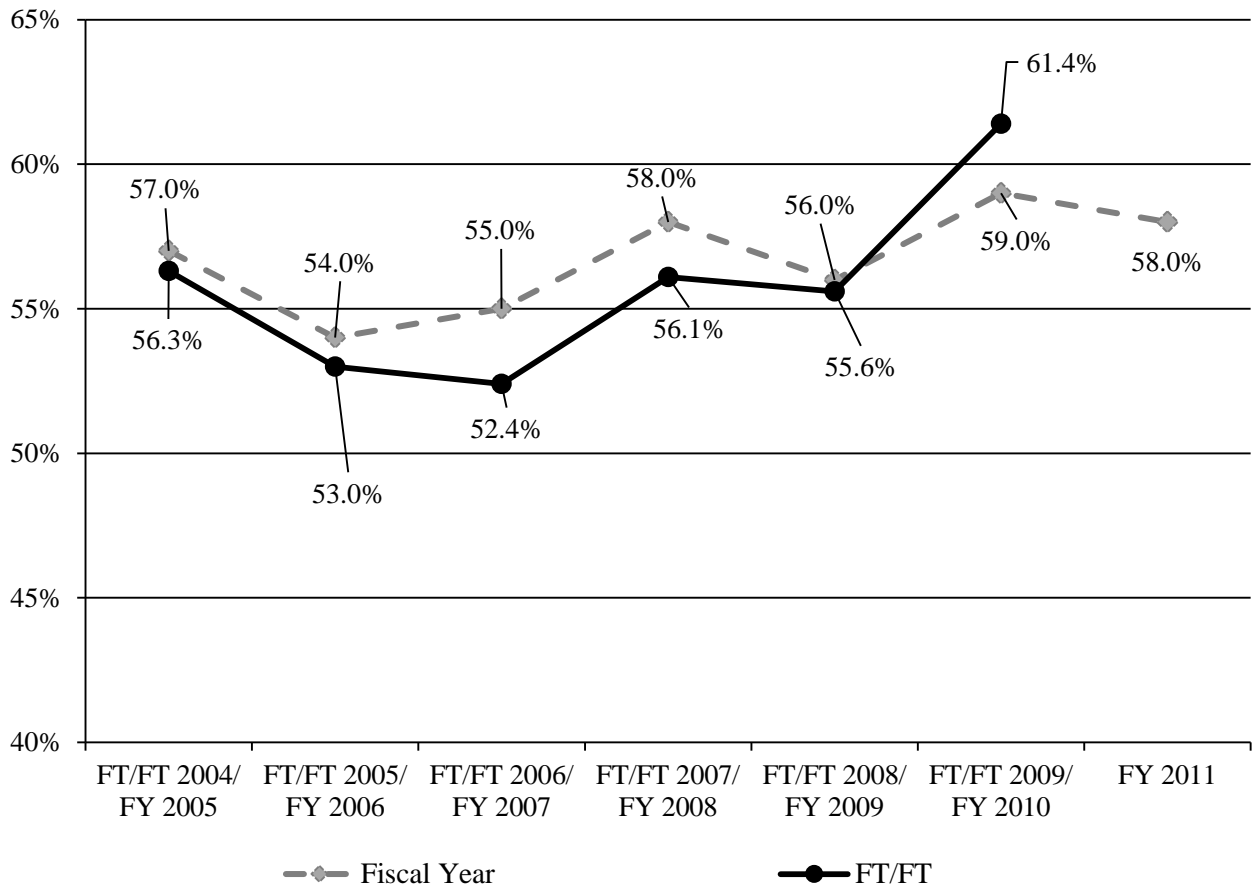
Traditional student progress measures, such as those reported by the Maryland Higher Education Commission and the federal government, only track the success of the “traditional” FT/FT student – those enrolled at an institution at the start of the academic year and continuously enrolled as a full-time student until completion. These measures do not include part-time students, transfer students, those who enroll in the spring, changed enrollment status, or stopped out, thereby providing



only a partial picture of an institution's performance. USM revised the graduation measure to include these students by defining the cohort as all new degree-seeking students who enrolled during the fiscal year. Prior to the 2009 fiscal cohort, the six-year graduation rate of the fiscal cohorts exceeded that of the FT/FT students, indicating transfers performed better than FT/FT students as illustrated in **Exhibit 3**. The FT/FT 2008 cohort performed as well as the 2009 fiscal cohort due to the rate of the fiscal cohort declining 2.0 percentage points. The FT/FT rate spiked 5.8 percentage points, 61.4%, with the 2009 cohort. FSU attributed this to two factors: (1) an increase in student support services especially in the first year to improve retention, including assigning advisors to first year students who also teach an introductory first-year course to these students; and (2) since the graduation rate also includes those who transferred from FSU to other USM institutions, better articulation of courses and advising between institutions have led to successful outcomes for these students.

While the 2010 fiscal cohort achieved the highest rate of 59%, it declined to 58% with the proceeding cohort and fell below the FT/FT cohort in fiscal 2010. This raises concerns that while FSU has targeted efforts to improve the graduation rate of FT/FT not as many resources are directed toward helping retain and graduate other students. **The President should comment on efforts being taken to improve completions among all students.**

**Exhibit 3**  
**Comparison of Six-year Graduation Rates Various Cohorts**



FT/FT: first-time, full-time  
FY: fiscal year

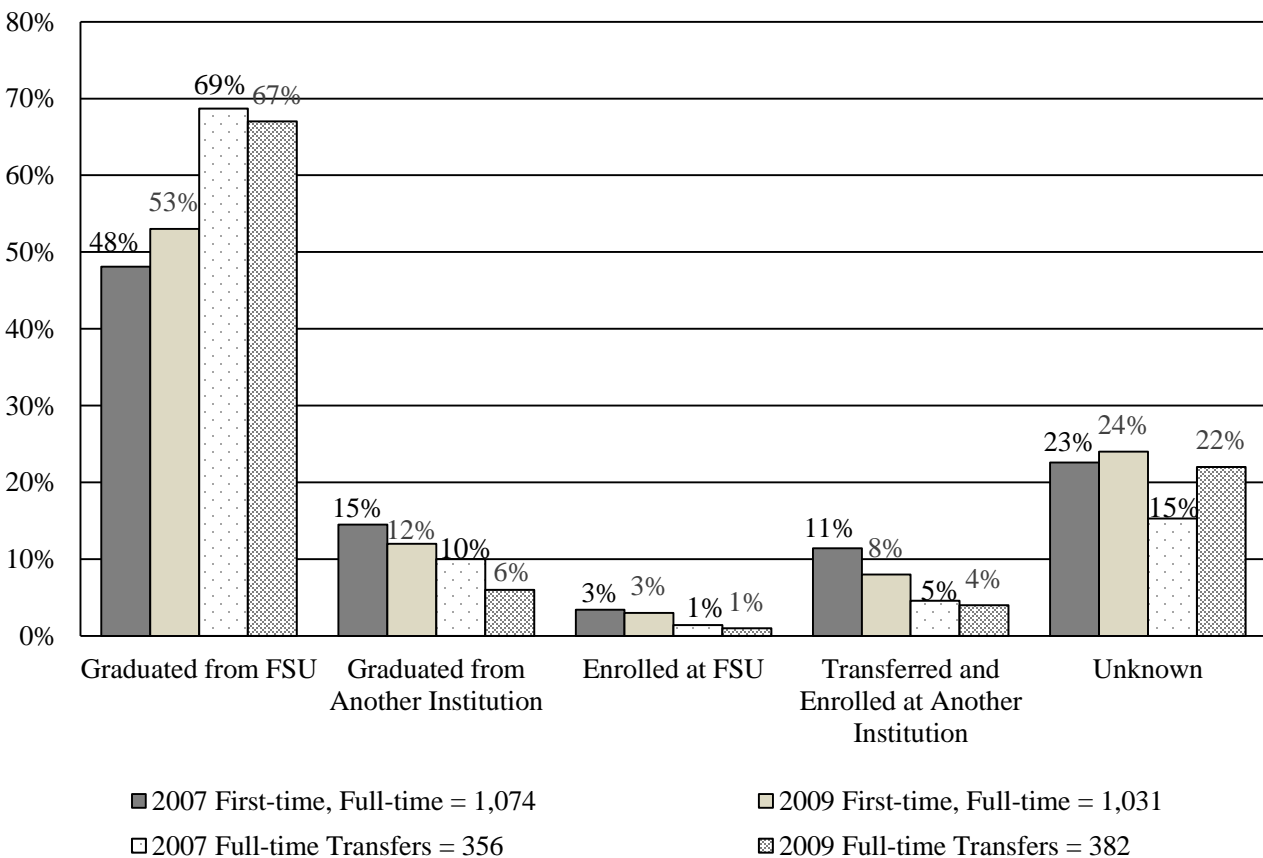
Note: FT/FT cohorts include students who persisted at and graduated from the institution they initially enrolled in and those who transferred and graduated from any Maryland public or private four-year institution. Cohorts include all degree-seeking students (*e.g.*, FT/FT, part-time, transfers, spring admits) who enrolled in the fiscal year.

Source: Maryland Higher Education Commission, Retention and Graduation Rates at Maryland Four-year Institutions, September 2016; University System of Maryland

While the previous six-year graduation rate provides a more accurate picture it does not capture a comprehensive picture of student progress or persistence, toward earning a degree. To help improve reporting on student persistence, the Student Achievement Measure (SAM) was created to include more students including those who enroll in multiple institutions during their academic career. SAM is a voluntary reporting system that tracks the progress of FT/FT and full-time transfer students throughout

their college careers. Overall, full-time transfer students graduate at a higher rate than FT/FT students, as shown in **Exhibit 4**, with 67.0% of the fall 2009 transfer cohort graduating within six years of enrolling at FSU compared to 53.0% of the FT/FT students. Overall, about one-quarter of the FT/FT students transfer and/or graduated to another institution, while the status is not known for about another one-quarter of the students. According to FSU, for the students whose status is unknown, an anecdotal cause for their leaving is financial. FSU is planning to apply a targeted strategy at years 3, 4, and 5 to identify those students whose status is unknown and provide them with assistance to help them graduate.

**Exhibit 4**  
**Status of First-time, Full-time and Full-time Transfers Seeking a Bachelor's Degree after Six Years**  
**Fall 2007 and 2009 Cohorts**

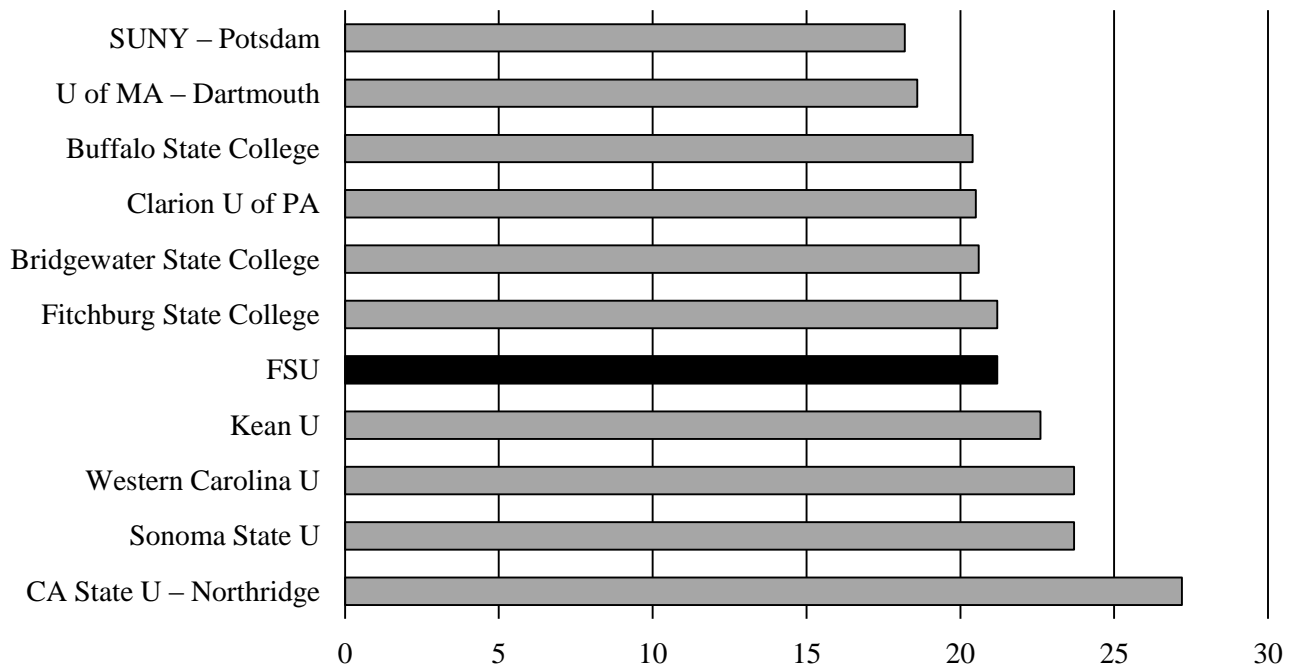


FSU: Frostburg State University

Source: Student Achievement Measures

Ultimately, how well an institution meets its academic mission is measured by the number of undergraduate degrees awarded. The number of undergraduate degrees awarded per 100 full-time equivalent student (FTES) shows how effectively institutions turn degree-seeking students into degree holders. **Exhibit 5** compares the three-year average of FSU’s ratio to that of its peers. Peer institutions are those used to benchmark FSU’s performance in USM’s Dashboard Indicators. Depending on the institution, the optimal value is 25.0 but would be higher for those who mainly offer upper-division programs or have a relatively high number of transfer students. At 21.2 degrees per 100 FTES, FSU’s ratio is comparable to that of its peers.

**Exhibit 5**  
**Comparison of Three-year Average of Undergraduate Degrees**  
**Per 100 Undergraduate FTES to Performance Peers**  
**Academic 2011-2013**



CA: California  
FSU: Frostburg State University  
MA: Massachusetts  
PA: Pennsylvania  
SUNY: State University of New York  
U: university

Source: Chronicle of Higher Education, College Completion

## **Fiscal 2017 Actions**

### **Cost Containment and Proposed Deficiency**

The November 2016 Board of Public Works cost containment action resulted in a 1.4%, or \$0.6 million, reduction in FSU's appropriation, of which \$0.4 million was met by the elimination of 3 vacant positions and \$11,151 by reducing spending on supplies and materials. The remaining \$0.2 million was to be offset by a transfer from the Higher Education Investment Fund (HEIF) fund balance. However, due to insufficient HEIF funds a fiscal 2017 deficiency provides the USM Office with \$4.1 million in general funds to cover the offset at all USM institutions. A second fiscal 2017 deficiency provides \$4.7 million to USM to offset a decline in the HEIF. FSU's share is estimated to be \$0.2 million.

### **Proposed Budget**

As shown in **Exhibit 6**, the general fund allowance for fiscal 2018 is 1.2%, or \$0.5 million, higher than fiscal 2017 after adjusting for the fiscal 2017 deficiencies and the across-the-board contingent pension reduction in fiscal 2018. The HEIF increases 4.8%, or \$83,254, after adjusting for the fiscal 2017 deficiency. Overall, State funding increases 1.4%, or \$0.6 million, to \$42.1 million in fiscal 2018. Other current unrestricted funds grow 2.4%, or \$1.5 million, primarily due to tuition and fee revenues increasing \$1.2 million.

The fiscal 2018 contingent reduction is part of a \$54.5 million (all funds) across-the-board reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. FSU's share of the reduction is \$96,094 in general funds. This action is also tied to a provision in the Budget Reconciliation and Financing Act of 2017.

**Exhibit 6**  
**Proposed Budget**  
**Frostburg State University**  
(\$ in Thousands)

	<b><u>FY 16</u></b> <b><u>Actual</u></b>	<b><u>FY 17</u></b> <b><u>Adjusted</u></b>	<b><u>FY 18</u></b> <b><u>Adjusted</u></b>	<b><u>FY 17-18</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Funds	\$37,533	\$39,439	\$40,359		
Deficiencies		343			
Across-the-board			-96		
<b>Total General Funds</b>	<b>\$37,533</b>	<b>\$39,782</b>	<b>\$40,263</b>	<b>\$481</b>	<b>1.2%</b>
HEIF	\$1,748	\$1,903	\$1,803		
Deficiencies		-184			
<b>Total HEIF</b>	<b>\$1,748</b>	<b>\$1,719</b>	<b>\$1,803</b>	<b>\$83</b>	<b>4.8%</b>
<b>Total State Funds</b>	<b>\$39,281</b>	<b>\$41,501</b>	<b>\$42,065</b>	<b>\$564</b>	<b>1.4%</b>
Other Unrestricted Funds	\$60,890	\$64,572	\$66,092	\$1,520	2.4%
<b>Total Unrestricted Funds</b>	<b>\$100,171</b>	<b>\$106,073</b>	<b>\$108,157</b>	<b>\$2,084</b>	<b>2.0%</b>
Restricted Funds	\$13,242	\$13,281	\$13,281	\$0	0.0%
<b>Total Funds</b>	<b>\$113,413</b>	<b>\$119,354</b>	<b>\$121,438</b>	<b>\$2,084</b>	<b>1.7%</b>

HEIF: Higher Education Investment Fund

Note: Fiscal 2017 General Fund and Higher Education Investment Fund adjusted to reflect deficiencies, and fiscal 2018 General Fund reflects across-the-board reduction. Numbers may not sum to total due to rounding.

Source: Governor's Budget Books, Fiscal 2018, Department of Legislative Services

Budget changes by program area in the allowance are shown in **Exhibit 7**. This data includes unrestricted funds only, the majority of which consist of general funds, the HEIF, and tuition and fee revenues. Education and general (E&G) expenditures increase \$5.6 million, or 6.9%, in fiscal 2017. Operation and maintenance of plant grows at the highest rate of 28.3%, or \$3.8 million, due to personnel costs, debt service, facilities renewal projects, and the opening of the police building. Spending increases of \$1.6 million and \$0.7 million in instruction and institutional support, respectively, are related to personnel costs. In regard to revenues, other unrestricted funds decrease 13.2%, or \$0.3 million, attributed to lowering projected interest income in fiscal 2017. The 0.3%, or \$0.1 million decline in tuition and fee revenues is related to a decline in total enrollment.

**Exhibit 7**  
**FSU Budget Changes for Unrestricted Funds by Program**  
**Fiscal 2016-2018**  
**(\$ in Thousands)**

	<b>Actual 2016</b>	<b>Adjusted Working 2017</b>	<b>% Change 2016-17</b>	<b>Adjusted 2018</b>	<b>Change 2017-18</b>	<b>% Change 2017-18</b>
<b>Expenditures</b>						
Instruction	\$32,152	\$33,737	4.9%	\$34,067	\$330	1.0%
Research	153	7	-95.4%	7		0.0%
Public Service	452	40	-91.1%	206	166	412.5%
Academic Support	10,247	10,309	0.6%	10,545	236	2.3%
Student Services	5,531	5,474	-1.0%	5,433	-41	-0.7%
Institutional Support	12,322	13,012	5.6%	12,949	-63	-0.5%
Operation and Maintenance of Plant	13,250	17,007	28.3%	18,033	1,026	6.0%
Scholarships and Fellowships	7,196	7,173	-0.3%	7,536	363	5.1%
Deficiency		159				
Across-the-board Reduction				-96		
<b>Education and General Total</b>	<b>\$81,304</b>	<b>\$86,918</b>	<b>6.9%</b>	<b>\$88,679</b>	<b>\$1,761</b>	<b>2.0%</b>
Auxiliary Enterprises	\$18,868	\$19,155	1.5%	\$19,478	\$323	1.7%
<b>Total</b>	<b>\$100,171</b>	<b>\$106,073</b>	<b>5.9%</b>	<b>\$108,157</b>	<b>\$2,084</b>	<b>2.0%</b>
<b>Revenues</b>						
Tuition and Fees	\$39,267	\$39,142	-0.3%	\$40,313	\$1,171	3.0%
General Funds	37,533	39,782	6.0%	40,263	481	1.2%
HEIF	1,748	1,719	-1.7%	1,803	83	4.8%
Other Unrestricted Funds	2,481	2,154	-13.2%	2,268	113	5.3%
<b>Subtotal</b>	<b>\$81,029</b>	<b>\$82,798</b>	<b>2.2%</b>	<b>\$84,646</b>	<b>\$1,849</b>	<b>2.2%</b>
Auxiliary Enterprises	\$23,941	\$24,341	1.7%	\$24,598	\$257	1.1%
Transfer (to)/from Fund Balance	-4,799	-1,065		-1,087		
<b>Total</b>	<b>\$100,171</b>	<b>\$106,073</b>	<b>5.9%</b>	<b>\$108,157</b>	<b>\$2,084</b>	<b>2.0%</b>

FSU: Frostburg State University

HEIF: Higher Education Investment Fund

Note: Fiscal 2017 general funds and the HEIF are adjusted by \$0.3 million and \$0.2 million, respectively, to reflect the proposed deficiencies. Fiscal 2018 general funds are adjusted by \$96,094 to reflect across-the-board reduction.

Source: Governor's Budget Books, Fiscal 2018, Department of Legislative Services

In fiscal 2018, E&G spending grows 2.0%, or \$1.8 million, with most of the increases attributed to personnel costs. In addition, the 6.0%, or \$1.0 million, increase in operation and maintenance of plant is due to facilities renewal (\$0.8 million) and debt service (\$0.1 million). Of the \$0.2 million increase in academic support, \$0.1 million is related to upgrading library-related technology.

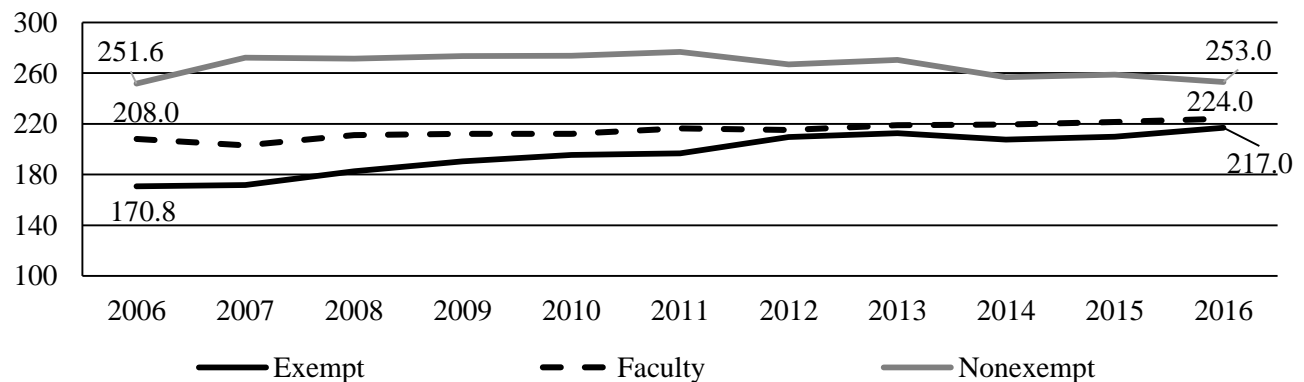
In each of fiscal 2016, 2017, and 2018, E&G expenditures exceed revenues. Therefore, FSU will need to use part of their surplus in auxiliary enterprises to cover the gap. The auxiliary surpluses for fiscal 2016, 2017, and 2018, average \$5.1 million. In fiscal 2016, \$0.3 million of the surplus was needed to cover the E&G shortfall with the remaining \$4.8 million being transferred to fund balance. In fiscal 2017, the gap increases to \$4.1 million and is expected to total \$4.0 million in fiscal 2108. Since auxiliary enterprises, such as dining services and residence halls, are self-supported, they typically generate profits. These profits are transferred to the fund balance to be used for future projects such as renovation of residence halls. While institutions will use excess auxiliary revenues in times when E&G revenues do not cover expenditures, a continual reliance on these surpluses to cover a budget gap may indicate that an institution needs to find efficiencies in the academic enterprise in order to align revenues with expenditures.

**The President should comment on the continuing use of auxiliary surplus to cover shortfalls in E&G expenditures and what measures are being taken to minimize the reliance on these revenues in fiscal 2017 and 2018.**

### Trends in Personnel

Over the past 10 years the total number of filled positions grew 10.1% (63.5 full-time equivalent (FTE)) with exempt positions accounting for 46.7 FTEs of the increase, as shown in **Exhibit 8**. After reaching its highest level of 276.7 FTEs in 2011, the number of filled nonexempt positions declined to 253.0 FTEs in 2016.

**Exhibit 8**  
**Filled Positions by Classification**  
**As of October 2006-2016**

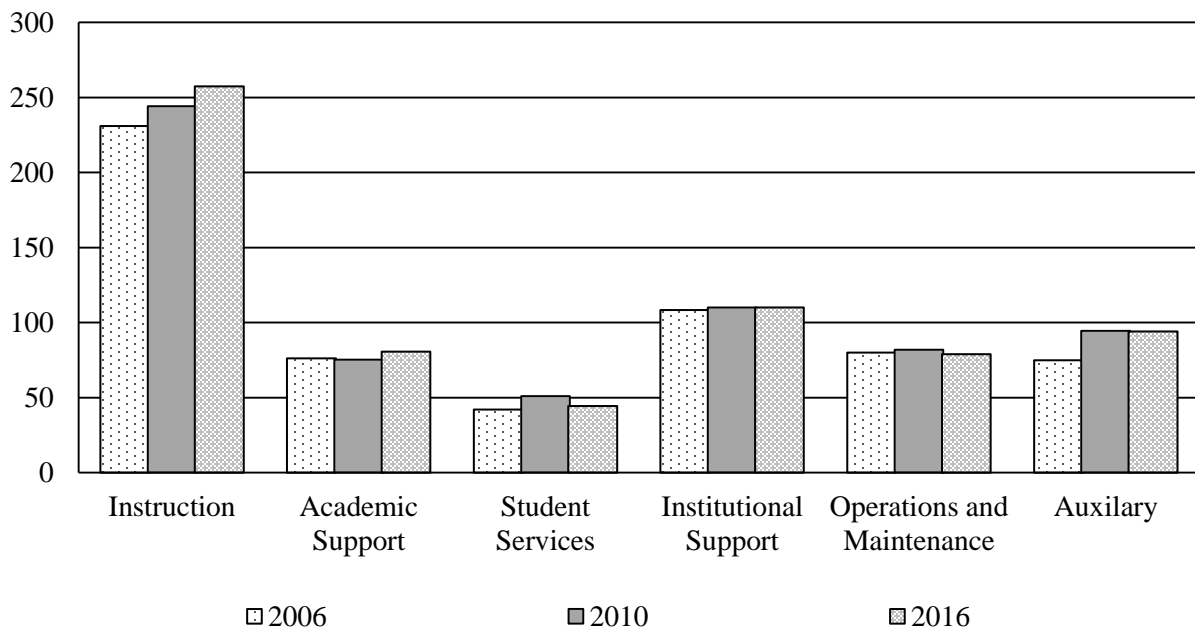


Source: Frostburg State University



**Exhibit 9** shows the number of filled positions by program area, excluding research and public service, before (2006), during (2010), and after the most recent recession (2016). While instruction-related positions increased 11.4%, or 26.3 FTEs, from 2006 to 2016, faculty positions only accounted for 9.0 FTEs. During this time period enrollment grew 11.0%. Auxiliary experienced the largest increase of 25.6% (19.2 FTEs) from 2006 to 2016, and since it includes self-supported activities such as food services and residence halls it is expected that the number of positions would increase as enrollment grows.

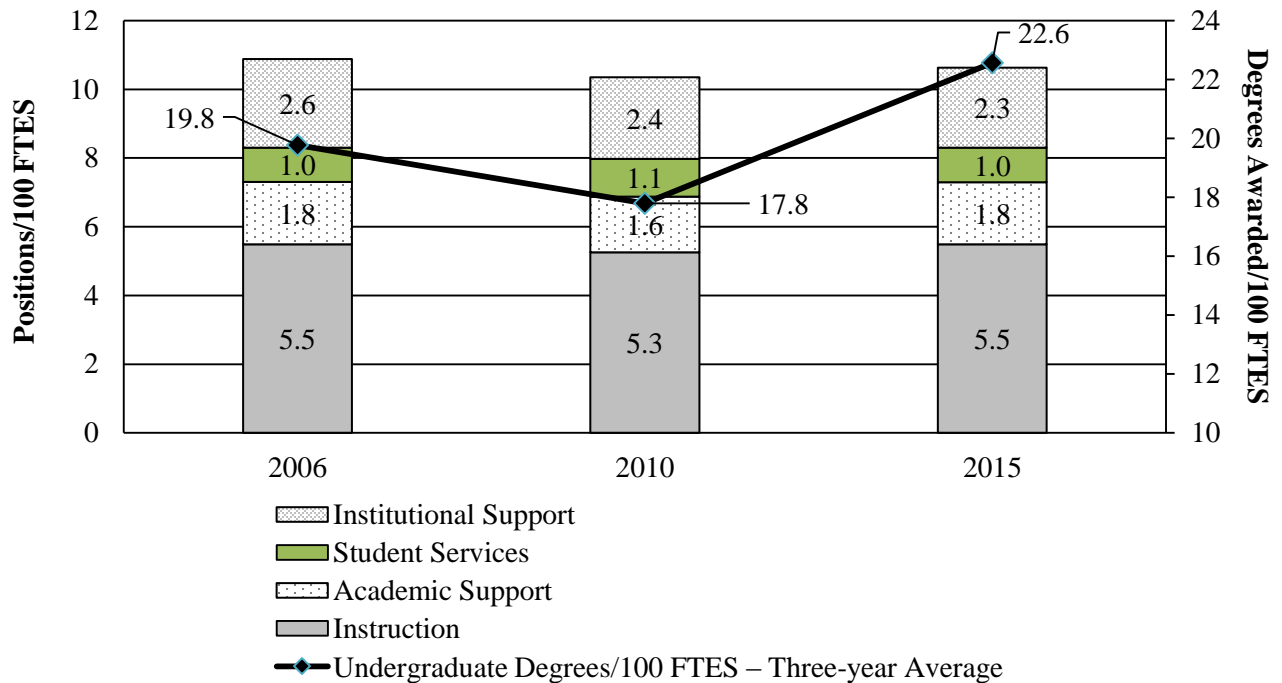
**Exhibit 9**  
**Filled Positions by Program Area**  
**Oct 2006, 2010, and 2016**



Source: Frostburg State University

**Exhibit 10** considers the impact that positions have on institution performance by comparing the number of filled positions related to the academic enterprise on a per 100 undergraduate FTES basis to the three-year average of the number of undergraduate degrees awarded per 100 undergraduate FTES. Overall, between fiscal 2006 and 2010, the position ratio per 100 undergraduate FTES in all program areas declined, except for student services. During this time period, degrees per 100 FTES declined from 19.8 degrees in 2006 to 17.8 degrees in 2010. It appears a 10.5% enrollment growth coupled with a 5.0% decline in filled positions impacted FSU's effectiveness in graduating students.

**Exhibit 10**  
**Academic-related Positions Per 100 Undergraduate FTES Compared to**  
**Undergraduate Degrees Per 100 FTES**  
**Fiscal 2006, 2010, and 2015**



FTES: full-time equivalent student

Source: Frostburg State University; Integrated Postsecondary Education System; Department of Legislative Services

In 2015 positions per 100 FTES for instruction and student services returned to the same level as before the recession in 2006. Only institutional support declined during this timeframe. It appears with the increase in positions per FTES, FSU was able to improve its performance with completions improving to 22.6 degrees in 2015.

## ***Issues***

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### **1. Affordability, Meeting College Expenses**

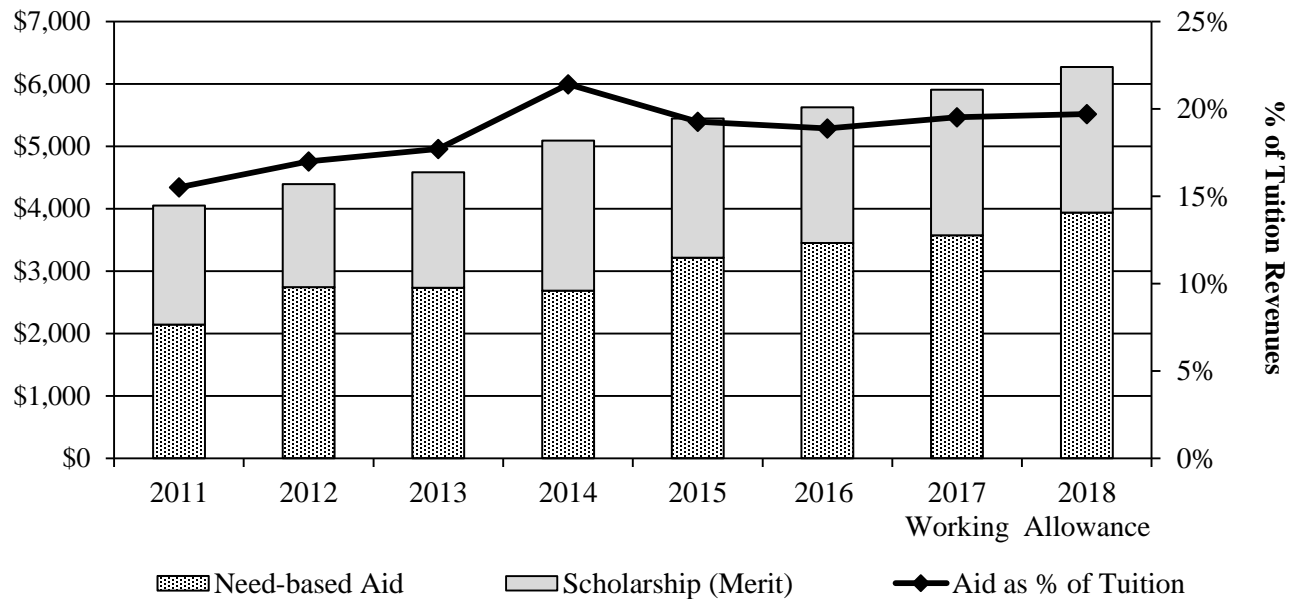
As the cost of college continues to increase, students and families are relying on a variety of financial aid to pay for college with more students taking out loans. When accounting for the average amount of federal, State, and institutional aid awarded to all FSU students, the average net price for a FT/FT Maryland undergraduate student at FSU was \$13,019 in fiscal 2016 compared to the list price of \$20,568 (based on tuition, mandatory fees, books and supplies, other expenses, and the weighted average of room and board), according to the National Center for Education Statistics' College Navigator. This amounts to a 36.7% reduction in the net cost of attendance. For those with a family income up to \$30,000 the average net price was \$14,015 in fiscal 2016.

In fiscal 2016, 36.4% of FSU's undergraduate students received Pell awards, which are given to those who otherwise could not afford college and have an expected family contribution (EFC) of less than a specific amount, which was \$5,815 in fiscal 2016. EFC is an indicator of the amount that a family is able to contribute for a student's college education: the lower the EFC, the greater the financial aid.

FSU steadily increased spending on institutional financial aid from fiscal 2011 to 2016, as shown in **Exhibit 11**. Overall, spending grew 40.6%, or \$1.6 million, during this time period with need-based aid accounting for \$1.3 million of the increase. Since fiscal 2014, spending on need-based aid steadily increased from \$2.7 million to \$3.5 million in fiscal 2016. Need-based aid expenditures in fiscal 2018 are estimated to grow 10.2%, or \$0.4 million, while scholarships are level funded. Overall, the portion of aid going toward need-based aid increased from 52.9% in fiscal 2011 to 62.8% in fiscal 2018.

The USM Board of Regents has instructed institutions to use a portion of annual tuition revenue increases for institutional aid directed toward those undergraduate students with the highest financial need, offsetting increases in tuition rates, and holding harmless those with the greatest need. Since fiscal 2011, when institutional aid as a percentage of undergraduate tuition revenue was at its lowest level of 15.5%, it increased to 19.5% in fiscal 2017.

**Exhibit 11**  
**Institutional Aid – Total Aid, and Aid as a Percentage of**  
**Undergraduate Tuition Revenues**  
**Fiscal 2011-2018 Allowance**  
**(\$ in Thousands)**

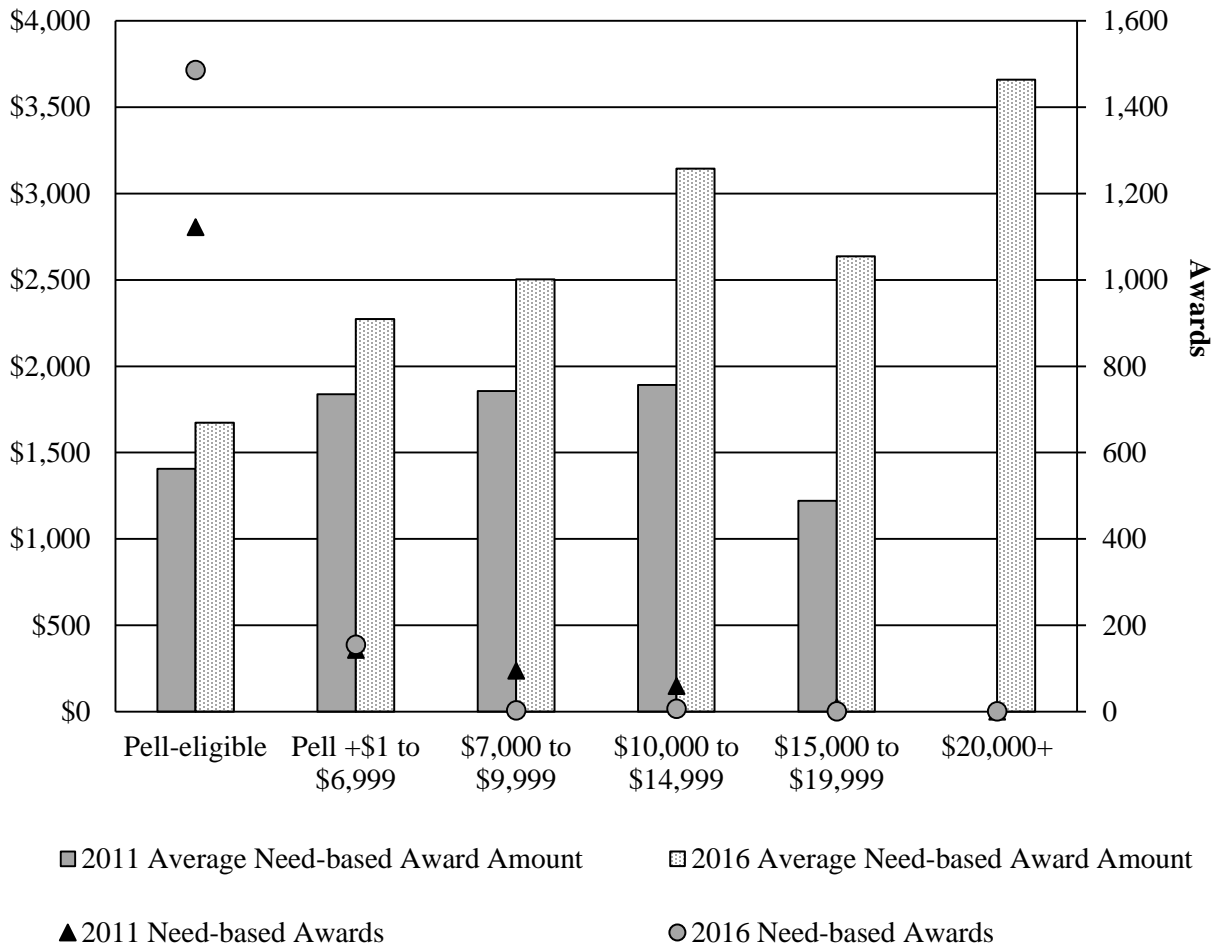


Source: University System of Maryland; Department of Legislative Services

**Exhibit 12** compares how need-based aid awards were distributed in fiscal 2011 and 2016. Overall, the portion of awards going to those students in the two lowest EFC categories increased from 88.5% in fiscal 2011 to 99.3% in fiscal 2016. The average award amount increased \$267 and \$435 for Pell-eligible students and those with an EFC of Pell+1 to \$6,999, respectively. The highest award of \$3,659 in fiscal 2016 went to one student with an EFC greater than \$20,000.

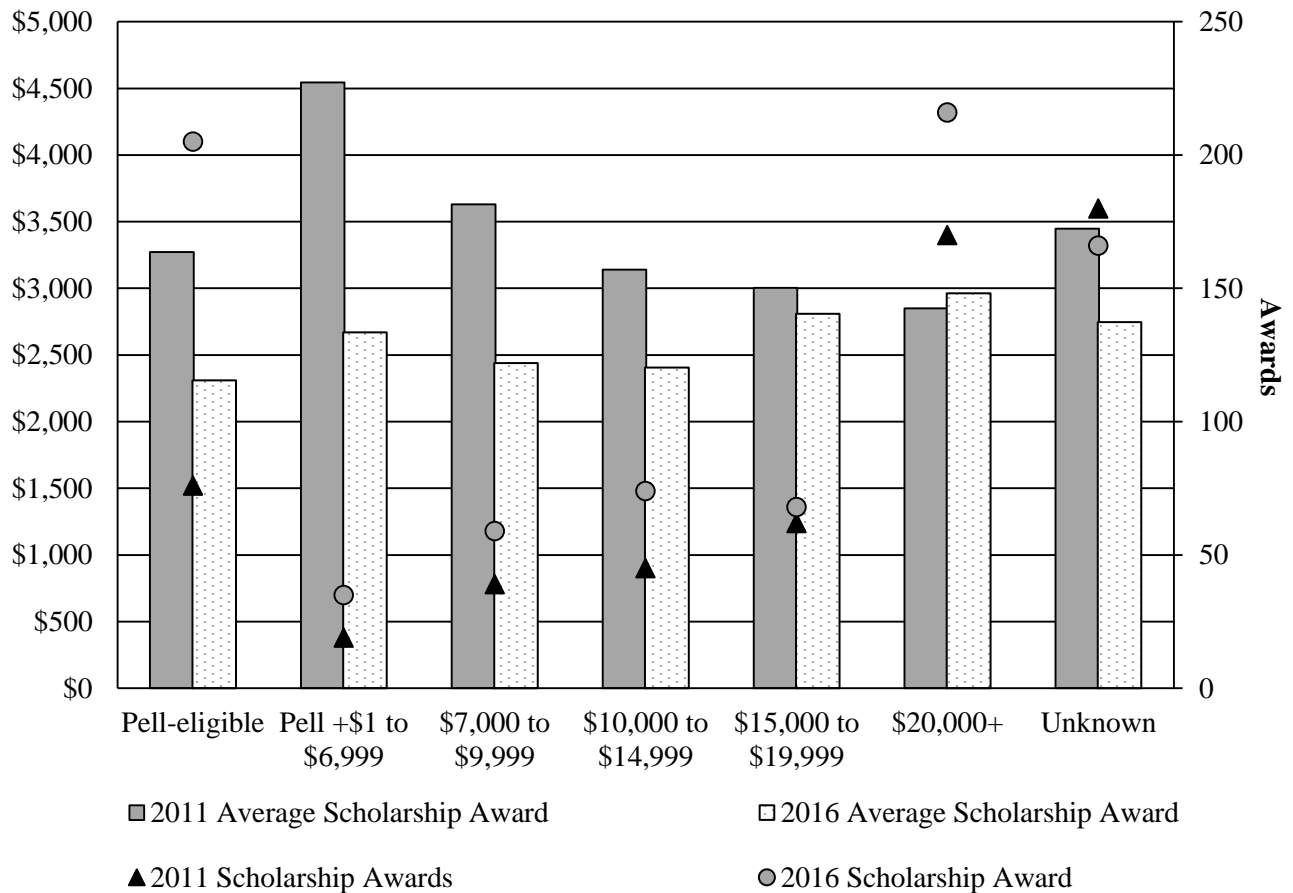
**Exhibit 13** compares the distribution of scholarships and the change in the average amount awarded in fiscal 2011 and 2016. During this timeframe, the number of awards increased 39.3%, or 232 awards, with Pell-eligible students accounting for 129 of the increase. This resulted in the portion of awards going to Pell-eligible students increasing from 12.9% in fiscal 2011 to 24.9% in fiscal 2016. Overall, the average amount awarded declined across all EFC categories with those students with an EFC of Pell+\$1 to \$6,999 experiencing the largest decrease in their award of \$1,875.

**Exhibit 12**  
**Comparison of Number and Average Amount of Need-based Aid Received Per**  
**Recipient by Expected Family Contribution**  
**Fiscal 2011 and 2016**



Source: University System of Maryland

**Exhibit 13**  
**Comparison of Number and Average Amount of Scholarship Received Per**  
**Recipient by Expected Family Contribution**  
**Fiscal 2011 and 2016**



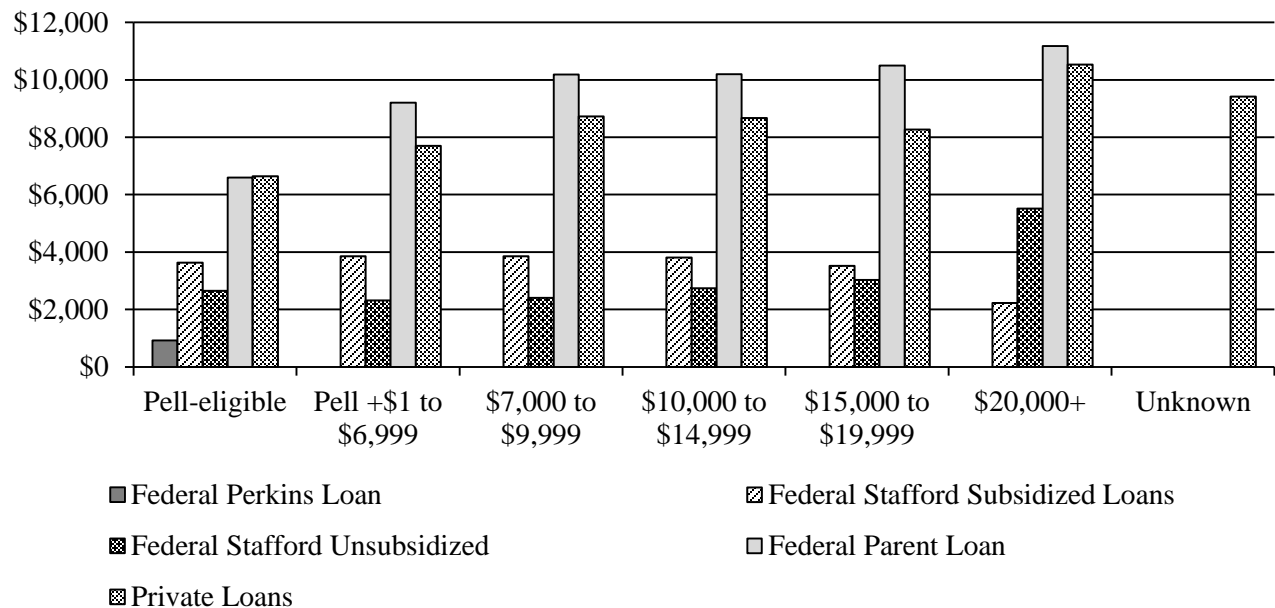
Source: University System of Maryland

While students with the greatest financial need typically receive Pell and institutional aid, it is not enough to cover the cost of attending college. As shown in **Exhibit 14**, students in all EFC categories take out various types of loans to finance their education. There are three types of loans:

- federal subsidized loans, which are based on the financial need with the government paying the interest while the student is enrolled in school (Perkins and Stafford loans);

- federal unsubsidized loans, which are generally for those who do not demonstrate financial need with interest added to the balance of the loan while the student is enrolled in school (Stafford and Parent loans); and
- private loans.

**Exhibit 14**  
**Mean Loan Amounts by Type and Expected Family Contribution**  
**Fiscal 2016**



Source: University System of Maryland

In fiscal 2016, of the 1,928 Pell-eligible students 83.2% and 78.6% used subsidized and unsubsidized loans, respectively, to help pay for their college education with average loans of \$3,630 and \$2,648. In addition, 128 of these students took out an average of \$6,642 in private loans. In general, federal parent loans were the highest loan amount in all EFC categories, with those who have an EFC of \$10,000 to \$14,999 taking out the highest average loan amount of \$10,080.

According to College Insight, the percentage of students graduating with debt from FSU increased from 64.0% to 66.0% between fiscal 2009 and 2014, above the national average of 61.0% in fiscal 2014. During this time period, the average debt for the FSU graduates increased 26.7% from \$18,255 to \$24,916, although still below the national average of \$27,022 in fiscal 2014. **The President should comment on financial literacy efforts being taken to educate and guide students in making financial decisions.**

## ***Recommended Actions***

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1. See the University System of Maryland Overview for systemwide recommendations.



**Appendix 1**  
**Current and Prior Year Budgets**  
**USM – Frostburg State University**  
**(\$ in Thousands)**

	<b><u>General</u></b> <b><u>Fund</u></b>	<b><u>Special</u></b> <b><u>Fund</u></b>	<b><u>Federal</u></b> <b><u>Fund</u></b>	<b>Other</b> <b><u>Unrestricted</u></b> <b><u>Fund</u></b>	<b>Total</b> <b><u>Unrestricted</u></b> <b><u>Fund</u></b>	<b><u>Restricted</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2016</b>							
Legislative							
Appropriation	\$35,924	\$1,748	\$0	\$60,489	\$98,161	\$12,360	\$110,521
Deficiency							
Appropriation	810	0	0	0	810	0	810
Budget							
Amendments	798	0	0	3,470	4,268	1,986	6,254
Reversions and							
Cancellations	0	0	0	-3,068	-3,068	-1,104	-4,172
<b>Actual</b>							
<b>Expenditures</b>	<b>\$37,533</b>	<b>\$1,748</b>	<b>\$0</b>	<b>\$60,890</b>	<b>\$100,171</b>	<b>\$13,242</b>	<b>\$113,413</b>
<b>Fiscal 2017</b>							
Legislative							
Appropriation	\$38,577	\$1,903	\$0	\$63,339	\$103,819	\$13,146	\$116,965
Cost							
Containment	-605	0	0	0	-605	0	-605
Budget							
Amendments	1,467	0	0	1,232	2,700	135	2,835
<b>Working</b>							
<b>Appropriation</b>	<b>\$39,439</b>	<b>\$1,903</b>	<b>\$0</b>	<b>\$64,572</b>	<b>\$105,914</b>	<b>\$13,281</b>	<b>\$119,195</b>

USM: University System of Maryland

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

## **Fiscal 2016**

For fiscal 2016, the general fund appropriation for Frostburg State University (FSU) increased by \$1.6 million, which included a \$0.8 million deficiency related to a shortfall in health benefits. A budget amendment added \$0.8 million for the restoration of a 2% pay reduction.

Other unrestricted funds increased by \$0.4 million. Budget amendments added \$3.5 million including:

- \$2.5 million in auxiliary enterprises due to an increase in room and board rates that were not originally reflected in the working budget;
- \$0.7 million in tuition and fee revenues related to the annualization of the mid-year rate increase in fiscal 2015 and summer and winter session;
- \$0.3 million in the sales of education activities; and
- \$1,394 in miscellaneous income.

This increase was partially offset by an additional \$18,000 being transferred to the fund balance.

Cancellation of unrestricted funds totaled \$3.1 million: expenditures on operations and maintenance of plant fixed were lower than budgeted (\$2.2 million); spending on fuel and utilities dropped due to lower rates (\$0.5 million); spending on conferences was less than budgeted (\$0.2 million); and planned spending on communications fell (\$0.2 million).

Restricted funds increased \$0.9 million with budget amendments adding \$2.0 million due to \$1.0 million in additional Pell grants and \$1.0 million in State and private contracts and grant activity. This was offset by the cancellation of \$1.1 million in restricted funds due to grants being less than anticipated.

## **Fiscal 2017**

To date in fiscal 2017, the general fund appropriation for FSU has increased by \$0.9 million. A budget amendment added \$1.4 million including \$1.0 million related to salary increments and a \$0.4 million transfer from the University of Maryland System Office to support student completion initiatives. This was partially offset by \$0.6 million in cost containment measures. Other unrestricted funds have increased by \$1.2 million including \$0.8 million in tuition and fee revenues related to enrollment being 62 full-time equivalent students above the estimate used in developing the budget; \$0.5 million in auxiliary enterprises related to an increase in rates; and \$43,932 in miscellaneous income. This increase is partially offset by an additional \$45,000 being transferred to the fund balance and a decrease of \$32,000 in the sales and services of education activities.

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Current restricted funds increased \$0.1 million due to State (\$0.2 million) and private (\$14,000) contract and grant activity that is offset by a \$31,000 decrease in federal contracts and grants.

**Appendix 2**  
**Audit Findings**

Audit Period for Last Audit:	June 4, 2012 – June 30, 2015
Issue Date:	April 2016
Number of Findings:	4
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

- Finding 1:** Frostburg State University (FSU) did not ensure that capabilities assigned to individuals on its financial management systems were adequately restricted to prevent improper student account and financial aid transactions.
- Finding 2:** FSU did not have sufficient procedures for maintaining and securing numerous workstations.
- Finding 3:** Sensitive personally identifiable information was not appropriately safeguarded.
- Finding 4:** Access and monitoring controls over two databases and applications were not sufficient to protect critical data.

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

**Appendix 3**  
**Object/Fund Difference Report**  
**USM – Frostburg State University**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	734.00	731.00	731.00	0.00	0%
02 Contractual	161.30	156.90	156.90	0.00	0%
<b>Total Positions</b>	<b>895.30</b>	<b>887.90</b>	<b>887.90</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 61,338,925	\$ 62,894,991	\$ 63,380,474	\$ 485,483	0.8%
02 Technical and Spec. Fees	8,561,764	7,659,443	7,703,134	43,691	0.6%
03 Communication	438,360	653,421	653,421	0	0%
04 Travel	1,149,357	999,548	999,548	0	0%
06 Fuel and Utilities	3,458,718	3,985,564	3,985,564	0	0%
07 Motor Vehicles	412,735	478,568	478,154	-414	-0.1%
08 Contractual Services	10,515,196	10,699,103	10,960,530	261,427	2.4%
09 Supplies and Materials	3,393,711	5,407,361	5,396,335	-11,026	-0.2%
10 Equipment – Replacement	426,373	721,600	721,600	0	0%
11 Equipment – Additional	1,415,885	1,443,228	1,468,228	25,000	1.7%
12 Grants, Subsidies, and Contributions	15,642,197	15,499,445	15,862,378	362,933	2.3%
13 Fixed Charges	5,378,862	6,891,322	7,090,969	199,647	2.9%
14 Land and Structures	1,281,025	1,861,397	2,833,700	972,303	52.2%
<b>Total Objects</b>	<b>\$ 113,413,108</b>	<b>\$ 119,194,991</b>	<b>\$ 121,534,035</b>	<b>\$ 2,339,044</b>	<b>2.0%</b>
<b>Funds</b>					
40 Unrestricted Fund	\$ 100,171,484	\$ 105,913,991	\$ 108,253,035	\$ 2,339,044	2.2%
43 Restricted Fund	13,241,624	13,281,000	13,281,000	0	0%
<b>Total Funds</b>	<b>\$ 113,413,108</b>	<b>\$ 119,194,991</b>	<b>\$ 121,534,035</b>	<b>\$ 2,339,044</b>	<b>2.0%</b>

USM: University System of Maryland

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

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**Appendix 4  
Fiscal Summary  
USM – Frostburg State University**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Instruction	\$ 32,212,244	\$ 33,811,141	\$ 34,140,707	\$ 329,566	1.0%
02 Research	361,136	191,081	191,081	0	0%
03 Public Service	4,294,542	4,054,419	4,219,742	165,323	4.1%
04 Academic Support	10,264,181	10,323,812	10,559,796	235,984	2.3%
05 Student Services	5,564,774	5,506,629	5,465,692	-40,937	-0.7%
06 Institutional Support	12,329,692	13,027,959	12,964,761	-63,198	-0.5%
07 Operation and Maintenance of Plant	13,250,436	17,015,603	18,041,789	1,026,186	6.0%
08 Auxiliary Enterprises	18,901,458	19,200,021	19,523,208	323,187	1.7%
17 Scholarships and Fellowships	16,234,645	16,064,326	16,427,259	362,933	2.3%
<b>Total Expenditures</b>	<b>\$ 113,413,108</b>	<b>\$ 119,194,991</b>	<b>\$ 121,534,035</b>	<b>\$ 2,339,044</b>	<b>2.0%</b>
Unrestricted Fund	\$ 100,171,484	\$ 105,913,991	\$ 108,253,035	\$ 2,339,044	2.2%
Restricted Fund	13,241,624	13,281,000	13,281,000	0	0%
<b>Total Appropriations</b>	<b>\$ 113,413,108</b>	<b>\$ 119,194,991</b>	<b>\$ 121,534,035</b>	<b>\$ 2,339,044</b>	<b>2.0%</b>

USM: University System of Maryland

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

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