

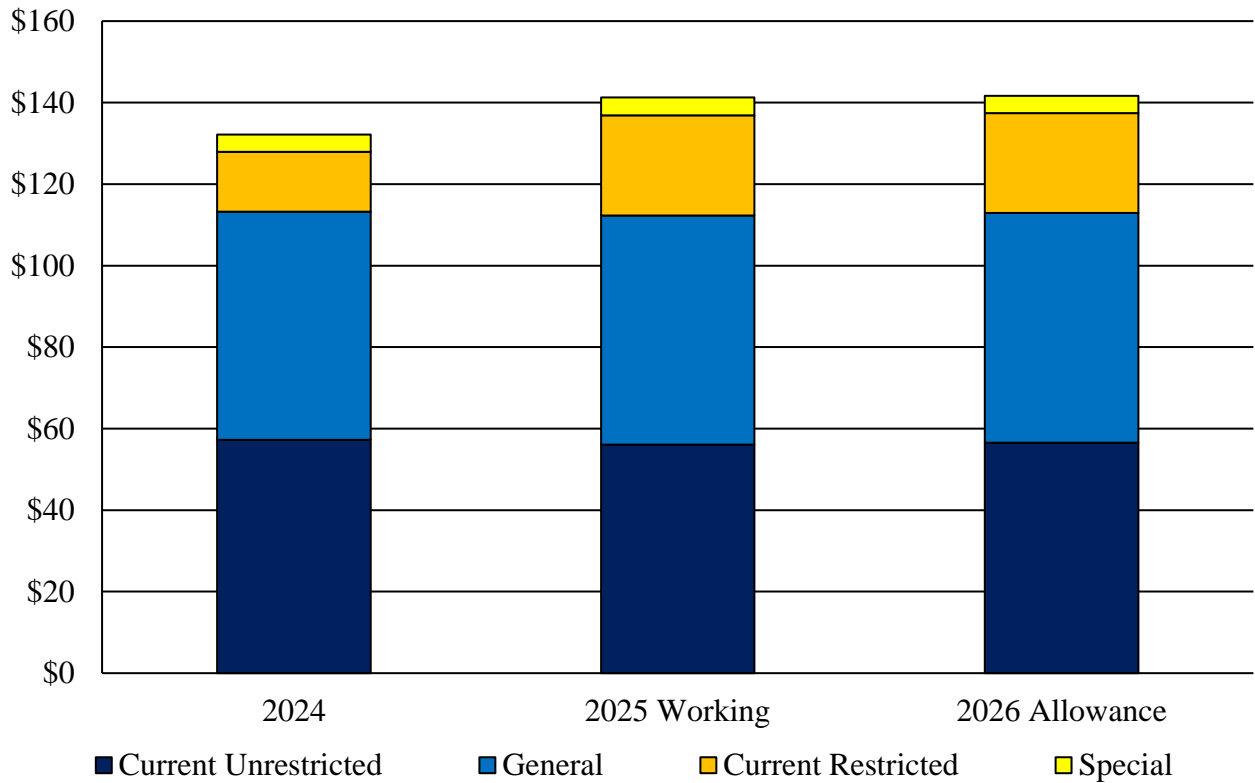
R30B26
Frostburg State University
University System of Maryland

Executive Summary

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.

Operating Budget Summary

Fiscal 2026 Budget Increases \$0.4 Million, or 0.3%, to \$141.7 Million
(\$ in Millions)



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in Frostburg State University (FSU) budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in FSU budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in FSU budget.

For further information contact: Sara J. Baker

sarajeon.baker@mlis.state.md.us

- Total State support for FSU decreases by \$121,390, or 0.2%, compared to the fiscal 2025 working appropriation. **The fiscal 2026 allowance includes the impact of the fiscal 2025 general salary increases that are centrally budgeted in the Department of Budget and Management (DBM) in fiscal 2025. Excluding the impact of the salary adjustment, State funds decrease by 5.1%, or \$3.1 million.**
- The fiscal 2026 budget includes a proposed deficiency appropriation for fiscal 2025 that would replace \$709,723 in general funds with Higher Education Investment Funds (HEIF). After adjusting for the deficiency, the HEIF decreases by 4.2%, or \$186,860.

Key Observations

- ***Growing Undergraduate Enrollment:*** Undergraduate enrollment increased by 2.5% in fall 2023 after seven years of decline, during which enrollment fell by a combined 30.0%. In fall 2024, enrollment further increased (2.3%), driven by an increase in the number of continuing students (3.3%). Until fall 2024, the number of continuing students had been declining since fall 2017.
- ***Undergraduate Degree Production:*** The continual enrollment declines in conjunction with the pandemic affected the retention of students, which in turn impacted the number of degrees awarded. In fiscal 2019, FSU conferred 1,078 degrees, which subsequently declined to 818 degrees by fiscal 2024.

Operating Budget Recommended Actions

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

R30B26
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University System of Maryland

Operating Budget Analysis

Program Description

FSU is a mid-size, comprehensive university. It is the only four-year institution within USM located west of the Baltimore-Washington corridor and serves as the premier educational and cultural center for Western Maryland. Approximately half of FSU’s students are from Allegany, Frederick, Garrett, and Washington counties, although as a largely residential campus, it draws students from all counties in Maryland as well as neighboring states.

FSU offers an array of 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 businesses to ensure the collaborative nature of all ventures.

Carnegie Classification: Master’s Colleges & Universities: Larger Programs

Fall 2024 Undergraduate Enrollment Headcount		Fall 2024 Graduate Enrollment Headcount	
Male	1,407	Male	248
Female	2,015	Female	434
Total	3,422	Total	682
Fall 2024 New Students Headcount		Campus (Main Campus)	
First-time	603	Acres	260
Transfers/Others	411	Buildings	49
Graduate	129	Average Age	48
Total	1,143	Oldest	1900
Programs		Degrees Awarded (2023-2024)	
Bachelor’s	46	Bachelor’s	817
Master’s	13	Master’s	232
Doctoral (Professional)	1	Doctoral (Professional)	19
		Total Degrees	1,068
Proposed Fiscal 2026 In-state Tuition and Fees*			
Undergraduate Tuition	\$7,400		
Mandatory Fees	\$3,048		

*Contingent on Board of Regents approval.

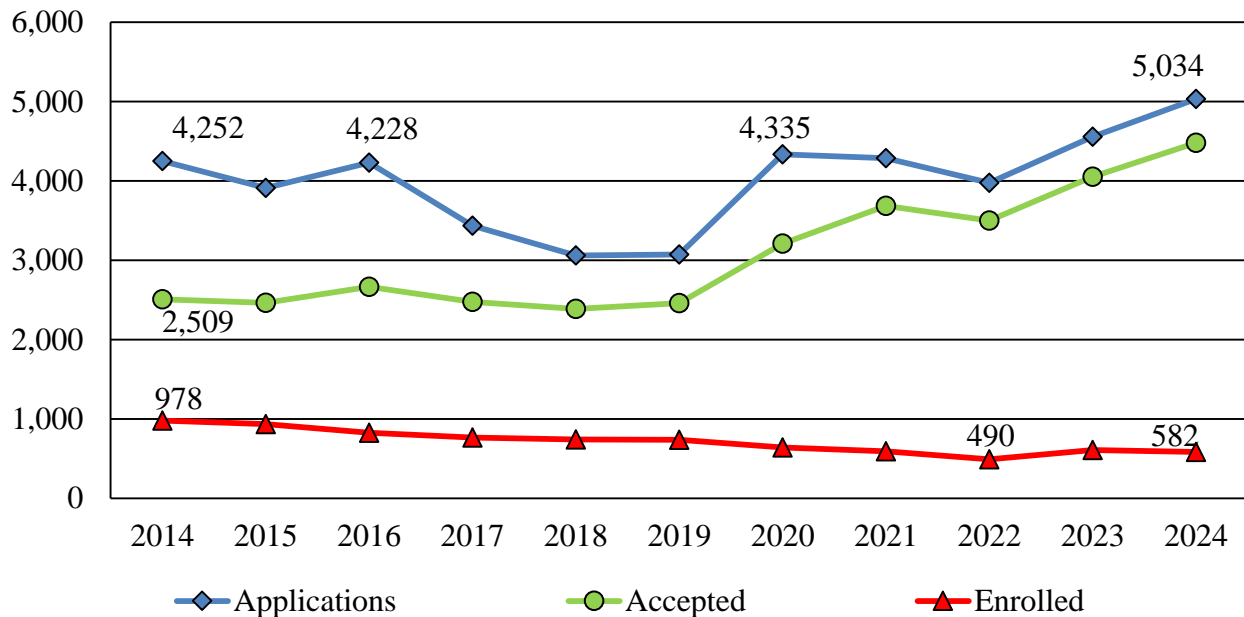
Performance Analysis

1. Undergraduate Enrollment

First-time Applications

As shown in **Exhibit 1**, after increasing to 4,228 for fall 2016, the number of applications fell by 27.3%, or 1,156 applications, by fall 2019. However, for fall 2020, the number of applications increased by 41.1% to 4,335 applications. According to FSU, the increase in applications was due to applicants who applied through Common Application and were unlikely to attend. While the number of applications subsequently declined by 8.3%, or 359 applications by fall 2022, it has since increased to a high of 5,034 applications by fall 2024. FSU attributes this increase to a variety of factors including a partnership with Fire Engine Red (acquired by Carnegie in 2023), a student search service from which FSU began purchasing freshman and sophomore names in 2021; expansion of name search partners from one to five vendors, improving the quality of names purchased; implementation of a direct admit program in fall 2022 and 2023; and creating robust and accurate communication campaigns.

Exhibit 1
First-time Applications, Accepted, and Enrolled
Fall 2014-2024



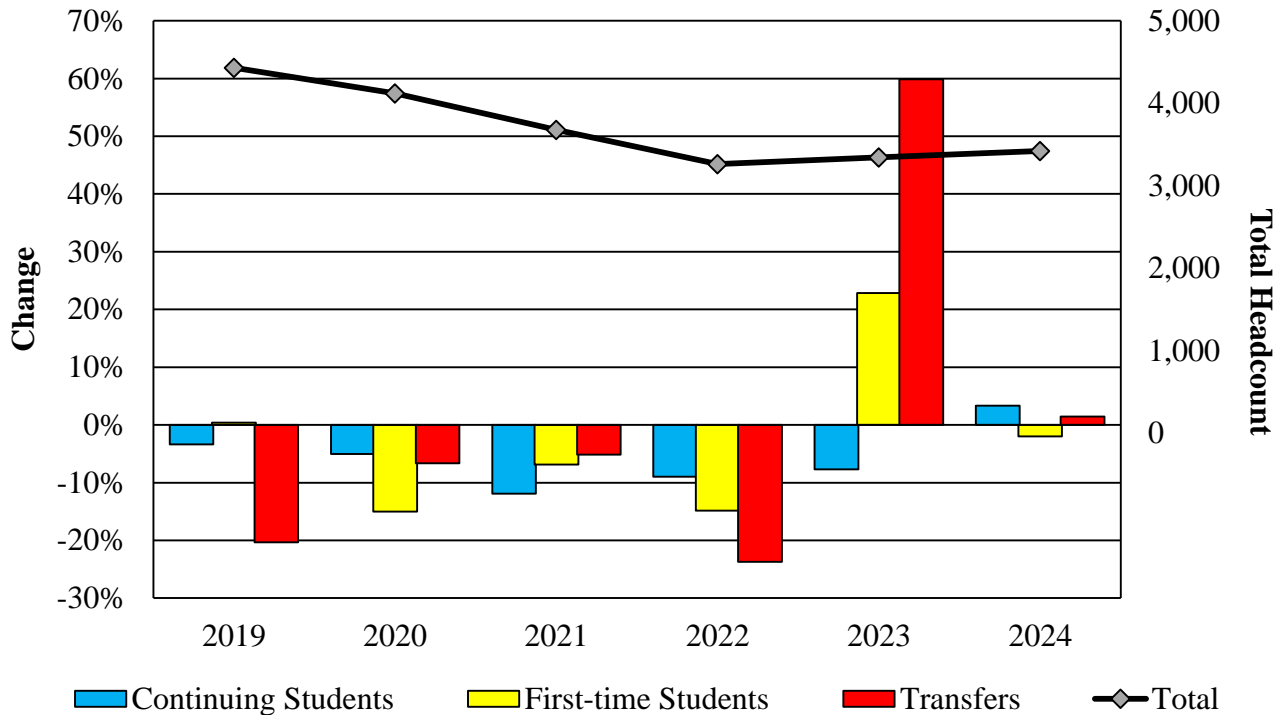
Source: University System of Maryland

The percentage of accepted applicants who enrolled at FSU reached its highest level of 39% in fall 2014, resulting in the highest enrollment of 978 students. The continual decline in the percentage of admitted students who enrolled, combined with lower numbers of applicants resulted in the lowest enrollment of first-time students in fall 2022. In fall 2023, the number of first-time students increased by 24.1% to 608 students. In fall 2024, the number slightly declined to 582 students.

Fall 2022 Undergraduate Enrollment

After declining for seven years, undergraduate enrollment in fall 2023 and 2024 grew by 80 and 78 students, respectively, as shown in **Exhibit 2**, increasing from 3,264 in fall 2022 to 3,422 students in fall 2024. The growth in fall 2023 was due to an increase in the number of transfer (152) and first-time (114) students. The increase in transfer students, after a four year decline, is attributed to a greater physical presence at the community colleges, launch of an online Licensed Practical Nurse program, and improvement to a scholarship program for transfer students that specifically improves affordability for regional students. FSU attributed the increase in first-time students to a variety of factors including targeted events such as Admitted Students Days and Scholarship luncheon; reducing the time for a decision to 48 hours or less due to improvements to the process, offering on-site admissions opportunities; early scholarships and financial aid offers; and a modernized document management system. In fall 2024, the number of students returning to campus increased by 3.3%, or 77 students, reversing a six-year trend in which the number not coming back to campus fell by 34.5%.

**Exhibit 2
Change and Headcount Undergraduate Enrollment
Fall 2019-2024**



Source: University System of Maryland

Despite the recent increases, overall, since fall 2015, when FSU experienced its highest undergraduate enrollment of 4,961, it has lost almost a third (31.0%) of its undergraduate student population (1,539 students). Most of the loss of 1,165 students occurred during the pandemic between fall 2020 and 2022. This loss of students has impacted FSU’s budget, particularly affecting tuition and fees, auxiliary revenues, and corresponding expenditures (impact on the budget will be further discussed in Issue 1). When including graduate students, total fall 2024 enrollment increased by 0.7%, or 29 students.

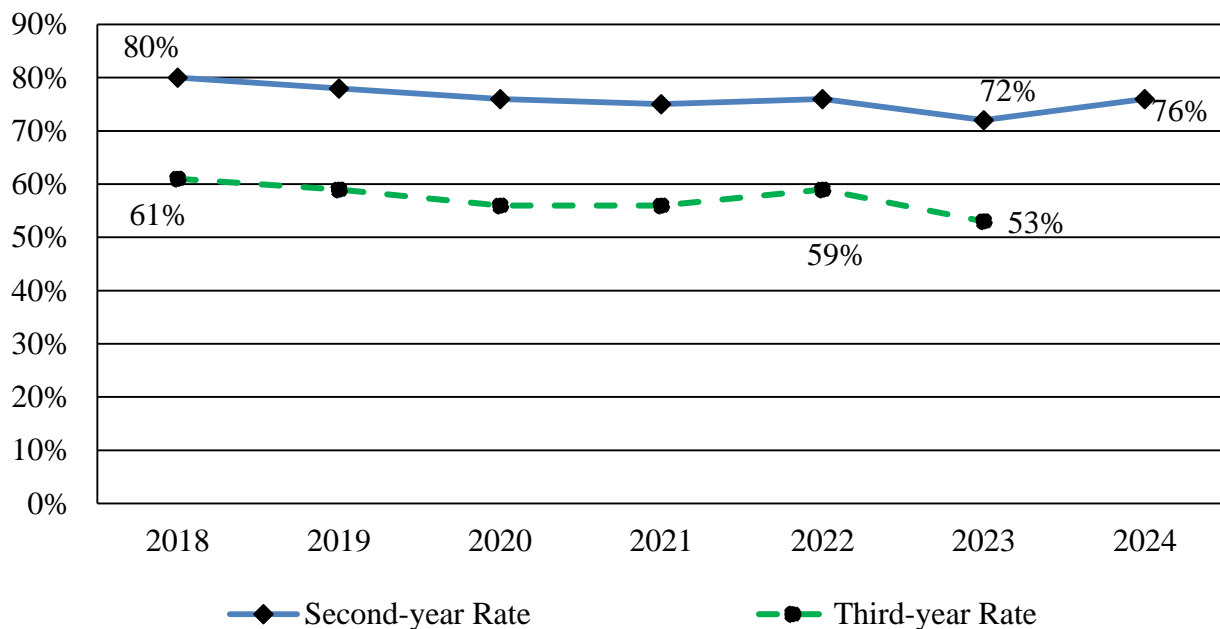
2. Retention Rates

Student retention rates provide a measure of student progress and an institution’s performance – a high retention rate indicates (1) the ability of an institution to keep students and (2) the more likely a student will succeed and graduate. As students are more likely to drop out during their first year, the second-year rate is an indicator of a number of factors – from students

not being prepared for college, to institutional support designed to retain students. However, institutions tend to focus efforts on retaining first-year students and not providing supports needed to keep students beyond their second year, thereby increasing their chances to graduate.

As shown in **Exhibit 3**, the impact of the pandemic on the second-year retention rate can be seen with the rate starting to decline with the fiscal 2019 cohort, which was the first entering class to be impacted by the pandemic that resulted in classes transitioning to remote learning as the campus was closed during the spring 2020 semester. The second-year rate declined to the lowest point of 72% with the fiscal 2023 cohort. With the increase in the enrollment of first-time students in fall 2023, the rate improved to 76% with the fiscal 2024 cohort.

Exhibit 3
Second- and Third-year Retention Rates
Fiscal 2018-2024 Cohorts



Source: University System of Maryland

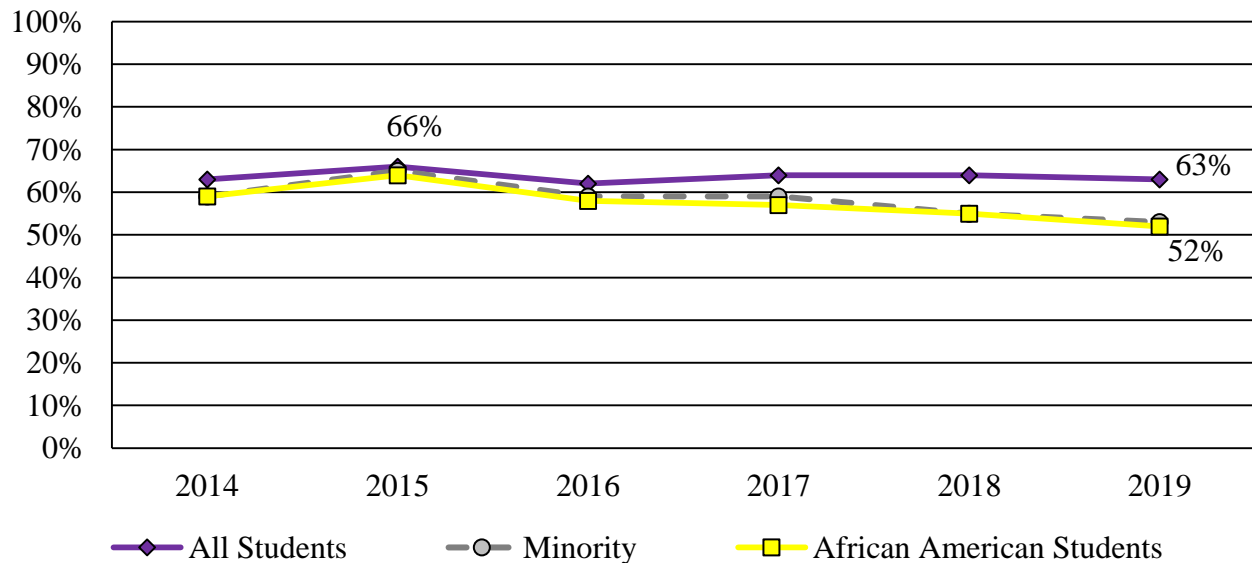
Prior to the pandemic, the third-year retention rate remained fairly stable at 60% but declined from 61% with the fiscal 2018 cohort to 56% with the fiscal 2020 and 2021 cohorts. These declines may reflect the impact of the unique challenges faced by each cohort. While the fiscal 2020 cohort had completed a year of college, it was done remotely and, therefore, did not have the typical on-campus experience and may have needed help in adjusting to campus life. The fiscal 2021 cohort spent their senior year in high school in a virtual environment and had to

adjust to life on campus and in-person classes. Since the third-year typical mirrors the trends in the second year rate, it is expected that after declining to 53% with the fiscal 2023 cohort, it will increase with the fiscal 2024 cohort.

3. Graduation Rates

Graduation rates are, in part, another measure of student retention and efficiency – as more students graduate, it frees up more room, allowing an institution to enroll more students. National data show students of color, low-income, and/or first-generation graduate at a lower rate than their peers, which points to the need to develop strategies and services to support the success of these students and close the achievement gap. **Exhibit 4** shows the six-year graduation rates by ethnicity for the fiscal 2014 through 2019 cohorts. Graduation rates for all groups of students reached their highest rate with the fiscal 2015 cohort, one of the last cohorts to graduate before the pandemic, with the rate for all students reaching 66%, underrepresented minorities 65%, and African American students 64%. The rate for the 2019 cohort declined to 63% for all students, while the graduation rate for minority and African American students declined more significantly to 53% and 52%, respectively. Overall, this resulted in a widening of the achievement gap to 11 and 10 percentage points for the 2019 cohorts of minority and African American students compared to gaps of 2 and 1 percentage points for the 2015 cohort, respectively.

Exhibit 4
Six-year Graduation Rates
Fiscal 2014-2019 Cohorts



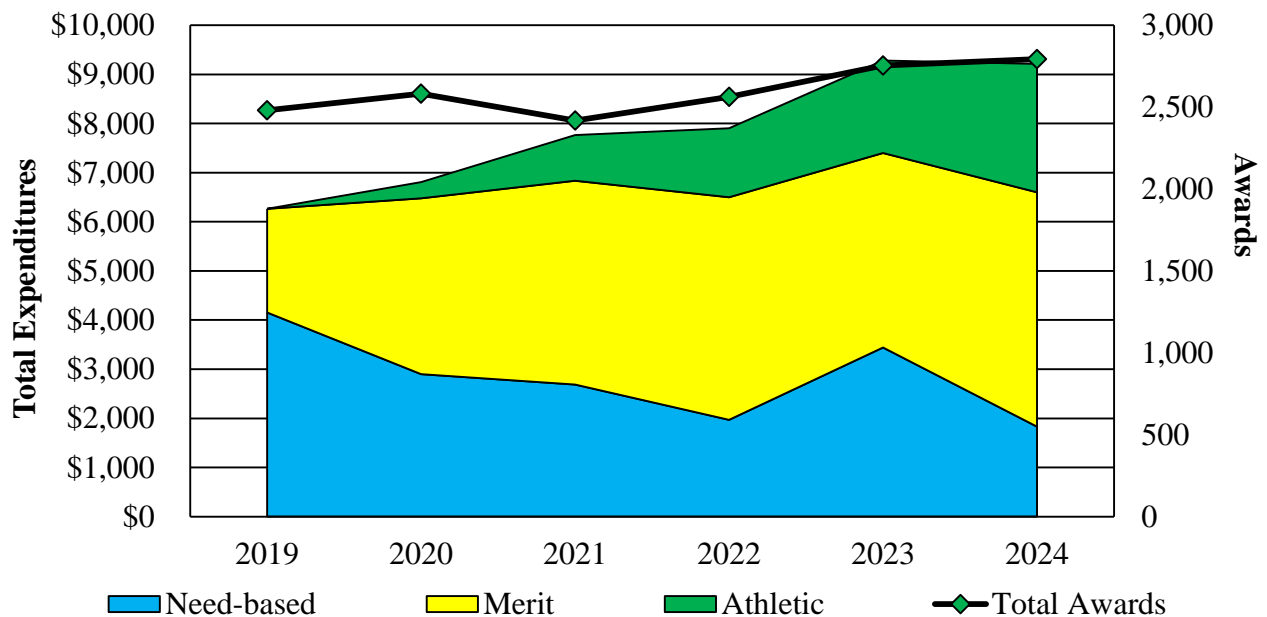
Source: University System of Maryland

Impact of Institutional Aid on Success

A key factor to improving student success, particularly with the changing demographics of Maryland high school graduates, with an increase in first-generation and/or low-income students, is access to financial aid. Financial aid not only increases affordability and access but also impacts retention and student completion. The various financial challenges that students can face such as how to pay for school, housing and/or food can affect their ability to focus on coursework and can lead to students stopping or dropping out. In addition, financial aid can reduce the need for students to work or take out student loans. Overall, students receiving aid are more likely to persist and graduate.

As shown in **Exhibit 5**, while total expenditures grew 47.1%, or \$2.9 million, to \$9.2 million, from fiscal 2019 to 2024, the amount spent on need-based aid fell 55.9% from \$4.2 million in fiscal 2019 to \$1.8 million in fiscal 2024. Overall, expenditures on need-based aid went from comprising 66.3% of institutional aid in fiscal 2019 to 19.9% by fiscal 2024. Meanwhile spending on merit scholarships increased by 126.0%, from \$2.1 million in fiscal 2019 to \$4.8 million in fiscal 2024.

Exhibit 5
Institutional Aid Expenditures and Awards
 Fiscal 2019-2024
 (\$ in Thousands)



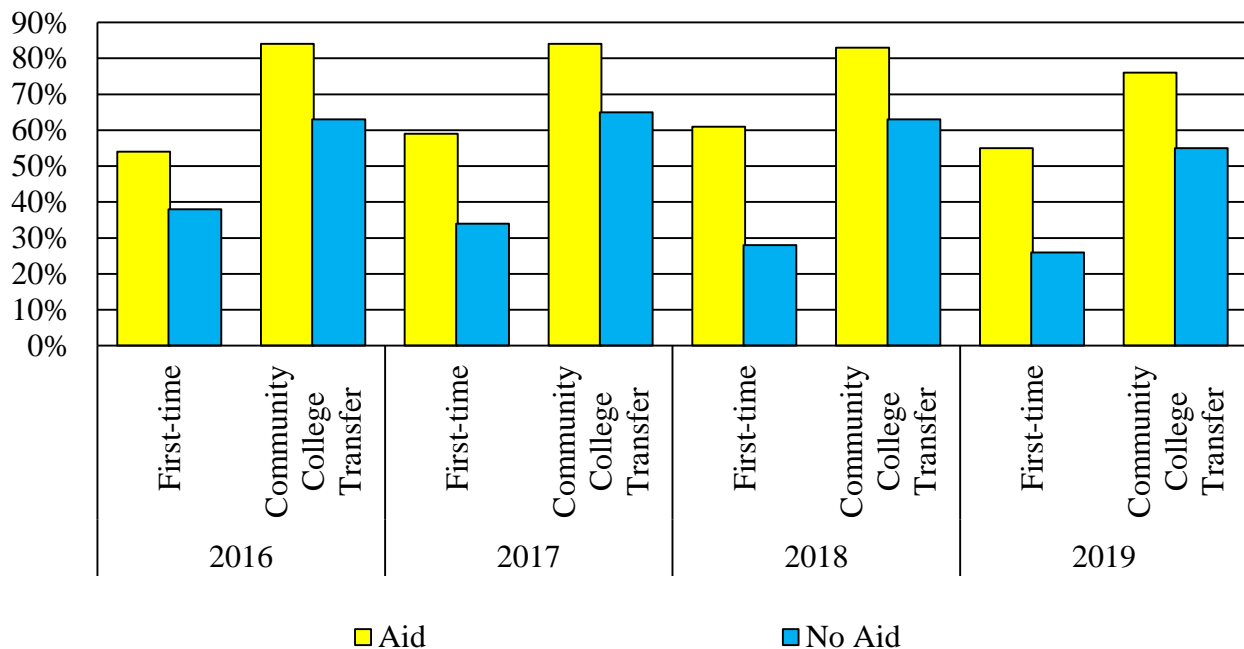
Source: University System of Maryland

With the move from the National Collegiate Athletic Association Division III to Division II, FSU was allowed to start offering athletic scholarships in fiscal 2020 and in that year provided 154 scholarships totaling \$0.3 million. Since fiscal 2020, spending on athletic scholarships has increased by 635.1%, or \$2.3 million, to \$2.6 million in fiscal 2024. It appears that FSU recalibrated its distribution of aid in order to be able to offer more athletic scholarships, which by fiscal 2024 totaled 479 scholarships.

The President should comment on the decreased spending on need-based aid.

As shown in **Exhibit 6**, overall, those receiving institutional aid graduated at a higher rate than those who do not receive aid. On average, the graduation rate of first-time students receiving aid was 26 percentage points higher than those not receiving aid. For Maryland community college transfer students, the gap was 20 percentage points. Additionally, Maryland community college transfer students graduated at a higher rate than first-time students, indicating that while FSU has been successful in helping transfer students succeed, there are opportunities to make improvements, including targeting programs and initiatives towards first-time students.

Exhibit 6
Six-Year Graduation Rate
Received and Not Received Institutional Aid
Fiscal 2016-2019

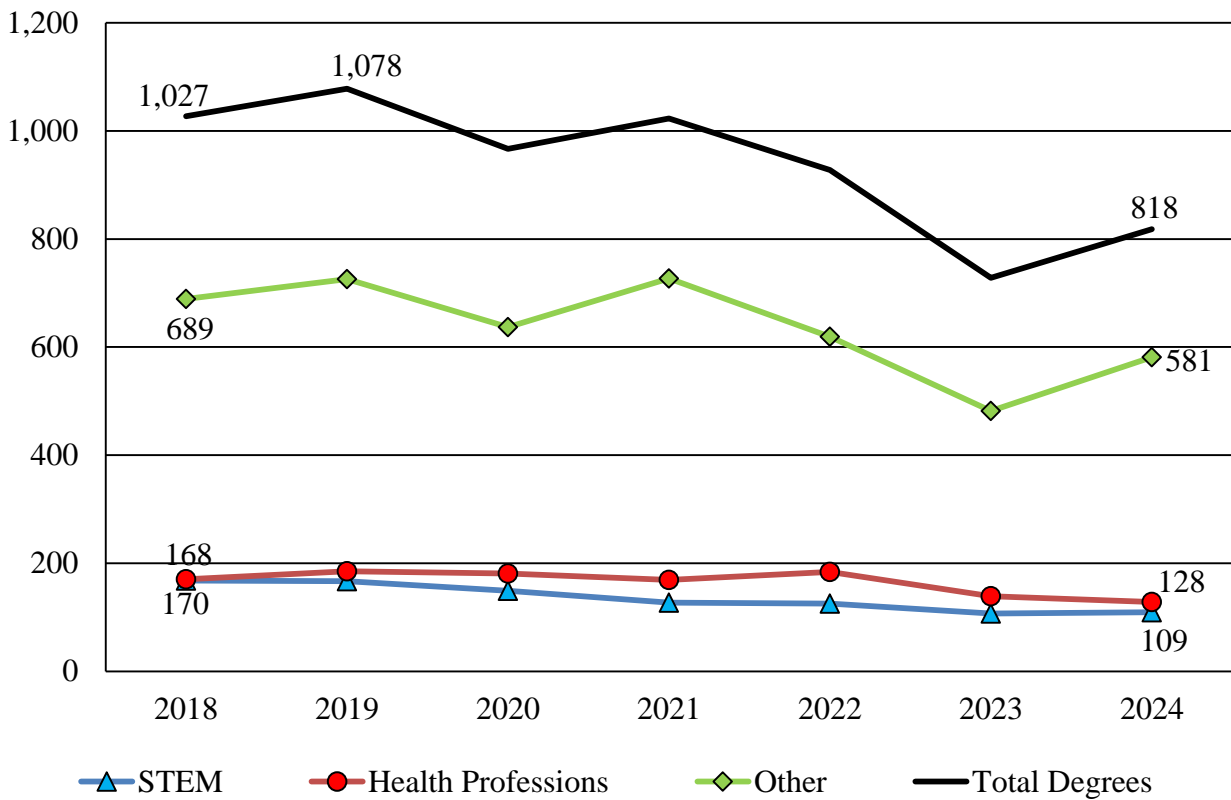


Source: University System of Maryland

Undergraduate Degrees

The continual enrollment decline, in conjunction with the pandemic affected the retention of students, which in turn impacted the number of degrees conferred, as shown in **Exhibit 7**. In fiscal 2019, FSU conferred 1,078 degrees, which declined to 818 degrees by fiscal 2024. Since fiscal 2019, the number of health professional degrees has decreased by 30.8%, or 57 degrees, to 128 degrees in fiscal 2024. While the number of science, technology, engineering, and mathematics degrees steadily declined from fiscal 2018 to 2023, there was a slight increase (2) in fiscal 2024. In fiscal 2024, the number of other degrees awarded increased by 20.5%, or 99 degrees.

Exhibit 7
Undergraduate Degrees by Workforce and Other
Fiscal 2018-2024



STEM: science, technology, engineering, and mathematics

Source: University System of Maryland

The President should comment on the factors leading to the decline in the number health profession degrees awarded.

Fiscal 2025 Working Budget

Actions Affecting Fiscal 2025 Budget

The fiscal 2026 budget includes a proposed deficiency appropriation of \$25.8 million across USM institutions and Morgan State University that would replace general funds with the HEIF due to the use of higher than anticipated revenue, of which FSU's share is \$0.7 million.

Cost Containment

Cost containment actions approved by the Board of Public Works (BPW) in July 2024 resulted in a 1.0%, or \$546,237, reduction in FSU's appropriation, which was met by reducing expenditures on contractual services, savings from building closures, and freezing positions.

Implementation of Legislative Priorities

During the 2024 session, the Maryland General Assembly added \$200,000 in Section 21 of the fiscal 2025 Budget Bill for FSU to provide funding for the Mary E. Clapsaddle Merit Scholarship. FSU would like to use the funds to establish an endowment, thereby growing the funds to be able to provide scholarships throughout the years rather than provide scholarships for one year. However, language on the addition requires the funds to be expended during the fiscal year or revert to the general fund. Therefore, FSU is seeking to amend the language to allow use of the funds for an endowment.

Education and General Expenditures

Since tuition and fee revenue in the allowance is based on enrollment projections, increases and decreases in enrollment can have a significant effect on an institution's revenue. Therefore, looking at the changes in expenditures by program area between fiscal 2024 and 2025 (when institutions know their fall enrollment) provides a more accurate picture of funding priorities.

Exhibit 8 shows unrestricted funds by program areas for fiscal 2024 and 2025. Overall spending decreases by 0.7%, or \$0.8 million, in fiscal 2025. Spending increases across program areas, excluding scholarships and fellowships, are partly related to the annualization of the fiscal 2024 general salary increases. Decreases are primarily related to realigning budgets, adjusting for spending on facilities renewal, and debt service.

Exhibit 8
Budget Changes for Unrestricted Funds by Program
Fiscal 2024-2025
(\$ in Thousands)

	2024	2025	2024-2025	2024-2025
	<u>Actual</u>	<u>Working</u>	<u>Change</u>	<u>% Change</u>
Expenditures				
Institutional Support	\$15,596	\$17,735	\$2,139	13.7%
Scholarships and Fellowships	11,852	13,216	1,364	11.5%
Instruction	34,581	35,413	832	2.4%
Public Service	371	695	324	87.4%
Academic Support	10,744	10,276	-468	-4.4%
Student Services	8,144	6,537	-1,607	-19.7%
Operation and Maintenance of Plant	14,374	11,770	-2,604	-18.1%
Education and General (E&G) Total	\$95,661	\$95,642	-\$19	0.0%
Auxiliary Enterprises	\$21,894	\$21,096	-\$798	-3.6%
Total Expenditures	\$117,556	\$116,738	-\$817	-0.7%
Revenues				
Tuition and Fees	\$32,367	\$32,442	\$75	0.2%
State Funds ¹	60,267	60,696	430	0.7%
Other	4,936	2,824	-2,111	-42.8%
Total E&G Revenues	\$97,569	\$95,962	-\$1,607	-1.6%
Auxiliary Enterprises	\$19,334	\$19,276	-\$57	-0.3%
Transfer to/from Fund Balance	653	1,500		
Available Unrestricted Revenues	\$117,556	\$116,738	-\$817	-0.7%

¹State funds include general funds and Higher Education Investment Funds.

Source: Governor’s Fiscal 2026 Budget Books; Department of Legislative Services

Fiscal 2026 Proposed Budget

As shown in **Exhibit 9**, when excluding the impact of the fiscal 2025 general salary increases that are included in the fiscal 2026 allowance but are not included in the fiscal 2025 working appropriation for FSU and are instead budgeted centrally in the statewide account in DBM, State funds decrease by 5.1%, or \$3.1 million.

Exhibit 9
Proposed Budget
Fiscal 2024-2026
(\$ in Thousands)

	<u>2024</u> <u>Actual</u>	<u>2025</u> <u>Adjusted</u>	<u>2026</u> <u>Adjusted</u>	<u>2024-2025</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$55,982	\$56,989	\$53,379	-3,610	-6.3%
Deficiency – HEIF Swap		-710			
Total Adjusted General Funds	\$55,982	\$56,279	\$53,379	-\$2,900	-5.2%
Special Funds					
HEIF	\$4,285	\$3,707	\$4,230	\$523	14.1%
Deficiency – HEIF Swap		710			
Total HEIF	\$4,285	\$4,417	\$4,230	-\$187	-4.2%
Total Adjusted State Operating Funds	\$60,267	\$60,696	\$57,609	-\$3,087	-5.1%
Adjustment – Fiscal 2025 COLA/Increment			\$2,966		
Total State Operating Funds	\$60,267	\$60,696	\$60,575	-\$121	-0.2%
Other Unrestricted Funds	\$56,636	\$54,542	\$55,556	\$1,014	1.9%
Transfer (to)/from Fund Balance	653	1,500	1,000		
Net Unrestricted Funds	\$117,556	\$116,738	\$117,130	\$392	0.3%
Total Restricted Funds	\$14,636	\$24,539	\$24,539		0.0%
Total Funds	\$132,192	\$141,278	\$141,670	\$392	0.3%

COLA: cost-of-living adjustment

HEIF: Higher Education Investment Fund

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in Frostburg State University (FSU) budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in FSU’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in FSU’s budget.

Source: Governor’s Budget Books, Fiscal 2026; Department of Legislative Services

Increases in State support between the fiscal 2025 working appropriation and the fiscal 2026 allowance include \$261,778 for the opening of a new facility and \$288,965 for debt service for new equipment for a new facility that is partly offset by the removal of \$200,000 for a one-time legislative addition to the fiscal 2025 budget that is not continued. The remaining decrease of approximately \$3.1 million represents a general decrease in State support.

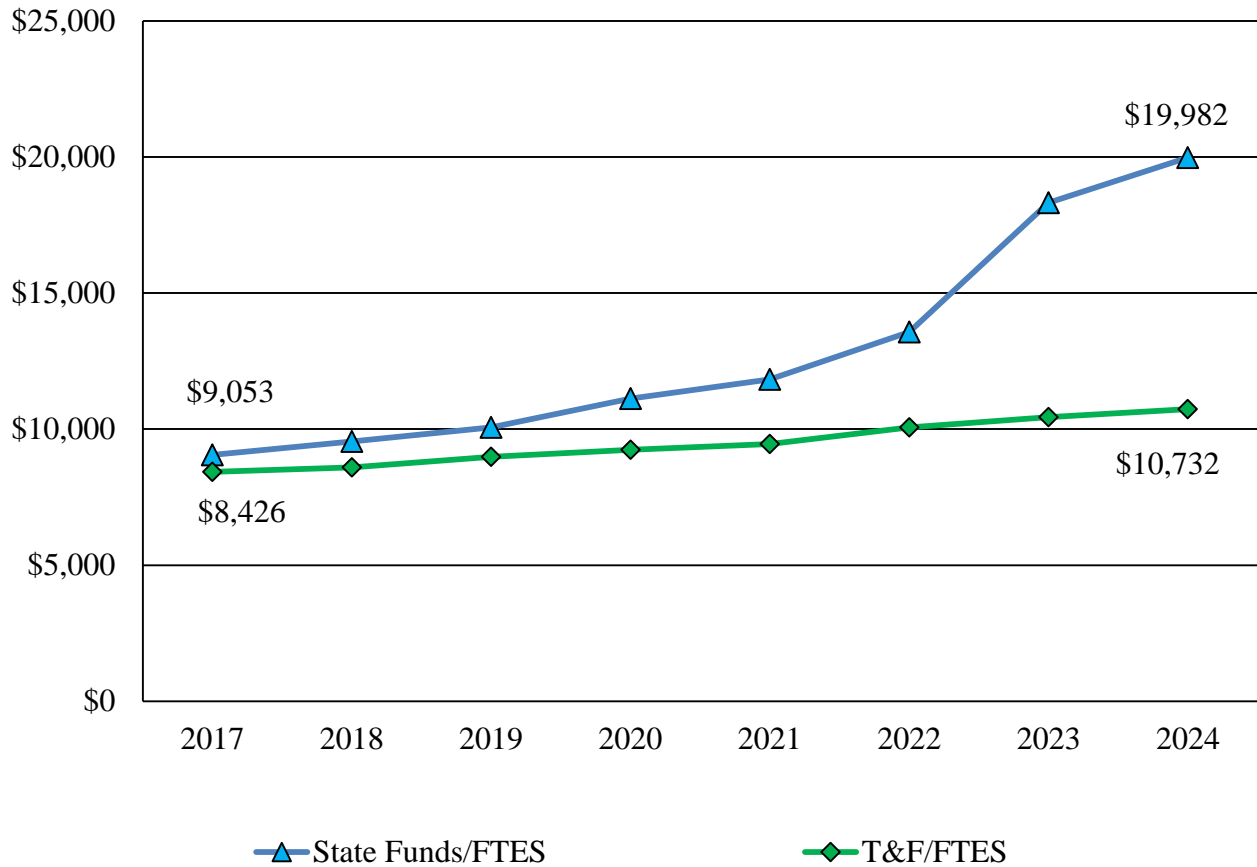
The President should comment on what actions will be taken to cover the reduction in State funding.

Other unrestricted funds increase by 1.9%, or \$1.0 million, of which \$0.7 million is related to a projected increase in tuition and fee revenue, partly due to a planned 2% increase in resident undergraduate tuition, and \$0.1 million is related to auxiliary revenues. Overall, total funds grow by 0.3%, or \$0.4 million, over fiscal 2025. The allowance assumes a \$1 million transfer from fund balance to support expenses.

Funding Per Full-time Equivalent Student

Overall, as shown in **Exhibit 10**, between fiscal 2017 and 2024, State funding (general and the HEIF) per full-time equivalent student (FTES) grew by 102.3%, or \$9,265 per FTES. The increase in State funding over this period per FTES can be partly attributed to the decline in enrollment, which fell by 34.2%, or 1,568 FTES, from fiscal 2017 to 2024. In addition, starting in fiscal 2020, salary enhancements have driven significant increases in State funding per FTES. Additionally, in fiscal 2023, the restoration of the July 2021 BPW reduction contributed to the increase in per FTES funding. General salary increases in fiscal 2024 resulted in State funding per FTES increasing to \$19,982. Tuition and fee per FTES steadily increased between fiscal 2017 and 2024, with a combined increase of 23.9%, or \$2,016 per FTES, reflecting increases in tuition and fee rates.

Exhibit 10
Funding Per Full-time Equivalent Student
Fiscal 2017-2024



FTES: full-time equivalent students
T&F: tuition and fees

Source: Governor’s Budget Books; University System of Maryland; Department of Legislative Services

Personnel Data

	<u>FY 24 Actual</u>	<u>FY 25 Working</u>	<u>FY 26 Allowance</u>	<u>FY 25-26 Change</u>
Regular Positions	688.00	634.00	634.00	0.00
Contractual FTE	<u>195.50</u>	<u>164.30</u>	<u>164.30</u>	<u>0.00</u>
Total Personnel	883.50	798.30	798.30	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	40.64	6.41%
Positions and Percentage Vacant as of 12/31/24	41.00	6.47%
Vacancies Above Turnover	0.36	

- The fiscal 2026 allowance does not provide for any new regular positions. However, USM institutions have personnel autonomy and may create or eliminate positions during the year. In fiscal 2025 year to date, FSU eliminated 48 State-supported positions and 6 non-State-supported positions.

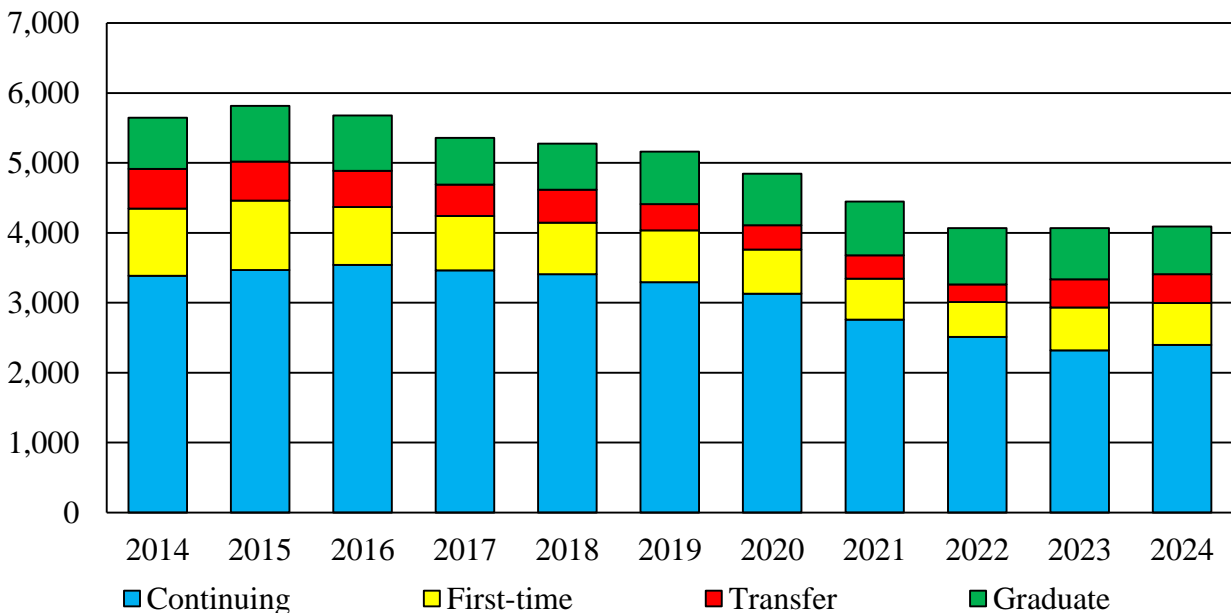
Issues

1. Financial Struggles and Plan to Eliminate Deficit

Declining Enrollment

As previously discussed, FSU has struggled with declining enrollment since fall 2015, when undergraduate and graduate enrollment reached a high point of 5,816 students. As shown in **Exhibit 11**, from fall 2015 to 2019, the number of first-time students fell by 25.5%, or 253 students, which FSU, at the time, attributed to the low number of high school graduates in western Maryland and the increase in competition for those college-going students. Between fall 2019 and 2022, COVID-19 greatly impacted enrollment in which students decided to stay closer to home, resulting in enrollment declining by 21.2%, or 4,067, students by fall 2022. Various efforts and initiatives to improve and stabilize enrollment have proven successful with enrollment increasing in fall 2023 and 2024. Overall, since fall 2015, FSU has lost almost one-third (32.1%) of its undergraduate student population and 14.2% of its graduate population. It should be noted that while the FTES enrollment declined by 36% since fiscal 2010, the number of faculty full-time-equivalent decreased by 14%.

Exhibit 11
Total Headcount Enrollment
Fall 2014-2024

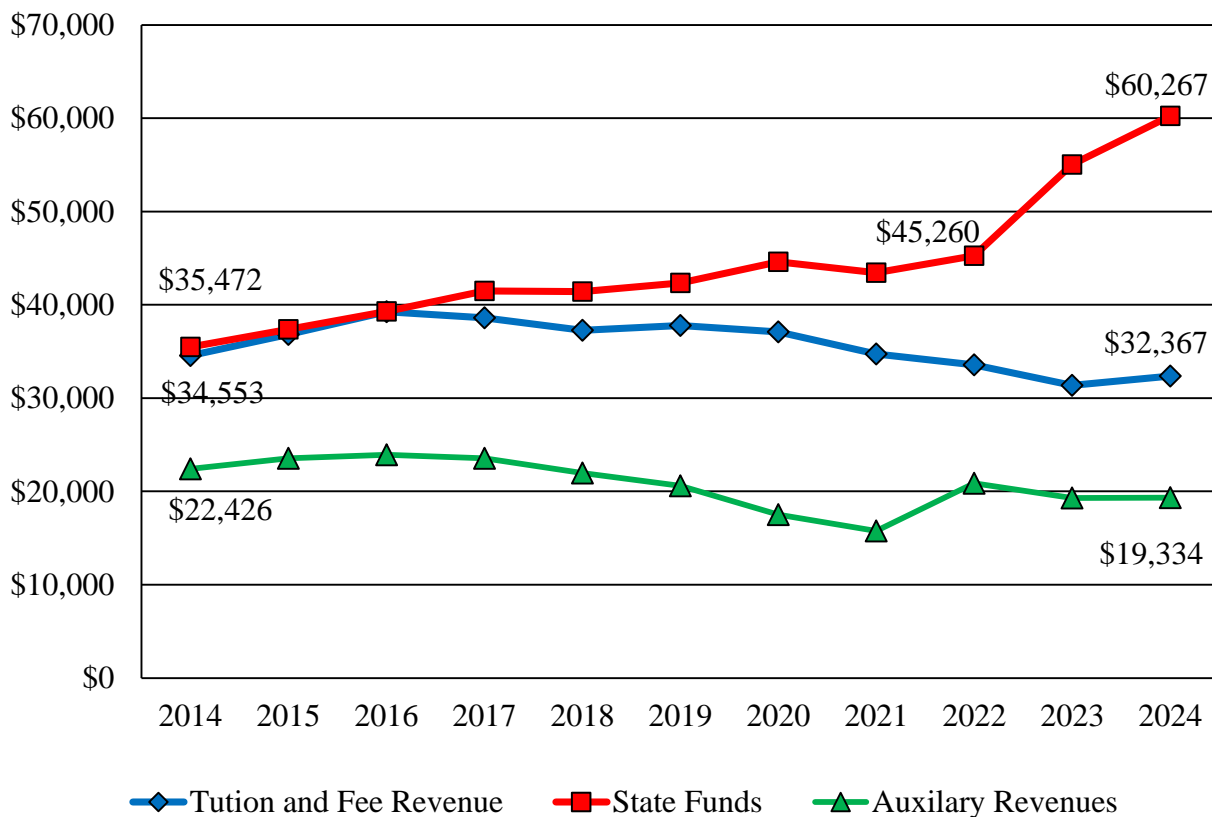


Source: University System of Maryland

Impact on Revenue

This persistent enrollment decline led to budgetary challenges, as FSU needed to find a way to cover the loss of tuition and auxiliary revenues, as illustrated in **Exhibit 12**. Prior to fiscal 2017, tuition and fee revenue almost equaled that of FSU’s State fund appropriation, which each totaled \$39.3 million in fiscal 2016. Between fiscal 2017 and 2022, State funding increased by \$3.8 million, while tuition and fee revenue decreased by \$5.1 million. Since fiscal 2022, State funding has increased by \$15.0 million due to restoration of the fiscal 2021 BPW cost containment action in fiscal 2023 (\$2.8 million), funding for the opening of a new facility in fiscal 2023 (\$0.9 million), and general salary increases in both years (\$9.2 million).

Exhibit 12
Unrestricted Revenues
Fiscal 2014-2024
(\$ in Thousands)



Source: Governor’s Fiscal Budget Books

Auxiliary revenues have declined by 17.9%, or \$4.2 million, since fiscal 2016 when revenues reached \$23.9 million. It should be noted that the State only provides funding for general salary increases for State-supported positions. Funding is not provided for non-State-supported positions, primarily those related to auxiliary enterprises; therefore, the institution needs to find revenue to cover those costs.

The Plan

The previously mentioned factors resulted in a structural deficit of \$7.7 million going into fiscal 2025. Recognizing the key to resolving the budget deficit is to stabilize and increase enrollment, FSU implemented a Strategic Enrollment Management plan designed to produce a more robust enrollment and varied student population. To that end, in May 2024, FSU added \$50,000 to the Admissions and Marketing budget to increase enrollment in fall 2024. This yielded positive results, with a 2.3% increase in undergraduate enrollment. For fiscal 2025, FSU has doubled the budget for admissions and marketing in order to increase its efforts to diversify its enrollment initiatives including highlighting distinctive academic programs, promoting online graduate programs, and providing engaging on-campus experiences such as Division II Athletics and high-quality student services.

Through discussion with various stakeholders FSU developed a plan – Educational Market Alignment Plan (E-MAP) – that will result in FSU going from having \$7.7 million deficit to a projected surplus up to \$3.0 million in fiscal 2025 (see **Appendix 2** for more details on the plan). In fiscal 2025, USM granted FSU one-time permission to defer, or USM will make the bond payment obligation on behalf of FSU. For fiscal 2026, FSU projects a surplus of \$3.3 million (which includes repayment to USM for all deferrals and loans); however, these savings will be offset by a 5% reduction in FSU’s appropriation. By fiscal 2027, FSU projects that it may have a structural surplus of up to \$4.2 million.

Exhibit 13 provides a summary of E-MAP metrics for fiscal 2025 including goals and actual savings. Key elements of the plan include university and unit operation reductions, administrative reorganization, athletic, faculty retrenchment, and increased revenues from increased enrollment.

Exhibit 13
Educational Market Alignment Plan Metrics
Fiscal 2025

	<u>\$ Goal</u>	<u>Savings to Date</u>
University and Unit Operational Reductions		
Restrict State and auxiliary-funded travel to “essential” travel only, requiring Dean, VP, or President approval	\$50,000	\$50,000
Reduce/eliminate Universitywide operational fixed expenses by 1%	\$290,000	\$290,000
Reduce mobile device costs	\$70,000	\$70,000
Shift operational costs to appropriate direct beneficiaries (e.g. parking, copier, laundry services)	\$50,000	\$50,000
Reduce division and unit operational expenses by 8%	\$584,000	\$584,000
University and Unit Operational Reductions and Savings	\$1,044,000	\$1,044,000
Administrative Reorganization		
Merge Division of Regional Development & Engagement with Division of University Advancement	\$70,000	\$0
Merge Division of Academic Affairs with Division of Student Affairs	\$70,000	\$0
Establish 1 or 2 senior associate vice presidents in the new divisions	(\$25,000)	\$0
Consolidate and reduce department chairs and coordinators	\$450,000	\$0
Centralize and coordinate all Marketing and Communications across the University	\$50,000	\$0
Sub-Cabinet Workgroup (Financial Aid, Admissions, Registrar, Billing, Marketing)	\$0	\$0
Efficiencies from merging divisions	\$10,000	\$0
Administrative Reorganization Savings	\$625,000	\$0
Athletics		
Reduce operational budget	\$523,000	\$523,000
Implement new transportation model	\$200,000	\$0
Salary savings (position non renewals)	\$160,000	\$160,000
Reallocate \$1,000,000 in scholarships to select academic disciplines - proposals for use of funds to be solicited	N/A	N/A
Athletics Savings	\$883,000	\$683,000
Academic Prioritization (Retrenchment)		
By start of fall 2025 semester, reduce faculty by 30 positions	\$0	\$0
By start of spring 2026 semester, reduce faculty by 15 positions – including tenure-track and tenured faculty with less than two years of service	\$0	\$0

R30B26 – USM – Frostburg State University

	<u>\$ Goal</u>	<u>Savings to Date</u>
Academic Prioritization (Retrenchment)		
Miscellaneous unplanned savings: Reduce the number of faculty through voluntary Transitional Terminal Leave and Retirements	\$0	\$204,193
Academic Prioritization Savings	\$0	\$204,193
Revenues (Enrollment Increase)		
Reallocate up to \$1.0 million in Athletics scholarships to select academic disciplines – based on increased program/major enrollment projections. Projected enrollment increase fiscal 2025: 100 students. Projected enrollment increase fiscal 2026: 400 students	\$1,000,000	\$810,000
Revenues	\$1,000,000	\$810,000
Total E-MAP Savings	\$3,552,000	\$2,741,193

E-MAP: Educational Market Alignment Plan
VP: vice president

Source: Frostburg State University

A majority of the savings over the next few years (up to \$4.9 million by fiscal 2027) will come from faculty retrenchment. USM’s Board of Regent policy II-8.0 specifies the process on faculty retrenchment to ensure the protection of the faculty members. As part of the process, FSU formed a planning committee charged with devising a plan that will be submitted to the President for final approval or amendment. By the start of the fall 2025 semester, FSU plans to reduce 30 faculty positions. This will include full-time non-tenure track faculty, adjunct faculty, and tenure-track faculty with less than two years of service. By the start of the spring 2026 semester, the target is to reduce 15 additional faculty positions which may include tenure-track and tenured faculty with more than two years of service.

The President should comment the progress on implementing E-MAP, and in particular, the status of faculty retrenchment. The President should also comment on why the budget assumes transfers from fund balance of \$1.5 million in fiscal 2025 and \$1 million in fiscal 2026 if the plan is to achieve a structural surplus in both years.

Operating Budget Recommended Actions

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

**Appendix 1
Audit Findings**

Audit Period for Last Audit:	August 26, 2019 – July 15, 2023
Issue Date:	September 2024
Number of Findings:	7
Number of Repeat Findings:	1
% of Repeat Findings:	14.3%
Rating: (if applicable)	

Finding 1: FSU did not exercise adequate due diligence or comply with certain procurement policies when it procured a new financial aid system. FSU subsequently determined that it was not cost effective to continue using the system and opted to discontinue the contract, resulting in the loss of all \$680,000 expended on the system.

Finding 2: FSU did not competitively procure student mental health services initially obtained without competition in October 2019 through an emergency procurement and then extended multiple years using questionable sole source justifications. FSU also did not obtain required BPW approval when contract costs exceeded \$1 million or ensure that rates paid were consistent with the contract.

Finding 3: **FSU did not verify that its use of contracts procured by other entities was in the best interest of FSU as required by Board of Regents (BOR) procurement policies and procedures. FSU also did not verify that rates charged were consistent with the related contracts.**

Finding 4: FSU had not established sufficient controls over student residency determinations and certain adjustments recorded in student accounts.

Finding 5: FSU did not ensure that all institutional aid awards, which were based in part on the student’s residency status, reflected the student’s actual residency status at the time of award. The Office of Legislative Audits identified incorrect awards totaling approximately \$64,000.

Finding 6: FSU did not ensure that all critical payroll related transactions, including adjustments to employee leave balances and other earnings transactions, were independently reviewed for propriety.

Finding 7: FSU employees responsible for verifying that recorded collections were deposited also had access to the related collections prior to deposit.

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

Appendix 2 Detailed Summary of Educational Market Alignment Plan

Administrative Reorganization: projected fiscal 2025 savings up to \$625,000; projected fiscal 2026 and beyond savings up to \$1.1 million.

1. Reorganization will reduce the number of divisions from 5 to 3, eliminating 2 vice president positions.
 - a) Merge the Division of Regional Development and Engagement with the Division of University Advancement.
 - b) Merge the Division of Academic Affairs with the Division of Student Affairs (this model is a common structure for comprehensive universities of FSU's size).

Mergers are expected to be completed by the end of the spring 2025 semester.

2. Reorganize Dean's offices across all three colleges with 2 assistant deans assigned per college. Each assistant dean will serve in an administrative capacity half-time and in a teaching capacity the other half-time. This will allow for a more comprehensive representation of disciplines. *Reorganization will begin immediately and should be in place by the end of the fall semester 2024.*
3. Reduce department chairs and coordinators responsible for groups of disciplines and functions, reducing administrative costs and duplication of services. *These changes in oversight are projected to occur by the end of spring semester 2025.*
4. Centralize Marketing and Communications and coordinated across the university. *This centralization and coordination will go into effect in the fall of 2024.*
5. Establish a sub-cabinet workgroup to improve coordination and communication between Admissions, Financial Aid, Marketing, Billing and the Registrar's Office. *This sub-cabinet working group will begin its efforts with the start of the fall semester 2024.*

Faculty Retrenchment: projected savings in fiscal 2025 of \$0; projected savings in fiscal 2026 up to \$3.9 million; projected savings in fiscal 2027 and beyond to \$4.9 million

1. FTES enrollment has decreased 36% since fiscal 2010 while during the same period, the number of full-time equivalent faculty decreased by 14%. To address this imbalance, FSU consulted with the Chancellor and BOR about engaging in faculty retrenchment. Both the Chancellor and the Regents concur that this action is appropriate and necessary.
2. The retrenchment process is a highly prescribed process, led by faculty, detailed in USM BOR Policy II - 8.0. By the start of the fall 2025 semester, FSU established a target to

R30B26 – USM – Frostburg State University

reduce the number of faculty positions by 30 (which will include full time, non-tenure track faculty, adjunct faculty, and tenure-track faculty with less than two years of service). By the start of the spring 2026 semester, FSU’s target is to reduce faculty by an additional 15 positions (which may include tenure-track and tenured faculty with more than two years of service).

3. As part of these retrenchment procedures, FSU will form a planning committee charged with devising a plan that will need to be submitted to the President for final approval or amendment. *The retrenchment planning process will begin at the start of the fall 2024 semester. Implementation will occur over a period extending from the spring 2025 semester to the fall 2026 semester, depending on specific notification periods required.*

Athletics: projected fiscal 2025 and beyond savings of \$883,000

1. The athletics operating budget and institutional aid allotment will be reduced.
2. FSU will reallocate \$1.0 million in scholarships to select academic disciplines. All academic disciplines will have an opportunity to submit proposals for the use of the funds for recruiting. Awards to selected proposals will be based on realistic and measurable projected increases in program/major enrollments, in support of our Strategic Enrollment Management plan. Annual accountability for meeting goals (including retention rates and academic performance), and thus continuing scholarship awards, will be required. *Athletics operational reductions went into effect with the start of the current fiscal year. Scholarship reallocations will occur effective fall semester 2025.*

University and Unit Operational Reductions (projected fiscal 2025 and beyond savings up to \$1 million)

1. FSU has begun to reduce facility footprint. With fewer students on campus, a new Education and Health Sciences Center that opened last year, and many underutilized aging buildings, FSU has been evaluating usage across campus to ensure all resources are used efficiently. Old Main and Guild, both of which are being underutilized and share mechanical systems, will close, saving the university between \$100,000-\$150,000 a year in building maintenance and utility costs.
2. Reduce cell phones to essential and emergency personnel only.
3. Restrict State and auxiliary-funded travel to “essential” travel only, requiring Dean, Vice President or President approval.
4. To offset the increased cost of maintaining our parking lots, FSU will increase the annual cost of parking passes for most employees and all students as follows:

R30B26 – USM – Frostburg State University

- a) All students – \$50
- b) Nonbargaining unit employees – \$55
- c) Senior administrators and others who have reserved/assigned parking spaces (the cost will increase 500%) – \$200

For American Federation of State, County and Municipal Employees (AFSCME), parking fees will be in keeping with the ratified USM-AFSCME agreement as follows:

- a) AFSCME employees earning less than \$55,000 annually – \$40
 - b) All other AFSCME employees – \$41
5. Administration and Finance has begun the process of transferring the expenses and the budgeted amount necessary to pay for the services to the departments that utilize the services. Previously these services were paid at the university level. Many of these expenses are technology and/or software related. This change will allow for the end-user to prioritize their necessity moving forward. ***These reductions began with the start of the current fiscal year and will be ongoing.***

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

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	688.00	634.00	634.00	0.00	0%
02 Contractual	195.50	164.30	164.30	0.00	0%
Total Positions	883.50	798.30	798.30	0.00	0%
Objects					
01 Salaries and Wages	\$ 70,895,064	\$ 74,256,116	\$ 72,196,187	-\$ 2,059,929	-2.8%
02 Technical and Special Fees	9,169,570	8,087,368	8,051,920	-35,448	-0.4%
03 Communication	390,979	534,123	556,362	22,239	4.2%
04 Travel	1,425,754	714,518	739,518	25,000	3.5%
06 Fuel and Utilities	3,735,233	4,866,000	4,866,000	0	0%
07 Motor Vehicles	251,932	412,000	410,966	-1,034	-0.3%
08 Contractual Services	14,188,427	10,936,333	11,198,749	262,416	2.4%
09 Supplies and Materials	2,907,000	4,231,110	4,782,938	551,828	13.0%
10 Equipment – Replacement	57,379	1,110,868	1,110,868	0	0%
11 Equipment – Additional	809,535	1,676,968	1,676,968	0	0%
12 Grants, Subsidies, and Contributions	19,006,943	23,331,517	23,331,517	0	0%
13 Fixed Charges	4,485,509	7,153,063	8,552,566	1,399,503	19.6%
14 Land and Structures	4,868,345	3,967,646	4,195,206	227,560	5.7%
Total Objects	\$ 132,191,670	\$ 141,277,630	\$ 141,669,765	\$ 392,135	0.3%
Funds					
40 Unrestricted Fund	\$ 117,555,660	\$ 116,738,230	\$ 117,130,365	\$ 392,135	0.3%
43 Restricted Fund	14,636,010	24,539,400	24,539,400	0	0%
Total Funds	\$ 132,191,670	\$ 141,277,630	\$ 141,669,765	\$ 392,135	0.3%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 4
Fiscal Summary
Frostburg State University**

<u>Program/Unit</u>	<u>FY 24 Actual</u>	<u>FY 25 Wrk. Approp.</u>	<u>FY 26 Allowance</u>	<u>Change</u>	<u>FY 25 - FY 26 % Change</u>
01 Instruction	\$ 34,606,100	\$ 35,486,890	\$ 34,766,340	-\$ 720,550	-2.0%
02 Research	140,633	200,000	200,000	0	0%
03 Public Service	7,036,252	13,808,978	13,876,010	67,032	0.5%
04 Academic Support	10,753,531	10,291,076	10,351,675	60,599	0.6%
05 Student Services	8,156,412	6,570,293	5,682,467	-887,826	-13.5%
06 Institutional Support	15,603,631	17,750,978	18,260,049	509,071	2.9%
07 Operation and Maintenance of Plant	14,372,794	11,778,826	13,026,706	1,247,880	10.6%
08 Auxiliary Enterprises	21,902,962	21,141,191	21,257,120	115,929	0.5%
17 Scholarships and Fellowships	19,619,355	24,249,398	24,249,398	0	0%
Total Expenditures	\$ 132,191,670	\$ 141,277,630	\$ 141,669,765	\$ 392,135	0.3%
Unrestricted Fund	\$ 117,555,660	\$ 116,738,230	\$ 117,130,365	\$ 392,135	0.3%
Restricted Fund	14,636,010	24,539,400	24,539,400	0	0%
Total Appropriations	\$ 132,191,670	\$ 141,277,630	\$ 141,669,765	\$ 392,135	0.3%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.