

Dear Bobcat Community,

In keeping with the seriousness of the circumstances and the difficult and complicated solutions required, this will be a lengthy message. It is important to note that anywhere we identify projected deficits, surpluses, reductions, savings or revenues, that these numbers represent our best estimates based on the information we have at this time and are subject to change.

As we have expressed over the past academic year, we are facing major challenges to our budget this year and over the next several years. FSU's structural budget deficit, defined as expenses exceeding revenues, for the current and future fiscal years is \$7.7 million. There is no option but to change that situation.

Many smaller regional, comprehensive, public institutions of higher education struggle with enrollment. Frostburg State is, unfortunately, no exception. FSU has experienced a significant decline in enrollment during the past decade. That enrollment struggle was compounded by COVID. As a result of the pandemic many students are choosing to stay closer to home to attend college. This year also brought about a unique situation with the extraordinary difficulties experienced nationally in the FAFSA (Free Application for Federal Student Aid) rollout by the federal government. The difficulties with the rollout of the new application resulted in students being uncertain about their financial aid and thus their college plans. At its height in the fiscal year 2011, Frostburg's Full Time Equivalent (FTE) student enrollment was 4,733. The size of our student body has significantly decreased to 3,016 FTE enrollment in FY24.

Stabilizing and increasing enrollment is key to resolving our financial challenges. One of FSU's priorities has been to implement a Strategic Enrollment Management (SEM) plan that produces more robust enrollment and varied student population. We have consistently heard voices from across the campus that one way to do that is by increasing our Admissions and Marketing budgets. In May, near the end of FY24, an additional \$50,000 was added to the Admissions and Marketing budgets with the aim to drive increased enrollment for Fall 2024. Indications show that the strategy is working. For the current fiscal year, we have more than doubled these budgets to devote considerably more effort to support diversified enrollment initiatives – to highlight distinctive academic programs, promote online graduate programs, and provide engaging on-campus experiences, including Division II Athletics and high-quality student services.

The financial troubles faced by the State of Maryland are continuing to impact FSU. Ten days into the new fiscal year, the State announced a significant cut to existing state budgets, requiring FSU to reduce state funding by an additional \$546,000. Despite these difficulties, FSU will provide employees with the following benefits:

- 3% COLA (Cost of Living Adjustment) to all regular status employees

- 2.5% Merit increases to all regular status employees who received at least a “Meets Standards” performance evaluation rating
- Additionally, for AFSCME employees, as ratified by AFSCME and the USM Board of Regents in the last few days, the following include all the USM negotiated bargaining unit wage changes. These are in addition to the COLA and Merit increases, and include:
 1. An increase of the minimum annual wage to \$38,000 (up from approximately \$32,000 at FSU)
 2. A retention payment of 2.5% for all AFSCME employees with 5 or more years of USM service
 3. All AFSCME employees will receive a flat \$700 increase to their base pay on January 1, 2025

Some of these mandated increases are not funded by the State of Maryland and thus must be provided with cuts, savings and increases in fees and other revenues from FSU's budget. Adding these latest wage increases, in addition to increases employees have received in previous years, demonstrate on average, FSU employees are making 40% more today than six years ago. Revenues have not kept pace with that increase.

We, along with the Executive Cabinet, continue our commitment to transparency in laying out this plan to reduce our budget deficit. FSU has been tasked with making some very difficult and complex decisions. We are grateful for the work of the Bobcat Budget Team and several members of the FSU family who offered thoughtful options and recommendations for closing the FY2025 and beyond budget gap. We are pleased to report that some portion of almost every suggestion made through the budget portal, which was established for reporting on and helping to resolve the University's deficit, has been incorporated in this plan.

Throughout the process of analyzing and evaluating our budget and ways to place FSU back on solid financial footing, we have had many conversations with senior University System of Maryland (USM) leaders, including Chancellor Perman and Senior Vice Chancellors Wrynn and Herbst. Yesterday, we presented the FSU plan – what we are calling the Educational Market Alignment Plan (E-MAP) - to the Board of Regents. As a result of these ongoing discussions and explanations, both USM administrative leaders and the Regents are committed to helping FSU through our budget issues. They are doing so because USM has confidence that the plan we have developed will resolve our structural deficit. Implementing this plan will place us on a sustainable path for the future, and most importantly, allow us to continue to meet our mission for Western Maryland, the State and beyond. As a result of their confidence in our plan, USM is granting FSU one-time permission to defer, or will make payments on behalf of FSU, for certain University expenses in FY25. We are grateful to be part of a higher education system that allows us to work together to leverage expertise and resources. We want to express our personal

thanks to Chair Linda Gooden and the Board of Regents, and to Chancellor Perman and his leadership team, for their confidence in FSU.

This plan will take FSU from having a budget deficit of \$7.7 million to having a projected surplus (albeit somewhat artificial because of USM's financial help) up to \$2.9 million in the current fiscal year. In FY26, after all USM financial assistance has ended, instead of a structural \$7.7 million deficit, the FSU surplus is projected to be up to \$3.2 million. In FY27, the University may enjoy a structural surplus of up to \$4.2 million. These projected structural surpluses include FSU meeting all required pay increases, fund balance contributions, facility renewal investments, and bond payment obligations. These expenses alone total nearly \$7.1 million. This very rapid financial turn-around will allow FSU to, once again, make sound strategic investments for the future.

The budget plan that follows will significantly change how we move forward as a university. Everyone will be or has been impacted in some way by the forthcoming changes. We are confident, though, that we have put together a plan that is in the best interest of the institution to meet our fiscal challenges, and which has the least negative impact on students. We can assure you that FSU will continue to be strong educationally, strong financially, and a committed partner to our region.

The key elements of the budget plan include an administrative reorganization, faculty retrenchment, reductions to the athletics budget and scholarship reallocations, and university and unit operational reductions.

A detailed summary of the elements of our plan and the timing of the implementation of these decisions is outlined below:

1. **Administrative Reorganization** (projected FY25 savings up to \$625k; projected FY26+ savings up to \$1.1 million):

1. This reorganization will reduce the number of divisions from 5 to 3, eliminating 2 vice president positions.
 1. We will merge the Division of Regional Development and Engagement with the Division of University Advancement.
 2. We will merge the Division of Academic Affairs with the Division of Student Affairs.

This model is a common structure for comprehensive universities of our size.

These mergers are expected to be completed by the end of the Spring 2025 semester.

2. Deans' offices will be reorganized 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. Given the college realignment structure, this will allow for a

more comprehensive representation of disciplines. ***This reorganization will begin immediately and should be in place by the end of the Fall semester 2024.***

3. Fewer department chairs and coordinators will be responsible for groups of like disciplines and functions, ultimately reducing administrative costs and reducing the duplication of services. ***These changes in oversight are projected to occur by the end of Spring semester 2025.***
 4. Marketing and Communications will be centralized and coordinated across the University. ***This centralization and coordination will go into effect in the Fall of 2024.***
 5. Because of the crucial role Admissions, Financial Aid, Marketing, Billing and the Registrar's Office have in increasing enrollment, and because these departments need to work seamlessly with one another, we will establish a sub-cabinet workgroup to improve coordination and communication among these units. ***This sub-cabinet working group will begin its efforts with the start of the Fall semester 2024.***
2. **Faculty Retrenchment** (projected savings in FY25 of \$0; projected savings in FY26 up to \$3.9 million; projected savings in FY27 up to \$4.9 million):
1. FSU has experienced an overall reduction in FTE enrollments of 36% since FY2010 while, during the same period, the number of FTE faculty has only been reduced by 14%. To address this imbalance, we have consulted with the Chancellor and the Board of Regents 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, we have established a target to reduce the number of faculty positions by 30 (this initial reduction which will include Full Time Non-Tenure Track faculty, adjunct faculty, and tenure-track faculty with less than 2 years of service). By the start of the Spring 2026 semester, we have a target to reduce faculty by an additional 15 positions (which may include tenure-track and tenured faculty with more than 2 years of service).
 3. As part of these retrenchment procedures, we 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 Spring semester 2025 to Fall semester 2026, depending on specific notification periods required.***
3. **Athletics** (projected FY25+ savings of \$883k):

1. The athletics operating budget and institutional aid allotment will be reduced.
 2. We will reallocate \$1 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 SEM 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.***
4. **University and Unit Operational Reductions** (projected FY25+ savings up to \$1 million):
1. We have already begun to reduce our facility footprint. With fewer students on campus, a new Education and Health Sciences Center that opened last year, and many aging buildings that are underutilized, we have been evaluating usage across campus to ensure that we use all resources efficiently. Old Main and Guild, both of which are being underutilized and share mechanical systems, will close, thus saving the University between \$100,000-\$150,000 a year in building maintenance and utility costs.
 2. We will reduce cell phones to essential and emergency personnel only.
 3. We will 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, we will increase the annual cost of parking passes for most employees and all students as follows:
 1. All students – \$50
 2. Non-bargaining unit employees – \$55
 3. Senior administrators and others who have reserved/assigned parking spaces (the cost will increase 500%) - \$200

For AFSCME employees, parking fees will be in keeping with the ratified USM-AFSCME agreement as follows:

 1. AFSCME employees earning less than \$55,000 annually - \$40
 2. All other AFSCME employees - \$41
 5. Administration and Finance has begun the process of transferring both 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.***

We realize that the reality of this plan will be unsettling for our campus community. We also know that making difficult decisions such as these are necessary to preserve FSU's financial stability and viability. These actions are also necessary for our accreditation. We are committed to serving our mission and engaging our campus community to support our institutional priorities of strategic enrollment management and the promotion of a welcoming campus climate and culture.

Our plan will be a multi-year effort that will focus on our students. The implementation of the various components of the plan will take time, and that timeframe will differ from one aspect of the plan to the next. Together, as a campus community, we must work collaboratively to keep Frostburg State University moving forward.

There will, undoubtedly, be many questions. To begin to address them, we will hold three virtual Town Hall meetings over the next two weeks to clarify information, answer any questions you may have, and provide more details and explanation about the budget plan.

Here are the details of each virtual Town Hall meeting:

- The first Town Hall meeting is scheduled for Wednesday, August 7, at 2 p.m. and will be an overview of the budget plan in its entirety.
- The second Town Hall meeting is scheduled for Tuesday, August 13, at 1 p.m. and will focus on retrenchment. This Town Hall will include USM Senior Vice Chancellor for Academic and Student Affairs, Alison Wrynn, and Senior Vice Chancellor for Administration and Finance, Ellen Herbst.
- The third Town Hall meeting is scheduled for Wednesday, August 14, at 9 a.m. and will address all the remaining components of the plan. Senior Vice Chancellor Herbst will also be in attendance for this meeting.

Instructions on how to listen to and participate in these virtual Town Halls will be forthcoming in a separate email to campus.

Sincerely,

Al Delia, Acting President
Ronald Nowaczyk, PhD, President