

R14D00
St. Mary's College of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$22,557	\$22,610	\$22,415	-\$195	-0.9%
Adjusted General Fund	\$22,557	\$22,610	\$22,415	-\$195	-0.9%
Special Funds	2,550	2,550	2,550	0	
Adjusted Special Fund	\$2,550	\$2,550	\$2,550	\$0	0.0%
Other Unrestricted Funds	37,694	45,789	42,420	-3,370	-7.4%
Adjusted Other Unrestricted Fund	\$37,694	\$45,789	\$42,420	-\$3,370	-7.4%
Total Unrestricted Funds	62,801	70,949	67,385	-3,564	-5.0%
Adjusted Total Unrestricted Funds	\$62,801	\$70,949	\$67,385	-\$3,564	-5.0%
Restricted Funds	4,664	5,100	5,300	200	3.9%
Adjusted Restricted Fund	\$4,664	\$5,100	\$5,300	\$200	3.9%
Adjusted Grand Total	\$67,465	\$76,049	\$72,685	-\$3,364	-4.4%

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

- General funds decrease \$0.2 million, or 0.9%, in the fiscal 2018 allowance due to receipt of a one-time general fund grant in fiscal 2017. Other unrestricted funds decrease by \$3.4 million, or 7.4%, due to changes in the way debt service payments are budgeted.
- Restricted funds increase by \$0.2 million, or 3.9%, to \$5.3 million in the fiscal 2018 allowance.
- The overall budget decreases by \$3.4 million, or 4.4%.

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

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Personnel Data

	<u>FY 16 Actual</u>	<u>FY 17 Working</u>	<u>FY 18 Allowance</u>	<u>FY 17-18 Change</u>
Regular Positions	423.00	430.00	432.00	2.00
Contractual FTEs	<u>28.18</u>	<u>34.99</u>	<u>37.25</u>	<u>2.26</u>
Total Personnel	451.18	464.99	469.25	4.26

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	n/a	n/a
Positions and Percentage Vacant as of 12/31/16	38.00	8.10%

- St. Mary’s College of Maryland (SMCM) gains 3.0 net regular positions in the 2018 allowance due to the departure of 1.0 assistant Attorney General (AAG) and the hiring of 1.0 housekeeper, 1.0 administrative assistant, and 1.0 coach.
- Contractual positions increase 2.26 positions in the allowance partially due to replace the AAG position.

Analysis in Brief

Major Trends

Six-year Graduation Rates: From fiscal 2009 to 2012, six-year graduation rates have been relatively high and stable as SMCM outperforms its peer group.

Success Rates of Minority Students: The six-year graduation rate for African American and all minority students fluctuates year-to-year, compared to a relatively steady rate for all students. SMCM uses conservative estimates that represent actual graduation rates for the cohorts, but even these rates are expected to decrease in the near future.

Retention Rates Decline: Retention rates foreshadow graduation rates, so when colleges have high retention rates, they also tend to have high graduation rates. Although SMCM's retention rates are much higher than the State average, the outcomes of the 2010 and 2013 cohorts show a sharp decline coming for the college.

Degree Production and Cost Per Degree: While SMCM has outperformed its peers in degrees completed per 100 full-time equivalent students, its rate fluctuates considerably from year-to-year. In addition, SMCM's degrees are increasingly not any cheaper to produce than those from its private peer institutions.

Issues

Enrollment Decline Continues: Beginning in fall 2012, SMCM's enrollment of students straight from high school began to decline suddenly. This issue will review admissions data during the decrease and look at how the college is responding to the shortfall in enrollment and revenue.

Revisiting the Block Grant: Since fiscal 1992, SMCM has been funded through a simple formula that inflates its appropriation to account for growth in government expenditures. Recent legislation seeks to completely change the funding mechanism for the college.

Recommended Actions

1. Concur with Governor's allowance.

Updates

DeSousa-Brent Scholars Program Meets Benchmarks: Legislation in the 2013 session increased funding for the DeSousa-Brent Scholars Program to increase the number of first-generation and minority college students at SMCM. This update will summarize progress in this program.

R14D00
St. Mary's College of Maryland

Operating Budget Analysis

Program Description

St. Mary's College of Maryland (SMCM) is Maryland's public, co-educational liberal arts honors college. The college offers an array of baccalaureate degrees in the arts and sciences and a Master of Arts in Teaching. As an honors college, SMCM strives to offer students an educational experience that goes beyond traditional course-based study to foster independent learning and a link between curricular and extracurricular activities and interests. SMCM includes civic responsibility as a cornerstone of its academic and extracurricular programs. The capstone of the SMCM experience is the St. Mary's Project. The college aspires to maintain or strengthen the quality of instruction offerings; to increase the effectiveness of academic support resources; to improve the efficiency of and service provided by administrative units; and to maintain or improve the physical plant facilities to accommodate these goals.

Carnegie Classification: Baccalaureate College – Arts and Sciences

Fall 2016 Undergraduate Enrollment Headcount

Male	707
Female	936
Total	1,643

Fall 2016 Graduate Enrollment Headcount

Male	5
Female	26
Total	31

Fall 2016 New Students Headcount

First-time	334
Transfers/Others	110
Graduate	29
Total	473

Campus (Main Campus)

Acres	361
Buildings	54
Average Age	20
Oldest	1906

Programs

Bachelor's	24
Master's	1
Doctoral	0

Degrees Awarded (2015-2016)

Bachelor's	432
Master's	24
Doctoral	0
Total Degrees	456

Proposed Fiscal 2018 In-state Tuition and Fees*

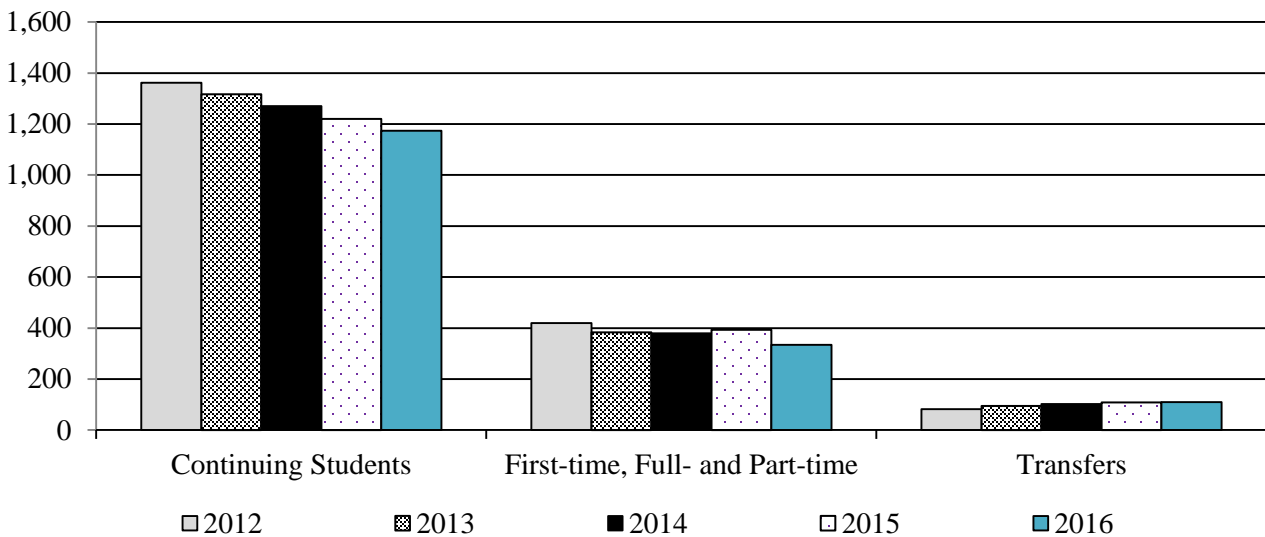
Undergraduate	
Tuition	\$11,875
Mandatory Fees	\$2,875

*Contingent on Board of Trustees approval.

Performance Analysis: Managing for Results

Undergraduate degree-seeking enrollment decreased 6.0% from 1,721 in fall 2015 to 1,618 in fall 2016, as shown in **Exhibit 1**. While first-time students fell by 59, or 15.0%, continuing students decreased by 46, or 3.8%, and transfer students increased by 2, or 1.9%. Graduate students, not shown in this exhibit, rose from 27 to 31 students in fall 2016, a level that the college plans to maintain in the future. Overall, the college is down 12.9% from fall 2012 to 2016 across undergraduate and graduate students.

Exhibit 1
Undergraduate Enrollment
Fall 2012-2016



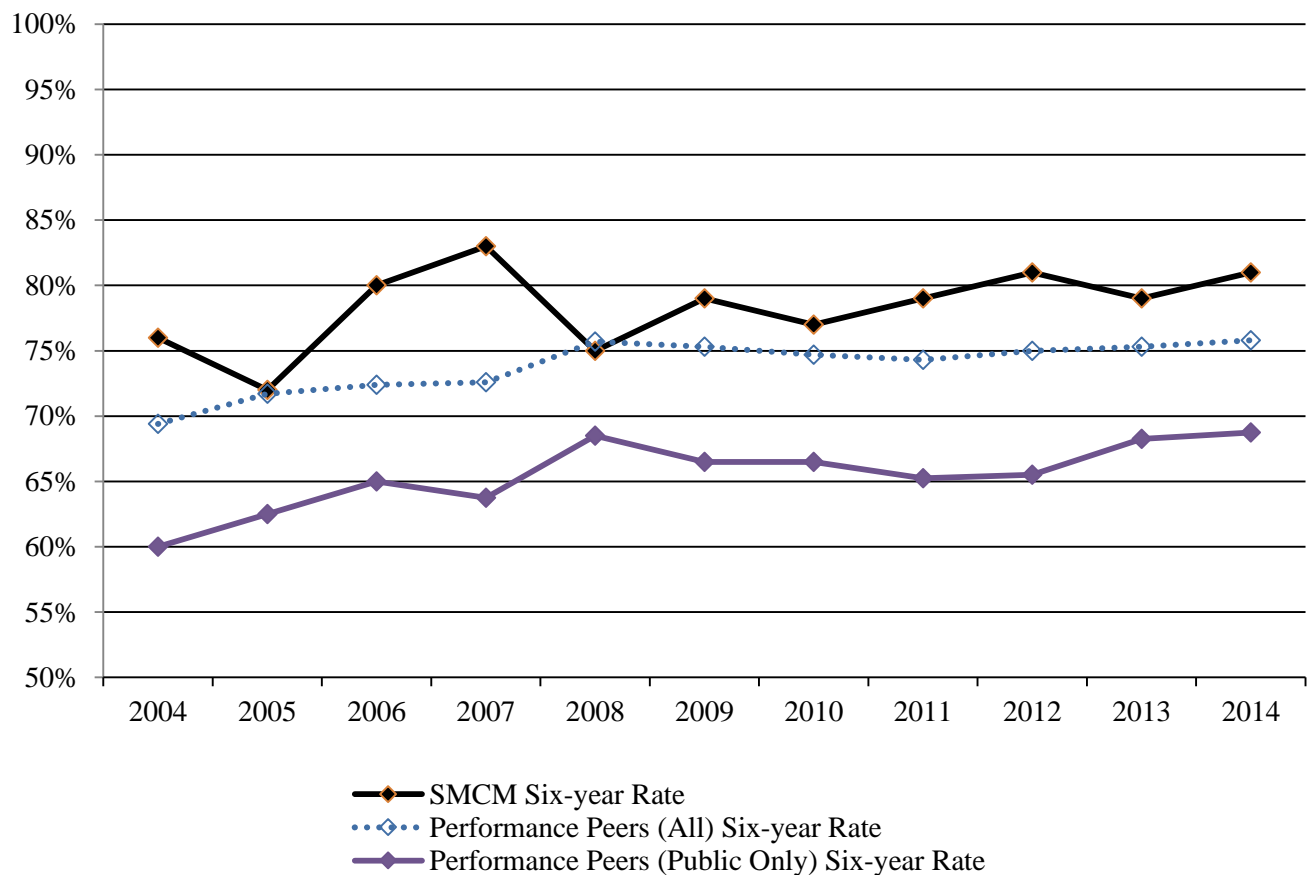
Source: St. Mary’s College of Maryland

1. Six-year Graduation Rates

One of the most direct ways to measure the effectiveness of a college is to look at the graduation rates of its students. SMCM is the only public four-year institution in Maryland that is not part of the Student Achievement Measure (SAM), so federal data is used here for graduation rates instead. However, some other public liberal arts colleges are part of SAM, including two of SMCM’s performance peers: the University of North Carolina at Asheville and the University of Minnesota – Morris. **The President should comment on whether SMCM is considering participating in SAM.**

Exhibit 2 shows the six-year graduation rates of students at SMCM and the average for SMCM’s competitor peers and public-only competitor peers between fiscal 2004 and 2014. With the exception of 2005 and 2008, SMCM has had graduation rates higher than its performance peer average. Two of the three most recent years of data also show graduation rates over 80%, compared to less than 70% at SMCM’s four public performance peer institutions. Small enrollment likely leads to some variability in graduation rates at SMCM in this exhibit, but overall the college has been very successful at graduating students.

Exhibit 2
SMCM and Peer Six-year Graduation Rates
Fiscal 2004-2014



SMCM: St. Mary’s College of Maryland

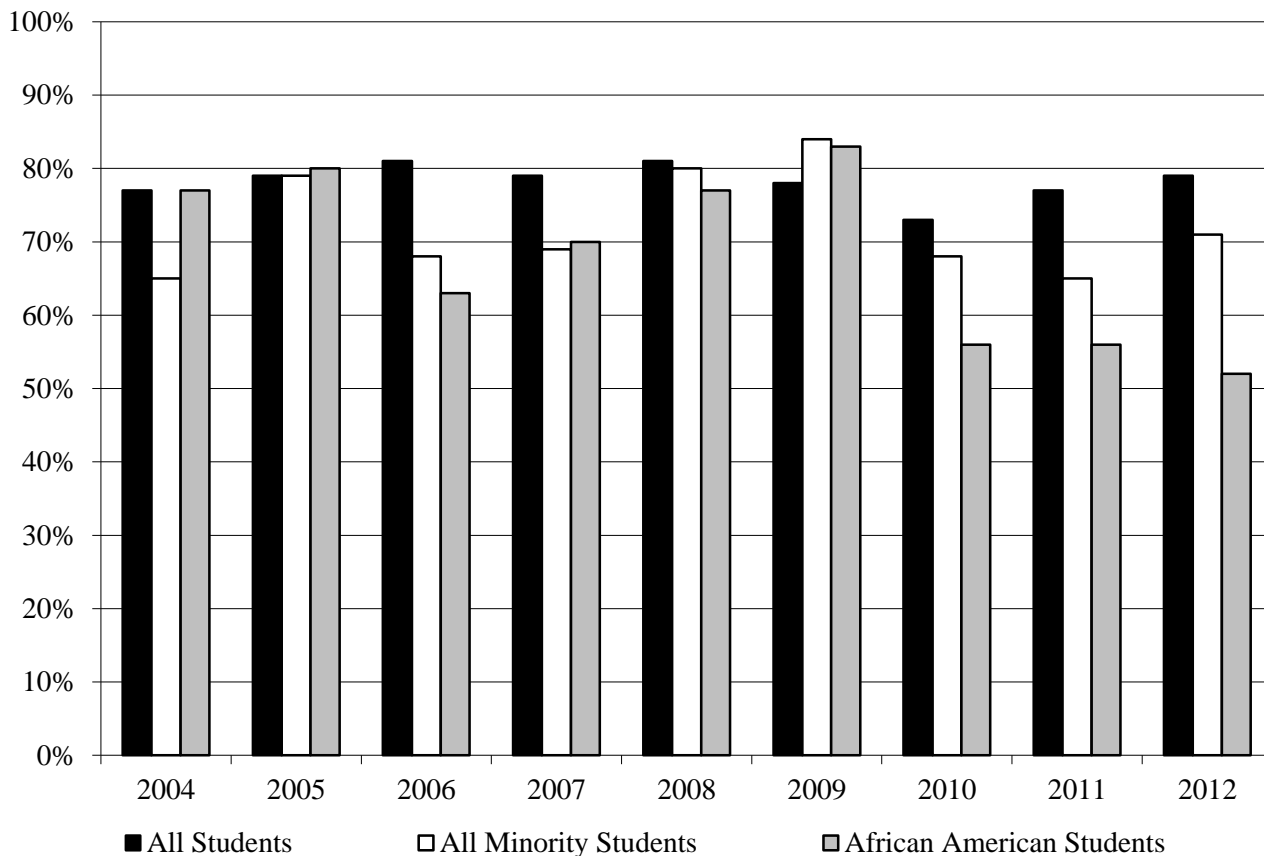
Note: SMCM’s peer institutions are public and private colleges or universities that share numerous commonalities with SMCM including enrollment and program offerings.

Source: Integrated Postsecondary Education Data System

2. Success Rates of Minority Students

Exhibit 3 shows the six-year graduation rate for all students, all minority students, and African American students at SMCM. The rates for all minority students and African American students fluctuate year to year, while the rate for all students was fairly level from the 2004 through 2009 cohorts. All three student groups declined significantly in the 2010 cohort. While the smaller sample of minority students leads to greater year-to-year fluctuations in graduation rates, there had been strong outcomes for minority students in 2005, 2008, and 2009. However, the 2010 through 2012 cohorts show a widening achievement gap between all students and minority students at SMCM, particularly for African American students.

Exhibit 3
Six-year Graduation Rates at SMCM
2004-2012 Cohorts



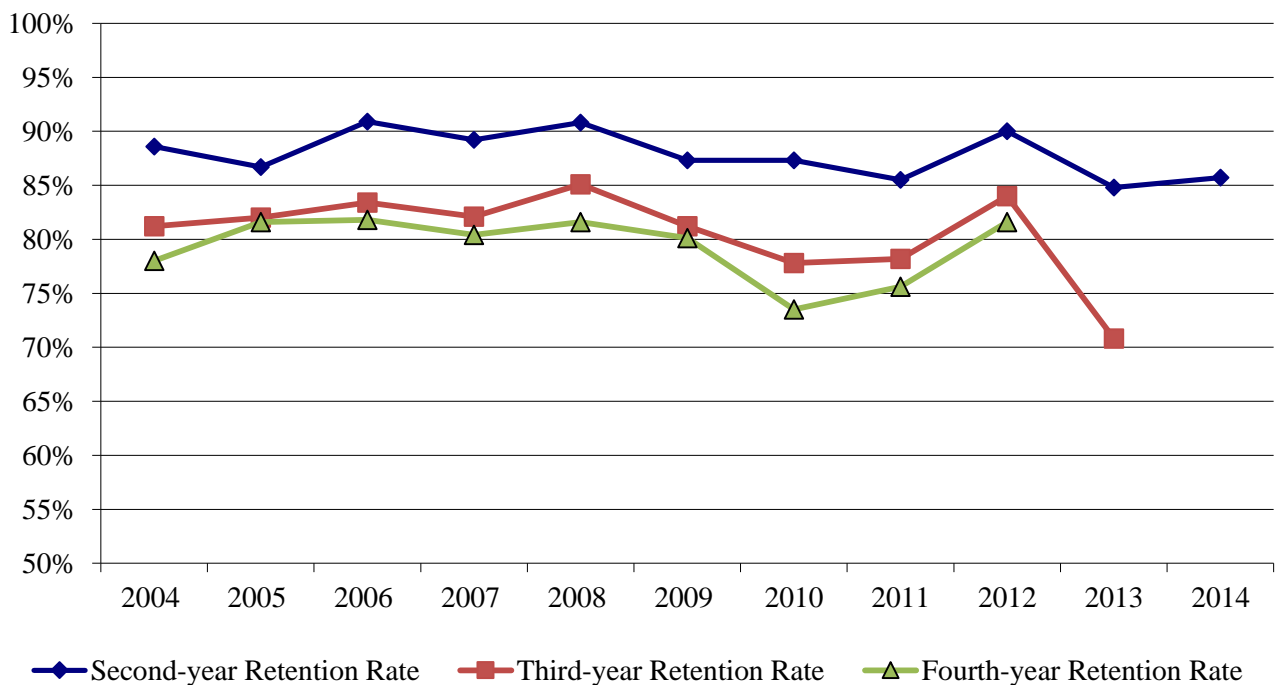
SMCM: St. Mary’s College of Maryland

Source: St. Mary’s College of Maryland

3. Retention Rates Decline

It is also important to look at student retention rates because they foreshadow graduation rates. Colleges with high retention rates tend to have high graduation rates, as they reflect student engagement on campus and a commitment to finishing a degree program. **Exhibit 4** shows the second-, third-, and fourth-year retention rates of students at SMCM. These three rates generally declined from the 2008 to 2011 cohorts, and then all increased in the 2012 cohort. However, the data available for the 2013 cohort shows a decline of 5.2 percentage points in the second-year retention rate and a plunge of 13.2 percentage points in the third-year retention rate. This is the lowest third-year retention rate at SMCM since the 1994 cohort (not shown) and will almost certainly lead to a lower graduation rate for that cohort.

Exhibit 4
Second-, Third-, and Fourth-year Retention Rates
2004-2014 Cohorts



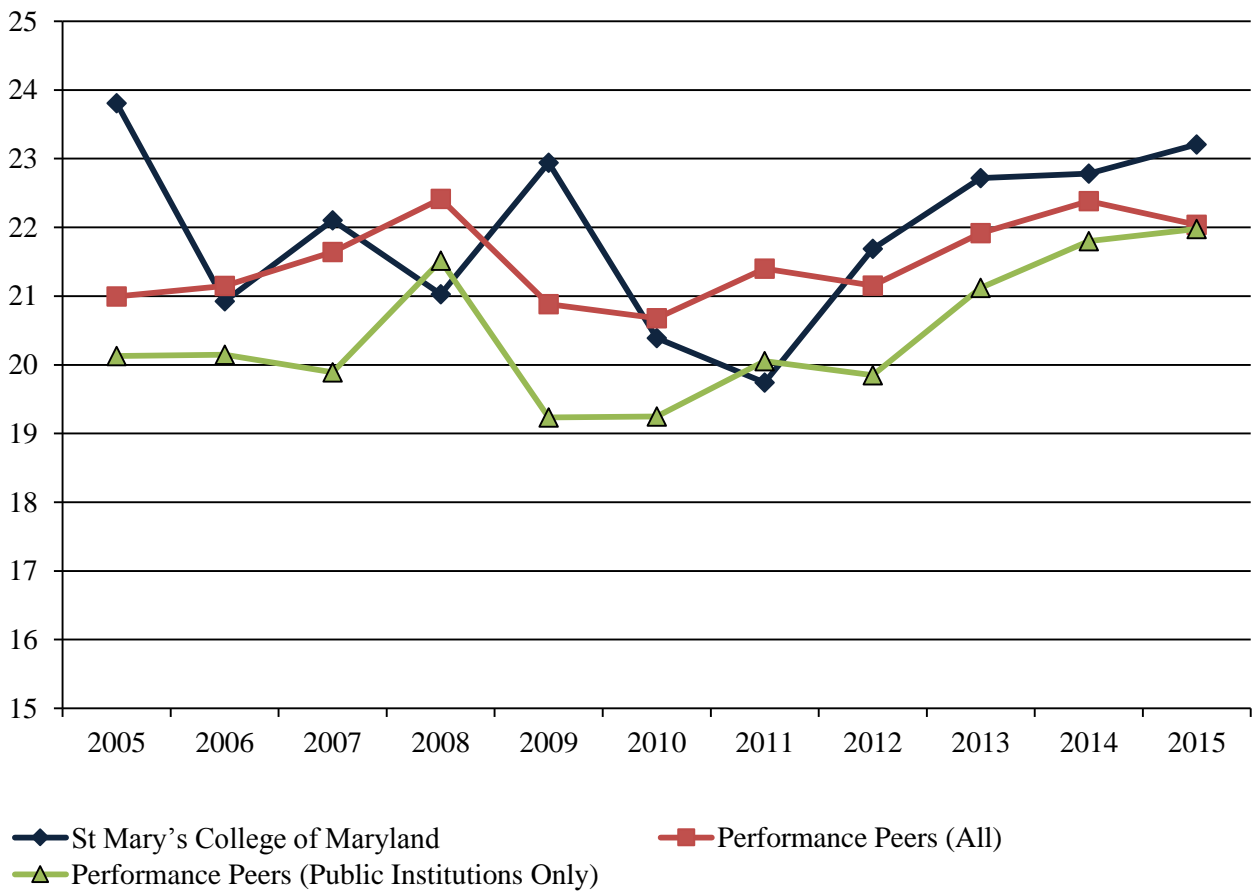
Source: Maryland Higher Education Commission

While these three retention rates are very high compared to nearly all other State schools, the decline in the third-year rate in the 2013 cohort is cause for concern, given the college’s history of strong student outcomes, as shown in Exhibits 2 and 3. **The President should comment on the sudden reversal in outcomes in the 2013 cohort’s retention rates and whether the college can pinpoint any reasons for the decline seen in that year or in the 2010 cohort.**

Degree Production and Cost Per Degree

Exhibit 5 shows the first of two productivity measures, degrees awarded per 100 undergraduate students at SMCM and at its peer institutions. Although SMCM fluctuates between 20 and 24 degrees awarded per 100 students, it is above the average for its peers in the four most recent years of data. Additionally, SMCM outperforms its public performance peers in 9 of the past 11 years. The decline in degree productivity in 2010 and 2011 appears to coincide with the economic recession.

Exhibit 5
Degrees Awarded Per 100 Undergraduate Full-time Equivalent Students
Fiscal 2005-2015

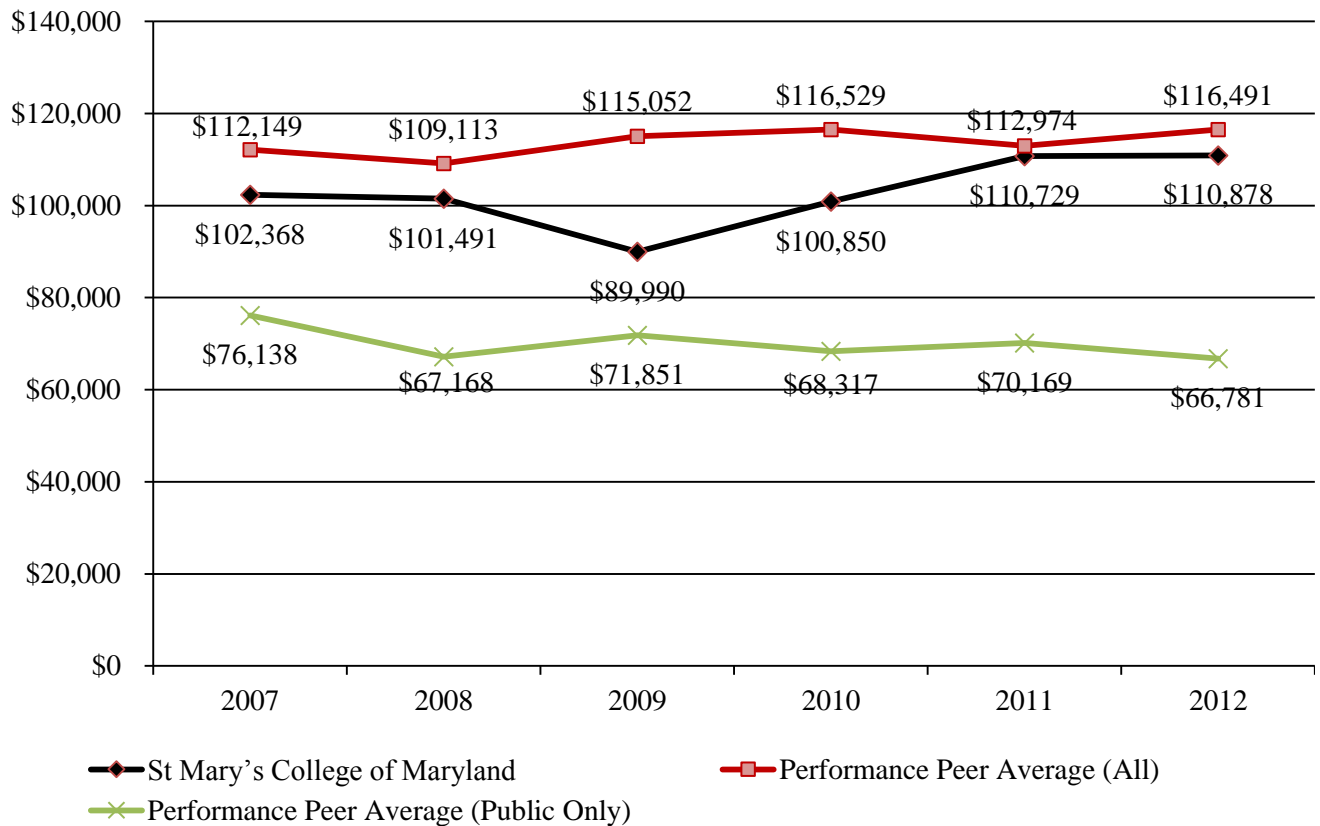


Note: St. Mary’s College of Maryland’s (SMCM) peer institutions are public and private colleges or universities that share numerous commonalities with SMCM including enrollment and program offerings.

Source: Integrated Postsecondary Education Data System

A second productivity measure shows the amount of money spent per degree awarded in a fiscal year. **Exhibit 6** shows rates for SMCM and its performance peer institutions using data from the Delta Cost Project. SMCM is consistently less than the average of all of its peer institutions across all years. From 2007 to 2010, it was about \$10,000 or more below its performance peers. However, this gap declined to only \$2,500 in 2011 and remains at about \$5,000 in 2012. SMCM remains far more expensive per degree than its public performance peers. These institutions have, in fact, become more efficient over time, as total spending per degree declined from about \$76,100 to \$66,800 over five years.

Exhibit 6
Education and Related Expenditures Per Degree
Academic Year 2007-2012



Note: Higher Education Price Index adjusted to 2012 dollars. St. Mary’s College of Maryland’s (SMCM) peer institutions are public and private colleges or universities that share numerous commonalities with SMCM including enrollment and program offerings.

Source: The Delta Cost Project

Fiscal 2017 Actions

Unlike the other public four-year institutions of higher education in Maryland, SMCM was not part of any cost containment in fiscal 2017. Also, SMCM’s Higher Education Investment Fund (HEIF) appropriation has not been subject to cost containment actions in fiscal 2017 despite HEIF significantly underattaining in the most recently available forecasts.

Proposed Budget

Exhibit 7 shows that SMCM’s total appropriation decreases \$3.4 million, or 4.4%, in the Governor’s allowance. Though general funds, including grant transfers, decrease about \$0.2 million, or 0.9%, the major decrease is within other unrestricted funds, which decrease \$3.4 million, or 7.4%, due to how SMCM processes debt service. For many years, SMCM had budgeted restricted funds at a constant \$4.2 million in the allowance, but this practice has ended and the college is budgeting \$5.3 million in restricted funds in fiscal 2018 due to an expected increase in grants from various sources. As a formula funded institution, SMCM is not part of the Section 19 pension reduction measure in the fiscal 2018 budget bill.

Exhibit 7
Proposed Budget
St. Mary’s College of Maryland
(\$ in Thousands)

	2016	2017	2018	2017-2018	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$20,954	\$21,477	\$22,415	\$938	4.4%
HEIF	2,550	2,550	2,550		
Grant Transfer	1,603	1,133			-100.0%
Total State Funds	\$25,107	\$25,160	\$24,965	-\$195	-0.8%
Other Unrestricted Funds	37,694	45,789	42,420	-\$3,370	-7.4%
Total Other Unrestricted Funds	\$62,801	\$70,949	\$67,385	-\$3,564	-5.0%
Restricted Funds	4,664	5,100	5,300	\$200	3.9%
Total Funds	\$67,465	\$76,049	\$72,685	-\$3,364	-4.4%

HEIF: Higher Education Investment Fund

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

General Fund Allowance

The minimum general fund increase for SMCM is specified in the Education Article § 14-405 (b) (ii), which states that the prior year’s formula amount should be increased by funds required to offset inflation. This involves multiplying the prior year appropriation by the implicit price deflator for State and local governments. The estimated implicit price deflator for fiscal 2018 is 2.4%, versus 2.3%, used in fiscal 2017. However, as **Exhibit 8** shows, in addition to the formula for State support there has been additional State support beyond the formula. For example, the calculation for total fiscal 2018 State support differs somewhat from prior years due to an inclusion of an additional \$0.3 million, so long as SMCM does not raise tuition by more than 2.0% in fall 2017. Although other public four-year institutions have frequently received tuition buydown support over the past decade, this is the first year that SMCM has received this discretionary support in its allowance. Similarly, there was a one-time institutional grant in fiscal 2017 in the budget of the Maryland Higher Education Commission (MHEC) for \$1.1 million for information technology (IT) upgrades.

Exhibit 8 Funding Formula and Other Appropriations Fiscal 2017-2018

	<u>2017</u>			<u>2018</u>
		Price Deflator		2.40%
Formula Appropriation	\$23,226,549	Formula Appropriation		\$23,783,986
General Funds	21,476,709	General Funds		22,034,146
HEIF	1,749,840	HEIF		1,749,840
DeSousa-Brent Scholars Program	800,000	DeSousa-Brent Scholars Program		800,000
Formula Appropriation	\$24,026,549	Formula Appropriation		\$24,583,986
Information Technology Grant	1,133,000	Tuition Buydown		380,968
Fiscal 2017 Working	\$25,159,549	Fiscal 2018 Allowance		\$24,964,954
Total General Funds	\$22,609,709	Total General Funds		\$22,415,114
Total HEIF	\$2,549,840	Total HEIF		\$2,549,840

HEIF: Higher Education Investment Fund

Note: The Department of Budget and Management kept the HEIF at a fixed amount in the fiscal 2018 allowance.

Source: Department of Budget and Management; Department of Legislative Services

Beginning in fiscal 2016, the Department of Budget and Management (DBM) kept the HEIF support flat in SMCM’s State support budget, whereas Chapter 563 of 2013 specified a certain fund split between the HEIF and general funds. The total State support amount is correctly calculated, but the fund split is not.

Changes by Program

Unrestricted fund changes by budget program are shown in **Exhibit 9**. Instruction, Student Services, and Operation and Maintenance of Plant all increase by 7.6%, 5.6%, and 5.5%, respectively. Of the \$1.6 million increase in Instruction, about \$1.3 million is due to a combination of growth in personnel compensation and benefits and similar current year cost growth reflected in centrally budgeted accounts in Institutional Support prior to distribution in mid-fiscal year. The \$4.2 million, or 24.5%, decline in Institutional Support is due to the removal of the one-time IT grant in fiscal 2017 (\$1.1 million), centrally budgeted wage and benefit changes not distributed until mid-year (\$1.3 million), and projects that rolled over from fiscal 2016 to 2017 that will be completed in fiscal 2017. Overall, fiscal 2018 institutional support expenditures will return to approximately the fiscal 2016 level of spending. Auxiliary enterprises expenditures decrease \$1.4 million, or 11.0%. This is due to a change in how SMCM will process debt service in its budget following discussions with DBM and will make budgeted figures much closer to the actual budget figures. There is a slight decline in scholarship funding due to realignments of institutional aid expenditures with student enrollment.

On the revenues side, tuition and fee revenue is expected to increase by \$0.6 million due to flat enrollment combined with a 2.4% growth in the combined tuition and fee rate. Overall, full-time equivalent students (FTES) peaked in fiscal 2010 at 2,190 and are budgeted at only 1,700 in fiscal 2018, a 22.4% decline. In the long term, SMCM would like to increase FTES, but the institution has not set a firm goal. In all three years shown in this exhibit, SMCM’s non-auxiliary revenues do not fully cover the education and general expenditures. From fiscal 2016 to 2018, auxiliary support of education and general expenditures increases from \$1.1 million to \$5.8 million. Such support at SMCM has been standard for many years. For comparison, auxiliary support back in fiscal 2008 was about \$3.1 million. Current budget information shows SMCM using approximately \$2.0 million in fund balance in fiscal 2017. While in prior years, this was generally more than SMCM actually needed in the budgeted year, in fiscal 2017, SMCM plans to use the majority of the fund balance appropriation. As in prior years, SMCM does not plan for fund balance transfers in the allowance year.

Exhibit 9
Budget Changes for Current Unrestricted Funds by Program
Fiscal 2016-2018
(\$ in Thousands)

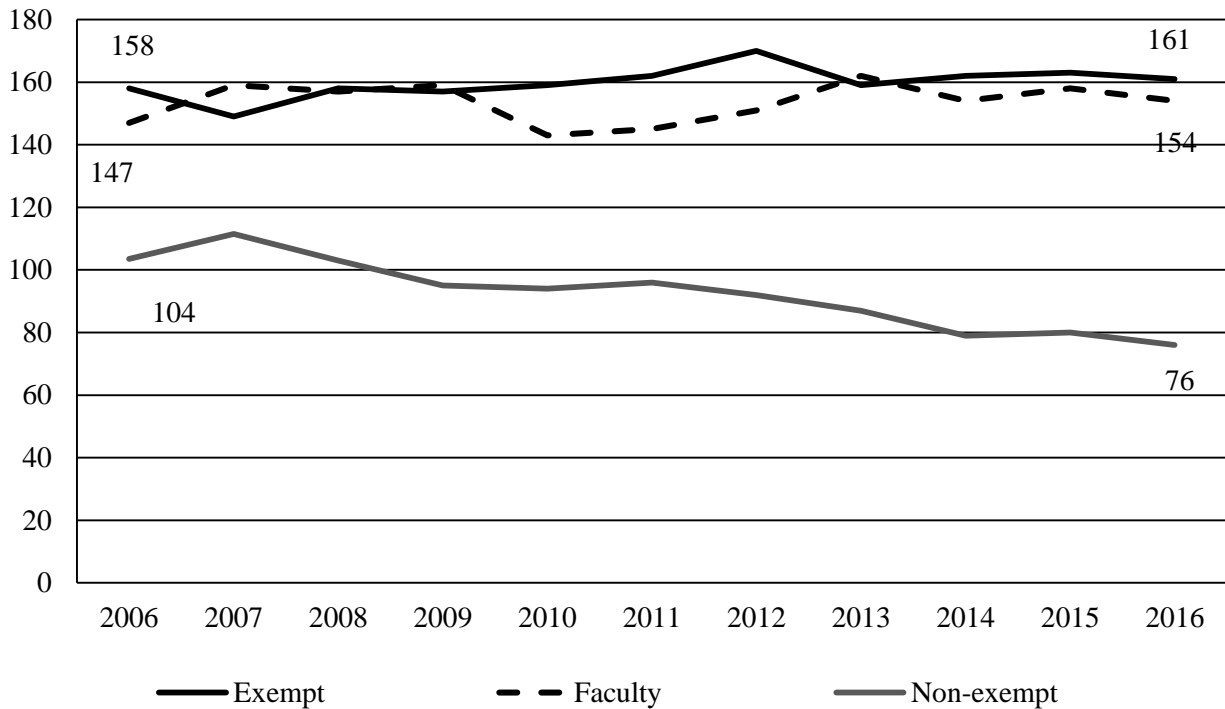
	<u>Actual 2016</u>	<u>Working 2017</u>	<u>% Change 2016-17</u>	<u>Allowance 2018</u>	<u>\$ Change 2017-18</u>	<u>% Change 2017-18</u>
Expenditures						
Instruction	\$19,925	\$21,127	6.0%	\$22,735	\$1,608	7.6%
Public Service	174	98	-43.8%	98	0	0.0%
Academic Support	2,325	2,372	2.0%	2,286	-86	-3.6%
Student Services	6,404	6,112	-4.6%	6,453	341	5.6%
Institutional Support	12,862	17,472	35.8%	13,198	-4,274	-24.5%
Operation and Maintenance of Plant	4,884	5,100	4.4%	5,379	278	5.5%
Scholarships and Fellowships	5,406	6,038	11.7%	5,992	-47	-0.8%
Subtotal Education and General	\$51,981	\$58,319	12.2%	\$56,140	-\$2,178	-3.7%
Auxiliary Enterprises	\$10,821	\$12,630	16.7%	\$11,244	-\$1,386	-11.0%
Total	\$62,801	\$70,949	13.0%	\$67,385	-\$3,564	-5.0%
Revenues						
Tuition and Fees	\$24,994	\$24,210	-3.1%	\$24,797	\$587	2.4%
General Funds	22,557	22,610	0.2%	22,415	-195	-0.9%
Higher Education Investment Fund	2,550	2,550	0.0%	2,550	0	0.0%
Other	764	612	-19.9%	612	0	0.0%
Subtotal	\$50,865	\$49,981	-1.7%	\$50,374	\$393	0.8%
Debt Service	-\$4,829	-\$484	-90.0%	-\$2,911	-\$2,427	501.1%
Auxiliary Enterprises	18,873	19,493	3.3%	19,922	\$429	2.2%
Transfers (to) from Fund Balance	-2,107	1,960	-193.0%	0	-\$1,960	-100.0%
Total	\$62,801	\$70,949	13.0%	\$67,385	-\$3,564	-5.0%

Source: Governor’s Budget Books, Fiscal 2018

Trends in College Personnel

As shown in **Exhibit 10**, the total number of filled positions at SMCM declined by 4.3%, or 17.5 positions over the past 10 years. The decline is entirely due to non-exempt positions, which declined by 26.6%, or 27.5 positions. Faculty positions have increased by 4.8%, or 7.0 positions, over the same time, and exempt positions have been nearly flat. SMCM’s peak in personnel was in 2007 at 420 positions. It has since fallen beneath 400 positions in 2 of the 3 most recent years of data.

Exhibit 10
Total Filled Positions by Classification
2006-2016

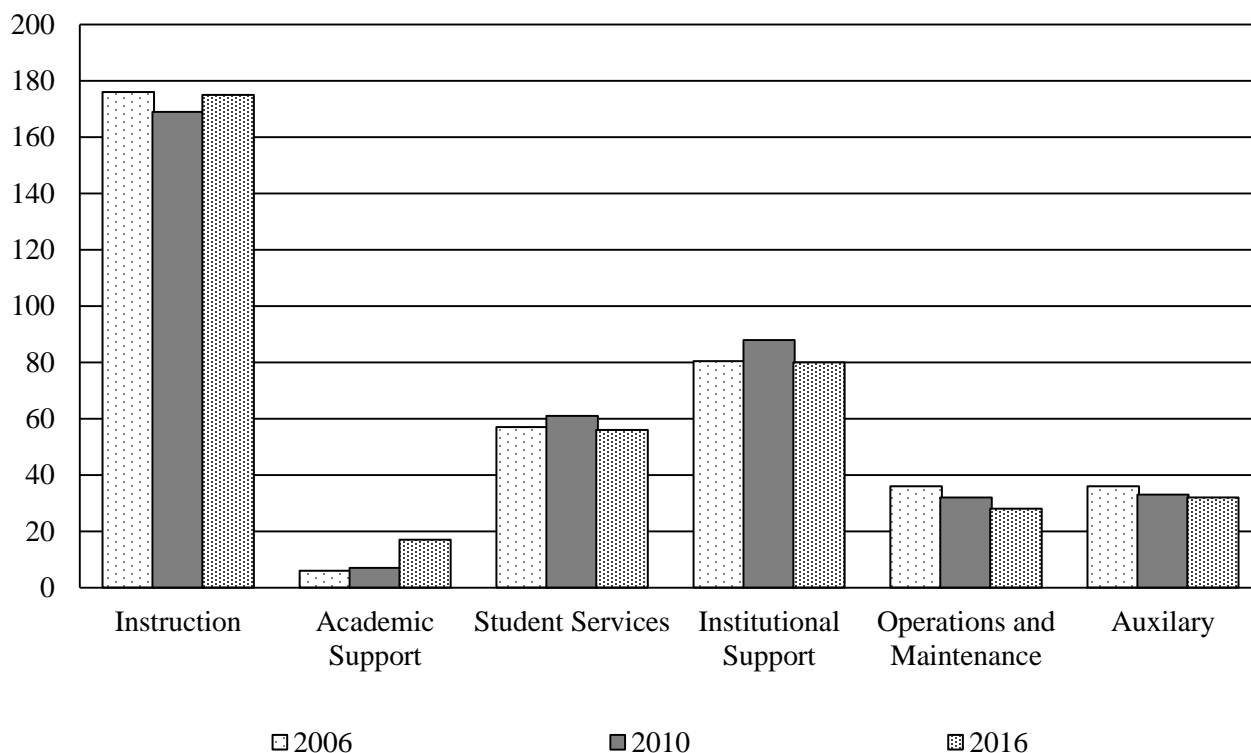


Note: Data is as of October 15 of each year.

Source: St. Mary’s College of Maryland

Exhibit 11 shows changes in the number of filled personnel positions by budget program area, excluding Research and Public Service, which are very small at SMCM. Overall, only Academic Support positions grew over the entire time period, from 6 to 17 positions. The largest category, Instruction, declined only 1 position, while Operations and Maintenance of Plant and Auxiliary positions collectively declined by 12 positions. The ongoing decline in enrollment accounts for the decline in self-supporting auxiliary services and positions in Student Services and Institutional Support, but it does not necessarily account for why maintenance positions should also decline. The slight increase in instruction-related positions from 2010 to 2016 also seems unusual, given the enrollment decline.

Exhibit 11
Changes in Filled-related to Students-related Positions
2006, 2010, and 2016

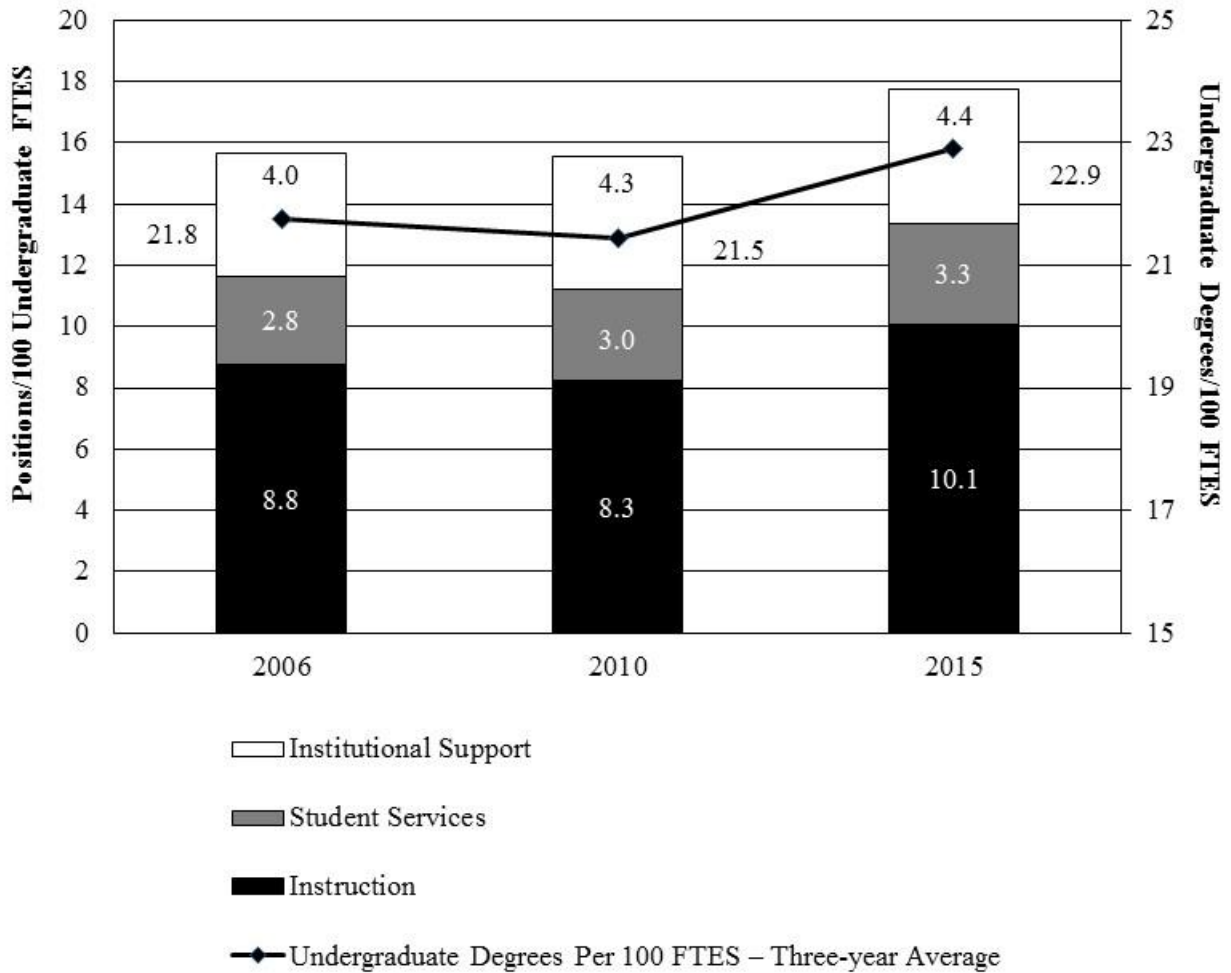


Note: Data is as of October 15 of each year.

Source: St. Mary’s College of Maryland

Exhibit 12 combines the degrees per 100 FTES productivity data shown in Exhibit 5 with the personnel data of Exhibits 10 and 11. Between 2006 and 2010, positions declined slightly in total, mostly within Instruction. However, there were slight increases in the relative number of institutional support and student services positions. Degrees per 100 FTES was nearly flat from 2006 to 2010. In 2015, the ratio of positions per FTES increased in all three program areas and the degrees per FTES also increased to 22.9. During this time period, filled positions increased by 10, or 0.5%, but enrollment declined by 305 students, or 15.2%. The increase in student support positions may be responsible for the improving degree productivity, but the college does not appear to be adjusting its total personnel to the decline in student enrollment.

Exhibit 12
Academic-related Positions Per 100 Undergraduate FTES Compared to
Undergraduate Degrees Per 100 Undergraduate FTES
2006, 2010, and 2015



FTES: full-time equivalent student

Note: Data is as of October 15 of each year. Academic Support positions were removed from this exhibit as they accounted for less than 1 position per 100 FTES in all years.

Source: St. Mary’s College of Maryland

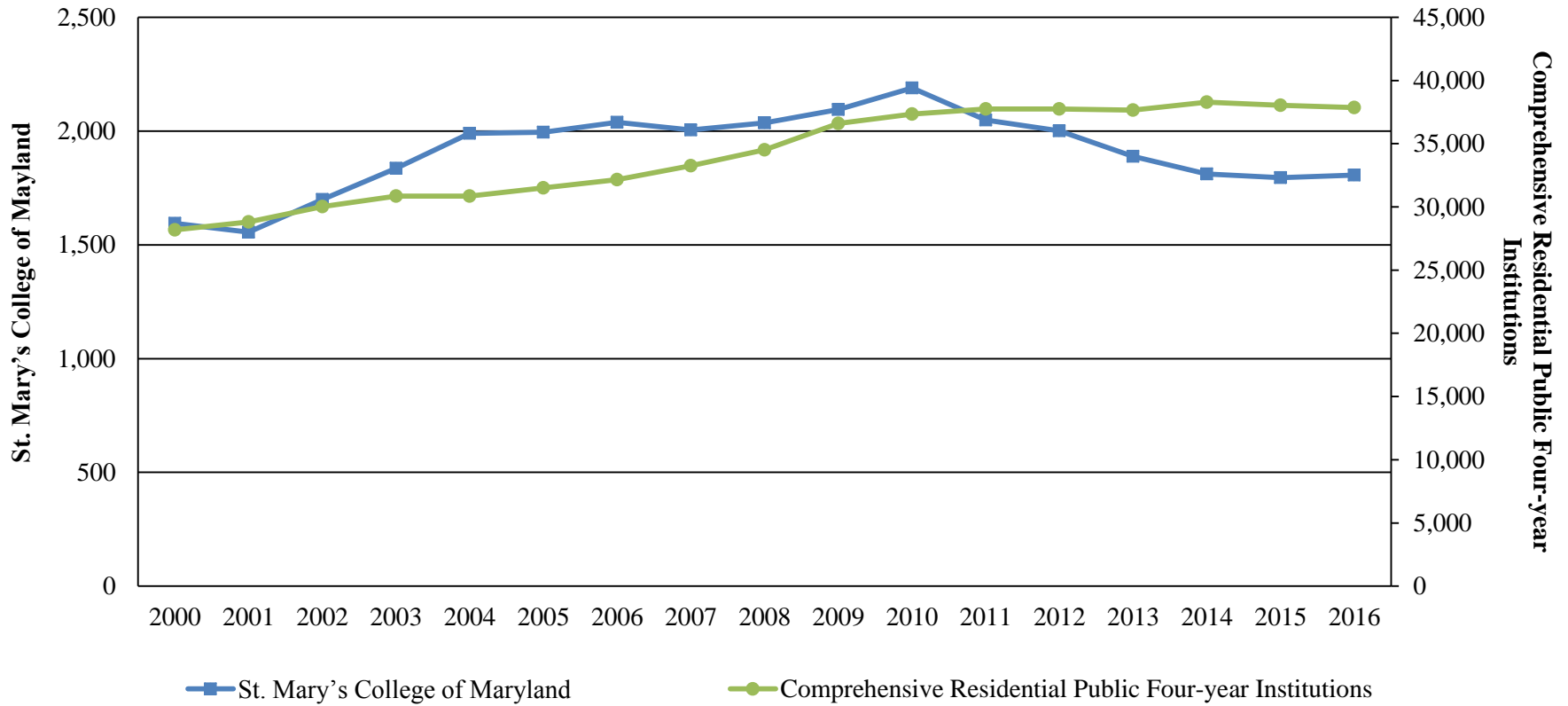
Issues

1. Enrollment Decline Continues

Fall 2016 headcount enrollment at SMCM fell 3.7% versus a 0.2% increase statewide at public four-year institutions (excluding the online University of Maryland University College). MHEC’s opening fall 2016 enrollment data indicates SMCM full-time undergraduate students, the bulk of enrollment, fell 3.6% to 1,586. Part-time and graduate enrollment make up a very small number of students at the college, currently fewer than 100 students total, so those populations are excluded here. First-time, full time (FT/FT) students fell 15.0%, from 393 to 334, while FT/FT students had increased slightly in the fall 2015 semester. The peak FT/FT enrollment for SMCM came with the fall 2009 cohort, when 488 FT/FT students enrolled. This represents a total decline of 154 FT/FT students, or 31.6%, mostly in the fiscal 2013 and 2014 cohorts. In the long run, MHEC’s enrollment headcount forecast is for SMCM to grow by 10 to 20 FTES each year, reaching about 1,800 full-time undergraduate students, 64 part-time undergraduate students, and about 30 graduate students in fiscal 2026. SMCM would like to get to entering cohorts of 500 FT/FT students. However, even if that began occurring in fall 2017, the overall enrollment of the institution would likely decline for several more years.

Exhibit 13 shows FTES enrollment at SMCM and why reaching the MHEC enrollment projection (which is based on headcount) will be difficult. The main concern for SMCM is that it has been declining in recent years whereas most other public residential four-year institutions have had relatively stable enrollment. From fiscal 2010 to 2017, SMCM experienced a decline of 22.4%, or 490 FTES. However, at the other residential public four-year campuses in Maryland, enrollment grew by 2.5%, or 942 FTES. SMCM’s enrollment has declined in six of the past seven years, meaning even maintaining the flat 1,700 FTES in the fiscal 2018 allowance could prove challenging. Ramping up to the 1,800 full-time undergraduate students in MHEC’s enrollment forecast in fall 2025 (fiscal 2026) will require sustained growth of 100 more FTES, a steady, but significant enrollment increase for the small liberal arts college.

Exhibit 13
Full-time Equivalent Student Enrollment at St. Mary's College of Maryland vs. Other Public Residential Four-year Institutions
Fiscal 2000-2016



Note: Other institutions include Bowie State University, Coppin State University, Frostburg State University, Salisbury University, and Towson University.

Source: Department of Budget and Management

To increase admissions to the college, SMCM began accepting the Common Application for students applying to enroll in fall 2012 and contracted with enrollment management firms to increase enrollment. This opens up and simplifies the admissions process for many high school students. **Exhibit 14** shows self-reported admissions data from the application cycles applying for entry in fall 2009 through 2016. Despite joining the Common Application, applications for fall 2012 actually declined by almost 400, or about 16.0%. From fall 2009 to 2016, the total number of applicants has decreased 26.7%, while the number admitted has grown 14.5%. The decline was most pronounced for out-of-state applicants. In fall 2009, there were over 500 out-of-state applicants, but by fall 2016, this number had fallen below 300. Additionally, the average Scholastic Aptitude Test score of enrolling students, not shown in this exhibit, has declined from 1,229 in fall 2009 to 1,127 in fall 2016, a decline of 102 points. SMCM reports that the number of Free Applications for Federal Student Aid (FAFSA) filed to date in the fall 2017 admissions cycle are up, but this cycle also has an earlier FAFSA availability date, so it is not comparable to prior years.

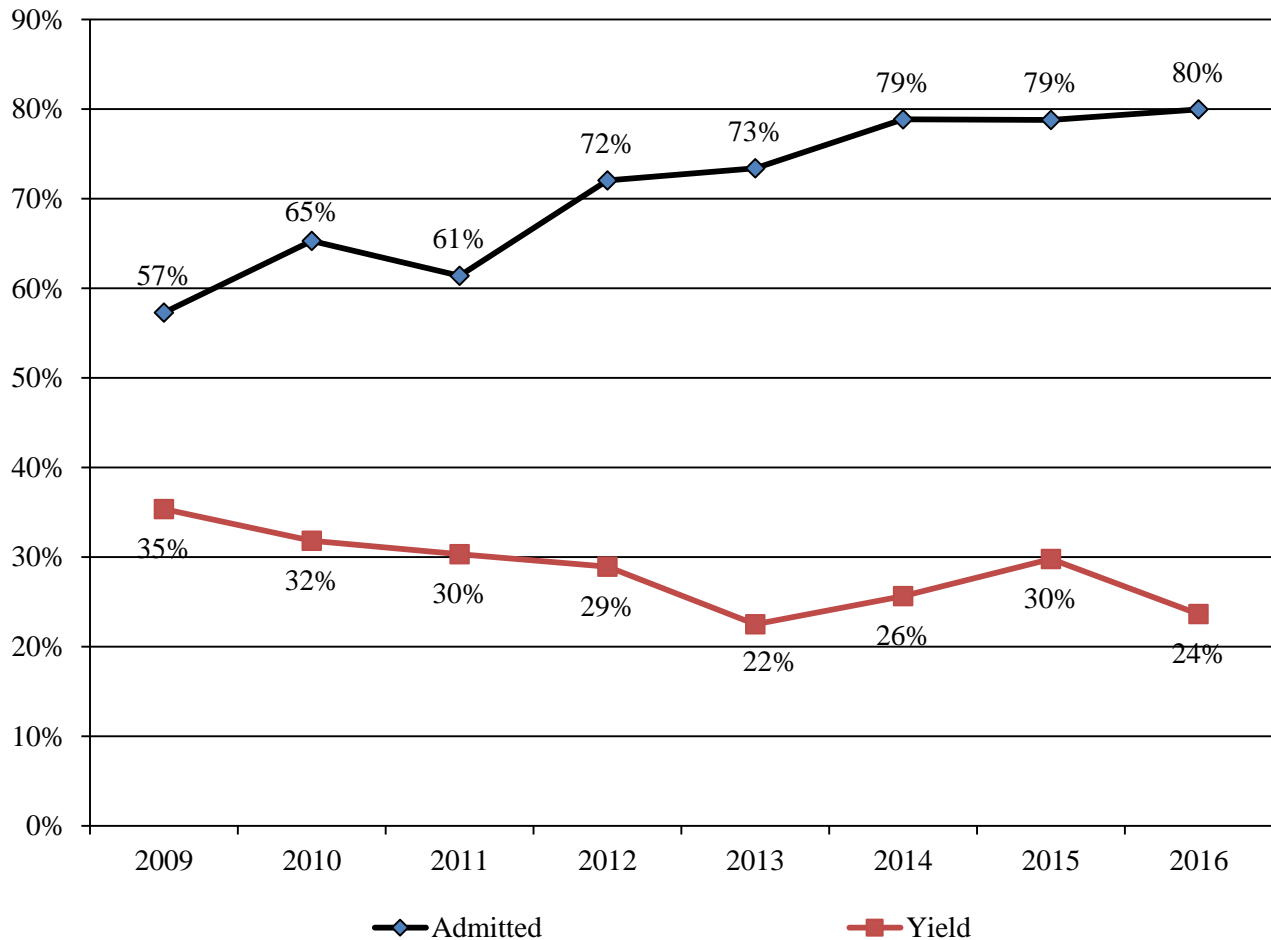
Exhibit 14
Admissions Data
Fall 2009-2016

Admissions Data	2009	2010	2011	2012	2013	2014	2015	2016	# Change 2009-16	% Change 2009-16
Applicants	2,411	2,133	2,398	2,010	2,321	1,874	1,675	1,767	-644	-26.7%
Maryland Resident	1,887	1,674	1,881	1,556	1,883	1,545	1,403	1,477	-410	-21.7%
Out-of-state	524	459	517	454	438	329	272	290	-234	-44.7%
Admitted	1,381	1,393	1,472	1,448	1,704	1,478	1,320	1,413	32	2.3%
Maryland Resident	1,057	1,077	1,143	1,117	1,395	1,230	1,133	1,210	153	14.5%
Out-of-state	324	316	329	331	309	248	187	203	-121	-37.3%
Yield	488	443	446	419	383	379	393	334	-154	-31.6%
Maryland Resident	413	376	377	357	343	353	360	308	-105	-25.4%
Out-of-state	75	67	69	62	40	26	33	26	-49	-65.3%

Source: St. Mary’s College of Maryland

Exhibit 15 shows the yield, or percent of admitted students who choose to enroll at SMCM. This rate fell to 22% for fall 2013, but increased by 4 percentage points in fall 2014 and 2015 after having declined the previous four years. The yield again declined in fall 2016, although it is still slightly higher than in fall 2013. The fall 2016 yield fell despite a similar admissions rate, 80%, as in the prior two fall semesters. This creates a tension between fulfilling its mission as an honors college and enrolling enough students to fund the operations of the campus. Overall, the admissions process, including admissions standards and financial aid packages, is a delicate balance for the college to manage effectively, but SMCM increasingly does not have much cushion left in increasing its acceptance rate. This puts more pressure on marketing and financial aid to meet enrollment goals.

**Exhibit 15
Admission and Yield Rates
Fall 2009-2016**



Note: Admitted is the percent of applicants accepted to St. Mary’s College of Maryland. Yield is the percent of students admitted who enroll at St. Mary’s College of Maryland.

Source: St. Mary’s College of Maryland

As a liberal arts institution, SMCM has no academic programs in business, engineering, or allied health fields, so it loses many students who have some interest in these fields. The leading competition for students comes from other Maryland public institutions, especially the University of Maryland, College Park, the University of Maryland Baltimore County, Towson University, and Salisbury University. The top competitors among the regional private colleges include Goucher College, McDaniel College, and Washington College. The college has also struggled with the perception that it is very expensive, something identified as a major concern in a 2011 *Joint*

Chairmen’s Report (JCR) item. The federal Department of Education’s College Affordability and Transparency Center noted that SMCM had the dubious distinction of being the sixth most expensive public institution by tuition and mandatory fee rates in fiscal 2013. While SMCM fell to twenty-ninth in the country in the fiscal 2015 data, it remains relatively expensive.

Overall, the college has taken numerous steps to streamline its admissions cycle including moving application deadlines to be more in line with other Maryland public institutions, conducting more travel within the State to all counties and cities, and entirely revamping social media and online communication with prospective students. Unfortunately, due to the college’s rural location, it is unlikely to have many dually enrolled students from county high schools, but opportunities remain for transfer students from the multiple campuses of the College of Southern Maryland. Finally, in the near future, SMCM must fill vacancies of critical senior positions in its admissions and financial aid offices.

The President should comment on whether SMCM can grow enrollment if it focuses on enrolling only FT/FT students and how many students SMCM needs to enroll to stay solvent. The President should also comment on the search for new leadership in its admissions and financial aid offices. Finally, the President should comment on whether there has been a fundamental shift in student preferences away from liberal arts colleges toward more applied academic programs.

2. Revisiting the Block Grant

For approximately 25 years, SMCM has received funding through its block grant formula (Chapter 209 of 1992). In exchange for a reliable source of State support, SMCM would otherwise be left out of extra funding in good fiscal years for the State and be mostly protected from cost containment in years with tight budgets. In reality, State support to SMCM has increased in years when the State has additional funding available and decreased in years when the State does not have extra resources. However, proposed legislation, SB 435 of 2017, would dramatically change the underlying State funding mechanism for SMCM by splitting how the State supports personnel and nonpersonnel costs at SMCM.

State Support Over Time

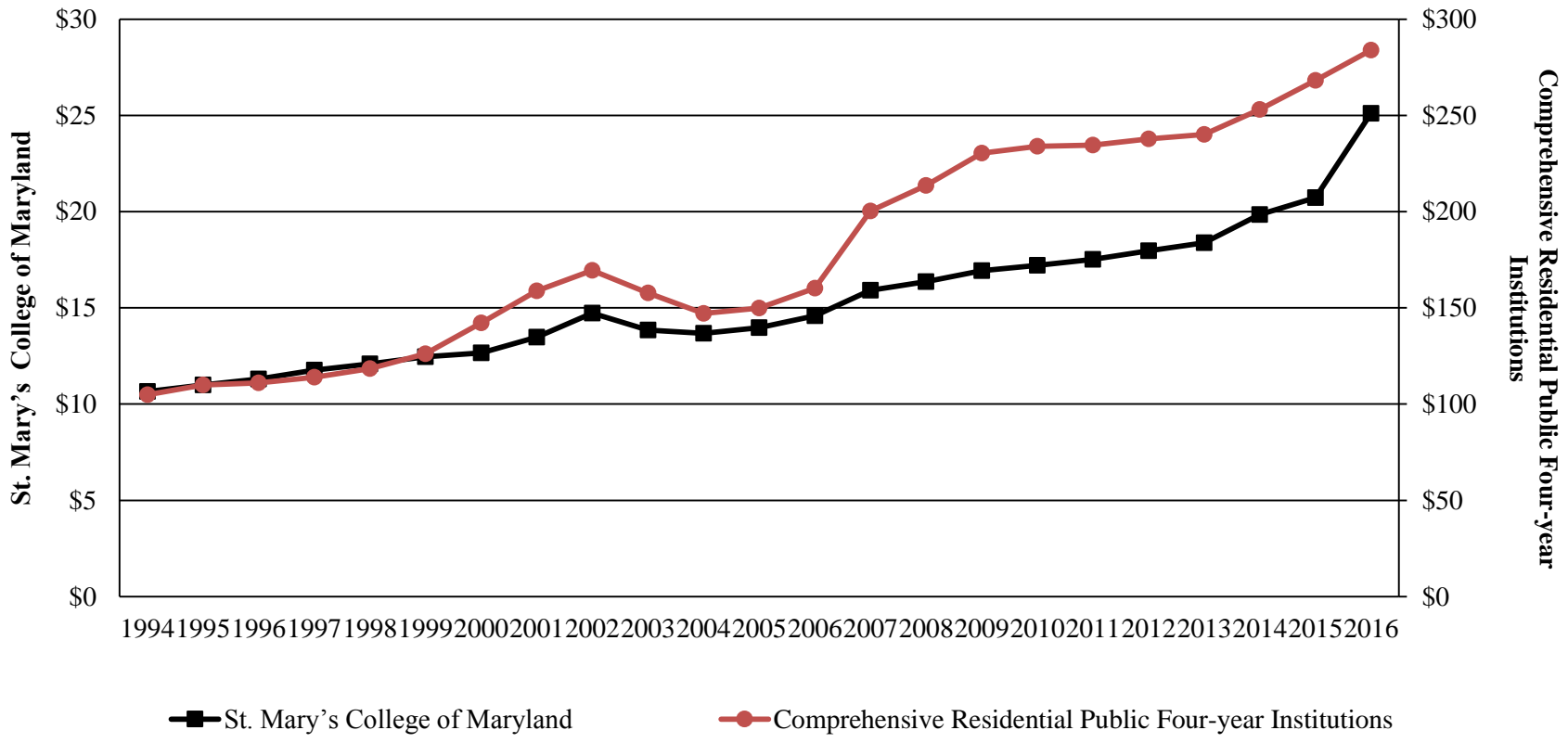
Exhibit 16 shows State support to SMCM from fiscal 1994 through 2016 compared to other comprehensive residential public four-year institutions in Maryland. Overall, SMCM mirrored the other public four-year institutions closely until fiscal 2007. From fiscal 2007 through 2010, Maryland froze undergraduate tuition at every public four-year institution except SMCM, which declined to do so. Therefore, some of the apparent gap in State support in this exhibit was a purposeful decision by SMCM. State support for SMCM grew quickly again beginning in fiscal 2014 through 2016 due to legislation and more one-time funding. With SMCM joining the tuition buydown program in fiscal 2018, the difference between the growth of State support at SMCM and other institutions may diminish. As shown back in Exhibit 13, total enrollment grew consistently at the other campuses and those schools also received additional State support through the Enrollment Funding Initiative (EFI) in

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fiscal 2007 through 2009. SMCM was not part of EFI and its enrollment has generally declined since fiscal 2010.

Exhibit 17 shows the inflator used in SMCM’s current formula, the Implicit Price Deflator (IPD) for State and local government, as well as the actual growth in State support to SMCM, and the percent change in tuition and fees at SMCM. Growth in State support has surpassed growth in the IPD in 13 fiscal years, whereas actual State support has fallen below the IPD in six years. In five years, State support for SMCM grew by about 8% or more. In fiscal 2014 through 2016, SMCM has benefited tremendously from State support beyond that which is called for by the IPD. It is also interesting to look at the tuition and fee rate increases over the same time period. The increases were very high in the 1990s and again in the mid-2000s but have been much more stable since fiscal 2007. Tuition and fee growth outpaced State support growth in all but seven fiscal years, making SMCM more dependent on its enrollment for revenue.

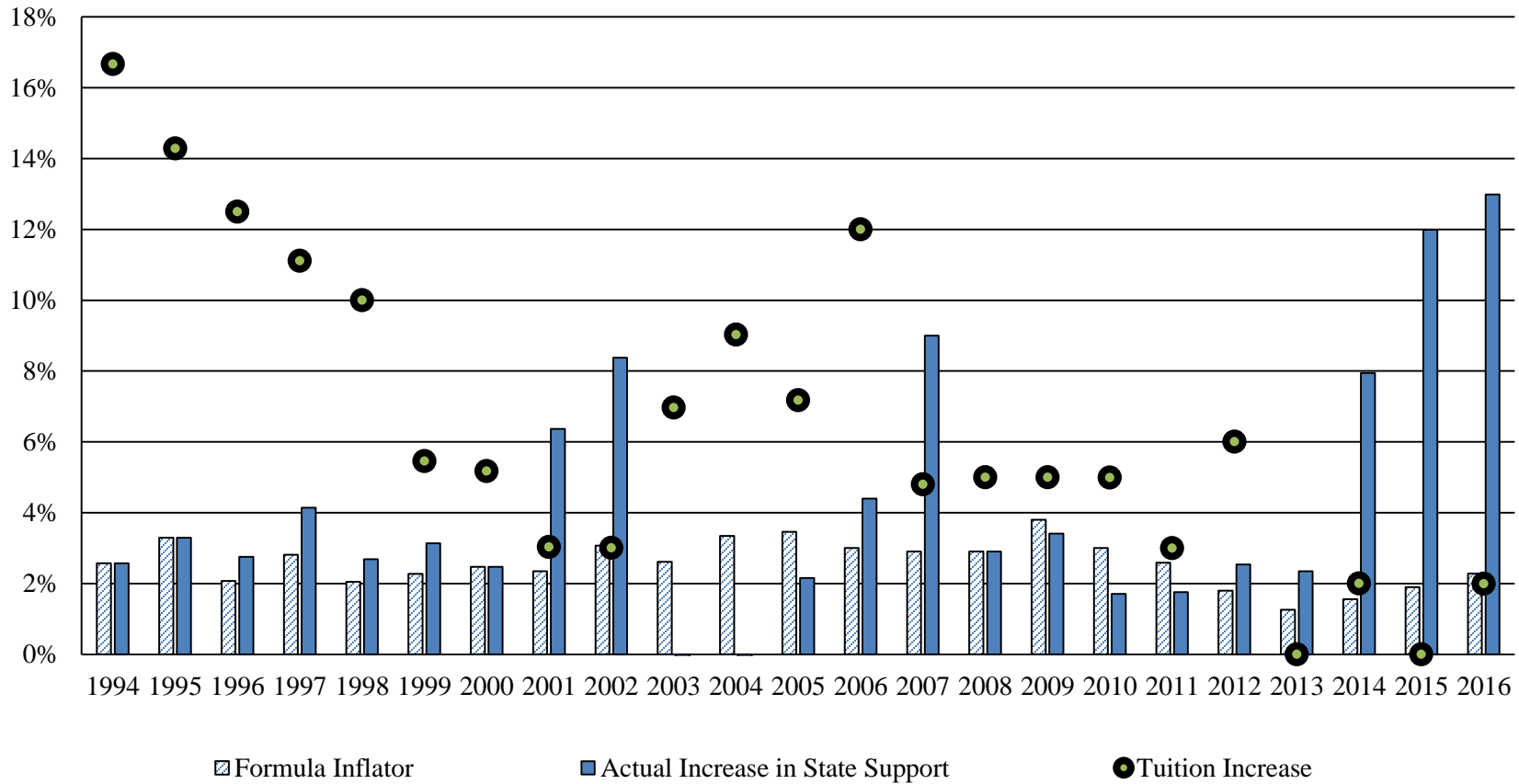
Exhibit 16
State Support to St. Mary’s College of Maryland and Other Residential Public Four-year Institutions
Fiscal 1994-2016
(\$ in Millions)



Note: Other institutions include Bowie State University, Coppin State University, Frostburg State University, Salisbury University, and Towson University.

Source: St. Mary’s College of Maryland

Exhibit 17
Percent Change in State Support to St. Mary’s College of Maryland
Fiscal 1994-2016



Note: Negative numbers are not shown in this exhibit. State support was -5.9% in fiscal 2003 and -1.2% in fiscal 2004. Tuition growth was -8.6% in fiscal 2015.

Source: St. Mary’s College of Maryland

Alternative Price Deflators

The IPD is produced by the federal Bureau of Economic Analysis and it is meant to preserve the purchasing power of State support to the college by offsetting inflation. The IPD is similar in concept to the federal Consumer Price Index (CPI) but scaled to governmental purchasing. In general, IPD inflation has outpaced CPI inflation in recent years due to government spending being affected by the costs of employment whereas the CPI tracks consumer goods and services. Higher education, as an industry, is especially sensitive to growth in personnel salaries and fringe benefits because it employs many faculty with terminal degrees. SMCM has indicated concerns that the IPD does not adequately account for its changing personnel costs. There are, however, alternative inflators specific to higher education such as the Higher Education Price Index (HEPI) and the Higher Education Cost Adjustment. HEPI, for example, is an inflation index that tracks the main cost drivers of higher education, which it identifies as professional salaries and fringe benefits; contracted services for such tasks as data processing and communication; library acquisitions; and utilities.

Fundamentally, the SMCM budget has been destabilized by the decline in enrollment shown in Exhibit 13. Had the college maintained its enrollment level, like other public four-year institutions broadly have, it would have had up to \$5 million more in tuition and fee revenue in fiscal 2017.

The President should comment on why now is the appropriate time to modify its formula to increase State support and whether the budget challenges facing SMCM are primarily due to insufficient State support or whether they are enrollment based. The President should also comment on whether the college considered alternative deflators for its funding formula.

Recommended Actions

1. Concur with Governor's allowance.

Updates

1. DeSousa-Brent Scholars Program Meets Benchmarks

The DeSousa-Brent Scholars Program began in 2008 to cultivate the academic potential of talented students from underrepresented groups by emphasizing scholarship and campus leadership. The DeSousa-Brent Scholars Program offers first-year scholars a two-week, residential, credit-bearing summer bridge program; a four-credit fall first-year seminar; and a two-credit spring leadership seminar, in which students implement leadership and service projects of their own design, under the mentorship of faculty and advanced scholars.

Since July 1, 2013, the start date of the DeSousa-Brent Completion Grant established by SB 828 and HB 831 of 2013, SMCM has hired new full-time student services staff, appointed an advisory committee, and expanded program offerings. This effort builds on recommendations from a 2011 JCR item where SMCM reported that building up the DeSousa-Brent Scholars Program was one of three key priorities for the university. Scholars are now served in all four years, provided intensive advising and mentoring, academic and career workshops, study and writing groups across disciplines, a summer service learning program, and a summer research program. The coursework and activities in this four-year sequence are structured to lead developmentally from heavy institutional support in the first year to advanced academic work, independent research, and post-baccalaureate planning in a student's senior year. To increase the number of Pell Grant-at-entry students served annually by the DeSousa-Brent program, new scholar enrollment rose 50% to serve a total of 43 scholars in fall 2014.

Over the past five years, the first- to second-year retention rates for DeSousa-Brent participants has ranged from 77% to 93%. The most recent second-year retention rate, for the fall 2015 cohort, was 88%, which meets that cohort's goal. Likewise, the most recent third-year retention rate (for the fall 2014 cohort) was a record high for DeSousa-Brent Scholars Program of 76%. The fall 2015 cohort's goal is to reach 79%. The six-year graduation rates have shown greater range, from 56% to 83%. The most recent rate, for the 2010 cohort, was 67%. SMCM will continue to report annually by December 1 academic metrics for DeSousa-Brent participants. If certain requirements are met, the additional funding for the scholars' program will roll into the college's formula funding grant in fiscal 2020.

Appendix 1
Current and Prior Year Budgets
St. Mary’s College of Maryland
(\$ in Millions)

	<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 2016							
Legislative Appropriation	\$20,954	\$2,550	\$0	\$45,095	\$68,599	\$4,200	\$72,799
Deficiency Appropriation	1,603	0	0	-2,000	-397	0	-397
Budget Amendments	0	0	0	0	0	500	500
Reversions and Cancellations	0	0	0	-5,401	-5,401	-36	-5,437
Actual Expenditures	\$22,557	\$2,550	\$0	\$37,694	\$62,801	\$4,664	\$67,465
Fiscal 2017							
Legislative Appropriation	\$21,477	\$2,550	\$0	\$43,830	\$67,856	\$5,100	\$72,956
Cost Containment	0	0	0	0	0	0	0
Budget Amendments	1,133	0	0	1,960	3,093	0	3,093
Working Appropriation	\$22,610	\$2,550	\$0	\$45,789	\$70,949	\$5,100	\$76,049

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

Fiscal 2016

Total unrestricted funds decreased from the 2016 legislative appropriation by \$5.8 million. An increase of \$1.6 million in general funds was added in a deficiency appropriation to support information technology (IT) upgrades at St. Mary’s College of Maryland. A negative deficiency appropriation lowered other unrestricted funds by \$2.0 million to align non-State expenditures with lower than anticipated undergraduate enrollment. At the end of the fiscal year, a further \$5.4 million in unrestricted funds was unspent and subsequently allocated as follows: \$3.2 million went to debt service, \$0.9 million carried over for IT upgrades, \$0.7 million covered encumbered expenses, and \$0.5 million transferred to endowment and plant.

Current restricted funds increased \$0.5 million due to an increase in federal grants and private financial aid support. At the end of the fiscal year, there was \$36,000 remaining in restricted funds, which represented funding supporting multi-year grants that are budgeted in full each fiscal year. These funds reverted but will be re-appropriated in fiscal 2017.

Fiscal 2017

To date, the legislative appropriation has increased by over \$3 million in other unrestricted funds due to the appropriation of fiscal 2016 fund balance that will be spent in fiscal 2017 on IT upgrades, various encumbered expenses, and faculty travel as well as funds transferred from the Maryland Higher Education Commission for IT upgrades.

Appendix 2
Audit Findings

Audit Period for Last Audit:	July 1, 2012 – August 23, 2015
Issue Date:	August 2016
Number of Findings:	5
Number of Repeat Findings:	2
% of Repeat Findings:	40%
Rating: (if applicable)	n/a

Finding 1: Sensitive personally identifiable information applicable to 117,194 unique individuals was not appropriately safeguarded.

Finding 2: **St. Mary’s College of Maryland’s (SMCM) computers were not adequately secured from malware and the SMCM lacked assurance that malware protection software was fully operational.**

Finding 3: Certain database security events were not monitored, and documentation supporting independent reviews of direct changes to critical tables did not exist.

Finding 4: **SMCM did not ensure the accuracy of amounts invoiced by its food services vendor which totaled \$4.2 million during calendar 2015.**

Finding 5: SMCM did not independently review accumulated leave payout calculations, resulting in an overpayment of approximately \$10,000 for one individual retiring from State service.

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

**Appendix 3
Object/Fund Difference Report
St. Mary's College of Maryland**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	423.00	430.00	432.00	2.00	0.5%
02 Contractual	28.18	34.99	37.25	2.26	6.5%
Total Positions	451.18	464.99	469.25	4.26	0.9%
Objects					
01 Salaries and Wages	\$ 34,857,900	\$ 36,429,329	\$ 37,764,408	\$ 1,335,079	3.7%
02 Technical and Spec. Fees	3,501,507	4,267,128	4,529,013	261,885	6.1%
03 Communication	412,492	406,523	406,661	138	0%
04 Travel	2,013,313	2,931,507	2,896,426	-35,081	-1.2%
06 Fuel and Utilities	3,064,176	3,379,157	3,834,720	455,563	13.5%
07 Motor Vehicles	200,404	238,901	231,239	-7,662	-3.2%
08 Contractual Services	11,146,156	13,121,035	8,778,991	-4,342,044	-33.1%
09 Supplies and Materials	2,581,737	2,856,560	2,939,188	82,628	2.9%
10 Equipment – Replacement	342,986	323,358	323,565	207	0.1%
11 Equipment – Additional	621,390	1,264,990	1,223,521	-41,469	-3.3%
12 Grants, Subsidies, and Contributions	8,009,758	8,980,747	9,022,715	41,968	0.5%
13 Fixed Charges	504,868	1,533,582	408,180	-1,125,402	-73.4%
14 Land and Structures	208,371	316,159	326,046	9,887	3.1%
Total Objects	\$ 67,465,058	\$ 76,048,976	\$ 72,684,673	-\$ 3,364,303	-4.4%
Funds					
40 Unrestricted Fund	\$ 62,801,090	\$ 70,948,976	\$ 67,384,673	-\$ 3,564,303	-5.0%
43 Restricted Fund	4,663,968	5,100,000	5,300,000	200,000	3.9%
Total Funds	\$ 67,465,058	\$ 76,048,976	\$ 72,684,673	-\$ 3,364,303	-4.4%

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

**Appendix 4
Fiscal Summary
St. Mary's College of Maryland**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Instruction	\$ 20,814,878	\$ 22,100,023	\$ 23,746,171	\$ 1,646,148	7.4%
02 Research	334,164	365,401	379,733	14,332	3.9%
03 Public Service	183,372	107,886	108,283	397	0.4%
04 Academic Support	2,470,382	2,530,312	2,450,858	-79,454	-3.1%
05 Student Services	6,749,622	6,489,853	6,846,132	356,279	5.5%
06 Institutional Support	13,218,814	17,862,159	13,603,357	-4,258,802	-23.8%
07 Operation And Maintenance Of Plant	5,114,723	5,352,391	5,640,722	288,331	5.4%
08 Auxiliary Enterprises	10,826,750	12,637,149	11,251,505	-1,385,644	-11.0%
17 Scholarships And Fellowships	7,752,353	8,603,802	8,657,912	54,110	0.6%
Total Expenditures	\$ 67,465,058	\$ 76,048,976	\$ 72,684,673	-\$ 3,364,303	-4.4%
Unrestricted Fund	\$ 62,801,090	\$ 70,948,976	\$ 67,384,673	-\$ 3,564,303	-5.0%
Restricted Fund	4,663,968	5,100,000	5,300,000	200,000	3.9%
Total Appropriations	\$ 67,465,058	\$ 76,048,976	\$ 72,684,673	-\$ 3,364,303	-4.4%

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