RB.26
Frostburg State University
University System of Maryland

Operating Budget Data

($ in Thousands)

	FY 01 Actual	FY 02 Working	FY 03 Allowance	Change	% Change Prior Year
General Funds	$26,569	$28,935	$29,364	$429	1.5%
Other Unrestricted Funds	36,450	36,327	37,292	965	2.7%
Total Unrestricted Funds	63,019	65,262	66,656	1,394	2.1%
Restricted Funds	5,383	5,872	5,872	0	
Total Funds	**$68,401**	**$71,134**	**$72,528**	**$1,394**	**2.0%**

- The fiscal 2003 allowance allows the university to reach 83% of its operating funding guideline, which is below 89% of the guideline for fiscal 2002.

Personnel Data

	FY 01 Actual	FY 02 Working	FY 03 Allowance	Change
Regular Positions	657.50	680.50	680.50	0.00
Contractual FTEs	161.40	171.70	171.70	0.00
Total Personnel	**818.90**	**852.20**	**852.20**	**0.00**

Vacancy Data: Regular Positions

Budgeted Turnover: FY 03	33.21	4.88%
Positions Vacant as of 12/31/01	21.00	3.09%

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

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Analysis in Brief

Issues

Funding Guideline Peer Performance Results: The Maryland Higher Education Commission has released an analysis of the university's performance in comparison to its performance peers. **The President should comment on the findings of this analysis.**

Recommended Actions

1. Concur with Governor's allowance.

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 are from Allegany, Garrett, Washington, and Frederick counties. Students rank in the top one-third of their high school or community college class.

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

Fiscal 2002 Budget Actions

Cost Containment

The fiscal 2002 working appropriation includes a $137,306 cost containment deduction. The university is keeping positions vacant during the year to meet this reduction. The anticipated higher education hiring freeze cost to FSU is $275,580 for fiscal 2002. Since the university earmarked several unplanned vacancies for cost containment, other objects have been identified to achieve the hiring freeze savings including reducing temporary positions budgeted to assist with PeopleSoft implementation, delaying the purchase of two replacement vehicles, and postponing some internal projects until fiscal 2003. The anticipated hiring freeze savings are not reflected in the fiscal 2002 working appropriation.

Governor's Proposed Budget

The fiscal 2003 allowance for FSU is $72.5 million, a $1.4 million, or 2% increase over the fiscal 2002 appropriation. The general fund portion of the fiscal 2003 allowance is $29.4 million. The fiscal 2003 general fund allocation puts FSU at 83% of its funding guideline. General funds increase $429,125 million from fiscal 2002 to fiscal 2003, a 1.5% increase. General funds constitute 40.5% of the fiscal 2003 allowance. Other unrestricted funds increase by 2.7% over working appropriation.

Personnel increases make up approximately 58.6% of the increase in the allowance. FSU has budgeted a total of $451,000 to purchase equipment for the new Compton Science Center facility and to fund additional institutional financial aid. **Exhibit 1** illustrates the major changes in the fiscal 2002 allowance.

Exhibit 1

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

How Much It Grows:	General Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
2002 Working Appropriation	$28,935	$36,327	$65,262	$5,872	$71,134
2003 Governor's Allowance	$29,364	37,292	66,656	5,872	72,528
Amount Change	$429	$965	$1,394	$0	$1,394
Percent Change	1.5%	2.7%	2.1%	0.0%	2.0%

Where It Goes:

Maintain ongoing personnel expenses	$817
Purchase equipment for new science building	386
Debt service/facilities increase	109
Support scholarships due to increase in tuition rate	65
Other changes	17
Total	**$1,394**

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

Tuition and Fees

Revenue generated by tuition and fees in fiscal 2003 is expected to be $20.6 million, representing 31% of the university's unrestricted revenues. As shown in **Exhibit 2**, full-time undergraduate tuition and fees for in-state students and out-of-state-contiguous county students increase by 3.5%, while out-of-state costs increase by 3.2%. Fiscal 2003 is the second year that FSU will charge a separate undergraduate tuition rate for out-of-state students living in contiguous counties. In prior years, these students were charged the out-of-state rate. The University System of Maryland Board of Regents is considering an additional 1.5% tuition increase for fiscal 2003 over the increase adopted in August 2001. If this rate is adopted, the fiscal 2003 in-state tuition rate for FSU would change to $3,619.

Exhibit 2

Frostburg State University
Tuition and Fees
Fiscal 2002 and 2003

Full-Time Undergraduate Student	FY 2002	FY 2003	Amount Increase	% Increase
In-state Tuition	$3,444	$3,566	$122	3.5%
Out-of-state Tuition	8,942	9,232	290	3.2%
Out-of-state Tuition--Contiguous Counties	6,888	7,132	244	3.5%
Auxiliary Fees				
Athletic	342	372	30	8.8%
Student union operating	190	214	24	12.6%
Auxiliary facilities	130	130	0	0.0%
Student activity	130	130	0	0.0%
Transportation fee	20	20	0	0.0%
Total Auxiliary Fees	**$812**	**$866**	**$54**	**6.7%**
Total In-state Cost	**$4,256**	**$4,432**	**$176**	**4.1%**
Total Out-of-state Cost	**$9,754**	**$10,098**	**$344**	**3.5%**
Total Out-of-state Cost--Contiguous Counties	**$7,700**	**$7,998**	**$298**	**3.9%**

Source: University System of Maryland

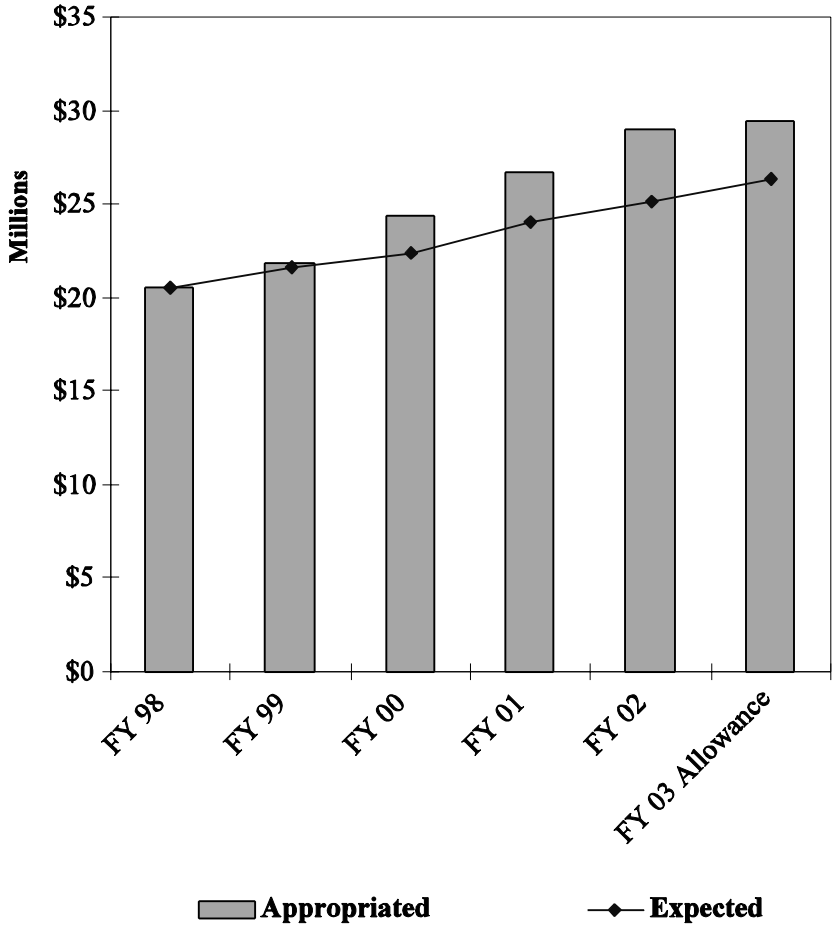
Performance Analysis: Managing for Results

General Fund Increases in Recent Years

Like higher education in general, FSU has enjoyed a substantial increase in State support over the past few years including an 11.1% increase in fiscal 2000 and a 9.8% increase in fiscal 2001. **Exhibit 3** compares general fund appropriations to what might be expected, considering enrollment growth and assuming 4% inflation per year.

Exhibit 3

General Fund Appropriations



Note: Fiscal 2002 does not include anticipated savings from hiring freeze.

Source: Governor's Budget Books

Enrollment and Employment

As shown in **Exhibit 4**, FSU has experienced moderate growth in student enrollment and the number of university personnel. The full-time equivalent (FTE) student count has increased at a higher rate than headcount enrollment since fiscal 1998 due to more students attending full time. In addition, over this same period, the number of employees increases at a rate higher than the rate for FTE students.

Exhibit 4

Increases in Student Enrollment and University Employees
Fiscal 1998 through 2002

	FY 1998	FY 2001	FY 2002	% Change FY 1998 - 2002
Headcount Enrollment	5,005	5,133	5,141	2.7%
FTE Students	4,145	4,299	4,327	4.4%
FTE Employees*	800	819	852	6.5%

*FTE employee numbers are rounded and include contractual employees.

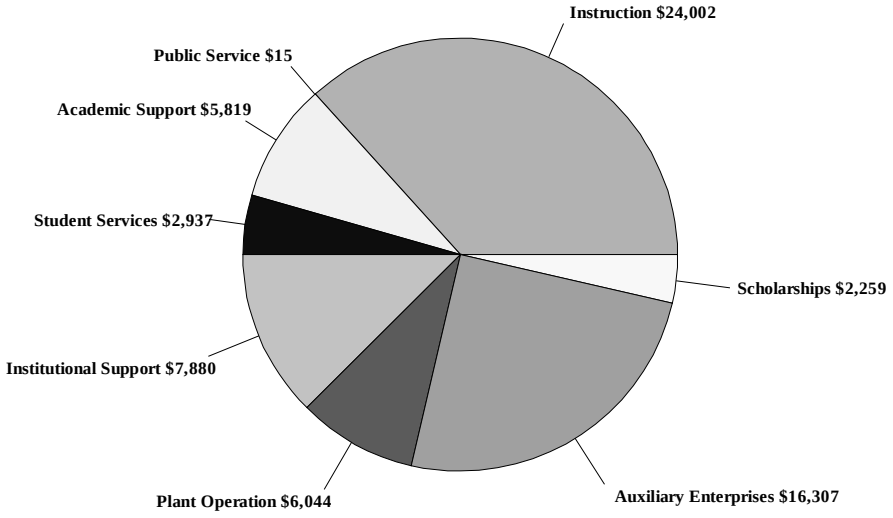
Source: Governor's Budget Books

Trends in Expenditures

As shown in **Exhibit 5**, Instruction, followed by Auxiliary Enterprises, makes up most of the unrestricted fund expenditures in the working fiscal 2002 appropriation.

Exhibit 5

Distribution of Unrestricted Fund Expenditures by Program
Fiscal 2002
($ in Thousands)

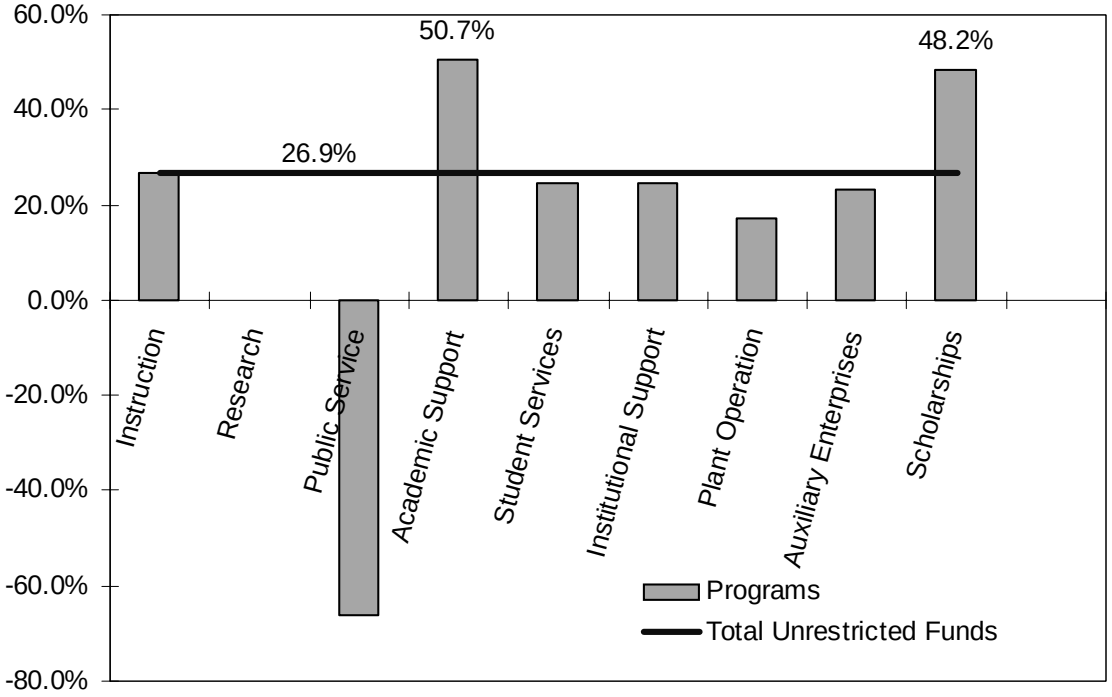


Source: Governor's Budget Books

As shown in **Exhibit 6**, total unrestricted fund expenditures grew by 26.9% from fiscal 1998 through fiscal 2002. State appropriations made up approximately 40% of FSU's unrestricted fund revenue in fiscal 1998 and 44% of the unrestricted fund revenue in fiscal 2002. Increases by program are most significant in the Academic Support and Scholarships programs. Academic Support includes library services, information technology support for undergraduate and graduate education, and academic administration. Academic Support unrestricted fund expenditures make up almost 9% of the fiscal 2002 total expenditures, while the Scholarships program represents 3.5%. FSU's investment in financial aid can be linked to its Managing for Results objective of maintaining the approximate percent of economically disadvantaged students from 48.7% in 1998 to 49.5% in 2004. The sharp decline in unrestricted fund spending on the Public Service program is due to FSU's allocation of only $14,900 in unrestricted funds in fiscal 2002 compared to $44,239 in fiscal 1998. This program, primarily backed by restricted funds, supports community outreach programs.

Exhibit 6

Unrestricted Fund Expenditures by Program
Fiscal 1998 to 2002



Source: Governor's Budget Books

Performance

Some of FSU's enrollment and performance indicators are shown in **Exhibit 7**. The indicators are displayed with their corresponding goals. Under the goal of meeting critical State workforce shortage needs in information technology (IT) and teaching, FSU has exceeded its fiscal 2001 estimate for the number of its graduates teaching in Maryland. The fiscal 2001 actual number also exceeds the FSU's fiscal 2003 goal of 120. FSU also reports a significant increase in the number of graduates in IT fields between fiscal 1999 to 2001. However, the actual fiscal 2000 number for this indicator differs from last year's actual number (30). In addition, the data presented for fiscal 1999 to fiscal 2001 differs from data for the same indicator shown in the *2001 Performance Accountability Report*. **The President should comment on the discrepancies in the reporting of the number of FSU graduates in IT fields.**

Under its economic development goal, FSU includes an objective to work with Allegany County to attract biotechnology companies to its biotechnology park. FSU's mission refers to the university's continued efforts to be "an integral component of regional economic initiatives" for Western Maryland. FSU has targeted the benchmark of four companies by fiscal 2005. FSU has not landed a company as of fiscal 2001. **The President should comment on the status of the university's biotechnology park activities.**

Under goals three and four, FSU includes indicators to measure its efforts to increase access to higher education for qualified State residents and to increase campus diversity. The retention rate for all students increased slightly in fiscal 2001, and FSU is very close to achieving the goal of 80% by fiscal 2004. The fiscal 2001 retention rate for African American students, who made up 11.9% of the fall undergraduate student body, significantly improved over fiscal 2000 and is higher than the retention rate for all students. FSU's improvements in student retention may be a result of the university's investments in its Academic Support program in recent years. The university is also reporting increases in faculty diversity among African Americans and women in fiscal 2001.

Under FSU's goal of increasing recognition for its academic programs, the undergraduate pass rate for PRAXIS II teacher exam and the rate of employee satisfaction with graduates are displayed. FSU notes that the data collection method for the employer satisfaction indicator was changed for fiscal 2001, which results in a significantly different outcome (65% in fiscal 2000 compared to 98% in fiscal 2000). **The President should comment on why the data collection method was modified.**

Exhibit 7

Program Measurement Data
Frostburg State University
Fiscal 1999 to 2003

	Actual 1999	Actual 2000	Est. 2001	Actual 2001	Est. 2002	Est. 2003	Ann. Chg. 99-01	Ann. Chg. 01-03
FTE students	4,181	4,174	4,284	4,299	4,327	4,370	1.4%	0.8%
Goal 1. Meet critical workforce shortage needs in IT and teacher education in the State.								
Number of graduates in IT fields (annually)	29*	41*	30	50*	55	57	31.3%	6.8%
Number of graduates teaching in Maryland	109	114	116	126	126	126	7.5%	0.0%
Goal 2. Promote economic development.								
Biotechnology companies	0	0	1	0	1	2	0.0%	0.0%
Goal 3. Provide affordable and equitable access to higher education for qualified Maryland residents.								
Retention rate -- all students (80% by FY 2004)	77%	77%	n/a	78.2%	79%	79.5%	0.8%	0.8%
% of economically disadvantaged students (49.5% goal by FY 2004)	50	50	n/a	49	49	49.5	-1.0%	0.5%
Goal 4. Increase campus diversity to more closely approach the racial, ethnic, and gender composition of the State.								
Retention rate -- African	77%	75%	n/a	83%	83%	83.5%	3.8%	0.3%
Faculty -- % African American	2	2.5	2.5	3.4	3	3	30.4%	-6.1%
Faculty -- % women	34	36	35	37	36	37	4.3%	0.0%
Goal 5. Increase recognition for academic programs particularly in teacher education, social work, and business.								
Undergraduate pass rates for PRAXIS II (teacher)	n/a	92%	n/a	n/a	93%	94%	n/a	n/a
Employer satisfaction with graduates**	65%	65%	66%	98%	98%	98%	22.8%	0.0%

*This actual number differs from last's years submission and data included in *2001Performance Accountability Report*.
**For fiscal 2001, data was collected from different sources using other protocols and methods.

Source: Governor's Operating Budget Book, Maryland Higher Education Commission Performance Accountability Report (2001)

Issues

1. Funding Guideline Peer Performance Results

In January 2001, the Maryland Higher Education Commission (MHEC) submitted its funding guidelines peer performance analysis for the University System of Maryland (USM) institutions and Morgan State University. Analysis of peer performance is part of the operating funding guidelines model which was designed to inform the budget process by providing both a funding standard and a basis for comparison between higher education institutions. Participating institutions chose a group of "funding peers" based on similarities in mission, size, program mix, enrollment composition, and other defining characteristics. With the exception of the University of Maryland, College Park; University of Maryland, Baltimore; and Morgan State University, the institutions designated ten of the selected funding peer institutions as "performance peers." FSU selected its performance peers based on similar unrestricted budgets, size, program mix, and geographic location. In future years, the FSU and the other institutions could be eligible for enhanced guideline funding if performance meets or exceeds peer performance.

Based on the analysis, FSU exceeds the average of its performance peers on the following indicators:

- percentage minority of all undergraduates;
- percentage African American of all undergraduates;
- six-year graduation rate for all minorities;
- six-year graduation rate for African Americans;
- passing rate on PRAXIS II exam; and
- employers' satisfaction with graduates (North Carolina peers only).

The analysis also notes that FSU enrolls students with lower Scholastic Aptitude Test scores compared with its peers. FSU's average two-year undergraduate alumni giving rate and the ratio of FTE students to full-time faculty (FSU-specific indicator) meet peers' averages. FSU has a 100% passing rate for the social work licensure exam, but the university reports that its peer institutions do not require completion of licensing exams. FSU is below the average of its peers on the following indicators:

- average (four-year) second-year retention rate;
- six-year graduation rate for all students; and
- educational and general expenditure per degree awarded.

The President should comment on MHEC's analysis of its performance versus its performance

peer institutions.

Recommended Actions

1. Concur with Governor's allowance.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets

Frostburg State University

($ in Thousands)

	General Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Fiscal 2001					
Legislative Appropriation	$26,982	$35,116	$62,098	$4,684	$66,782
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	(413)	1,362	949	2,509	3,458
Reversions and Cancellations	0	(29)	(29)	(1,810)	(1,839)
Actual Expenditures	**$26,569**	**$36,449**	**$63,018**	**$5,383**	**$68,401**
Fiscal 2002					
Legislative Appropriation	$29,072	$35,165	$64,237	$5,872	$70,109
Budget Amendments	0	1,162	1,162	0	1,162
Cost Containment	(137)	0	(137)	0	(137)
Working Appropriation	**$28,935**	**$36,327**	**$65,262**	**$5,872**	**$71,134**

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

Explanation of Fiscal 2001 Budget Amendments and Cancellations

The fiscal 2001 appropriation includes an adjustment to account for the transfer of Teacher Education Initiative general funds ($413,292) to the USM Office. The increase in other current unrestricted funds is mostly caused by an increase in auxiliary sales and services related to residence halls and food services. The increase of restricted funds is due to the increase in federal and State contract and grant activity. Restricted cancellations are due to multi-year projects that are carried forward, as well as a $950,000 federal grant for renovations to Gunter Hall. Construction for this project was delayed until fiscal 2002.

Explanation of Fiscal 2002 Budget Amendments

The fiscal 2002 appropriation includes a general fund cost containment reduction. A proposed USM budget amendment increases unrestricted funds by almost $1.2 million mostly related to an increase in the number of students living on campus, a room and board rate increase, and fiscal 2001 carryforward funds.

Object/Fund Difference Report
USM - Frostburg State University

Object/Fund	FY01 Actual	FY02 Working Appropriation	FY03 Allowance	FY02 - FY03 Amount Change	Percent Change
Positions					
01 Regular	657.50	680.50	680.50	0	0%
02 Contractual	161.40	171.70	171.70	0	0%
Total Positions	**818.90**	**852.20**	**852.20**	**0**	**0%**
Objects					
01 Salaries and Wages	$ 36,465,880	$ 38,674,246	$ 39,491,722	$ 817,476	2.1%
02 Technical & Spec Fees	6,915,964	7,309,871	7,309,871	0	0%
03 Communication	856,234	996,218	1,007,170	10,952	1.1%
04 Travel	768,312	684,915	687,615	2,700	0.4%
06 Fuel & Utilities	2,039,884	2,163,580	2,163,580	0	0%
07 Motor Vehicles	386,289	318,946	321,354	2,408	0.8%
08 Contractual Services	6,048,882	6,853,620	6,925,967	72,347	1.1%
09 Supplies & Materials	4,350,795	3,824,959	3,853,483	28,524	0.7%
10 Equip - Replacement	228,728	459,456	547,940	88,484	19.3%
11 Equip - Additional	1,964,342	1,792,882	2,188,897	396,015	22.1%
12 Grants, Subsidies, Contr	4,626,027	4,372,784	4,437,784	65,000	1.5%
13 Fixed Charges	2,413,360	2,667,700	2,777,801	110,101	4.1%
14 Land & Structures	1,336,802	1,015,000	815,000	(200,000)	(19.7%)
Total Objects	**$ 68,401,499**	**$ 71,134,177**	**$ 72,528,184**	**$ 1,394,007**	**2.0%**
Funds					
40 Unrestricted Fund	$ 63,018,652	$ 65,262,411	$ 66,656,418	$ 1,394,007	2.1%
43 Restricted Fund	5,382,847	5,871,766	5,871,766	0	0%
Total Funds	**$ 68,401,499**	**$ 71,134,177**	**$ 72,528,184**	**$ 1,394,007**	**2.0%**

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

Fiscal Summary
USM - Frostburg State University

Unit/Program	FY01 Actual	FY02 Legislative Appropriation	FY02 Working Appropriation	FY01 - FY02 % Change	FY03 Allowance	FY02 - FY03 % Change
01 Instruction	$ 22,217,799	$ 22,600,790	$ 24,110,175	8.5%	$ 24,379,242	1.1%
03 Public Service	2,675,143	3,272,034	3,272,034	22.3%	3,272,034	0%
04 Academic Support	5,952,691	6,296,553	5,825,956	(2.1%)	6,072,934	4.2%
05 Student Services	3,219,003	2,915,099	2,961,847	(8.0%)	3,011,879	1.7%
06 Institutional Support	7,568,455	7,663,246	7,891,336	4.3%	8,087,963	2.5%
07 Operation And Maintenance Of Plant	6,473,579	6,691,917	6,044,611	(6.6%)	6,461,435	6.9%
08 Auxiliary Enterprises	15,346,175	15,863,384	16,321,733	6.4%	16,471,212	0.9%
17 Scholarships And Fellowships	4,948,654	4,806,485	4,706,485	(4.9%)	4,771,485	1.4%
Total Expenditures	**$ 68,401,499**	**$ 70,109,508**	**$ 71,134,177**	**4.0%**	**$ 72,528,184**	**2.0%**
Unrestricted Fund	$ 63,018,652	$ 64,237,742	$ 65,262,411	3.6%	$ 66,656,418	2.1%
Restricted Fund	5,382,847	5,871,766	5,871,766	9.1%	5,871,766	0%
Total Appropriations	**$ 68,401,499**	**$ 70,109,508**	**$ 71,134,177**	**4.0%**	**$ 72,528,184**	**2.0%**