

R14D00
St. Mary's College of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$17,999	\$18,425	\$18,803	\$378	2.1%
Contingent & Back of Bill Reductions	0	-66	0	66	
Adjusted General Fund	\$17,999	\$18,359	\$18,803	\$444	2.4%
Special Funds	384	1,484	2,550	1,066	71.8%
Adjusted Special Fund	\$384	\$1,484	\$2,550	\$1,066	71.8%
Other Unrestricted Funds	44,699	52,515	47,581	-4,935	-9.4%
Adjusted Other Unrestricted Fund	\$44,699	\$52,515	\$47,581	-\$4,935	-9.4%
Total Unrestricted Funds	63,082	72,424	68,934	-3,491	-4.8%
Contingent & Back of Bill Reductions	0	-66	0	66	
Adjusted Total Unrestricted Funds	\$63,082	\$72,358	\$68,934	-\$3,424	-4.7%
Restricted Funds	3,517	4,200	4,200	0	
Adjusted Restricted Fund	\$3,517	\$4,200	\$4,200	\$0	0.0%
Adjusted Grand Total	\$66,599	\$76,558	\$73,134	-\$3,424	-4.5%

- General funds increase \$0.4 million as the college's overall budget declines \$3.4 million. Other unrestricted funds drive the decline, decreasing \$4.9 million.
- Restricted funds are unchanged at \$4.2 million.

Personnel Data

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>
Regular Positions	432.00	434.00	418.00	-16.00
Contractual FTEs	<u>31.94</u>	<u>32.48</u>	<u>32.48</u>	<u>0.00</u>
Total Personnel	463.94	466.48	450.48	-16.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/13	10.00	2.30%

- St. Mary’s College of Maryland (SMCM) loses 16.0 regular positions in the 2015 allowance due to a decline in enrollment. Three were vacant faculty positions, the rest were in administration.
- Contractual positions are unchanged in the allowance.

Analysis in Brief

Major Trends

Four- and Six-year Graduation Rates: From 2009 to 2011, four- and six-year graduation rates have been relatively high and stable as SMCM outperforms the State average and 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, and these rates are expected to increase as the students continue at the college.

Retention Rate Declines: 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 second-year rate fell 4 percentage points for the 2009 cohort and remained at this level in 2010.

Degree Production and Cost Per Degree: While SMCM was near the State average for degrees completed per 100 full-time equivalent students from 2005 to 2010, the 2011 data falls well below the average of both SMCM’s peers and the State. However, SMCM’s degrees remain \$30,000 cheaper to produce than those of its peers because many of its peers are private institutions.

Issues

Meeting College Expenses: In general, SMCM has been greatly increasing need-based aid from fiscal 2008 to 2013. New financial aid data from SMCM reveals that a majority of its financial aid does go to students with lower Expected Family Contributions (EFCs), although a substantial amount of funding goes to students with an unknown EFC.

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.

Growth of DeSousa-Brent Program: Legislation in the 2013 session increased funding for the DeSousa-Brent Grant Program to increase the number of first-generation and minority college students at SMCM. This issue will review the history of the program and the first data from the new annual update on participants.

Recommended Actions

1. Concur with Governor's allowance.

R14D00 – St. Mary’s College of Maryland

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 2013 Undergraduate Enrollment Headcount

Male	744
Female	1,075
Total	1,819

Fall 2013 Graduate Enrollment Headcount

Male	7
Female	32
Total	39

Fall 2013 New Students Headcount

First-time	383
Transfers/Others	96
Graduate	27
Total	506

Campus (Main Campus)

Acres	361
Buildings	55
Average Age	19
Oldest	1906

Programs

Bachelor's	25
Master's	1
Doctoral	0

Degrees Awarded (2012-2013)

Bachelor's	521
Master's	28
Doctoral	0
Total Degrees	549

Proposed Fiscal 2015 In-state Tuition and Fees*

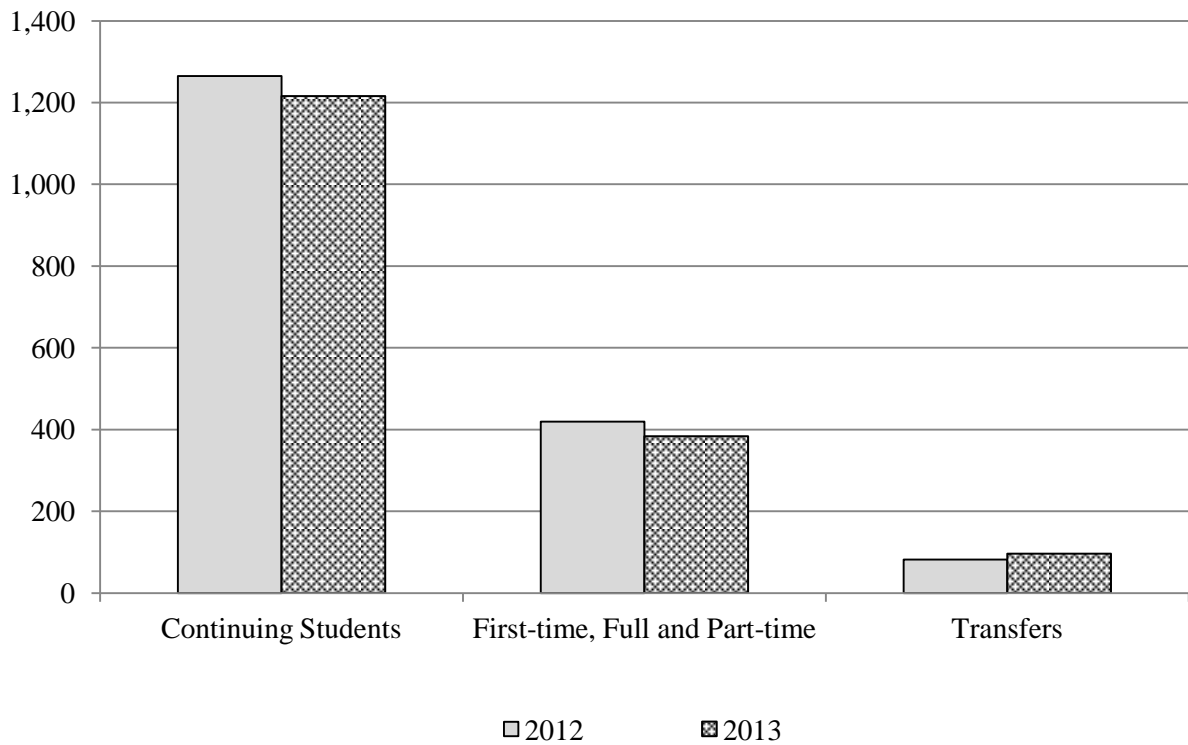
Undergraduate Tuition	\$12,245
Mandatory Fees	\$2,724

*Contingent on Board of Trustees approval.

Performance Analysis: Managing for Results

Undergraduate enrollment declined 4.0% from 1,766 in fall 2012 to 1,695 in fall 2013, as shown in **Exhibit 1**. All categories of undergraduate students increased with the number of first-time full-time (FT/FT) students declining at the greatest rate of 8.6%, or 36 students. SMCM also retained fewer students with continuing students decreasing by 3.9%, or 49 students.

Exhibit 1
Undergraduate Enrollment
Fall 2012-2013

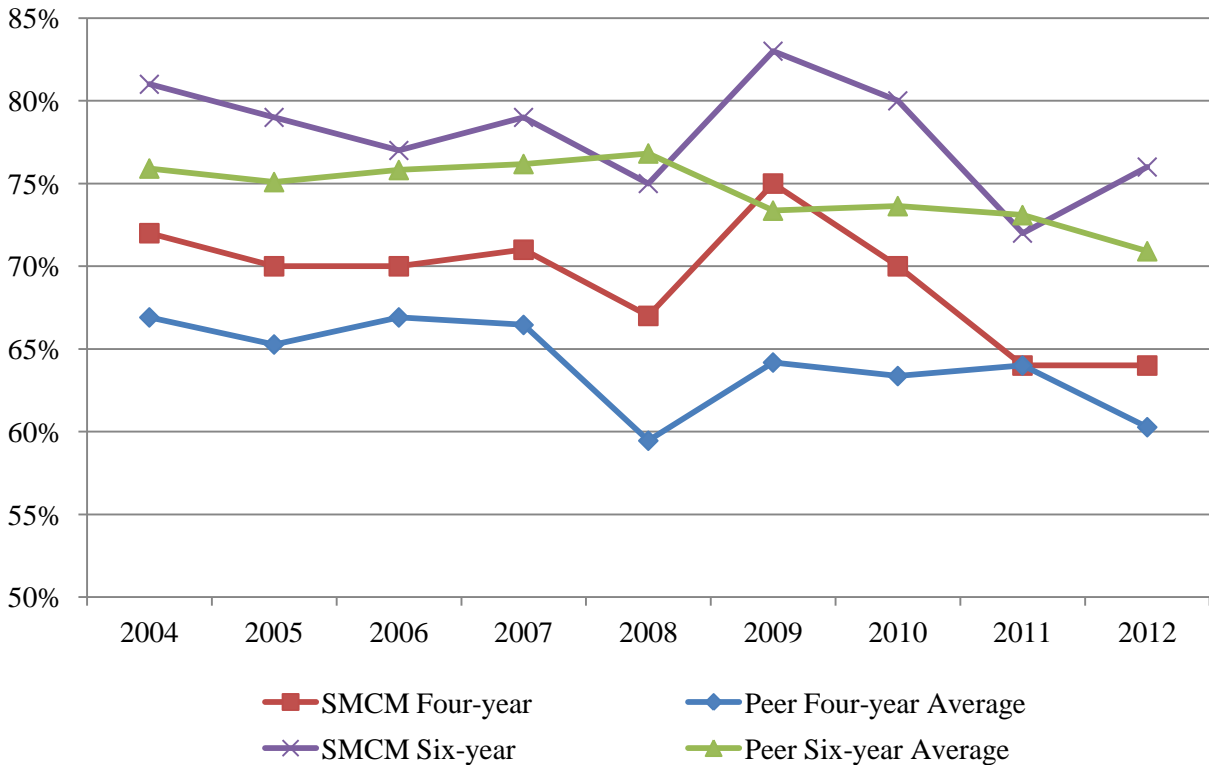


Source: St. Mary’s College of Maryland

1. Four- and Six-year Graduation Rates

One of the main ways to measure the effectiveness of a college is to look at the graduation rates of students. **Exhibit 2** shows the six- and four-year graduation rates of students at SMCM and the average for SMCM’s peers between fiscal 2004 and 2012. Although SMCM’s rates move a few percentage points each year, it had graduation rates above its peer average except for fiscal 2008 and 2011. Over this time period, SMCM matches its peer average’s decline of 5 percentage points in the six-year graduation rates but fell 8 percentage points, compared to the peer average of 7 percentage points, for the four-year graduation rate. Small enrollment likely leads to some variability in graduation rates.

Exhibit 2
SMCM and Peer Graduation Rates
Fiscal 2004-2012



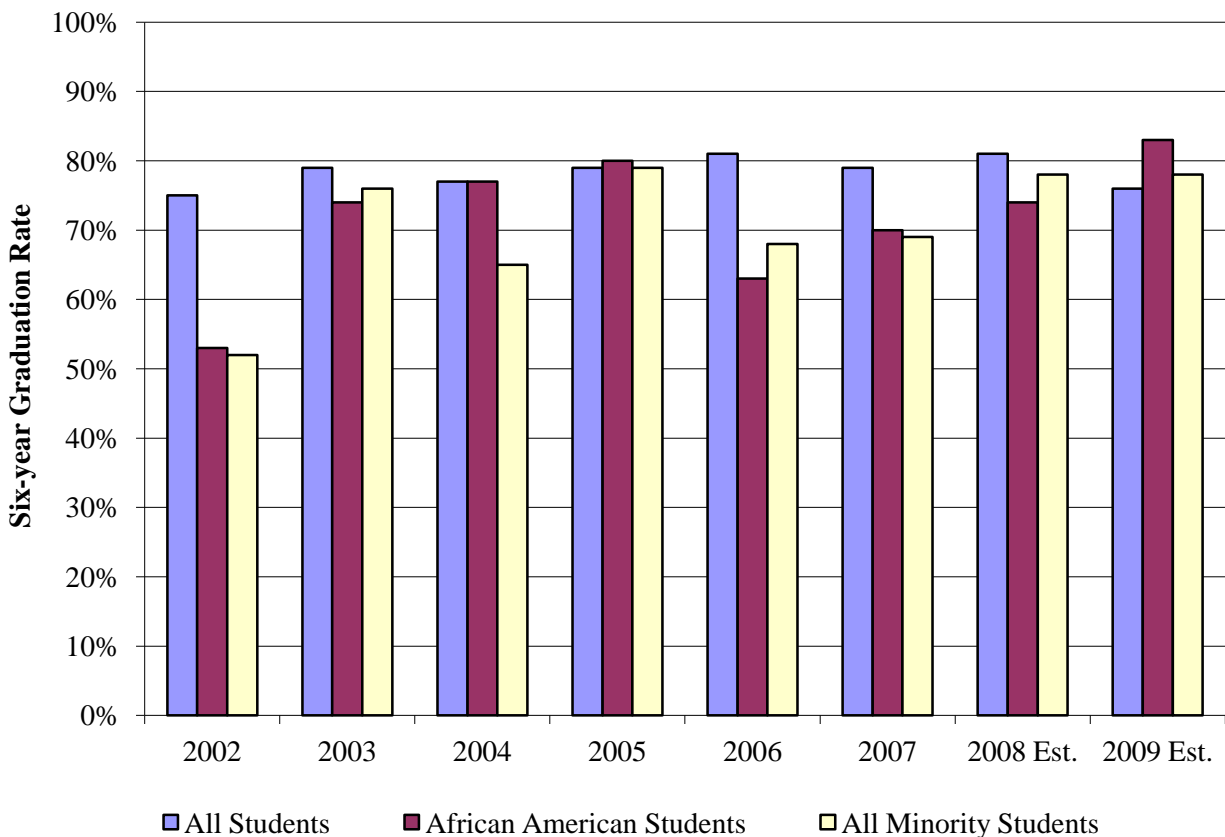
SMCM: St. Mary’s College of Maryland

Source: Integrated Postsecondary Education Data System

2. Success Rates of Minority Students

Exhibit 3 shows the six-year graduation rate for all students, African American students, and all minority students at SMCM. Although the rate for all students stays steady, the rates for African American and all minority students fluctuates. The 2002 cohort had particularly low rates, but these rates grew by 30 and 27 percentage points, respectively, from the fiscal 2002 to 2009 cohorts. While the smaller sample of minority students leads to greater year-to-year fluctuations in graduation rates, there has been rapid improvement such that minority students in the 2009 cohort are expected to outperform all students by 2 percentage points. **The President should comment on the causes for the increase in minority graduation rates since the 2006 cohort and how these can be maintained for students who are not in the DeSousa-Brent program.**

Exhibit 3
Six-year Graduation Rates at SMCM
2002-2009 Cohorts



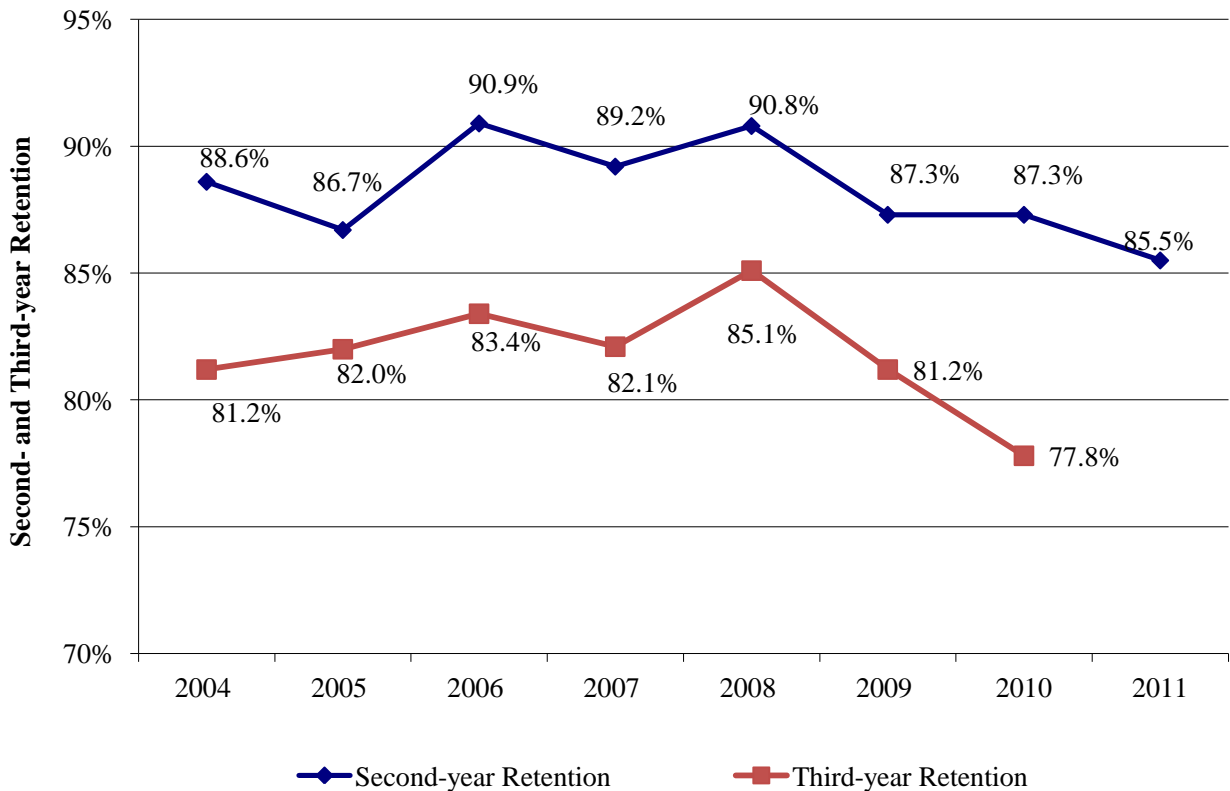
SMCM: St. Mary’s College of Maryland

Source: Governor’s Budget Books, Fiscal 2011-2015

3. Retention Rate Declines

It is also important to look at retention rates because they foreshadow graduation rates. Colleges with high retention rates tend to have high graduation rates. **Exhibit 4** shows the second- and third-year retention rates of students at SMCM. The 2011 cohort’s second-year retention was over 5 percentage points below the rate for the 2008 cohort. Also, while the 2009 and 2010 cohorts had identical second-year retention rates, the 2010 cohort had a third-year retention rate 3.4 percentage points lower. While SMCM’s retention rates are high compared to other State schools, these are the lowest rates it has reported for second-year retention since the 2002 cohort and the lowest report for third-year retention since the 1999 cohort.

Exhibit 4
Second- and Third-year Retention Rates
 2004-2011 Cohorts

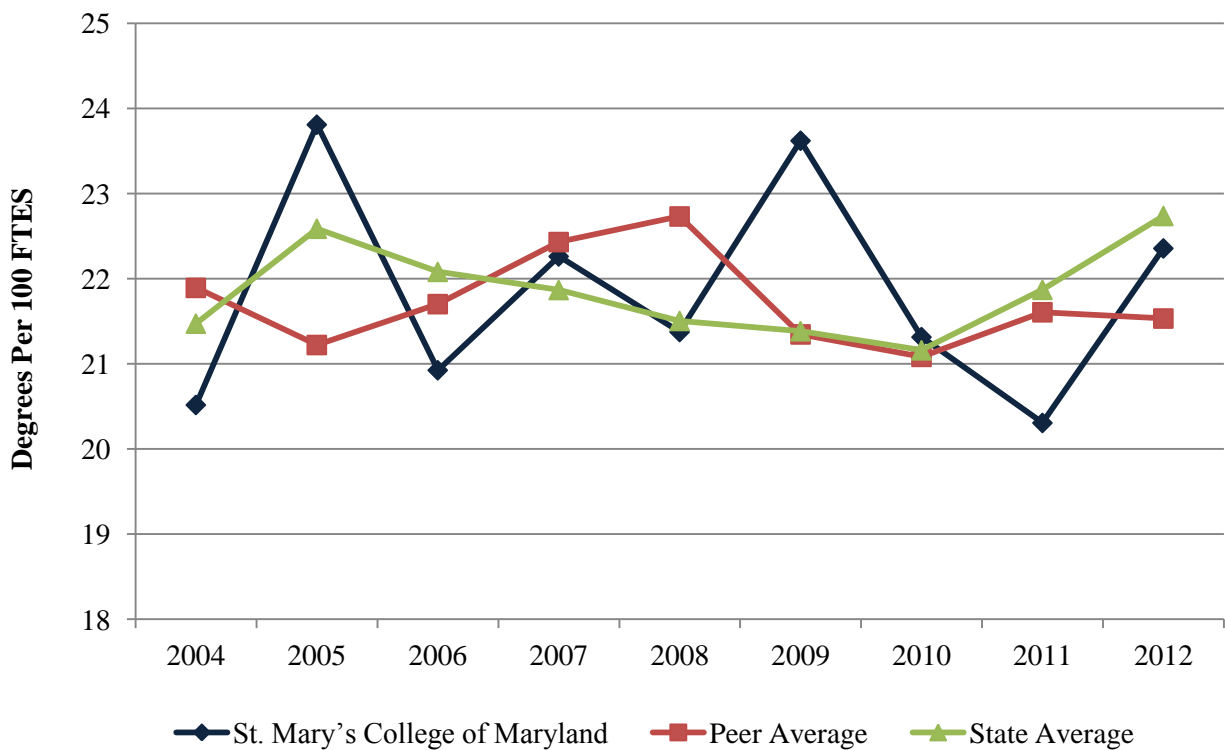


Source: Maryland Higher Education Commission

4. Degree Production and Cost Per Degree

Exhibit 5 shows the first of two productivity measures, degrees awarded per 100 undergraduate students at SMCM, in the State, and at its peer institutions. Although SMCM fluctuates between 24 and 20 degrees awarded per 100 degrees, it is above the average for the State and peers in only three of the nine years shown. The 2010 and 2011 figures show an unusual decline, which may be partially due to changes in how the Integrated Postsecondary Education Data System reports enrollment figures. Additionally, SMCM has a low enrollment, so it is more likely to change from year to year than the peer or State averages. **The President should comment on the 2010 and 2011 decline in degrees per 100 full-time equivalent students (FTES) and what contributed to the rebound in 2012.**

Exhibit 5
Degrees Awarded Per 100 Undergraduate Full-time Equivalent Students
Fiscal 2005-2012

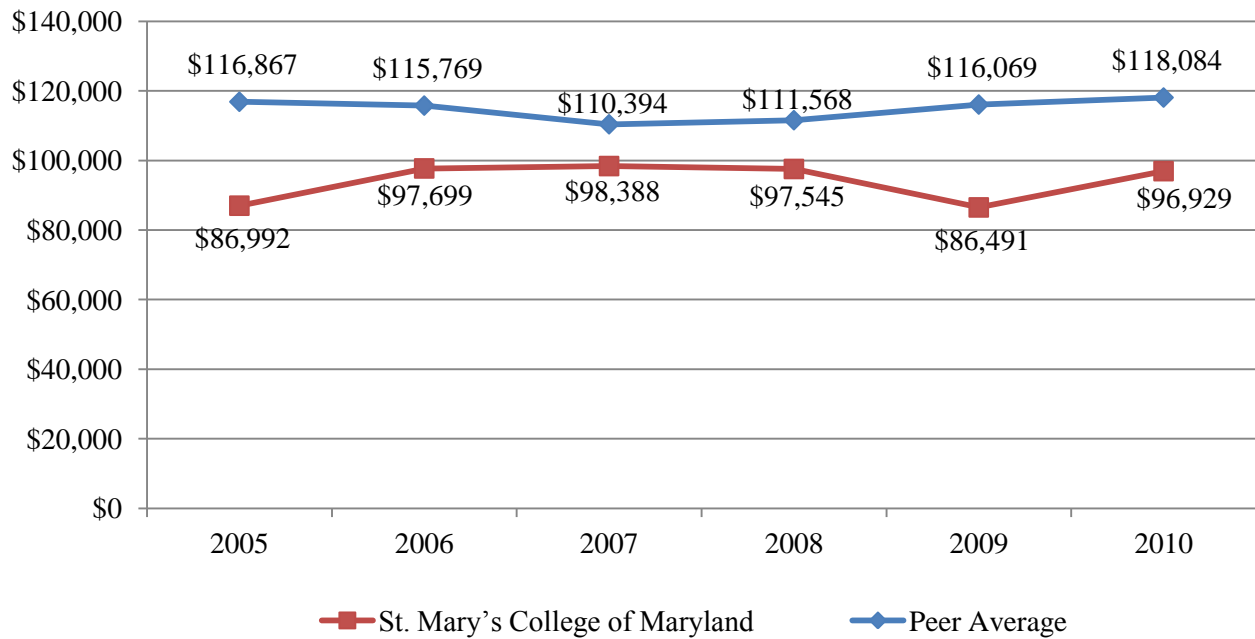


FTES: full-time equivalent students

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 that rate for SMCM and its peer institutions using data from the Delta Cost Project. SMCM is consistently less than its peer institutions, with the difference growing to over \$21,000 per degree in the 2010 academic year, but at a similar level to where it was in fiscal 2006 through 2008. This is partially due to many of SMCM’s peers being private institutions, rather than public liberal arts colleges. There is some difficulty in identifying appropriate peers to measure SMCM against for this reason.

Exhibit 6
Education and Related Expenditures Per Degree
Academic Years 2005-2010



Note: Higher Education Price Index adjusted 2010 dollars.

Source: The Delta Cost Project

Fiscal 2014 Actions

There are three across-the-board withdrawn appropriations that offset the increase in deficiency appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology, and the State Retirement Agency (SRA),

respectively. The only action to affect SMCM was the personnel system, for which \$66,355 was removed from the college in fiscal 2014.

Cost Containment

SMCM was not part of any mandated cost containment action in fiscal 2014. SMCM also did not receive a cost-of-living adjustment (COLA) in fiscal 2014 from DBM. Due to the stress on its operating budget and the limited growth it receives in general funds due to its funding formula, SMCM opted to give a sliding COLA. The maximum COLA given was 1% for personnel earning under \$50,000 per year, with smaller amounts for more highly paid positions. At the same time, to balance the budget in the short term, personnel also received temporary salary reductions, again on a sliding scale of up to 5%. Those earning \$50,000 or less were unaffected.

Exhibit 7 shows cost containment at SMCM to balance its fiscal 2014 budget. Around April 2013, the college was aware that it likely faced a moderate decrease in fall 2013 enrollment and undertook cost containment actions. The largest was eliminating 16 regular positions. Three were in faculty; however, 1 professor retired, and 2 positions were temporary sabbatical replacement lines, so no faculty were separated as a result of cost containment. Contractual services were reduced, as was the general travel budget and travel within unique academic programs, such as the Oxford Program. Overall, the college managed to reduce permanent operating costs by \$2.6 million and an additional \$1.2 million in one-time reductions.

Exhibit 7
Cost Containment
Fiscal 2014

<u>Source</u>	<u>Reduction</u>
Elimination of 16 full-time positions	\$1,300,000
Reductions in contractual employee payroll	210,000
Reduction of Oxford Program	81,094
Reduced travel	76,573
Reduction of office and program supplies	57,221
Reduced library acquisitions	50,000
Deferred vehicle replacement	48,000
Deferred information technology replacement	39,000
Renegotiation of telephone contract	25,000
Reduction of Nitze Fellowship Program	15,694
Reduced adjunct physical education courses	10,000
Other actions	718,918
Total Cost Containment	\$2,631,500

Source: St. Mary’s College of Maryland

While nearly all other State agencies and institutions were subject to across-the-board negative deficiencies for health insurance and pension obligations, SMCM was excluded due to its formula-funded nature. However, within the appropriate personnel subobjects in SMCM’s working budget and allowance remains the funding that would have been removed, as SMCM is covered by the same health insurance policies as other State entities. In fiscal 2014, this totals about \$190,000. Additionally, SMCM’s Higher Education Investment Fund (HEIF) appropriation is so far not subject to any cost containment actions proposed by DBM if HEIF underattains in fiscal 2014, which seems likely given the latest Board of Revenue Estimates from December 2013. **The President should explain what SMCM will do with this personnel funding that was not removed by a negative deficiency.**

Proposed Budget

Exhibit 8 shows that SMCM’s appropriation declines \$3.4 million, or 4.5%, in the Governor’s allowance. Though general funds increased about \$0.4 million, or 2.4%, the major decrease is within other unrestricted funds, which decreases \$4.9 million, or 9.4%. Restricted funds do not change at all.

Exhibit 8
Proposed Budget
St. Mary’s College of Maryland
(\$ in Thousands)

	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Adjusted*</u>	<u>2015</u> <u>Allowance</u>	<u>2014-2015</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$17,999	\$18,359	\$18,803	\$444	2.4%
HEIF	384	1,484	2,550	1,066	71.8%
Total State Funds	\$18,383	\$19,843	\$21,353	\$1,510	7.6%
Other Unrestricted Funds	44,699	52,515	47,581	-4,935	-9.4%
Total Unrestricted Funds	\$63,082	\$72,358	\$68,934	-\$3,424	-4.7%
Restricted Funds	3,517	4,200	4,200		0.0%
Total Funds	\$66,599	\$76,558	\$73,134	-\$3,424	-4.5%

HEIF: Higher Education Investment Funds

* Does not include institutional cost containment.

Note: Numbers may not sum to total due to rounding. Adjusted reflects a negative deficiency that removed funding for the Statewide Personnel System.

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 appropriation 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. As **Exhibit 9** shows, the estimated implicit price deflator for fiscal 2015 is 2.01%. The calculation for fiscal 2015 differs somewhat from prior years due to one-time tuition offset money from the HEIF added to the base in fiscal 2013 as well as the HEIF outside of the funding formula as mandated by HB 831 of the 2013 session. The newest HEIF allotment for SMCM is to freeze tuition at the fall 2012 rate and to expand the DeSousa-Brent program, which is discussed further in Issue 3 of this analysis. Finally, there is a new institutional grant this year in the budget of the Maryland Higher Education Commission (MHEC) for \$1.5 million for institutional stabilization. DBM has not restricted this funding for any particular purpose, and it is one-time only. For comparison, using the most recent actual, this grant is equivalent to 5.1% of total tuition and fee revenue in fiscal 2013. To be used, a budget amendment must transfer the funding to SMCM from MHEC. This grant will also be discussed in MHEC’s budget analysis.

Exhibit 9 Funding Formula and Other Appropriations Fiscal 2014-2015

	<u>2014</u>		<u>2015</u>	
Working Appropriation	\$18,425,157	Price Deflator	2.01%	
HEIF*	383,840	Formula Appropriation	\$19,187,058	
		HEIF	383,840	
		General Funds	18,803,218	
Appropriation for Inflation	18,808,997			
Tuition Freeze	800,000	Tuition Freeze	1,616,000	
DeSousa-Brent Scholars	300,000	DeSousa-Brent Scholars	550,000	
		Stabilization Grant**	1,500,000	
Total	\$19,908,997	Total	\$22,853,058	
		Year-to-year Change	\$2,944,061	14.8%

HEIF: Higher Education Investment Fund

*HEIF support is a fixed amount, although it is included in the total appropriation for formula inflation.

**This grant is in the budget of the Maryland Higher Education Commission.

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

The overall fiscal 2015 appropriation increases \$2.9 million, or 14.8%. This is the largest increase in State support SMCM has received since its funding formula began in fiscal 1992. **The President should comment on why the stabilization grant is necessary, as State funding would otherwise still increase \$1.4 million, or 7.3%, in fiscal 2015. The President should also comment on what the funds will be used for in fiscal 2015 given that it is one-time funding.**

Changes by Program

Unrestricted fund changes by budget program are shown in **Exhibit 10**. Academic support, operation and maintenance of plant, and instruction all decrease 3.2%, 1.0%, and 0.6%, respectively, due to the decline in enrollment and ongoing cost containment efforts by the college. Auxiliary enterprises decrease \$3.8 million, or -20.5%, to account for changes in student enrollment and realigning expenditures with projections. Institutional Support and Scholarship funding increases, mostly due to the aforementioned increase in funding for the DeSousa-Brent program. In total, expenditures fall \$3.4 million, or 4.7%, in fiscal 2015. However, the fiscal 2014 working does not reflect institutional cost containment actions.

Exhibit 10
Budget Changes for Current Unrestricted Funds by Program
Fiscal 2013-2015
(\$ in Thousands)

	2013 Actual	2014 Working	2013-14 % Change	2015 Adjusted	2014-15 \$ Change	2014-15 % Change
Expenditures						
Instruction	\$21,015	\$22,182	5.5%	\$22,058	-\$123	-0.6%
Public Service	139	98	-29.7%	98		0.0%
Academic Support	2,187	2,253	3.0%	2,180	-73	-3.2%
Student Services	5,701	5,717	0.3%	5,791	74	1.3%
Institutional Support	11,406	12,116	6.2%	12,353	237	2.0%
Operation and Maintenance of Plant	4,924	5,004	1.6%	4,953	-50	-1.0%
Scholarships and Fellowships	6,075	6,530	7.5%	6,780	250	3.8%
Subtotal Education and General	\$51,447	\$53,899	4.8%	\$54,213	\$315	0.6%
Auxiliary Enterprises	11,635	18,526	59.2%	14,721	-3,805	-20.5%
Statewide Cost Containment		-66			66	-100.0%
Total	\$63,082	\$72,358	14.7%	\$68,934	-\$3,424	-4.7%
Revenues						
Tuition and Fees	\$29,128	\$27,568	-5.4%	\$27,976	\$408	1.5%
General Funds	17,999	18,359	2.0%	18,803	444	2.4%
Higher Education Investment Fund	384	1,484	286.6%	2,550	1,066	71.8%
Other	454	654	44.2%	654		0.0%
Subtotal	\$47,965	\$48,065	0.2%	\$49,983	\$1,918	4.0%
Debt Service	-3,553	-32	-99.1%	-232	-200	624.3%
Auxiliary Enterprises	19,740	18,532	-6.1%	19,182	650	3.5%
Transfers (to) from Fund Balance	-1,069	5,793	-641.8%	0	-5,793	-100.0%
Total	\$63,082	\$72,358	14.7%	\$68,934	-\$3,424	-4.7%

*Does not include institutional cost containment.

Source: Governor’s Budget Books, Fiscal 2015

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On the revenues side, tuition and fee revenue is expected to grow \$0.4 million, or 1.5%, as fee rates and enrollment are expected to increase slightly in fall 2014. Overall, FTES peaked in fiscal 2010 at 2,190 and are budgeted at 1,879 in both 2014 and 2015, a 14.2% decline. Long term, SMCM would like to increase FTES to around 2,000, so that tuition revenue, if rates are not frozen, may increase moderately in the future. In all three years shown, SMCM's non-auxiliary revenues do not fully cover the education and general expenditures. However, from 2013 to 2015, auxiliary support of education and general expenditures increases from \$3.5 million to \$4.2 million. Such support at SMCM has been standard for many years. For comparison, auxiliary support in fiscal 2008 was about \$3.1 million.

Because the 2014 working budget does not yet reflect institutional cost containment, current budget information shows SMCM using approximately \$5.8 million in fund balance in fiscal 2014. SMCM reports that it will in fact use only about \$0.9 million leaving a fund balance at the end of 2014 of about \$5.8 million. As in prior years, SMCM does not plan for fund balance transfers in the allowance.

Debt service, which here also includes transfer to plant, is listed as a separate line in revenues because while it is budgeted and funded with unrestricted funds, the actual expense is eventually reclassified as a transfer between funds. In total, about \$3.5 million will be transferred to other funds, and about \$1.0 million will be transferred to fund balance. This line in the revenues ensures that the total revenues equal total expenses. Similarly, in 2014, debt service of about \$3.2 million is budgeted as an expense within auxiliary enterprises. It will be reclassified as a transfer between funds at the end of fiscal 2014. For this reason, fiscal 2013 does not have the debt service expense anymore, while 2014 has debt service budgeted.

Issues

1. Meeting College Expenses

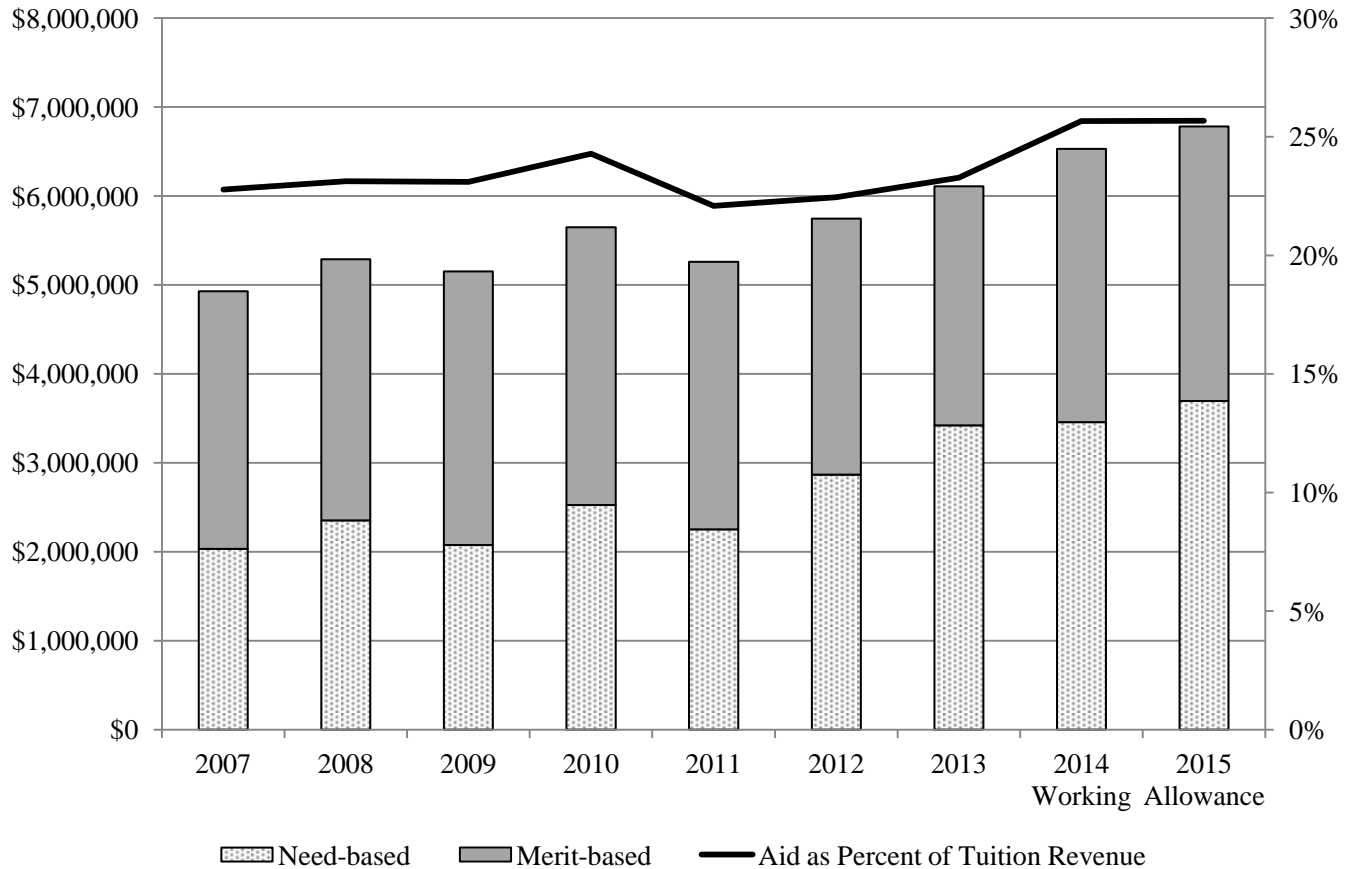
The lack of financial resources frequently contributes to a student's decision to stop or drop out of college. As the costs of a college education continue to escalate, students and families are relying more on various types of financial aid, *e.g.*, federal, State, and institutional, to effectively bring down the cost of college. According to the National Center for Education Statistics' College Navigator, the total cost for a FT/FT Maryland undergraduate student attending SMCM in fiscal 2012 was \$28,860 (based on tuition, mandatory fees, books and supplies, other expenses, and the weighted average of room and board). However, when accounting for the average amount of federal, State, and institutional aid, the average cost of attendance was \$19,153, a 33.6% reduction in the net cost of attendance.

SMCM is the most expensive public college in Maryland. According to the Department of Education's College Affordability and Transparency Center, SMCM has the sixth highest tuition rate in the country and the fourth highest net cost for a public institution. It fell one place in both categories from the prior year. During the State's tuition freeze from fall 2007 to 2010, SMCM was the only institution not to receive general funds in exchange for leaving tuition rates unchanged at the fall 2006 rate, but it did freeze tuition in fall 2013. The college also plans to freeze tuition in fall 2014. However, SMCM's fall 2014 tuition and fees rate of \$14,969 is \$4,571 more than the next most expensive State institution.

Fifteen percent of SMCM's undergraduate students receive Pell awards which are given to those that could not otherwise afford college and have an Expected Family Contribution (EFC) of less than a specific amount, which was \$5,645 in fiscal 2014. EFC is an indicator of the amount a family is required to contribute to pay for a student's college education; therefore, the lower the EFC, the greater the financial need.

SMCM increased total expenditures on institutional aid by 24.0%, or \$1.2 million, between fiscal 2007 and 2013, as shown in **Exhibit 11**, with the largest gains in fiscal 2010 and 2012. Of this increase, \$1.4 million was expended on need-based grants, while institutional scholarships actually decreased \$0.2 million, or 7.3%. The ratio of institutional aid to undergraduate tuition revenue has varied slightly over the years from 22.1% in fiscal 2011 to 25.7% in fiscal 2014. This calculation excludes the increase in DeSousa-Brent funding in 2014 and 2015 because that funding comes from HEIF, rather than tuition revenue. DeSousa-Brent is discussed further in Issue 3.

Exhibit 11
Total Institutional Aid
Fiscal 2007-2015

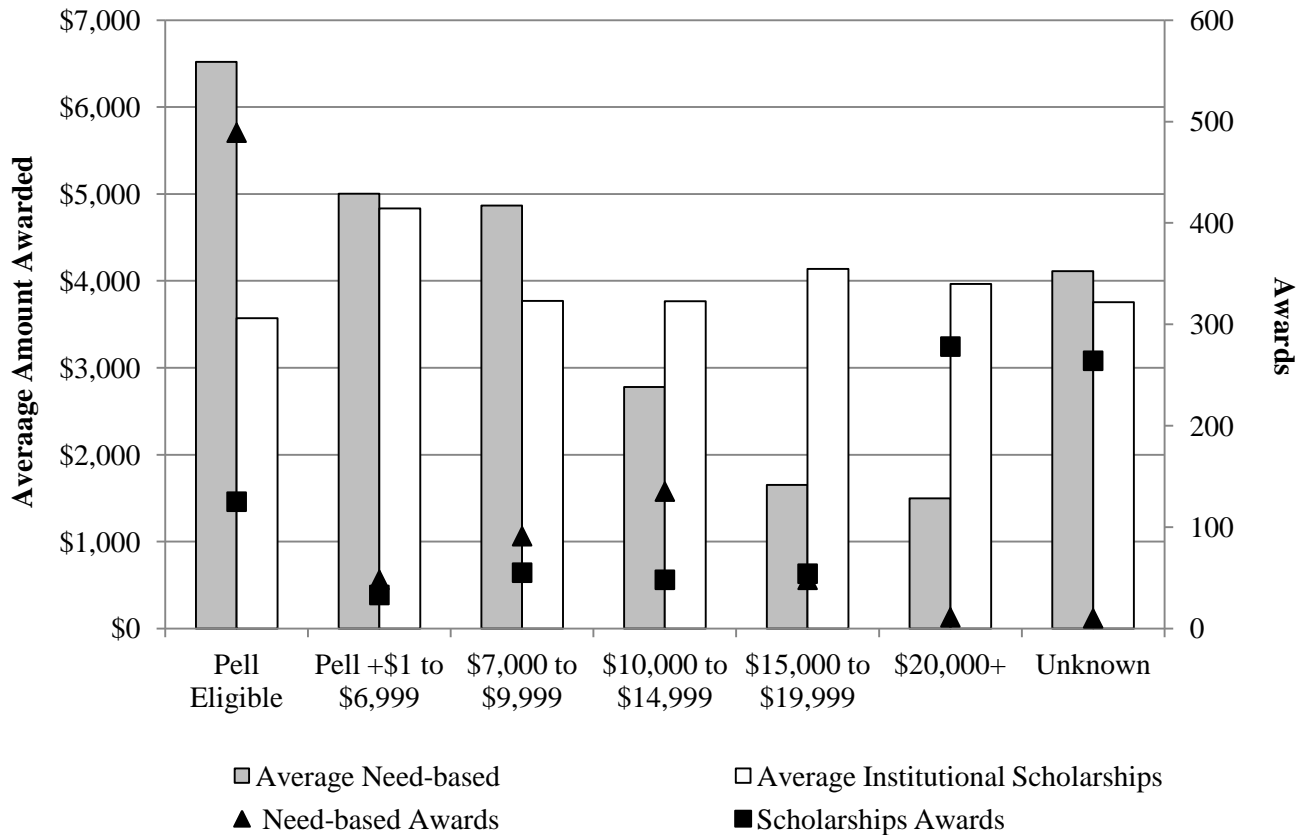


Note: Fiscal 2014 and 2015 are estimates.

Source: St. Mary’s College of Maryland for 2013-2015; Maryland Higher Education Commission for 2007-2012

In fiscal 2012, institutional aid was split almost evenly 50/50 between need-based aid and merit-based aid. As shown in **Exhibit 12**, most need-based aid goes to Pell-eligible students, and decreasing amounts get awarded as EFC increases. In fiscal 2012, Pell students received 65.0 and 13.0% of need-based aid and scholarships awards, respectively. Of the total number of need-based aid awarded, 24.5% went to those with an EFC of \$10,000 or higher, although the average amount of the award was substantially less than those with lower EFCs. The highest average scholarship award of \$4,834 went to those with an EFC of Pell + \$1 to \$6,999, a group that often times misses out on large financial aid awards due to being just over the Pell cutoff.

Exhibit 12
Number and Average Amount of Institutional Aid Received Per Recipient
Fiscal 2012

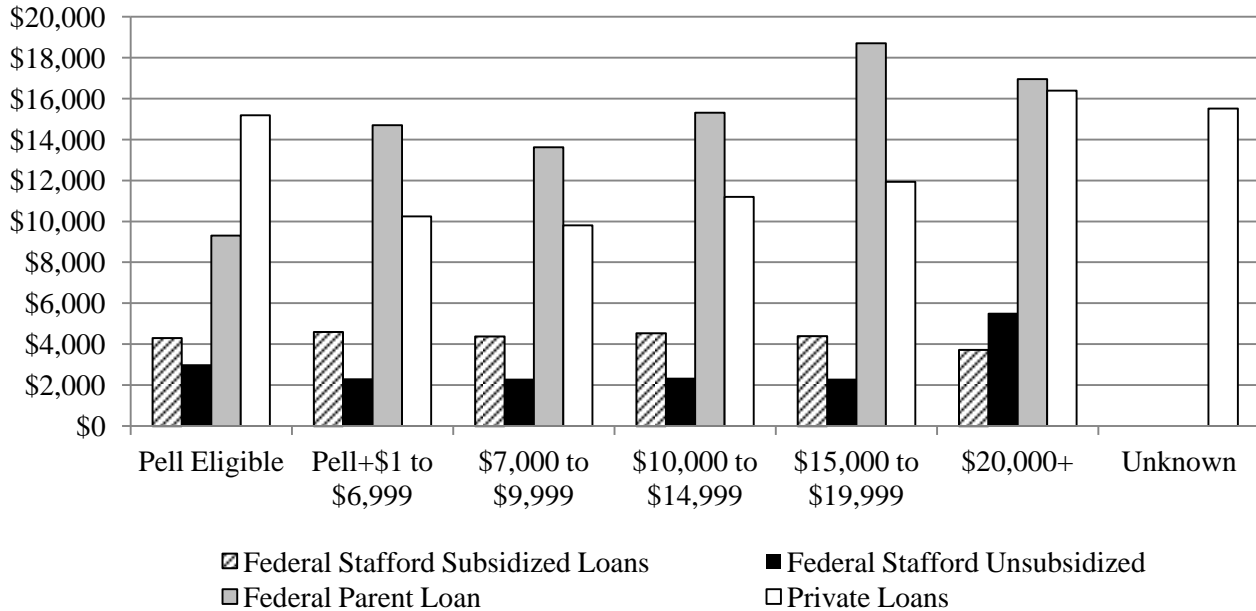


Source: Maryland Higher Education Commission

While the students with the greatest financial need typically receive Pell and institutional aid, it is still not enough to cover the costs of college. As shown in **Exhibit 13**, students in all EFC categories take out various types of loans to finance their education. There are three types of loans:

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

Exhibit 13
Mean Loan Amount by Type and Expected Family Contribution
Fiscal 2012



Source: Maryland Higher Education Commission

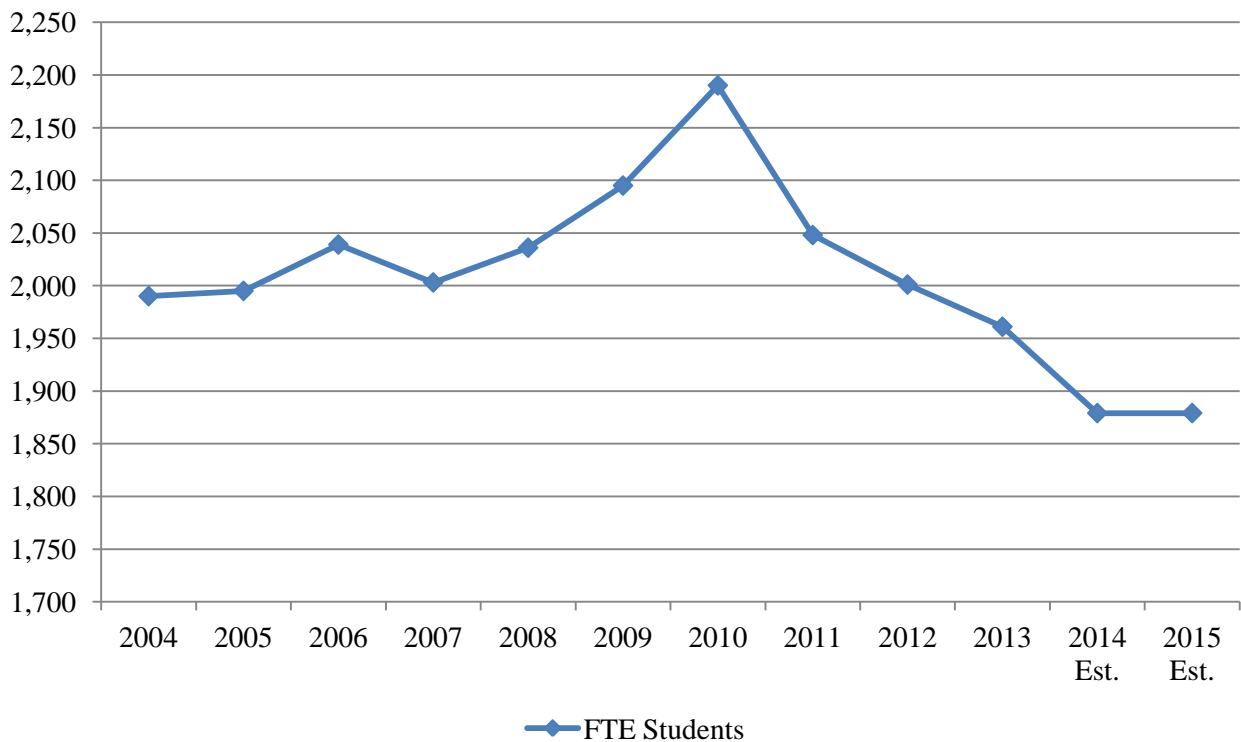
In fiscal 2012, of the 307 Pell eligible students, 68.8 and 55.1% used a Stafford subsidized and unsubsidized loan, respectively, to help pay for their education with the average loan of \$4,300 and \$3,000 for each loan, respectively. On average, the highest loans taken out for all EFC categories were the federal Parent PLUS and private loans, which is similar to other Maryland institutions. About 23.8% took out PLUS loans, but only 3.8% took out private loans.

2. Enrollment Decline Continues

Fall 2013 headcount enrollment at SMCM fell 3.8%, versus a 1.6% decline statewide at public four-year institutions. MHEC’s opening fall 2013 enrollment data indicates SMCM full-time undergraduate students, the bulk of enrollment, fell 4.1% to 1,762. Part-time and graduate enrollment make up a very small number of students at the college, less than 100 students, so those populations are excluded here. FT/FT students fell about 8.6%, from 419 to 383, while in the prior year, FT/FT students had decreased 7.9%. 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 105 FT/FT students, or 21.5%, mostly in the past two cohorts. In the long run, MHEC’s enrollment headcount forecast is for SMCM to reach a steady state in fall 2017 with about 1,900 undergraduate students and about 60 graduate students.

Exhibit 14 shows FTE student enrollment at SMCM. From fiscal 2007 to 2010, SMCM experienced growth of 187 FTE students, or 9.3%. However, since fiscal 2010, enrollment has declined 311 FTE students, or 14.2%. The fiscal 2015 allowance assumes that SMCM’s enrollment stabilizes at the fiscal 2014 level of 1,879 FTE students. This would place the college over 100 FTE students below its fiscal 2004 enrollment, a sizable change for a small liberal arts college.

Exhibit 14
FTE Student Enrollment
Fiscal 2004-2015



FTE: full-time equivalent

Source: Maryland Higher Education Commission; Department of Budget and Management

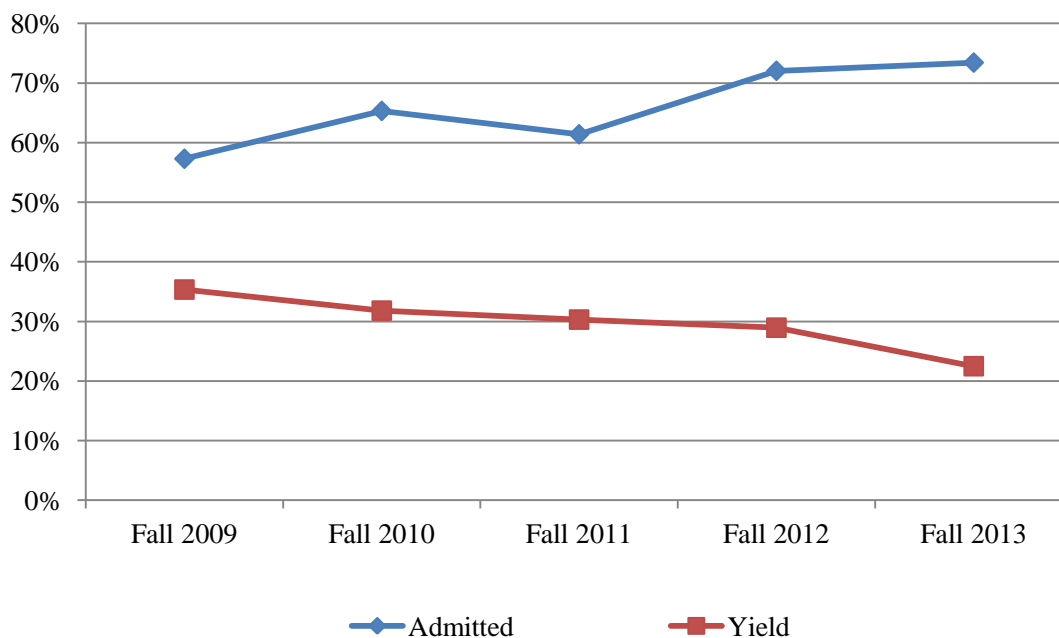
While SMCM began accepting the Common Application (Common App) for students applying to enroll in fall 2012, the application cycle did not go as planned. **Exhibit 15** shows self-reported admissions data from the applications cycles applying for entry to fall 2009 through fall 2013. Despite joining in the Common App, applications for fall 2012 actually declined by almost 400, or about 16%. From fall 2009 to fall 2013, the total number of applicants has decreased 3.7% while the number admitted has grown over 23%. As shown in **Exhibit 16**, the yield, or percent of admitted students who choose to enroll at SMCM, declined from 35 to 22%. Additionally, in the fall 2009 cycle, about 72% of qualified applicants who were offered a position on the waitlist accepted; in fall 2013, only 18% accepted a spot on the waitlist. This indicates that students increasingly prefer to decide on the college of enrollment much earlier in the admissions cycle. While some of these changes are due to the increasing number of schools that students apply to, so as to compare multiple financial aid offers, it appears as if SMCM may not be the first choice school for many students. Additionally, the average Scholastic Aptitude Test (SAT) score of enrolling students has declined in 7 of the past 10 years of available MHEC data.

Exhibit 15
Admissions Data
Fall 2009-Fall 2013

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	# Change <u>2009-10</u>	% Change <u>2009-10</u>
Applicants	2,411	2,133	2,398	2,010	2,321	-90	-3.7%
Maryland Resident	1,887	1,674	1,881	1,556	1,883	-4	-0.2%
Out of State	524	459	517	454	438	-86	-16.4%
Admitted	1,381	1,393	1,472	1,448	1,704	323	23.4%
Maryland Resident	1,057	1,077	1,143	1,117	1,395	338	32.0%
Out of State	324	316	329	331	309	-15	-4.6%
Yield	488	443	446	419	383	-105	-21.5%
Maryland Resident	413	376	377	357	343	-70	-16.9%
Out of State	75	67	69	62	40	-35	-46.7%
Qualified Applicants Offered a Place on the Waiting List	206	366	254	172	246	40	19.4%
Number Accepting a Place on the Waiting List	148	95	153	55	44	-104	-70.3%
Number of Wait-listed Students Admitted	70	36	40	35	43	-27	-38.6%

Source: St. Mary’s College of Maryland

**Exhibit 16
Admission and Yield Rates
Fall 2009-Fall 2013**



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

Source: St. Mary’s College of Maryland

SMCM also reports that the leading competition for students is 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 private colleges are Washington College, the College of William and Mary, and Johns Hopkins University. SMCM states that its short-term goal is to regain its enrollment to pre-2014 levels. It is projected that classes of 540 new students each fall over the next five years are necessary to return overall enrollment to the desired level. SMCM has no long-term plans to exceed 2,000 students.

SMCM’s President and chief admissions officer left the institution at the end of fiscal 2013. The college has also recently lost its directors for financial aid and institutional development. Interim President Ian Newbould began serving SMCM on July 1, 2013, on a one-year contract.

The President should comment on the timeline for interviewing and hiring a new President for SMCM.

Information shared with the Department of Legislative Services indicates that SMCM is taking the enrollment decline very seriously and had taken numerous actions to prepare for the fall 2014 admissions cycle. Application deadlines have been readjusted to be more in line with other Maryland public institutions, and notification dates have been moved up in order to be more competitive. Admissions teams will conduct more travel within Maryland, visiting every county and Baltimore City. Social media interactions have increased, and the college’s website was also completely redone in September 2013. SMCM has increased its target for transfer students in fall 2014 from 90 to 120. The college also signed a memorandum of understanding with the Department of Defense to better utilize veterans’ benefits. This is important due to the proximity of several military facilities in the region, such as the nearby Naval Air Station Patuxent River.

Additionally, institutional financial aid in fiscal 2014 is being reallocated to accommodate a larger number of students. Specifically, a greater number of small merit awards will be offered as a part of financial aid packages this year in lieu of fewer, larger merit awards last year. The challenge facing SMCM is to assure that the final out-of-pocket cost is lower, despite, as mentioned previously, the relatively high net cost of attendance. Extending merit awards to more students in the form of smaller awards will modestly shift resources toward more need-based packaging.

The President should comment on the number, quality, and counties of origin of applications under review for the fall 2014 admissions cycle. The President should also comment on any other significant changes SMCM is making to its admissions process.

3. Growth of DeSousa-Brent Program

SMCM reports that out of roughly 2,000 students, 21% are first-generation college students, 22% are minorities, and approximately 7% attended high schools with large populations of low-income students. Some of these students arrive underprepared for the SMCM honors curriculum, as suggested by low standardized test scores in the admissions process. In 2006, SMCM established College 101 to provide assistance to “at-risk” first-year students from urban public high schools in Maryland and Washington, DC.

College 101 offered a four-day summer orientation and a year-long two-credit seminar (one credit per semester) that provided students remedial instruction, academic support, and career preparation, but only in their first year of college. In 2008, SMCM re-conceived and renamed the program the DeSousa-Brent Scholars Program (DeSousa-Brent). The mission of the DeSousa-Brent is to cultivate the academic potential of talented students from underrepresented groups by emphasizing scholarship and campus leadership.

The DeSousa-Brent now 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 *Joint Chairmen's Report* item where SMCM reported that building up the DeSousa-Brent 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, new scholar enrollment rose 50% to serve a total of 45 scholars in fall 2013.

To date, these actions have culminated in an increase in first-year scholars' average first-semester grade point averages (GPA) from 2.90 to 2.95. Nine of the 45 first-year scholars (20%) made the Dean's List (GPA \geq 3.5), compared to only 4 of the 28 scholars admitted in 2012 (14%). The average cumulative GPA for scholars across all four years has increased slightly, from 2.82 to 2.86. Since 2006, 255 scholars have increased their mean first-semester GPAs from 2.55 to 2.95 and their second-year persistence rates from 79 to 90%. They have a four-year graduation rate of 54% and a six-year graduation rate of 85%. SMCM will 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.

As the increased funding from the DeSousa-Brent Completion Grant is contingent upon the performance of the fall 2015 scholar cohort, the President should comment on the likelihood of SMCM meeting this goal, given that the most recent data indicates that the general student body does not meet the retention and graduation requirements of the legislation.

The President should also comment on how lessons learned from the DeSousa-Brent program may be expanded to benefit the rest of the student body.

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

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

Fiscal 2013	General Fund	Special Fund	Federal Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Legislative Appropriation	\$18,074	\$0	\$0	\$51,838	\$69,912	\$4,200	\$74,112
Deficiency Appropriation	0	0	0	0	0	0	0
Budget Amendments	0	384	0	0	384	0	384
Reversions and Cancellations	-75	0	0	-7,139	-7,214	-683	-7,897
Actual Expenditures	\$17,999	\$384	\$0	\$44,699	\$63,082	\$3,517	\$66,599
Fiscal 2014							
Legislative Appropriation	\$18,425	\$384	\$0	\$52,515	\$71,324	\$4,200	\$75,524
Budget Amendments	0	1,100	0	0	1,100	0	1,100
Working Appropriation	\$18,425	\$1,484	\$0	\$52,515	\$72,424	\$4,200	\$76,624

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

Special funds increased by about \$0.4 million due to SMCM becoming eligible for the HEIF for the first time in fiscal 2013.

General funds decreased \$75,000 due to a fee for development of a new Statewide Personnel System. In fiscal 2013, the State spent approximately 48% of this major information technology project's appropriated budget, with the remainder reverted to the general fund.

At the close of the fiscal year, about \$7.1 million in unrestricted funds and \$0.7 million in restricted funds were unspent. About \$5.8 million in unrestricted funds were transferred to plant funds to support facility renewal projects, such as dormitory renovations, debt service, and loan payments, such as energy performance contracts. The remaining \$2.4 million represents a decrease in tuition revenue due to a decline in enrollment. The restricted funds represented funding supporting multi-year grants that are budgeted in full each fiscal year, as well as a decline in Pell grants. Multi-year grant funds were canceled but were re-appropriated in fiscal 2014.

Fiscal 2014

Special funds increased by \$1.1 million to reflect an action taken by the General Assembly to provide funds for a tuition freeze and to increase funding for the DeSousa-Brent Scholar Program.

Audit Findings

Audit Period for Last Audit:	April 19, 2009 – June 30, 2012
Issue Date:	November 2013
Number of Findings:	8
Number of Repeat Findings:	1
% of Repeat Findings:	12.5%
Rating: (if applicable)	

Finding 1: **The college did not establish independent online approval of certain critical transactions and did not ensure that user access capabilities were properly restricted.**

Finding 2: Certain security events were not logged and monitored, and certain individuals could make unauthorized changes to critical programs without detection.

Finding 3: The college’s contract with a cloud service provider did not properly protect the college against certain security and operational risks.

Finding 4: The college lacked assurance that all of its active computers were properly protected from malware.

Finding 5: Backup procedures for certain critical servers and network devices did not provide adequate safeguards in the event of a disaster.

Finding 6: Controls were lacking to ensure the propriety of refunds and non-cash credits.

Finding 7: Deposit verifications were not documented.

Finding 8: The college did not sufficiently verify food service contractor billings.

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

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

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	432.00	434.00	418.00	-16.00	-3.7%
02 Contractual	31.94	32.48	32.48	0.00	0%
Total Positions	463.94	466.48	450.48	-16.00	-3.4%
Objects					
01 Salaries and Wages	\$ 34,192,498	\$ 34,653,486	\$ 35,053,754	\$ 400,268	1.2%
02 Technical and Spec. Fees	3,965,948	4,257,779	4,541,821	284,042	6.7%
03 Communication	349,039	391,215	391,215	0	0%
04 Travel	2,036,663	2,998,310	2,925,386	-72,924	-2.4%
06 Fuel and Utilities	3,344,055	3,820,911	4,114,735	293,824	7.7%
07 Motor Vehicles	299,220	150,902	261,902	111,000	73.6%
08 Contractual Services	9,688,181	9,201,507	8,809,310	-392,197	-4.3%
09 Supplies and Materials	2,790,474	2,987,546	2,962,662	-24,884	-0.8%
10 Equipment – Replacement	492,878	388,647	342,383	-46,264	-11.9%
11 Equipment – Additional	806,907	1,076,262	907,819	-168,443	-15.7%
12 Grants, Subsidies, and Contributions	7,881,474	8,949,982	9,199,982	250,000	2.8%
13 Fixed Charges	498,572	3,569,781	3,275,957	-293,824	-8.2%
14 Land and Structures	252,918	4,177,810	346,698	-3,831,112	-91.7%
Total Objects	\$ 66,598,827	\$ 76,624,138	\$ 73,133,624	-\$ 3,490,514	-4.6%
Funds					
40 Unrestricted Fund	\$ 63,082,283	\$ 72,424,138	\$ 68,933,624	-\$ 3,490,514	-4.8%
43 Restricted Fund	3,516,544	4,200,000	4,200,000	0	0%
Total Funds	\$ 66,598,827	\$ 76,624,138	\$ 73,133,624	-\$ 3,490,514	-4.6%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Fiscal Summary
St. Mary's College of Maryland

<u>Program/Unit</u>	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Wrk Approp</u>	<u>FY 15</u> <u>Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15</u> <u>% Change</u>
01 Instruction	\$ 21,257,221	\$ 22,470,314	\$ 22,347,109	-\$ 123,205	-0.5%
02 Research	400,802	478,697	478,698	1	0%
03 Public Service	153,812	115,387	115,388	1	0%
04 Academic Support	2,212,567	2,283,142	2,210,409	-72,733	-3.2%
05 Student Services	6,113,040	6,209,822	6,283,924	74,102	1.2%
06 Institutional Support	11,830,587	12,623,321	12,860,157	236,836	1.9%
07 Operation and Maintenance of Plant	5,171,081	5,298,440	5,247,951	-50,489	-1.0%
08 Auxiliary Enterprises	11,635,425	18,525,536	14,720,509	-3,805,027	-20.5%
17 Scholarships and Fellowships	7,824,292	8,619,479	8,869,479	250,000	2.9%
Total Expenditures	\$ 66,598,827	\$ 76,624,138	\$ 73,133,624	-\$ 3,490,514	-4.6%
Unrestricted Fund	\$ 63,082,283	\$ 72,424,138	\$ 68,933,624	-\$ 3,490,514	-4.8%
Restricted Fund	3,516,544	4,200,000	4,200,000	0	0%
Total Appropriations	\$ 66,598,827	\$ 76,624,138	\$ 73,133,624	-\$ 3,490,514	-4.6%

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.