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St. Mary's College of Maryland
Response to the Department of Legislative Services
FY2015 Operating Budget Analysis

House Committee on Appropriations
Education and Economic Development Subcommittee
January 29, 2014

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Senate Budget & Taxation Committee
Senate Education, Business, and Administration Subcommittee
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Ian Newbould, Interim President
Chip Jackson, Vice President for Business and Finance

(This information may be found online at <http://www.smcm.edu/govtrelations/>)

Introduction

St. Mary's College of Maryland, located in Historic St. Mary's City, is designated the state's public honors college. The College's charter, established by the State of Maryland in 1992, provides both the promise of a public education affordable to all, thriving on diversity and the high standards of academic excellence. As always, the College is grateful to the Governor, the Legislature, and to the Maryland Higher Education Commission for their ongoing commitment to higher education and to St. Mary's College of Maryland.

The College had 1,789 full-time students enrolled for the fall 2013 semester and a FY14 unrestricted operating budget of about \$67.0 million, of which the State of Maryland provides approximately \$19.9 million as a general fund grant.

St. Mary's charter as a public honors college results from visionary legislation with two institutional goals that are frequently at odds with each other. As defined in the 1992 legislation that established the honors college, St. Mary's College is charged by the state of Maryland to provide both:

- (1) *the promise of public education affordable to all and thriving on diversity*, and
- (2) *high standards of academic excellence*

Supporting the two goals articulated by the state's vision for the College—the educational requirements of honors students and the promise of access—sets St. Mary's College uniquely in the state and national higher education sector. The College has been highly successful supporting state-wide college completion goals, with the highest 4-year graduation rate among Maryland publics, and was recently recognized as the third highest ranking institution nationally among small public colleges. The College also leads the state in graduation of diverse students.

Small Colleges with the Best 6-Year 2011 Graduation Rates

4-year public colleges		
Rank	Institution	Graduation rate within 150 percent of normal time to earn degree
1.	U.S. Coast Guard Academy	83.3%
2.	U.S. Merchant Marine Academy	79.8%
3.	St. Mary's College of Maryland	78.9%
4.	Alfred State College	74.8%
5.	Maine Maritime Academy	70.9%
6.	Virginia Military Institute	69.4%
7.	New College of Florida	67.9%
8.	Massachusetts College of Art and Design	67.8%
9.	U. of North Carolina School of the Arts	66.5%
10.	State U. of New York College of Environmental Science and Forestry	66.2%

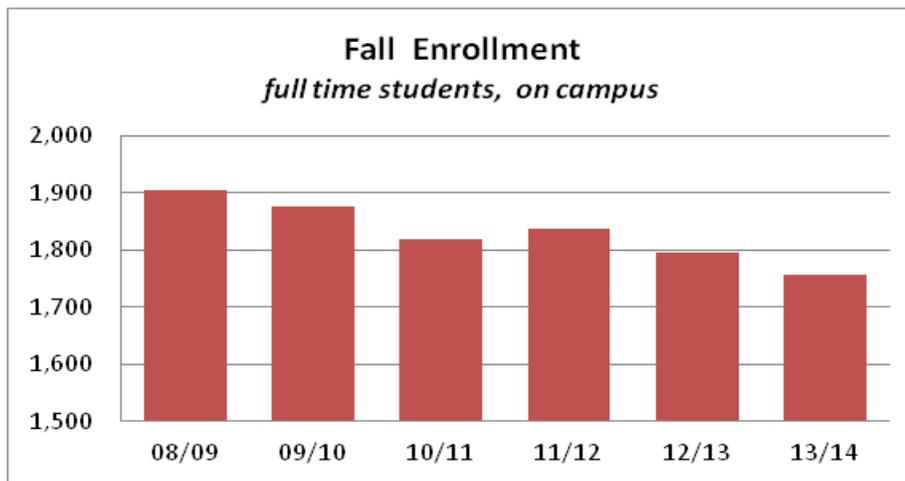
Source: Chronicle for Higher Education

Tuition Pricing

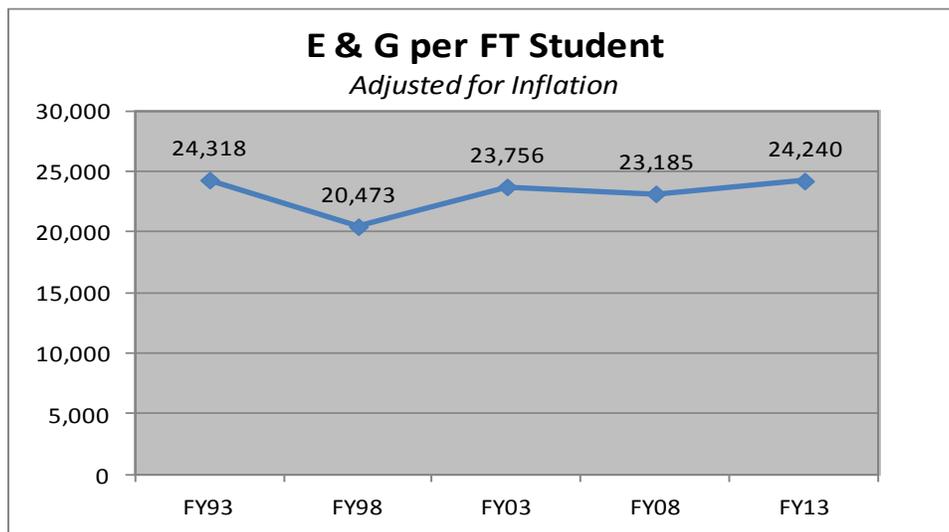
The dual mission of St. Mary's, however, places strains on both revenues and expenditures. Despite its success in supporting state-wide goals for higher education, access for Maryland residents to attend St. Mary's College has become ever more challenging due to the rise in tuition pricing. Tuition and fees for Maryland residents, at \$14,864, has risen to a level that is no longer affordable to many Maryland families.

The State's success in controlling tuition increases at USM institutions and Morgan State University has greatly improved college affordability state-wide, but has exacerbated the pricing differential compared to St. Mary's College. In-state tuition and fees at St. Mary's College are now \$5,702 (62%) higher than at College Park. The College appreciates last year's legislative action that provided funding to freeze tuition for two years. This action provides short-term relief and has temporarily halted the increasing disparity in pricing between the College and other Maryland public institutions.

Affordability, however, remains a significant long term challenge for students and their families. Following a period of significant growth prior to 2009, St. Mary's has experienced a five-year decline in admissions, as shown in the chart below. Research has indicated that the overall cost to attend St. Mary's is far and away the primary cause of this enrollment decline.



The College has strived to minimize tuition increases by managing costs while preserving the quality of the academic program. Over the years, many cost containment efforts have been successful, including controlling staffing costs, implementing energy conservation measures, and finding efficiencies throughout its programs. Overall, as shown in the chart below, the College’s Educational and General Expenses (E&G), adjusted for inflation and less College-funded aid, have increased a total of 3% over the past 20 years (0.2% per year), an increase of about \$46 per student per year. Clearly, tuition increases at the College have not been the result of spending “bloat.”

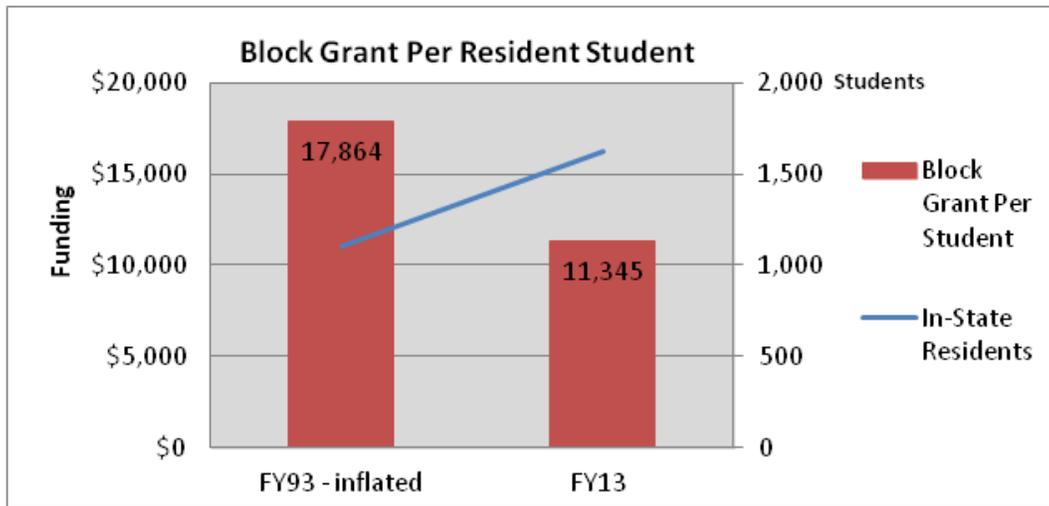


Tuition pricing and enrollment challenges are further addressed later in this report in the College’s response to questions raised in the budget analysis.

The Block Grant

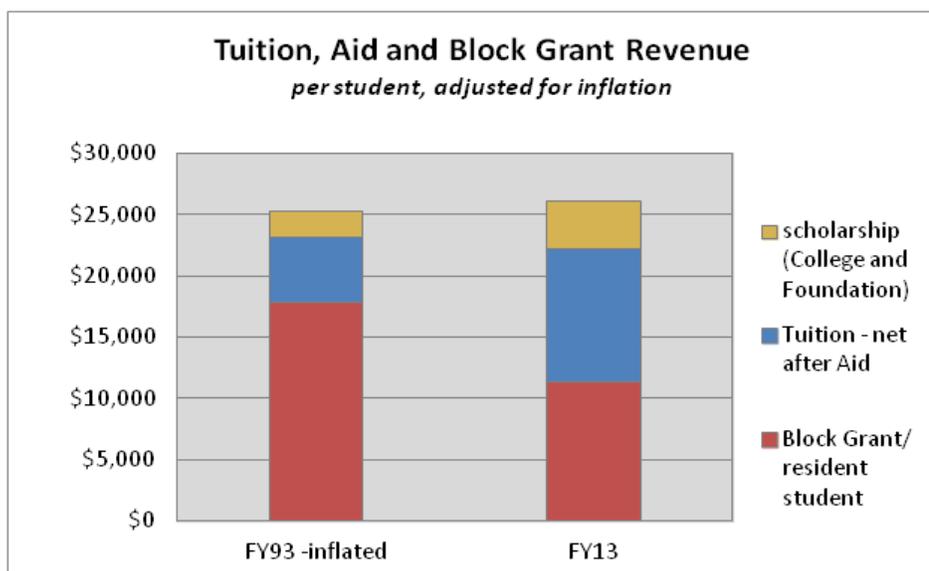
In response to the State’s plan to increase access to postsecondary education, the College significantly expanded enrollment over the past 20 years – growth that was not anticipated at the time of the 1992 legislation. Prior to recent enrollment declines due to rising tuition pricing, enrollment of full-time Maryland resident students increased from 1,104 to 1,627, an increase of 47% (nearly double the rate of increase for USM). Given that the Block Grant has remained

fixed except for inflation adjustments, the Block Grant now supports substantially larger number of Maryland resident students resulting in reduced State support per student. Since FY93, substantial enrollment growth at St. Mary's College has reduced the Block Grant per Maryland resident student by \$5,374 (32%).



Note: During the Glendening administration, the State agreed to increase the College's Block Grant to support increased enrollment. The initiative totaled \$1.5 million, of which \$0.8 million was provided in FY01/FY02 with the remainder to be funded in FY03/FY04. The initiative was reversed, however, in 2003 by the subsequent administration with the initial funds cut and anticipated additional funds cancelled.

As the Block Grant has decreased on a per student basis as enrollments grew, the College has relied on increased tuition to maintain its academic mission. In response, scholarship funds, through College resources and private support, have nearly doubled to address affordability. Over the past 20 years, increased tuition has replaced State support, putting a larger financial burden on Maryland's citizens who wish to attend St. Mary's College.



Since inception of the Block Grant, St. Mary's College has increased enrollment of Maryland resident students substantially more than the balance of the State's public institutions. The Block Grant did not envision such enrollment growth. As the College has had limited access to increasing funds due to the Block Grant, it has had to rely on increased tuition to replace declining State support. Despite efforts to increase scholarship and contain costs, tuition pricing has increased at rates that have had a significant impact on affordability. Recent enrollment declines mirror the rise in tuition rates. Overall, the decreased value of the Block Grant represents a significant challenge that threatens the College's ability to continue to meet its dual mission to provide "an excellent education to qualified Maryland students, regardless of their ability to pay."

Support for the Maryland State Plan for Postsecondary Education

The State Plan has enumerated key priorities: gaining national recognition for academic excellence, access and affordability, equal opportunity and diversity, student-centered learning, and promotion of economic growth.

Academic Excellence and Effectiveness

St. Mary's College is a charter member of the Council of Public Liberal Arts Colleges (COPLAC), the leading organization working to promote high quality liberal arts education through public institutions. National publications continue to highlight St. Mary's as one of the top liberal arts colleges nationally. Fifty-four percent of St. Mary's graduates pursue advanced degrees within five years after graduation and half of our graduating students participated in study-abroad programs.

Access and Affordability for All Marylanders

As tuition pricing has risen, St. Mary's has remained committed to access with institutional funding for aid growing faster than the rate of tuition and fees. 62% of the fall 2013 entering class received institutional financial aid, 45% of whom received need-based institutional grants. 93% of the students in the fall 2013 first-year class who were determined to have need received some form of institutional aid. Further, recent St. Mary's College students have graduated with the lowest debt among all Maryland four-year colleges, public or private.

Approximately 19% of our 2013 first-year class is comprised of "first generation" students. Approximately 24% of St. Mary's students receive a Pell Grant in their first year at the College. Current institutional financial aid for Pell Grant at entry students totals \$913,798 and the upcoming fundraising campaign will focus support for need-based financial aid.

Ensure Equal Opportunity for Maryland's Diverse Citizenry

St. Mary's College has made a significant impact in the reduction of the achievement gap with success in the recruitment and retention of students from disadvantaged backgrounds. Over the past five years, the average 6-year graduation rate for minority students is 72% compared to 80% for non-minority students. The current graduation rate for Pell Grant-at entry students is 64%.

Minority students represent 27% of the fall 2013 incoming class. This was largely achieved through granting a high level of institutional financial support. The recent expansion of the

DeSousa Brent Program has strengthened the College's ability to support at-risk students, which will have a positive effect on their completion rate. This is achieved with a strategic approach to advising and by addressing the college preparedness of these students. This program also uses leadership development as its platform to cultivate academic success.

Student-Centered Learning

St. Mary's remains one of the best liberal arts colleges in the nation through a student-centered academic program. The low student-to- faculty ratio and the focus on academic experiences has been the centerpiece to the academic life of our students. Approximately 87% of students live on campus, making the concept of a "living and learning community" a reality. Students participate in key governance decisions through membership on the Board, the Strategic Planning Committee, and through the Student Government Association.

There are 98 clubs and student organizations, many incorporating service learning projects with local non-profit organizations and schools. Students compete in 17 intercollegiate sports at the varsity level. The sailing team has won 15 national championships over the past 15 years and will host the 2014 National Championships on campus this spring. Women's soccer and men's basketball teams have made recent appearances in the NCAA Division III Tournament.

Promote Economic Growth, Advancement of Research, and Workforce Development

St. Mary's College's academic program includes highly rigorous and relevant programs in STEM fields of natural and physical sciences, math, and computer science. Over the past two years, the College has awarded 25% of its degrees in these STEM related fields, outpacing the state-wide average of 20%. Further, STEM degrees awarded to women and minorities are proportional to their populations.

St. Mary's works closely with the public school system and the nearby Patuxent River Naval Air Station to promote economic development and growth of a highly qualified workforce. The majority of students who graduate from the Master of Arts in Teaching program obtain positions in Maryland schools, primarily in the southern Maryland region. The College recently entered into an agreement with the Patuxent River Naval Air Station and the Patuxent Partnership to provide academic, research, and internship opportunities for students and faculty in the area of applied physics. Additionally, our faculty and students have partnered with a local aquaculture company through a Maryland Industrial Partnership grant to develop environmentally friendly oyster restoration processes.

Statewide attainment goal of 55% of residents holding a degree by 2025

St. Mary's primary contributions toward the attainment goal are our graduation rate and focusing our efforts on maintaining the time to degree at four years for our students. We offer an excellent academic experience and are third in the nation for our graduation rate, as shown in the chart below provided by the *Chronicle of Higher Education*. The relatively rapid progress toward degree demonstrated by our students increases the number of students we can serve, reduces the amount of state funds needed to deliver a degree, and relieves students and families of excessive debt incurred from extra years of study.

We are aware, however, that our recent enrollment decline creates challenges for us in our overall contribution to the state's goal. The College has mobilized to address recruiting

challenges, and will continue efforts to address tuition pricing to regain our prior enrollment levels in tandem with our retention and graduation strategies.

Operating Budget for FY 2015

For FY15 the College requests its annual inflator, which approximates \$378,000, as well as \$816,000 in HEIF funding to freeze tuition and \$250,000 for the DeSousa Brent Completion grant program as required by Senate Bill 828/House Bill 831.

In May of 2013 the College recognized a serious enrollment shortfall for the upcoming fiscal year. A campus-wide planning effort has reduced FY14 expenditure budgets by \$3.5 million, which includes the elimination of 16 vacant positions, as well as reductions to various program budgets, to align expenditures with the expected revenue levels. Updated FY15 budget estimates have been recently reduced by an additional \$1.3 million based on enrollment projections. The College is reducing expenditures to academic and support programs to meet the reduced revenue projection.

The Governor's proposed FY15 operating budget also includes a one-time "stabilization" grant of \$1.5 million.

Capital Budget for FY 2015

The College is very grateful to the Governor and the Legislature for the continued support of our capital improvement plan to address critical space needs. Phase I of the Anne Arundel Hall replacement project (FY14), which includes demolition of the existing building and construction of replacement parking, has begun. FY15 funds in the amount of \$17.9 million are requested for Phase II to construct the new Anne Arundel Hall, with the final \$10.2 million anticipated in FY16.

The new facility will accommodate the history, anthropology, archaeology, museum studies, and international languages and culture programs of the College. The building will also house staff, laboratories, and artifact curation space for Historic St. Mary's City. This space is critical to Historic St. Mary's City's accreditation by the American Association of Museums.

The College also requests capital funds in FY15 through FY20 to support design and construction of a new academic building and auditorium facility, and the relocation and expansion of new athletic fields displaced by the new building.

Lastly, our capital budget request includes \$10.5 million in FY15-FY18 to make much needed infrastructure improvements throughout the campus, including various renewal and site improvement projects.

Response to Analysts Operating Budget Questions

Question Page 7: 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.

Response: The faculty and staff at St. Mary's College are dedicated to the idea of inclusive excellence – an honors quality education for all students. Consequently, we have engaged in a

considerable amount of course redesign and faculty development to ensure that all students, including minority students, can be successful. Our DeSousa Brent Scholars program is but one of the many examples of strategies we have pursued to enhance the success of our students. We continue to strive to develop and sustain programs that foster student success for all St. Mary's students.

Question Page 9: 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.

Response: St. Mary's College has maintained outstanding success in degree completion as measured by the percent of entering cohorts graduating within 4 and 6 years. Declines in 2010 and 2011 in the number of degrees awarded per 100 FTES does not account for annual variation in class sizes and part-time versus full-time enrollments. The 2010 completion per 100 FTES corresponds to a relatively low entering class in fall 2006. Conversely, the higher completion in 2012 corresponds to a higher enrollment for the entering class of 2008.

Question Page 12: The President should explain what SMCM will do with this personnel funding that was not removed by a negative deficiency.

Response: The block grant has precluded the College from receiving increased state funding when personnel costs, such as cost of living adjustments and increased costs for health insurance. Therefore, to stay in line with that practice, funding should not be reduced when these costs increase at a lower rate than was anticipated. The \$190,000 theoretical savings is offset by the College's \$3.5 million expense reduction for FY14 due to enrollment shortfalls. Removing \$190,000 would likely result in requiring the elimination of an additional 3 – 4 permanent positions.

Question Page 13: 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.

Response: The proposed \$1.4 million increase includes St. Mary's College's annual inflator and the second year of funding as stated in Senate Bill 828/House Bill 831 to freeze tuition and continue implementation of the DeSousa Brent program. The tuition freeze funding provided in FY14 and FY15 has prevented further widening in the disparity in tuition pricing between St. Mary's and other Maryland public institutions, as a result of prior years of tuition relief funding not previously provided to the College. For comparison, St. Mary's tuition and fees (\$14,864) currently are \$5,702 (62%) more per year than the University of Maryland College Park (\$9,162.)

Recent research indicates that tuition pricing is the foremost factor in the College's recent decline in enrollment. For the fall 2013 admissions cycle, the majority of students that applied but declined acceptance stated that St. Mary's was not affordable. Surveys indicate that the College's high tuition cost is the primary reason students decline to enroll. Cost is also confirmed by admissions counselors as the primary concern raised by prospective students and their families who choose to attend other Maryland public institutions. Over the past 6 years, as

the price gap widened between St. Mary's and other Maryland public institutions, total enrollment has declined by 14% and the yield rate has declined from 35% to 22%.

In response to this decline in enrollment, St. Mary's has reduced its costs \$1.2 million in FY13, \$3.5 million in FY14, and projects a \$1.3 million reduction in FY15. These reductions, totaling 7% of its budget, have resulted in significant reductions; primarily in non-instructional programs in order to preserve the excellent academic program that produces the College's outstanding performance in most of Maryland's higher education goals. Continued enrollment challenges, however, will likely undermine this success in the future.

Reducing tuition pricing in order to restore enrollments and make St. Mary's College affordable for Maryland families is the College's highest priority for enhanced state funding. A one-time increase in funding should not be used to reduce tuition, as tuition would need to increase the subsequent year when the funding is no longer available. Similarly, St. Mary's College is not considering using the proposed \$1.5 million as one-time funds to avoid its projected FY15 budget shortfall as this would only postpone cost reductions to FY16. The \$1.5 million stabilization funds could be most effectively used for capacity building through investment in programs that will help long-term recruitment. Among options being considered are start-up funding for enhanced programs that may attract students who previously may not have considered St. Mary's College, facility enhancements, or buy-out funds to provide early retirement incentives to reduce the size of the faculty.

Question Page 22: The President should comment on the timeline for interviewing and hiring a new President for SMCM.

Response: The presidential search is well underway. Interviews are scheduled for February with final selection anticipated in early March 2014. The new president is expected to be in place by July or August of 2014.

Question Page 22: The President should comment on the number, quality, and counties of origin of applications under review for the fall 2014 admission cycle. The President should also comment on any other significant changes SMCM is making to its admissions process.

Response: The College has 1,663 applications for the fall of 2014, with applicants from each Maryland county. We are encouraged by the academic quality of the applicant pool, which is tracking to be approximately the same as previous years.

In response to our analyses of what occurred with our enrollment last year, we have made a number of significant changes in our admissions process: more personalized recruitment activities, refined financial aid policies, a substantially increased outreach to high schools and community colleges, and a concerted effort to focus on community college transfers. St. Mary's College is also continuing to work actively within underrepresented communities throughout the state to maintain our success in recruiting a diverse student body.

Question Page 23: 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.

Response: Senate Bill 828/House Bill 831 stipulates that funding for the DeSousa Brent program is contingent on our meeting certain targets for the cohort of DeSousa Brent students who begin in the fall semester of 2015. We continue to see these as attainable goals, both for the population of students in the program as well as for the College as a whole. The current year's second-year retention rate of 90% indicates that the College is making great progress towards meeting its goals.

Question Page 23: The President should also comment on how lessons learned from the DeSousa-Brent program can be expanded to benefit the rest of the student body.

Response: Currently, 20% of the entire faculty at St. Mary's is directly involved in the DeSousa Brent program, with representation from 90% of the academic departments. Staff from residence life, counseling, career services, and international education are also involved in supporting the DeSousa Brent program. Particularly on a small campus, this kind of extensive involvement in one program cannot help but expand beyond the borders of that program to benefit additional students. For instance, faculty members have learned how to engage in more intrusive advising to support the DeSousa Brent students; they utilize the same strategies and skills with their other students. We anticipate many such "spillover" effects as the DeSousa Brent program expands.