

R30B26
Frostburg State University
University System of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$33,448	\$36,952	\$39,095	\$2,143	5.8%
Deficiencies and Reductions	0	-1,253	-2,699	-1,446	
Adjusted General Fund	\$33,448	\$35,699	\$36,396	\$697	2.0%
Special Funds	2,024	1,682	1,748	67	4.0%
Adjusted Special Fund	\$2,024	\$1,682	\$1,748	\$67	4.0%
Other Unrestricted Funds	56,998	58,311	60,489	2,178	3.7%
Adjusted Other Unrestricted Fund	\$56,998	\$58,311	\$60,489	\$2,178	3.7%
Total Unrestricted Funds	92,470	96,944	101,332	4,388	4.5%
Deficiencies and Reductions	0	-1,253	-2,699	-1,446	
Adjusted Total Unrestricted Funds	\$92,470	\$95,692	\$98,633	\$2,942	3.1%
Restricted Funds	11,787	12,360	12,360	0	
Adjusted Restricted Fund	\$11,787	\$12,360	\$12,360	\$0	0.0%
Adjusted Grand Total	\$104,257	\$108,052	\$110,993	\$2,942	2.7%

Note: The fiscal 2015 working appropriation reflects the Board of Public Works reductions. The fiscal 2016 allowance reflects back of the bill reductions to the University System of Maryland, which were allocated to institutions based on the Department of Legislative Services estimates.

- The general fund increases \$0.7 million, or 2.0%, in fiscal 2016 after adjusting for a fiscal 2015 Board of Public Works reduction and \$2.7 million in back of the bill reductions in fiscal 2016.
- The Higher Education Investment Fund (HEIF) increases \$66,598, or 4.0%, in fiscal 2016, resulting in an overall growth of 2.0%, or \$0.8 million, in State funds above fiscal 2015.

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

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Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	736.00	739.00	739.00	0.00
Contractual FTEs	<u>156.40</u>	<u>157.40</u>	<u>157.40</u>	<u>0.00</u>
Total Personnel	892.40	896.40	896.40	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	51.43	6.96%
Positions and Percentage Vacant as of 12/31/14	44.00	6.00%

- The fiscal 2016 allowance does not provide for any new regular positions.

Analysis in Brief

Major Trends

Enrollment: Total undergraduate enrollment grew 4.5% in fall 2014 with transfer students increasing 12.4%. Graduate enrollment decreased 5.2% resulting in an overall enrollment growth of 3.1% in fall 2014.

Student Performance: The second-year retention rate improved from a low of 67.4% with the 2006 cohort to 76.8% with the 2012 cohort, the highest rate since the 1991 cohort. The third-year retention fluctuated from a low of 56.4% with the 2006 cohort to 60.2% with the 2011 cohort. The four-year graduation rate for transfer students reached its highest point of 63.6% with the 2005 cohort. The six-year graduation rate for first-time, full-time students improved 3.7 percentage points to 56.1% with the 2006 cohort.

Degree Production Efficiency: In terms of undergraduate degrees per 100 full-time equivalent students, since falling to a low of 17 degrees in fiscal 2010, the ratio since steadily increased to a high of 22 degrees in fiscal 2013. Improvements in the number of completions and a decline in education and related expenditures resulted in spending per degree to fall from a high of \$63,788 in fiscal 2009 to \$56,277 in fiscal 2011.

Issues

Status of Title IX Investigation: On September 18, 2013, the U.S. Department of Education’s Office for Civil Rights (OCR) launched an investigation in response to a complaint regarding a sexual assault that occurred off campus in 2013. Frostburg State University (FSU) continues to cooperate with OCR in providing requested documentation and has updated its policies and procedures for compliance with the requirements in the University System of Maryland’s new policy on sexual misconduct.

Meeting College Expenses: In fiscal 2010, the first year in the downturn of the economy, there was a notable shift in the portion of aid going toward need-based aid, increasing from 33.7% in fiscal 2009 to 53.5%. In fiscal 2014, 81.2% of those receiving need-based institutional aid were Pell-eligible students who received an average award of \$1,513.

Associate Degree Scholars Award: A key component of FSU’s strategic plan to increase student quality and improve student persistence to graduation was the creation of the Associate Degree Scholars Award in fiscal 2011. As of spring 2015, 285 transfer students have received an award with a majority of students transferring from Allegany Community College, Garrett College, and Hagerstown Community College.

Recommended Actions

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

R30B26
Frostburg State University
University System of Maryland

Operating Budget Analysis

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 2014 Undergraduate Enrollment Headcount

Male	2,388
Female	2,527
Total	4,915

Fall 2014 Graduate Enrollment Headcount

Male	298
Female	432
Total	730

Fall 2014 New Students Headcount

First-time	961
Transfers/Others	570
Graduate	127
Total	1,658

Campus (Main Campus)

Acres	206.5
Buildings	44
Average Age	38
Oldest	Old Main (1902)

Programs

Bachelor's	44
Master's	10
Doctoral	1

Degrees Awarded (2013-2014)

Bachelor's	1,011
Master's	235
Total Degrees	1,246

Proposed Fiscal 2016 In-state Tuition and Fees*

Undergraduate Tuition	\$6,214
Mandatory Fees	\$2,274

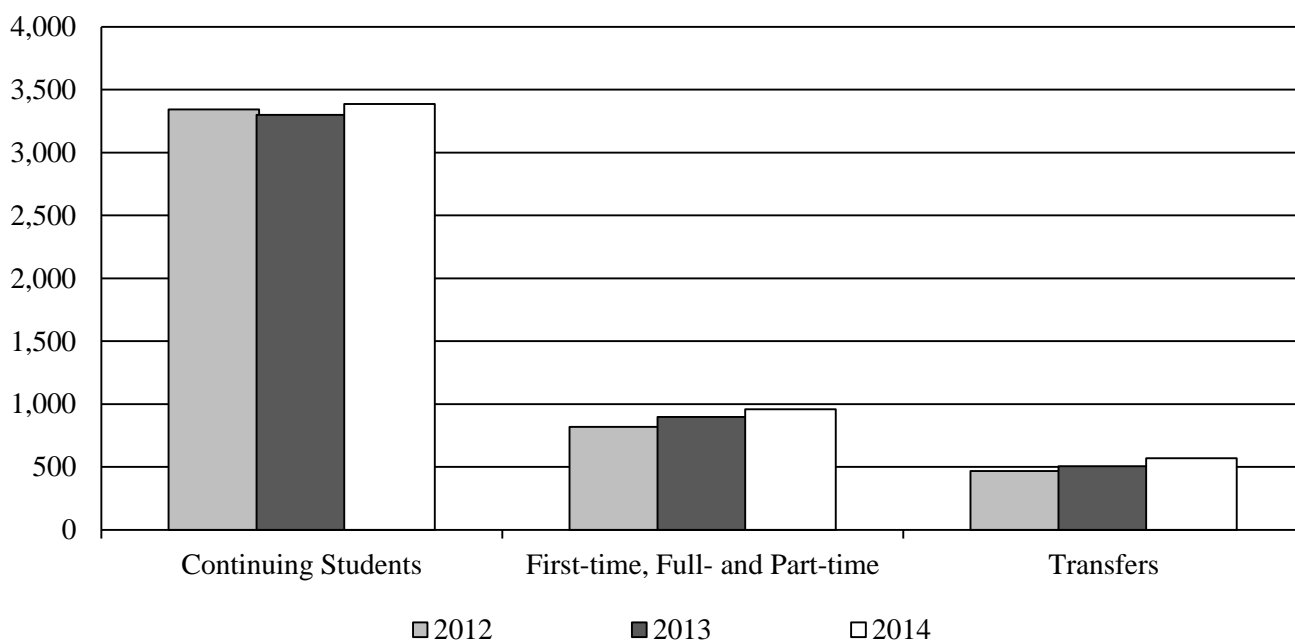
*Contingent on Board of Regents approval.

Performance Analysis

1. Enrollment

Total undergraduate enrollment grew 4.5% in fall 2014 with transfer students increasing 12.4%, as illustrated in **Exhibit 1**. Since fall 2012, transfer and first-time students increased 21.8% and 17.0%, respectively, while continuing students grew 1.3%. Graduate enrollment decreased 5.2% in fall 2014, resulting in an overall enrollment growth of 3.1%.

Exhibit 1
Change in Fall 2014 and 2013 Undergraduate Headcount Enrollment

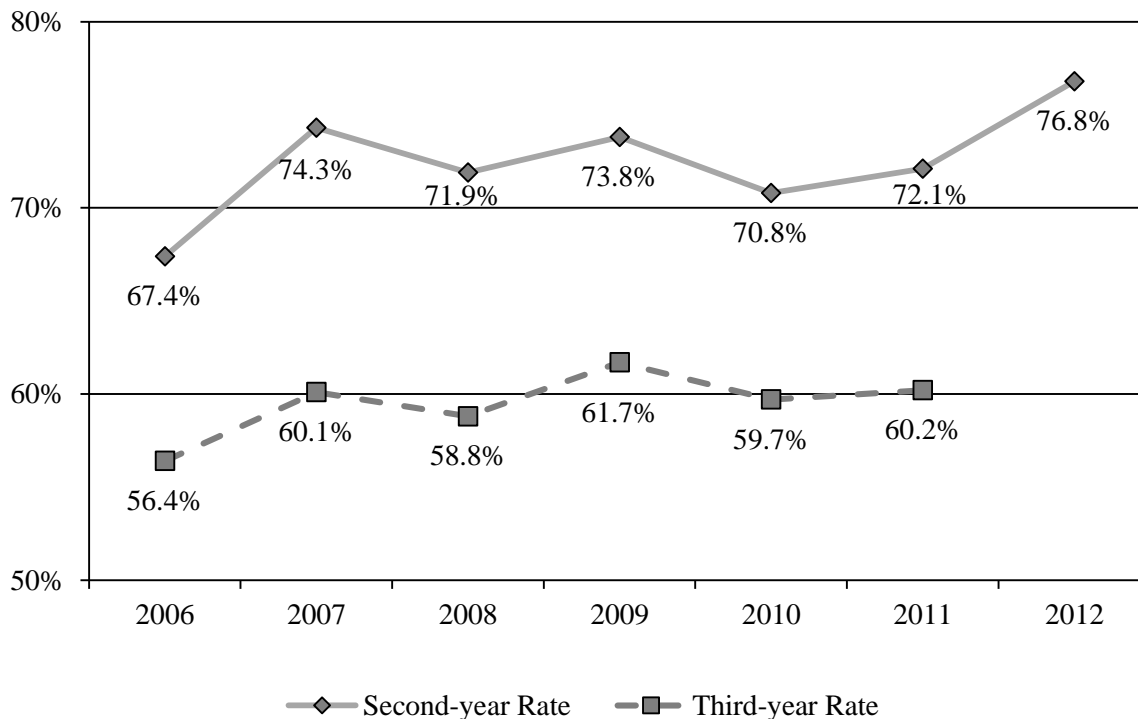


Source: University System of Maryland

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 students will persist and graduate. Over the past two cohorts, the second-year rate increased 6 percentage points to 76.8% with the 2012 cohort, as shown in **Exhibit 2**, the highest point since the 1991 cohort. The trend in the third-year retention rate mirrors that of the second-year rate, fluctuating from a low of 56.4% with the 2006 cohort to 60.2% with the 2011 cohort.

Exhibit 2
Second- and Third-year Retention Rates
First-time, Full-time 2006-2012 Cohorts

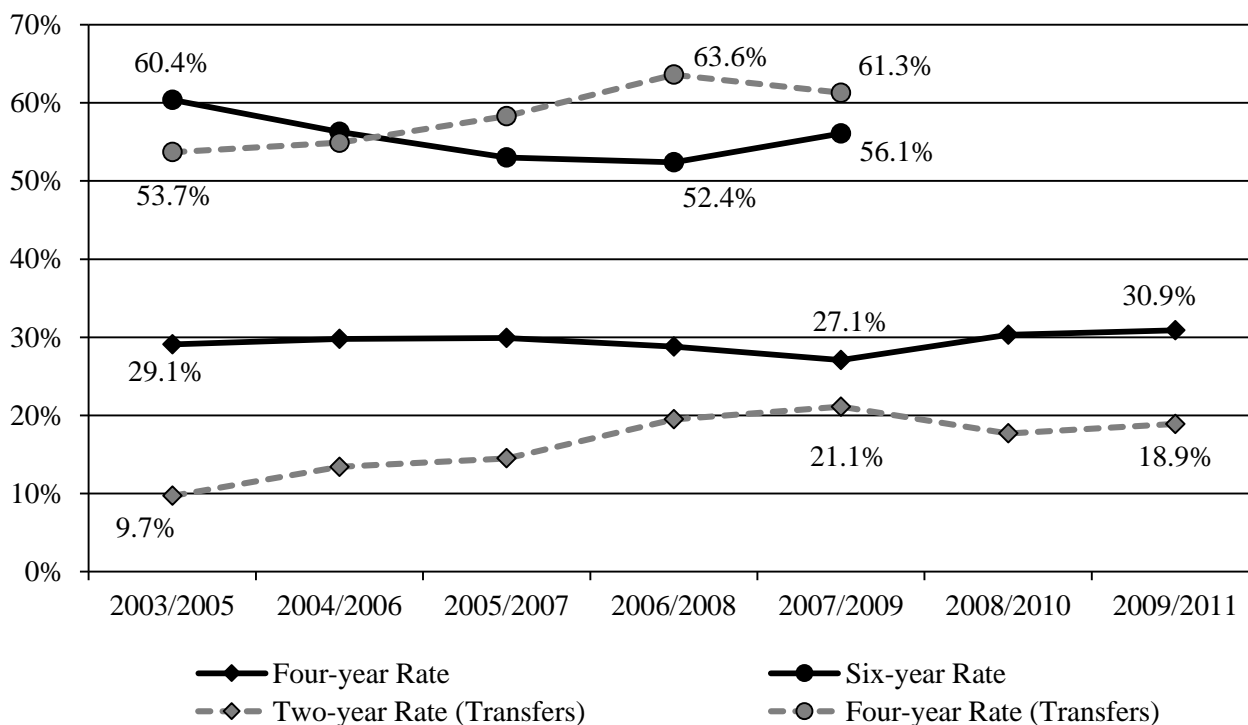


Source: Maryland Higher Education Commission, Retention and Graduation Rates at Maryland Four-year Institutions, October 2014

Graduation rates are, in part, another measure of student persistence and efficiency – as more students graduate, it “frees up” more room, allowing an institution to enroll more students. **Exhibit 3** shows the four- and six-year graduation rates for first-time, full-time (FT/FT) and the equivalent rate for transfer students: the two- and four-year graduation rates. FT/FT students graduate at a higher rate after four years than students who transfer to FSU after two years. However, the two-year rate for transfers increased from 9.7% to 18.9% with the 2005 and 2011 cohorts, respectively, while the four-year FT/FT rate remained relatively unchanged around 30.0%.

Over the past four cohorts, the trend in the four- and six-year rates of the transfer and FT/FT students moved in opposite directions. While the graduation rate for transfer students improved from 53.7% with the 2005 cohort to a high of 63.6% with the 2008 cohort, the FT/FT rate dropped from 60.4% (2003 cohort) to 52.4% (2006 cohort), the lowest rate since at least the 1991 cohort. While the six-year rate improved by 3.7 percentage points to 56.1% with the 2007 FT/FT cohort, the four-year transfer rate declined 2.3 percentage points to 61.3% with the 2009 cohort.

**Exhibit 3
Graduation Rate of First-time Full-time and
Maryland Community College Transfer Students
2003-2011 Cohorts**

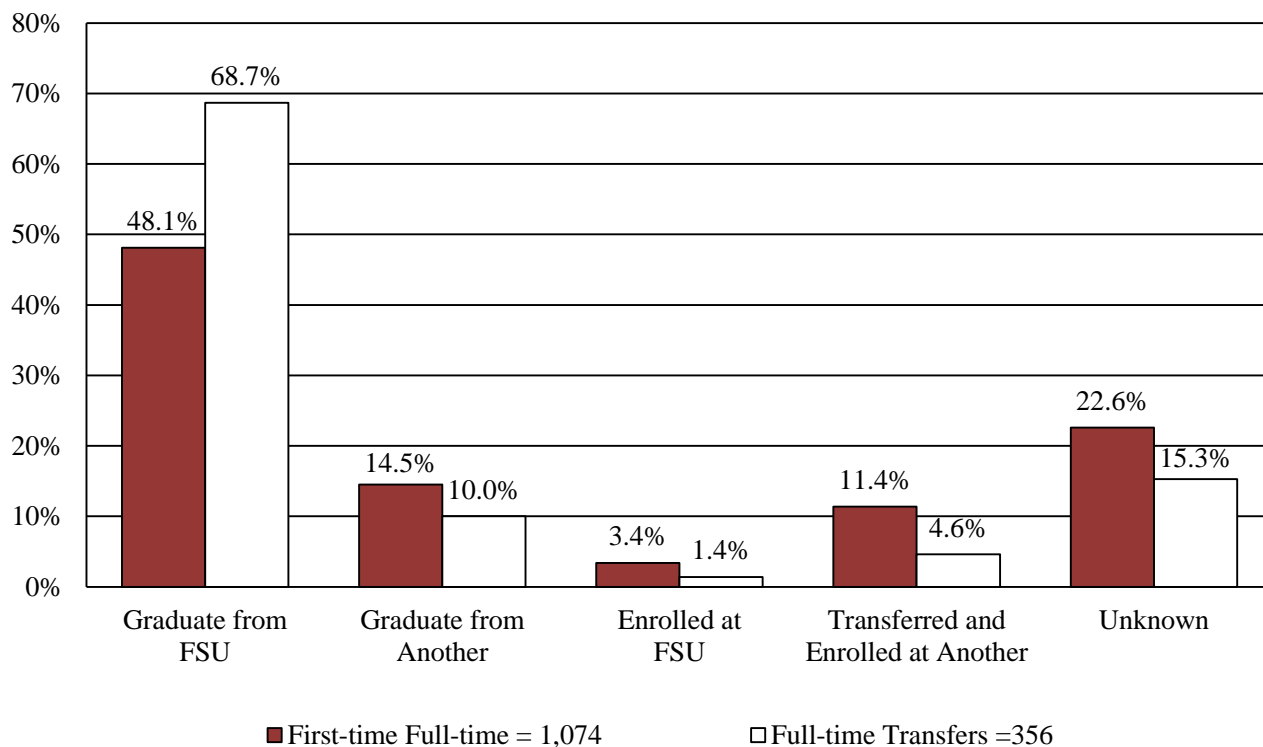


Note: The graduation rates for the first-time full-time cohort includes those graduated from the institution or those that transferred and graduated from any Maryland public four-year institution. The rates for the Maryland community college transfer includes those that graduate from the institution or those that transferred and graduated from any other University System of Maryland institution.

Source: Maryland Higher Education Commission, *Retention and Graduation Rates at Maryland Four-year Institutions*; University System of Maryland, *Transfer Students to the University System of Maryland*

Traditionally, retention and graduation rates, as previous discussed, only measure the progress of FT/FT students and do not account for students who enroll in multiple institutions over the course of their college career. One in five students who complete a degree will do so at a different institution than the one they first enrolled in, according to the National Student Clearinghouse. Student Achievement Measures provides a more comprehensive picture of a student’s progression to completion by tracking student movements across institutions. Overall, for the 2007 cohort, six years after enrolling at FSU, transfer students performed better than FT/FT students with a graduation rate of 68.7% compared to 48.1%, respectively, as shown in **Exhibit 4**. Approximately a quarter of the FT/FT students either graduated or were enrolled at another institution while the status was not known for 22.6% of the students.

Exhibit 4
Status of First-time Full-time and Full-time Transfers Seeking a Bachelor’s Degree After Six Years
Fall 2007 Cohort



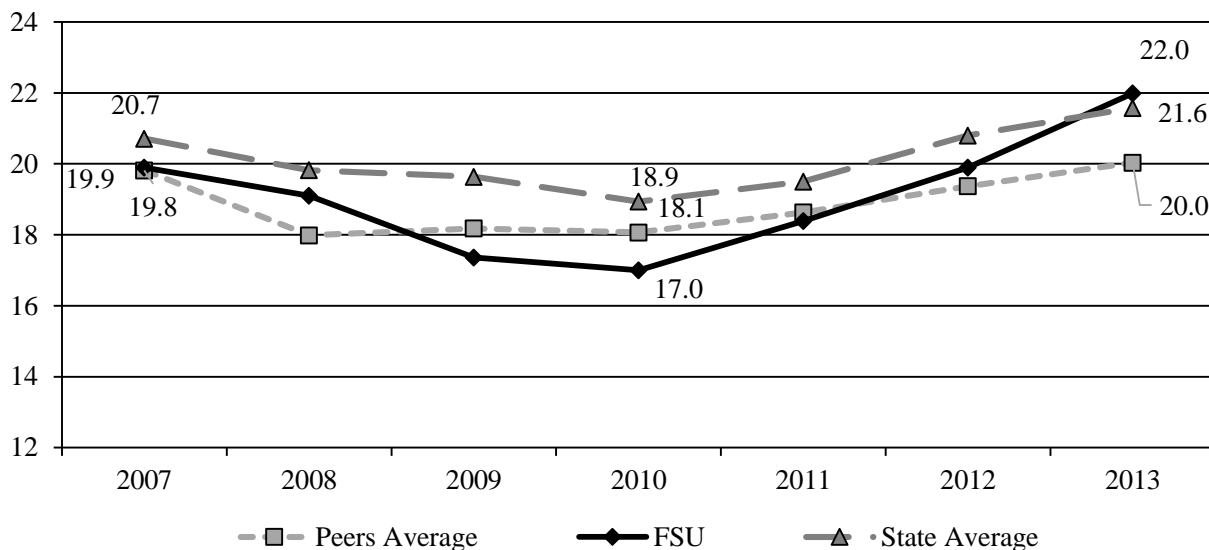
FSU: Frostburg State University

Source: Student Achievement Measures

3. Degree Production Efficiency

How well an institution meets its mission is ultimately measured by the number of undergraduate degrees awarded. Trends in the number of undergraduate degrees awarded per 100 undergraduate full-time equivalent students (FTES) shows if an institution is being more or less productive in graduating students. Ideal performance on this indicator would be 25 completions per 100 FTES since, in general, one-quarter of all students enrolled would graduate each year. **Exhibit 5** compares FSU’s ratio to the average of its peers and the State’s public four-year institutions. Peer institutions are those used to benchmark FSU’s performance in the USM Dashboard Indicators. After falling to a low of 17 degrees in fiscal 2010, FSU’s ratio steadily increased to a high of 22 degrees in fiscal 2013, exceeding the average of its peer and State.

Exhibit 5
Undergraduate Degrees Per 100 Full-time Equivalent Students
Fiscal 2007-2013



FSU: Frostburg State University

Source: Integrated Postsecondary Education System; Department of Legislative Services

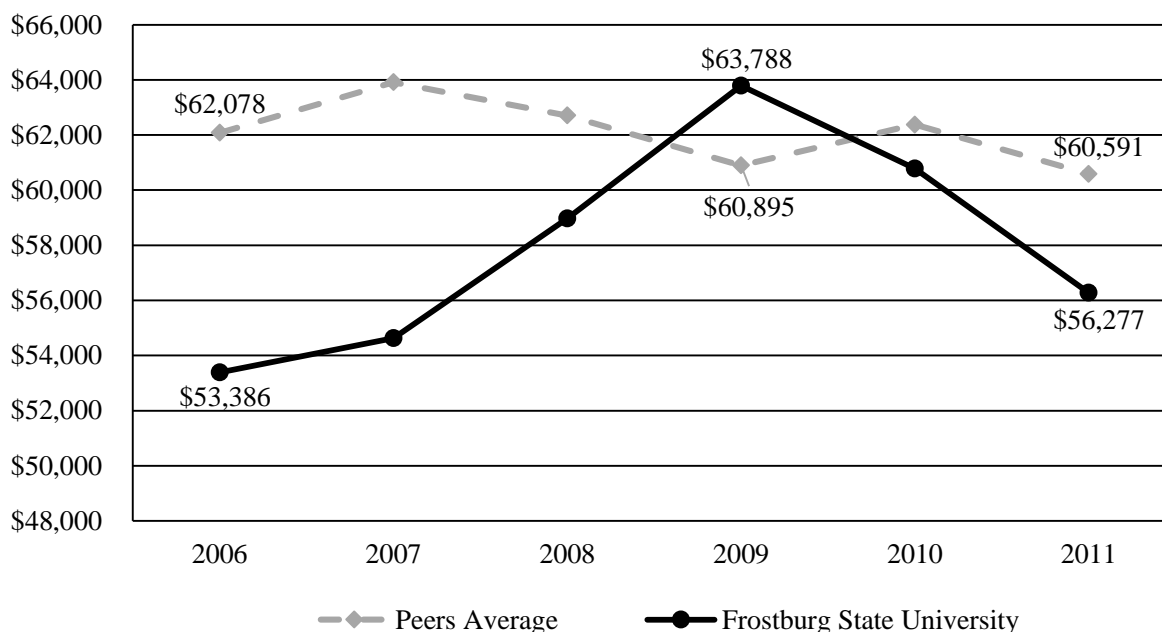
Education and related (E&R) expenditures per degree measures the cost of producing a degree, showing if an institution is becoming more or less productive over time in using its resources to produce degrees. Therefore, the lower the expenditures, the more efficient an institution is in producing degrees. As shown in **Exhibit 6**, between fiscal 2006 and 2009, FSU's expenditures per degree increased by \$10,402 to a high of \$63,788 while expenditures of its peers declined resulting in FSU exceeding its peers. This increase can be attributed to a steady decline in the number of degrees awarded. Improvements in the number of completions and a decline in E&R expenditures at FSU resulted in spending per degree falling from a high of \$63,788 in fiscal 2009 to \$56,277 in fiscal 2011.

Fiscal 2015 Actions

Cost Containment

The Board of Public Works (BPW) approved two rounds of cost containment measures resulting in total reductions of \$1.4 million to FSU's State appropriation. In July 2014, BPW reduced FSU's State appropriation by \$0.2 million that was related to and included the elimination of 1 position. However, through a flexibility position request, FSU was permitted to replace that position and, therefore, took the reduction from its operating budget rather than from the salary and wages associated with the eliminated position. FSU met the reduction by delaying equipment upgrades.

**Exhibit 6
Education and Related Expenditures Per Degree Completed
Academic Year 2006-2011**



Note: Education and related expenditures includes direct spending on: instruction; student services; and education share of spending on academic and institutional support; and operations and maintenance. All dollar amounts are reported in 2011 dollars (Higher Education Price Index adjusted).

Source: Delta Project, Trends in College Spending Online, Department of Legislative Services

In January 2015, BPW approved a \$1.3 million reduction of FSU’s State appropriation. FSU will meet this reduction through a combination of reducing expenditures, using fund balance, and increasing tuition revenues. Reductions in operating expenditures total \$0.5 million and will be met by decreasing spending in facilities renewal (\$0.4 million); enrollment management (\$80,000); and travel and marketing (\$50,000). A transfer of \$0.4 million from fund balance will be used to cover operating expenses. After the transfer, FSU will have a zero balance in the State-supported portion of its fund balance. In fiscal 2015, FSU plans to transfer \$1.0 million to the non-State supported portion of its fund balance resulting in the total estimated ending balance of \$9.2 million.

The remaining portion of the reduction (\$0.3 million) will be met through a 2% increase in spring 2015 tuition, resulting in a \$58 and \$171 increase for in-state and out-of-state full-time undergraduate students, respectively. Foundation scholarships and financial aid reserves will be used to hold low-income students harmless, which FSU estimates to be \$0.1 million; therefore, all additional revenue will be available to cover operating expenses.

Proposed Budget

As shown in **Exhibit 7**, the general fund allowance for fiscal 2016 is 2.0%, or \$0.7 million, higher than fiscal 2015 after including the fiscal 2015 cost containment actions and adjusting for across-the-board reductions in the fiscal 2016 allowance. The across-the-board reductions include a general 2% reduction, elimination of employee increments, and a 2% pay reduction. The Department of Legislative Services estimates FSU's share of these reductions to be \$2.7 million. The Higher Education Investment Fund (HEIF) increases 4.0%, or \$66,598, over fiscal 2015, resulting in an overall growth in State funds of 2.0%, or \$0.8 million, to \$38.1 million.

Exhibit 7
Proposed Budget
Frostburg State University
(\$ in Thousands)

	FY 14 <u>Actual</u>	FY 15 <u>Adjusted</u>	FY 16 <u>Adjusted</u>	FY 15-16 <u>Change</u>	% Change <u>Prior Year</u>
General Funds	\$33,448	\$37,147	\$39,095		
July 2014 Board of Public Works		-196			
January 2015 Board of Public Works		-1,253			
Across the Board			-2,699		
Total General Funds	\$33,448	\$35,699	\$36,396	\$697	2.0%
HEIF	2,024	1,682	1,748	67	4.0%
Total State Funds	\$35,472	\$37,381	\$38,145	\$764	2.0%
Other Unrestricted Funds	56,998	58,311	60,489	2,178	3.7%
Total Unrestricted Funds	\$92,470	\$95,692	\$98,633	\$2,942	3.1%
Restricted Funds	11,787	12,360	12,360	0	0.0%
Total Funds	\$104,257	\$108,052	\$110,993	\$2,942	2.7%

HEIF: Higher Education Investment Fund

Note: Fiscal 2016 general funds are adjusted to reflect across-the-board reductions based on Department of Legislative Services' estimates: \$0.8 million related to a 2% reduction; \$0.8 million related to the fiscal 2015 cost-of-living adjustment; and \$1.1 million for increments. Other unrestricted funds do not reflect revenue from mid-year tuition increases.

Source: Governor's Budget Books, Fiscal 2016, Department of Legislative Services

Other unrestricted funds grow 3.7%, or \$2.2 million, due to tuition and fees revenues increasing \$1.9 million partly due to a planned 5.0% increase in resident undergraduate tuition. Revenues are underestimated for fiscal 2015 and 2016 due to a 2.0% increase in the spring 2015 tuition, which is estimated to generate an additional \$0.3 million in revenue in fiscal 2015. When determining the 5.0% tuition increase for fall 2015, the fall 2014 tuition rate of \$5,800 was adjusted in spring 2015 to reflect the mid-year tuition increase. The new annualized spring 2015 tuition rate of \$5,916 was then used to calculate the proposed 5.0% increase in the fall 2015 tuition rates. Using this calculation, the actual annual increase in tuition between fall 2014 and fall 2015 is 7.1%.

The allowance also provides \$0.6 million in current unrestricted funds for expenses related to financial aid (\$0.3 million); debt service (\$0.1 million); costs related to implementing sexual misconduct policy (\$95,000); fuel and utilities (\$58,645); and facilities renewal (\$71,837).

Budget changes by program area in the allowance are shown in **Exhibit 8**. This data includes unrestricted funds only, the majority of which consist of general funds, the HEIF, and tuition and revenue fees. Operations and maintenance of plant grew at the highest rate of 25.3%, or \$3.3 million, in fiscal 2015 due to a delay in the opening of the Center for Communication and Information Technology building and increasing the budget for facility renewal projects and debt service payments. Spending in instruction increases due to growth in personnel expenditures (*e.g.*, annualization of the fiscal 2014 salary increments and the cost-of-living adjustment (COLA), the fiscal 2015 COLA, and salary increments). Expenditures in student services and academic support decline in fiscal 2015 due to one-time expenses incurred in fiscal 2014. For instance, in fiscal 2014, expenses for student services included a contract to help with recruitment, and academic support equipment was purchased for computer labs. The decline in expenditures for public service and research is due to not knowing what the matching requirements would be, if any, for grants and contracts when the budget was being prepared.

Overall, revenues in fiscal 2015 (adjusting for \$0.3 million from the mid-year tuition increase and \$0.4 million from fund balance to cover \$0.7 million of the cost containment) total \$75.3 million, excluding auxiliary enterprises. Total educational and general expenditures total \$79.4 million (after adjusting for \$0.6 million in cost containment) exceeding revenues by \$4.1 million. However, auxiliary enterprise revenues exceed expenditures by \$5.1 million, which can be used to cover expenses in the academic portion of the budget.

Total expenditures grow 2.3%, or \$2.3 million, in fiscal 2016 after adjusting for across-the-board reductions of \$2.7 million. However, since at this time it is not known how FSU will allocate the reduction across the program areas, it is difficult to compare the difference in expenditures between fiscal 2015 and 2016. **The President should comment on the institutional priorities when determining how the budget reductions will be allocated over the program areas and in particular minimizing the impact on financial aid.**

Exhibit 8
FSU Budget Changes for Unrestricted Funds by Program
Fiscal 2014-2016
(\$ in Thousands)

	<u>Actual 2014</u>	<u>Adjusted Working 2015</u>	<u>% Change 2014-15</u>	<u>Adjusted 2016</u>	<u>Change 2015-16</u>	<u>% Change 2015-16</u>
Expenditures						
Instruction	\$29,876	\$31,633	5.9%	\$32,509	\$876	2.8%
Research	17	0	-100.0%	0	0	
Public Service	290	56	-80.9%	56		0.0%
Academic Support	9,553	9,317	-2.5%	10,204	886	9.5%
Student Services	5,312	4,647	-12.5%	5,056	409	8.8%
Institutional Support	10,108	11,096	9.8%	11,915	820	7.4%
Operation and Maintenance of Plant	13,168	16,501	25.3%	17,391	890	5.4%
Scholarships and Fellowships	6,596	6,713	1.8%	7,024	311	4.6%
Education and General Total	\$74,921	\$79,962	6.7%	\$84,155	\$4,193	5.2%
Auxiliary Enterprises	17,549	16,982	-3.2%	17,177	195	1.1%
Net Cost Containment/ Across the Board Reductions		-574		-2,699		
Total	\$92,470	\$96,370	4.2%	\$98,633	\$2,263	2.3%
Revenues						
Tuition and Fees	\$34,553	\$35,448	2.6%	\$37,041	\$1,593	4.5%
General Funds	33,448	35,699	6.7%	36,396	697	2.0%
Higher Education Investment Fund	2,024	1,682	-16.9%	1,748	67	4.0%
Other Unrestricted Funds	2,488	2,822	13.4%	2,084	-738	-26.2%
Subtotal	\$72,512	\$75,270	3.8%	\$77,270	\$2,000	2.7%
Auxiliary Enterprises	22,426	22,080	-1.5%	\$22,344	\$263	1.2%
Transfer (to)/from Fund Balance	-2,468	-980		-980		
Total	\$92,470	\$96,370	4.2%	\$98,633	\$2,263	2.3%

Note: Net cost containment is adjusted to reflect additional revenue from the mid-year increase and a transfer from fund balance that will partially offset the \$1.3 million reduction. Fiscal 2015 general funds reflect \$1.3 million of cost containment actions, tuition and fee revenues reflect \$0.3 million of additional revenue from the mid-year tuition increase, and other revenues reflect a \$0.4 million transfer from fund balance. Fiscal 2016 general funds are adjusted by \$2.7 million to reflect across-the-board reductions.

Source: Governor's Budget Books, Fiscal 2016; Department of Legislative Services

Issues

1. Status of Title IX Investigation

Over the past year, the issue of sexual assault of women while in college garnered much attention and discussion. This was in part fueled with the release of a list in May 2014 by the U.S. Department of Education’s Office for Civil Rights (OCR) of 52 institutions under investigation for possible violations of federal law regarding the handling of sexual assault and harassment complaints. That list included FSU.

OCR is charged with administrative enforcement of Title IX. Investigations are initiated either by an individual complaint or a federal decision to examine records and policies called a compliance review. If a violation is found, an institution is at risk of losing its federal funds, but first OCR must seek a voluntary resolution with the institution. Through this process, the institution would enter into an agreement with OCR on the steps it would take to remedy the problem.

OCR launched an investigation on September 18, 2013, in response to a complaint regarding a sexual assault that occurred off campus in 2013. FSU continues to cooperate with OCR in providing requested documentation; the latest request was in November 2014. Meanwhile, FSU updated its policies and procedures for compliance with the requirements in USM’s new policy on sexual misconduct. This revised policy was sent to USM for review. FSU recently hired a new full-time Title IX coordinator who will take the lead on continuing to review and update policies as needed. In addition, the coordinator and Student Services will conduct an assessment of the programs and training currently provided on campus to students, faculty, and staff to determine if additional or different programs are needed in order to inform and educate people.

The President should comment on the status of the investigation and on implementing the revised sexual misconduct policy.

2. Meeting College Expenses

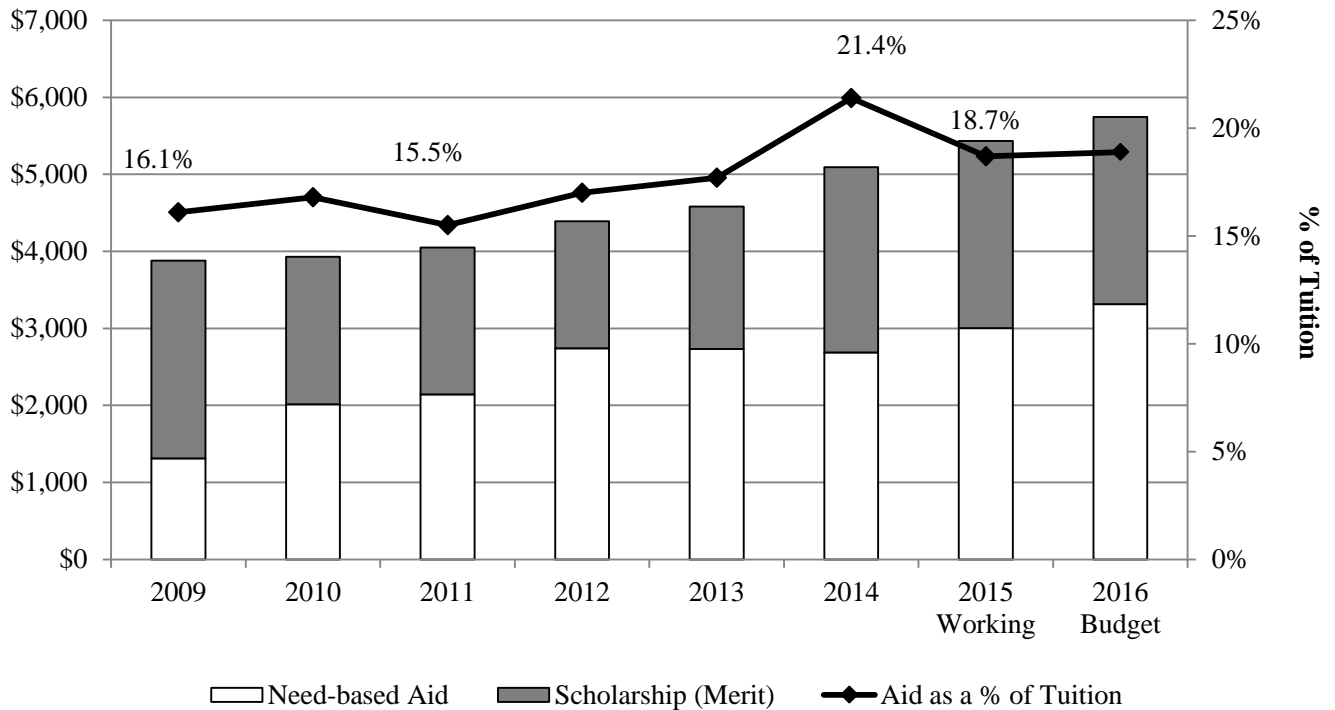
The lack of financial resources frequently contributes to a student’s decision to stop or drop out of college. As the costs of a college education continue to escalate, students and families are relying more on various types of financial aid, *e.g.*, federal, State, and institutional, to effectively bring down the cost of college. According to the National Center for Education Statistics’ College Navigator, the total cost for a FT/FT Maryland undergraduate student at FSU in fiscal 2013 was \$19,454 (based on tuition, mandatory fees, books and supplies, other expenses, and the weighted average of room and board). However, when accounting for the average amount of federal, State, and institutional aid, the average cost of attendance was \$12,938, a 33.5% reduction in the net cost of attendance.

In fiscal 2014, 37.0% 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, \$5,081, in fiscal 2014. The EFC is an indicator of the amount

a family is required to contribute to pay for a student’s college education; therefore, the lower the EFC, the greater the financial aid.

In fiscal 2010, the first year in the downturn of the economy, there was a notable shift in the portion of institutional aid going toward need-based aid, increasing from 33.7% in fiscal 2009 to 53.5%, as illustrated in **Exhibit 9**. While expenditures on need-based aid remained relatively flat from fiscal 2012 and 2014, scholarships (merit) increased \$0.8 million. In fiscal 2015 and 2016, FSU expects to increase the amount spent on need-based aid by \$0.3 million annually. Overall, since fiscal 2010, on average, 55.7% of all institutional aid went toward need-based aid.

Exhibit 9
Institutional Aid and Percentage of Undergraduate Tuition
Fiscal 2009-2016
(\$ in Thousands)

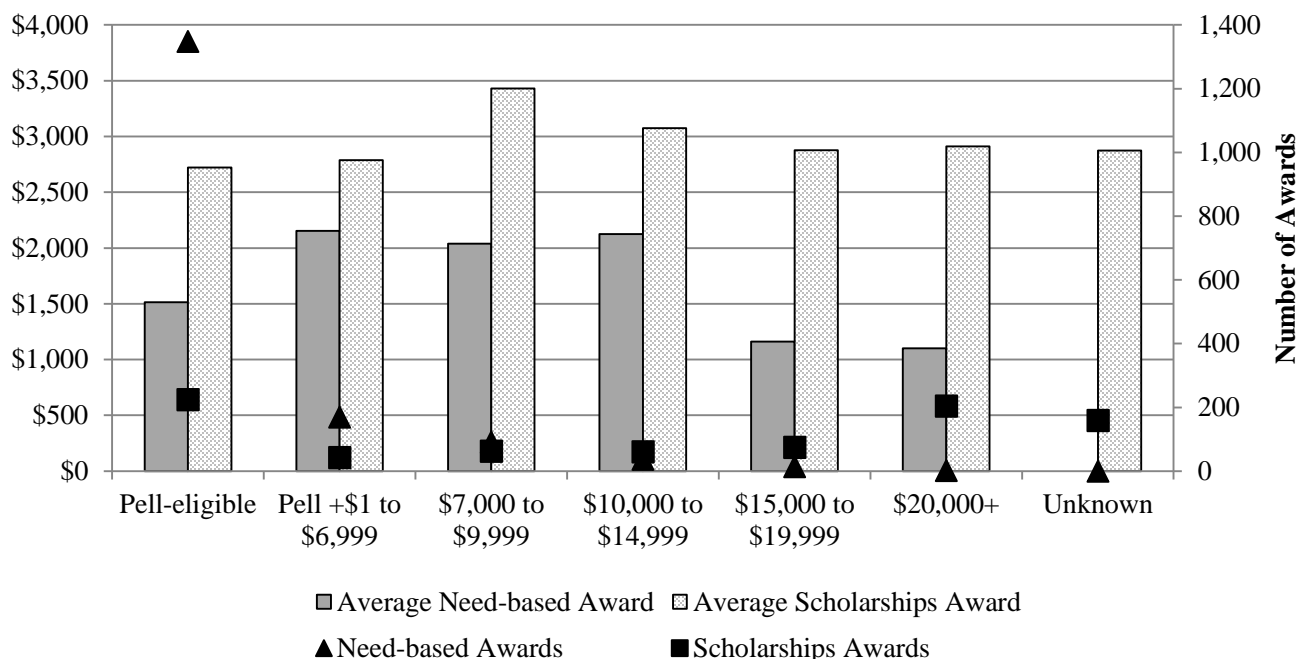


Source: University System of Maryland; Department of Legislative Services

Since the removal of the tuition freeze (starting in fiscal 2011), institutional aid as a percentage of tuition revenue increases from a low of 15.5% to 21.4% in fiscal 2014.

In fiscal 2014, 81.2% of those receiving need-based institutional aid were Pell-eligible students who received an average award of \$1,513, as shown in **Exhibit 10**. Students in all EFC categories received institutional scholarships (or merit); of the 831 awards, 24.7% of the awards went to students with an EFC over \$20,000 who received an average award of \$2,912.

Exhibit 10
Number and Average Amount of Institutional Aid Received Per Recipient
Fiscal 2014

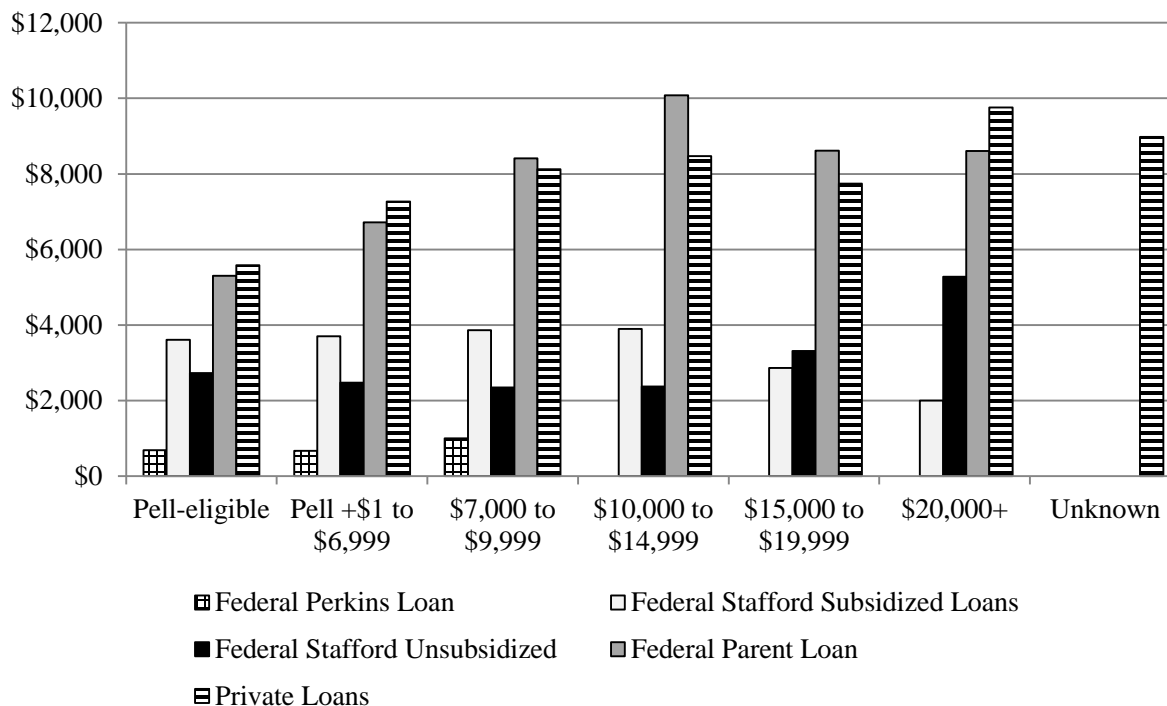


Source: Maryland Higher Education Commission

While the students with the greatest financial need typically receive Pell and institutional aid, it is still not enough to cover the cost of college. As shown in **Exhibit 11**, students in all EFC categories take out various types of loans to finance their education. These are three types of loans:

- federal subsidized loans are based on financial need with the government paying the interest while the student is enrolled in school (Perkins and Stafford loans);
- federal unsubsidized loans generally for those who do not demonstrate financial need with the interest added to the balance of the loan while the student is enrolled in school; and
- private loans.

**Exhibit 11
Mean Loan Amount by Type and Expected Family Contribution
Fiscal 2014**



Source: University System of Maryland

In fiscal 2014, of the 1,823 Pell-eligible students, 85.2% and 82.4% used a federal Stafford subsidized and unsubsidized loan, respectively, to help finance their college education with average loans of \$3,605 and \$2,725. In addition, 83 Pell-eligible students took out the more costly private loans to finance their education with an average loan of \$8,980.

The President should comment on if financial literacy or other programs are offered to students to educate them about options and implications of using various methods to finance their college education.

3. Associate Degree Scholars Award

A key component of FSU’s strategic plan to increase student quality and improve student persistence to graduation was the creation of the Associate Degree Scholars Award in fiscal 2011. The scholarship targets transfer students from Maryland community colleges or Potomac State College of West Virginia who demonstrated academic excellence. To be eligible, students must earn an

Associate of Arts, Associate of Science, or Associate of Arts in Teaching while those with an Associate of Applied Science may be considered depending on program of study. Additionally, students must have at least a cumulative 3.0 grade point average (GPA). The scholarship provides \$1,250 per semester (\$2,500 per year) and will be awarded for four semesters provided the student maintains a cumulative 3.0 GPA, earns 24 credits per year, and registers as a full-time student. The goal of the scholarship is to bring down tuition costs for the last two years of a bachelor's degree to that of a community college.

As of spring 2015, 285 transfer students have received an award with a majority of students transferring from Allegany Community College, Garrett College, and Hagerstown Community College. As shown in **Exhibit 12**, the number of transfer students receiving an award increased from 6 to 90 from academic years 2012 to 2014, with Pell-eligible students accounting for 88.9% of the total recipients in the 2014 academic year. These students have a second-year retention rate exceeding 80%, higher than the FT/FT 2012 cohort rate of 76.8%. Academically, 85.0% of the students maintained a GPA of 3.0 or above, and 18.0% achieved a GPA of 4.0. Of the first 6 recipients of the award, 4 graduated in spring 2014.

Exhibit 12
Retention Rates of Scholarship Students
2012-2014 Academic Years

	<u>Cohort Size</u>	<u>Pell-eligible</u>	<u>Two-year Retention Rate</u>
2012	6	3	83.3%
2013	89	36	80.9%
2014	90	80	85.6%

Source: Frostburg State University

The President should comment on the ability to maintain funding for the scholarships in light of the current budget situation.

Recommended Actions

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

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2014							
Legislative Appropriation	\$34,115	\$2,413	\$0	\$58,808	\$95,336	\$12,051	\$107,387
Deficiency Appropriation	-1,126	0	0	-191	-1,318	0	-1,318
Budget Amendments	561	-35	0	890	1,416	85	1,501
Reversions and Cancellations	-101	-354	0	-2,508	-2,964	-349	-3,313
Actual Expenditures	\$33,448	\$2,024	\$0	\$56,998	92,470	\$11,787	\$104,257
Fiscal 2015							
Legislative Appropriation	\$36,841	\$1,589	\$0	\$60,095	\$98,525	\$11,636	\$110,161
Cost Containment	-196	0	0	0	-196	0	-196
Budget Amendments	306	93	0	-1,784	-1,385	724	-661
Working Appropriation	\$36,952	\$1,682	\$0	\$58,311	\$96,944	\$12,360	\$109,304

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

For fiscal 2014, the general fund decreased \$0.7 million, which included a reduction of \$0.7 million in deficiency appropriations related to health insurance, retirement, and the State personnel system. Budget amendments added \$0.6 million related to a 3% COLA adjustment. Language in the fiscal 2014 budget bill transferred funds to the Maryland Higher Education Commission to provide additional funding for the Educational Assistance Grants. However, since the funds were not used for this purpose, \$0.1 million was reverted to the general fund.

The special fund appropriation decreased \$0.4 million related to language in the fiscal 2014 budget bill that transferred a portion of the HEIF to St. Mary's College of Maryland and a cancellation of \$0.4 million in the HEIF due to underattainment of revenues.

Other unrestricted funds decreased \$2.5 million which included a \$0.2 million reduction by a deficiency appropriation related to retirement. Budget amendments added \$0.9 million including:

- \$0.3 million in auxiliary enterprises;
- \$0.3 million in miscellaneous income;
- \$0.2 million in tuition and fees related to intersession and summer school;
- \$0.2 million in the sales and services of educational activities; and
- \$50,000 in investment income.

These increases were partially offset by a decrease of \$0.1 million in interest income. Cancellations of unrestricted funds amounted to \$2.5 million due to the delay of debt service for the Center for Communications and Information Technology; and communications, bookstore, and fuel and utilities expenditures being less than expected.

Restricted funds increased \$85,000 through an increase of \$0.5 million in federal Pell grant awards offset by decreases in federal (\$0.3 million), private (\$45,000), and State (\$35,000) grants and contracts to realign expenditures with activity. Cancellations of restricted funds totaled \$0.4 million due to not receiving grants that were budgeted for and expenditures being less than anticipated.

Fiscal 2015

For fiscal 2015, general funds for FSU increased \$0.1 million. Budget amendments add \$0.4 million for the fiscal 2015 2% COLA. That increase is partially offset by \$0.2 million in cost containment measures. General funds also decline \$93,284, which is offset by a corresponding increase in the HEIF. Decreases of \$1.8 million in other unrestricted funds include reductions of:

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- \$0.9 million due to transferring additional funds to the fund balance;
- \$0.6 million in tuition and fee revenues;
- \$0.5 million in the sales and services of auxiliary enterprises; and
- \$27,036 in miscellaneous income.

These reductions were partially offset by an increase of \$0.2 million in the sales and services of educational activities.

Restricted funds increased \$0.7 million due to \$0.5 million in federal Pell grant awards, \$0.1 million in State, \$66,000 in federal, and \$26,000 in private grants and contracts to align expenditures with the budget.

**FSU Full-time Equivalent Personnel by Budget Program
Fiscal 2006, 2014, and 2015**

	2006		2014		2015		Change in Share of Total <u>2006-15</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	231	38.1%	253	36.1%	252	36.8%	-1.3%
Public Service	14	2.3%	21	3.0%	21	3.1%	0.8%
Academic Support	66	10.9%	79	11.3%	86	12.6%	1.7%
Student Services	39	6.4%	50	7.1%	48	7.0%	0.6%
Institutional Support	107	17.6%	110	15.7%	104	15.2%	-2.4%
Operations and Maintenance of Plant	77	12.7%	87	12.4%	80	11.7%	-1.0%
Auxiliary	73	12.0%	101	14.4%	92	13.5%	1.5%
Total	607		702		684		

FTE: full-time equivalent

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

Source: Frostburg State University

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	736.00	739.00	739.00	0.00	0%
02 Contractual	156.40	157.40	157.40	0.00	0%
Total Positions	892.40	896.40	896.40	0.00	0%
Objects					
01 Salaries and Wages	\$ 56,051,380	\$ 56,250,000	\$ 60,597,567	\$ 4,347,567	7.7%
02 Technical and Spec. Fees	7,529,214	7,398,669	7,398,669	0	0%
03 Communication	391,328	655,037	655,037	0	0%
04 Travel	1,250,310	951,581	951,581	0	0%
06 Fuel and Utilities	3,778,801	3,942,069	4,000,714	58,645	1.5%
07 Motor Vehicles	465,945	277,315	277,315	0	0%
08 Contractual Services	9,093,567	9,136,133	9,165,775	29,642	0.3%
09 Supplies and Materials	3,813,397	5,550,815	5,286,492	-264,323	-4.8%
10 Equipment – Replacement	257,180	691,187	653,811	-37,376	-5.4%
11 Equipment – Additional	2,365,081	1,267,295	1,006,042	-261,253	-20.6%
12 Grants, Subsidies, and Contributions	14,463,775	14,563,896	14,874,785	310,889	2.1%
13 Fixed Charges	4,618,997	7,692,649	7,824,539	131,890	1.7%
14 Land and Structures	178,415	927,665	999,502	71,837	7.7%
Total Objects	\$ 104,257,390	\$ 109,304,311	\$ 113,691,829	\$ 4,387,518	4.0%
Funds					
40 Unrestricted Fund	\$ 92,469,929	\$ 96,944,311	\$ 101,331,829	\$ 4,387,518	4.5%
43 Restricted Fund	11,787,461	12,360,000	12,360,000	0	0%
Total Funds	\$ 104,257,390	\$ 109,304,311	\$ 113,691,829	\$ 4,387,518	4.0%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

Fiscal Summary
USM – Frostburg State University

<u>Program/Unit</u>	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Wrk Approp</u>	<u>FY 16</u> <u>Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16</u> <u>% Change</u>
01 Instruction	\$ 29,942,625	\$ 31,706,885	\$ 32,582,994	\$ 876,109	2.8%
02 Research	125,333	122,000	122,000	0	0%
03 Public Service	3,541,227	3,790,500	3,790,500	0	0%
04 Academic Support	9,562,296	9,332,489	10,218,684	886,195	9.5%
05 Student Services	5,343,789	4,680,203	5,089,326	409,123	8.7%
06 Institutional Support	10,114,340	11,111,508	11,931,290	819,782	7.4%
07 Operation and Maintenance of Plant	13,168,323	16,509,991	17,400,410	890,419	5.4%
08 Auxiliary Enterprises	17,577,642	17,026,958	17,221,959	195,001	1.1%
17 Scholarships and Fellowships	14,881,815	15,023,777	15,334,666	310,889	2.1%
Total Expenditures	\$ 104,257,390	\$ 109,304,311	\$ 113,691,829	\$ 4,387,518	4.0%
Unrestricted Fund	\$ 92,469,929	\$ 96,944,311	\$ 101,331,829	\$ 4,387,518	4.5%
Restricted Fund	11,787,461	12,360,000	12,360,000	0	0%
Total Appropriations	\$ 104,257,390	\$ 109,304,311	\$ 113,691,829	\$ 4,387,518	4.0%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.