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St. Mary's College of Maryland
FY2016 Operating Budget Testimony

Senate Budget & Taxation Committee
Subcommittee on Education, Business, and Administration
February 6, 2015

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House Committee on Appropriations
Subcommittee on Education and Economic Development
February 9, 2015



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

Introduction – The Public Honors College

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. St. Mary's is one of only two public honors colleges in the nation.

Since the charter's inception, the College has thrived in the pursuit of its mission, with extraordinary successes in student achievement and college completion as well as in diversity. As a residential college with an academic program based on the liberal arts tradition, St. Mary's College maintains a low student-faculty ratio and a curriculum that develops higher-order thinking, creativity, and innovation skills. The College has 1,771 full-time students enrolled for the fall 2014 semester and an FY15 unrestricted operating budget of about \$68.0 million, of which the State of Maryland provides approximately \$22.7 million.

SMCM Mission

“We promote scholarship and creativity by challenging our students to achieve academic excellence through close relationships with faculty...

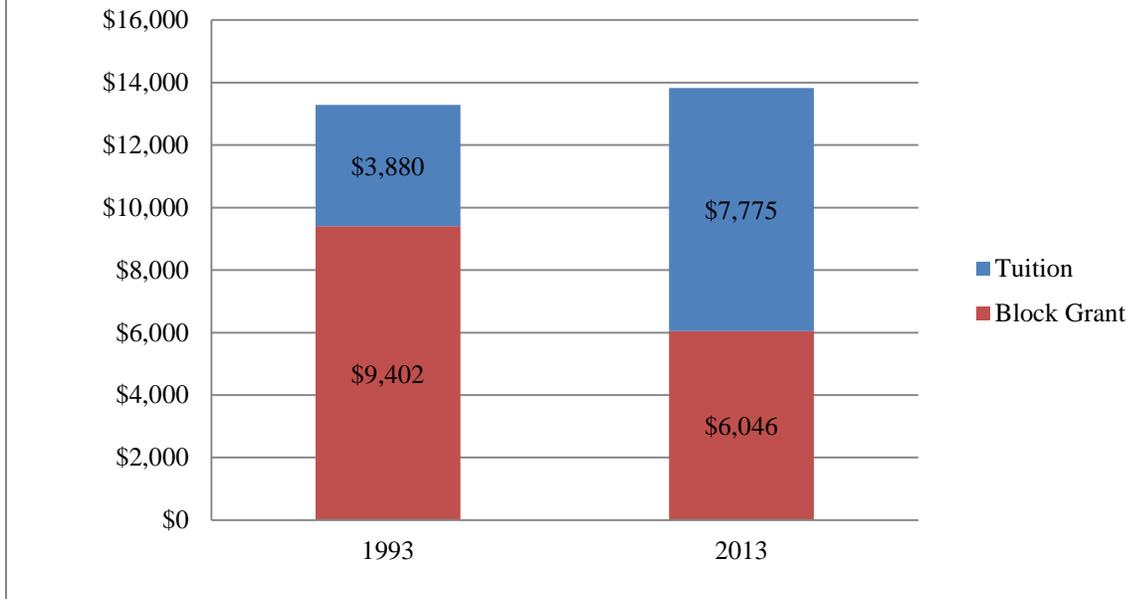
... within a community dedicated to diversity and accessibility.”

Supporting the two goals articulated by the State's vision for the College - the educational requirements of an honors program and the promise of access - places St. Mary's College in a unique position in the State and within the national higher education sector. St. Mary's has been highly successful in supporting State-wide goals with high retention and completion rates, a strong commitment to diversity, and by providing resources for students with financial need.

Funding Model – The Block Grant

The Block Grant, included within the 1992 legislation, created a new funding model. The legislation recognized that “greatly reduced or unstable level of financial support for the College could threaten this mission.” Unique within Maryland, and nationally, the formula was intended to provide predictable funding with each year's appropriation based on the previous year's funding plus an inflator. At the time of its inception, the Block Grant accounted for 47% of the College's operating budget. Over the next 21 years, a period of intense enrollment growth, State support of the College declined to a low of 27% of its budget. This substantial enrollment growth (45% since 1993) resulted in the College increasing tuition to replace State funds as shown in Exhibit 1.

Exhibit 1
Tuition and Block Grant Revenue
per student, adjusted for inflation



In recent years, the legislature has recognized the need to provide tuition relief to St. Mary’s similar to tuition relief funding that had been provided to other Maryland public institutions. Tuition relief funding received in fiscal years 2014 and 2015, totaling \$3.1 million, made it possible for the College to reduce tuition 8.5%, saving Maryland families more than \$2,000 per year.

General Assembly 2014
“It is the intent of the General Assembly that this funding be included within SMCM’s grant when calculating fiscal 2016 State support”

St. Mary’s College is deeply appreciative of the support of the Legislature and the Governor to reset the Block Grant through inclusion of tuition relief funding in FY15, the first permanent adjustment in 23 years. The additional State support has improved affordability for Maryland residents.

Academic Excellence and Effectiveness

The College has consistently been recognized as one of the top public liberal arts colleges in the nation. Our low student–faculty ratio provides for high impact learning experiences and extraordinary research opportunities for undergraduates. All students are required to participate in activities outside the classroom, such as internships and/or study abroad. Over 50% of our graduates continue their education after St. Mary’s in pursuit of graduate or professional programs.

High Impact Practices

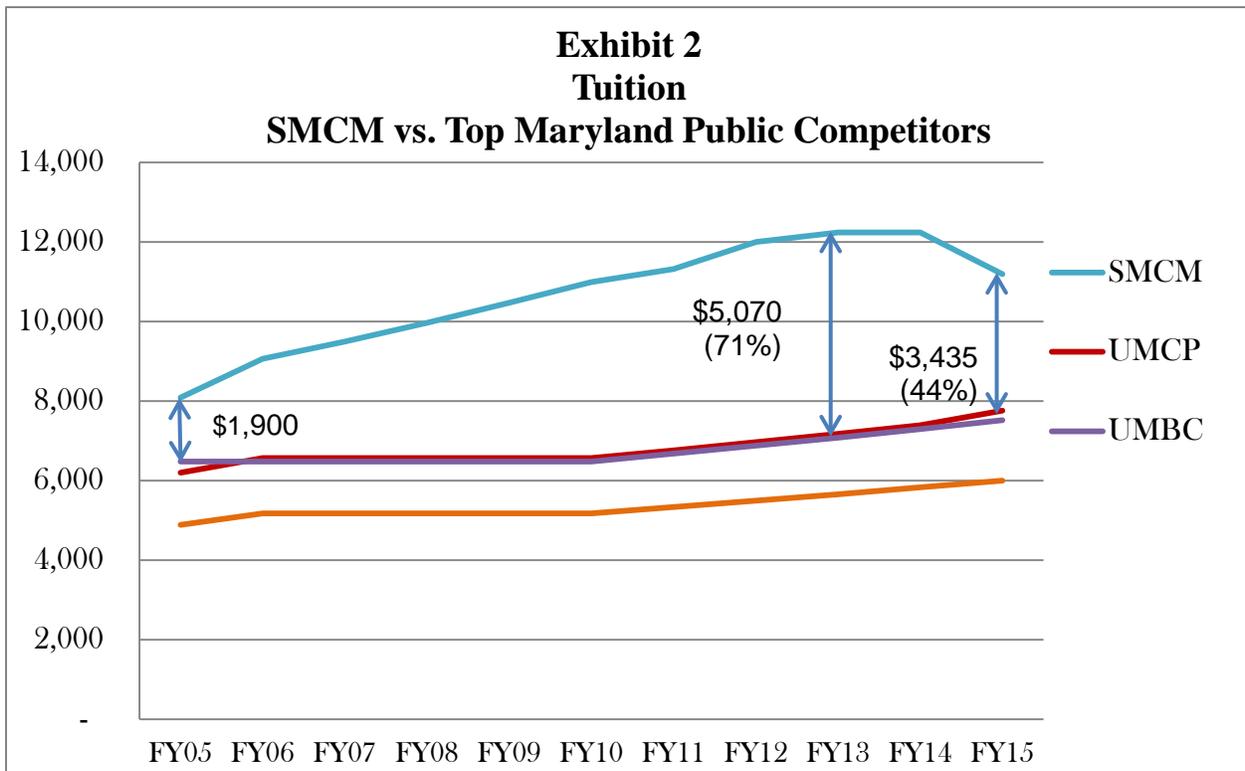
- 60% Study Abroad
- 58% Research with Faculty
- 77% Internships
- 75% Senior Capstone Project

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 focus on academic experiences has been the centerpiece of the academic life of our students. St. Mary’s academic program includes highly rigorous and relevant programs in every discipline. With 26 undergraduate programs and a Master of Arts in Teaching program, the College’s liberal arts curriculum develops higher-order thinking, creativity, and innovation skills. High impact practices include internships and extensive opportunities to perform research with faculty by 77% and 58% of our students, respectively.

Access and Affordability for All Marylanders

The reduction in tuition pricing in FY15, facilitated through State support, has made St. Mary’s more affordable for Maryland families. Maintaining in-state tuition of \$11,195 (equivalent to the 2010 price) requires a commitment to continue providing a robust financial aid program. Growth in institutional funding for aid has outpaced the rate of tuition and fees. For the fall 2014 entering class, 70% of students received institutional financial aid, 46% of whom received need-based *institutional* grants. Student debt upon graduation (\$23,834) remains below the state-wide, average (\$25,952) for public institutions. St. Mary’s relatively high 4-year graduation rate (67%) contributes to lower than average student indebtedness, as students are more likely to graduate on time. The default rate for St. Mary’s students is 1.5% compared to the national average of 14%.

Tuition stabilization funding from the State has made it possible to reduce the pricing disparity between St. Mary’s and other Maryland public institutions. As shown in Exhibit 2, tuition at St. Mary’s is now 44% higher than at UMCP and UMBC, down from 71% higher just two years ago.



Research conducted after the enrollment decline in 2013 indicated that affordability and cost were by far the most significant cause of students choosing another college over St. Mary’s. Specifically, more than half of the students who declined admission to St. Mary’s reported that the cost, after aid, was too expensive. Recent tuition relief funding from the State has been instrumental in making the College more affordable and was critical in stabilizing enrollment. In recognition of the need to continue enrollment stabilization efforts, in December 2014, the College’s Board of Trustees approved a 0% increase for both in-state and out-of-state students for FY16 (fall 2015).

Tuition Pricing

- No mid-year increase
- Tuition freeze continues for Fall 2015 (0% increase)

Retention and Completion

St. Mary’s College continues its remarkable achievements in supporting our students to persist and graduate, with two-thirds graduating within four years. The Chronicle for Higher Education reported last year that the College has the 3rd highest graduation rate nationally among small public colleges.

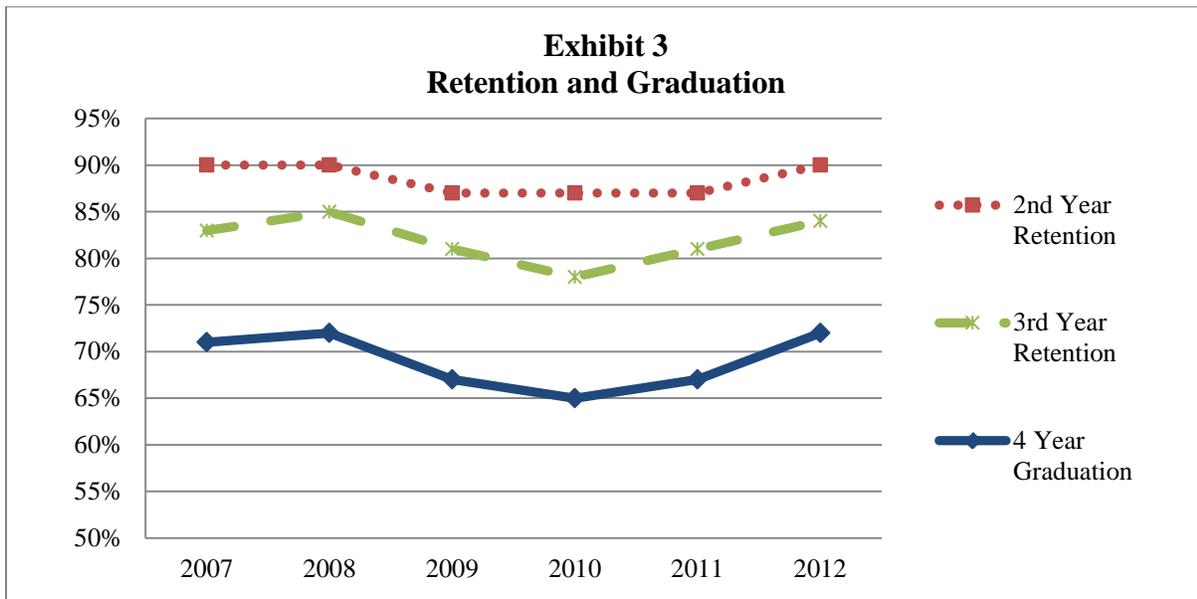
Graduation

3rd highest graduation rate among small public colleges (nationally)

DLS Question (page 9): President should comment on the sudden reversal in outcomes in the 2010 cohort’s retention and graduation rates.

The College is examining the characteristics of the fall 2010 cohort in order to understand what factors contributed to its decline. The College is in the second year of a reorganized, intrusive advising model to address one of the issues associated with student persistence – namely, connecting students with the campus support network early in their academic career. Additionally, we have invigorated an inclusive enrollment management committee tasked with better understanding the retention challenges and implementing strategies to address them.

The 2010 cohort’s low persistence and graduation rates appear to have been an anomaly, as the rates for 2011 and 2012 cohorts are comparable to those of previous years. As shown in Exhibit 3, the second-year retention rate for the 2012 cohort is 90% compared to 87% for the 2010 cohort. Similarly, the third-year retention rate for the 2012 cohort is 84% compared to 78% for the 2010 cohort. Our projected 4-year graduation rate for the 2012 cohort is 71%, comparable to the years preceding the 2010 cohort.



Equal Opportunity for Maryland’s Diverse Citizenry

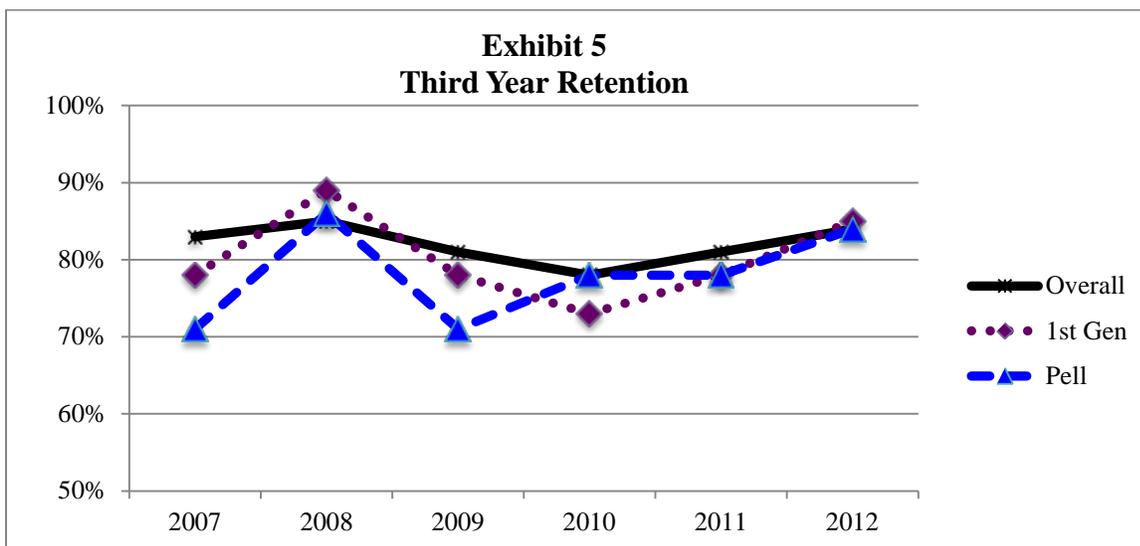
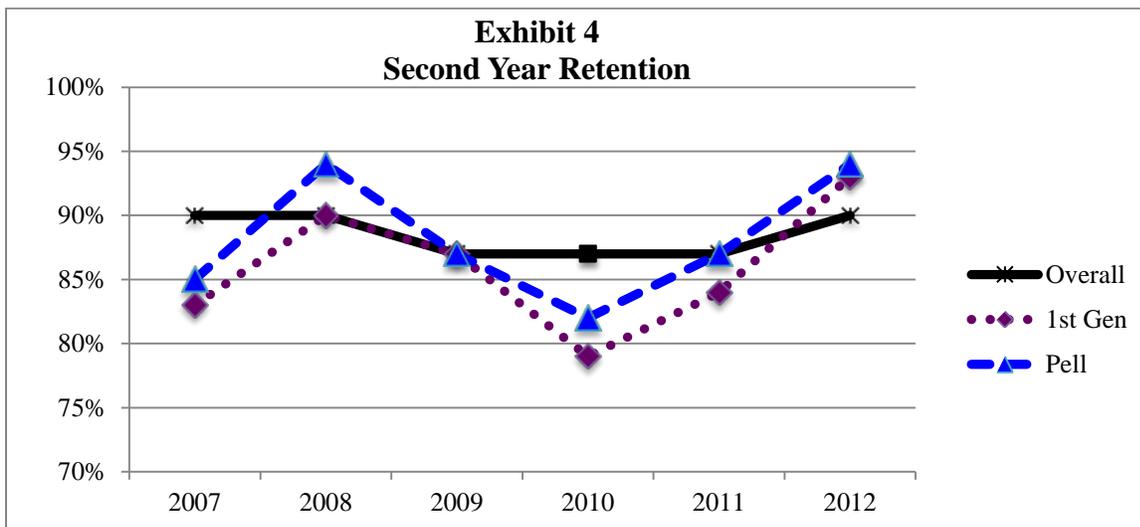
St. Mary’s College has made significant progress reducing the achievement gap with its success in the recruitment and retention of students from disadvantaged backgrounds. Over the past five years, the average 6-year graduation rate for minority students has been 72%, compared to 80% for non-minority students. Last year the 6-year graduation rate for minority students equaled the overall campus rate of 80%. This spring, we estimate that the 6-year graduation rate for minority students will be 84%, exceeding the rate for all students.

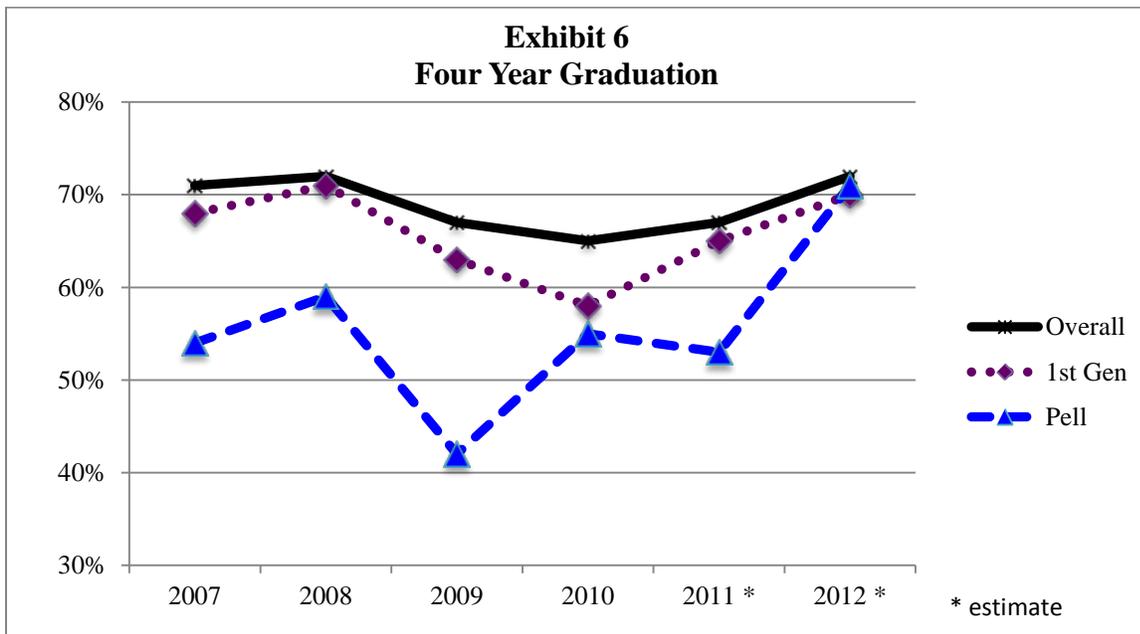
Minority students represent 31% of the fall 2014 incoming class. Recent expansion of the DeSousa Brent Scholars Program has strengthened the College's ability to support at-risk students, which will have a positive effect on their completion rate. This is achieved through a strategic approach to advising and by addressing the college preparedness of these students. This program also uses leadership development as its platform to cultivate academic success.

Achievement Gap

- *Minority 6-yr graduation rate now equals all students rate*
- *Minority 4-yr graduation rate highest in State*

In addition to the success of our minority students, our Pell-eligible and first generation students graduate comparably to all students. Exhibits 4, 5 and 6 illustrate retention and 4-year graduation rates of Pell-eligible and first generation students compared to the rates for all students.





Promote Economic Growth, Advancement of Research, and Workforce Development

St. Mary’s curriculum includes highly rigorous and relevant programs in the STEM fields of biological and physical sciences, as well as mathematical and computer sciences. Over the past two years, the College has awarded 26% of its degrees in these STEM-related fields.

St. Mary’s College works closely with the public school system and the nearby Patuxent River Naval Air Station to promote economic development and the growth of a highly qualified workforce. The majority of St. Mary’s College graduates from the Master of Arts in Teaching program are employed 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.

Enrollment

As noted previously, the College experienced enrollment declines beginning in fall 2011, primarily due to unsustainable tuition increases. In response to the enrollment situation, the College has revamped much of its recruiting practices and reduced tuition through tuition relief funding provided by the State. The entering class for fall 2014 stabilized after a sharp decline in 2013. Notably, the College has also increased its enrollment of transfer students (see response below).

The College is refining its financial aid practices to shape the student body and increase enrollments. As shown in Exhibit 10 of the Department of Legislative Services (DLS) analysis, St. Mary's has significantly increased financial aid over the past decade, with the increased aid going to need-based aid. As a result, need-based aid has doubled from \$2 million to approximately \$4 million per year. Proportionally, need-based aid has increased from 40% of all aid to 75% of all aid awarded.

Need Based Aid

- *need based aid doubled in past 10 years*
- *need based aid = 75% of all aid*

Merit aid, however, remains a significant and critical component of the College's aid program. As an honors college, St. Mary's must compete for the most capable students and uses merit aid to build the student body. Merit aid is awarded regardless of family income, resulting in highly capable students from low income families receiving generous need and merit financial aid.

Overall, the College projects that as first-year and transfer enrollment rebound over the next several years, overall enrollment will begin to increase as the smaller entering classes of 2013 and 2014 progress towards graduation.

DLS Question (page 25): The President should comment on the number and counties of origin of applications under review for the fall 2015 admissions cycle. The President should also comment on whether SMCM can grow enrollment if it focuses on enrolling only FT/FT students.

As shown in Exhibit 7, St. Mary's College has received applications from each county in the State of Maryland. The application deadline is February 15th. Consequently, many applications are still in progress.

Exhibit 7**Fall 2015 Maryland Applicants by County**

<u>County</u>	<u>Applicants</u>	<u>Applicants in Process</u>	<u>Totals</u>
Allegany	1	1	2
Anne Arundel	108	78	186
Baltimore	132	119	251
Baltimore City	49	62	111
Calvert	39	34	73
Caroline	16	5	21
Carroll	27	26	53
Cecil	15	5	20
Charles	27	26	53
Dorchester	1	2	3
Frederick	50	37	87
Garrett	1	0	1
Harford	33	24	57
Howard	88	90	178
Kent	4	3	7
Montgomery	295	273	568
Prince George's	67	110	177
Queen Anne's	12	9	21
St. Mary's	55	53	108
Somerset	1	2	3
Talbot	6	2	8
Washington	10	11	21
Wicomico	11	10	21
Worchester	5	6	11
Totals	1053	988	2041

The decline in high school graduates within Maryland is well documented. St. Mary's is working diligently to enroll FT/FT (first-timefull-time students) in order to maintain enrollments. The College realizes that it is essential to increase the matriculation of transfer students in order to enhance enrollment and to serve the growing community college population in Maryland. Efforts to build transfer enrollment include:

- Full-time recruiter solely dedicated to transfer recruitment
- Active recruiting at each community college in the state

- Established 11 transfer agreements with Maryland community colleges to date
- Negotiating program-to-program articulations
- Member of the registrar’s office dedicated to conduct transfer evaluations
- Creation of new transfer publications

The number of new transfers has grown from a yearly fall average of 82 to 102 in fall 2014, and from a mid-year average of 20 to 30 this spring (2015). Further growth is anticipated with a target of 110+ transfers for fall 2015. Exhibit 8 provides a list of fall 2014 transfers by county.

Exhibit 8	
Fall 2014 Maryland Transfers Enrolled by County	
<u>County</u>	<u>Number Enrolled</u>
Anne Arundel	9
Baltimore	4
Calvert	11
Carroll	2
Charles	6
Fredrick	3
Howard	3
Montgomery	19
Prince George's	6
St. Mary's	32
Talbot	1
Out-of-State	6
Total	102

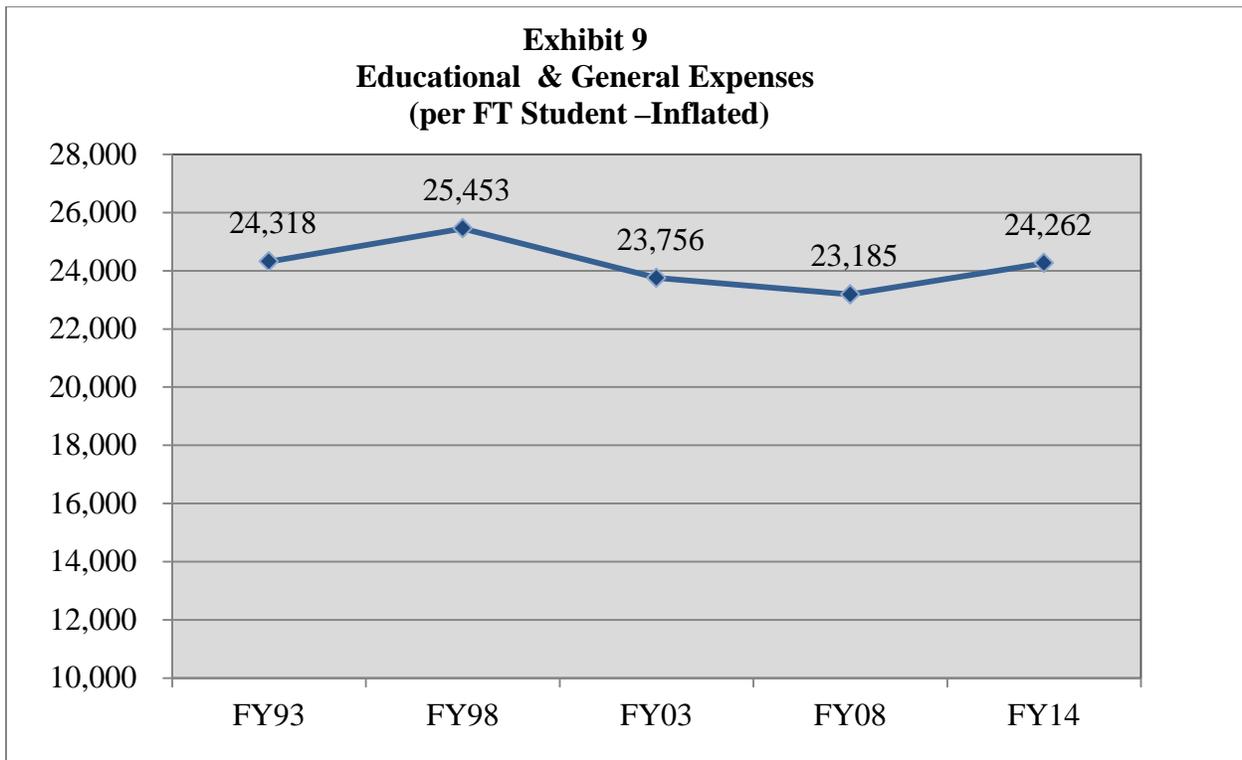
Budget – Cost Containment

Enrollment declines have had a sharp impact on College revenue due to reduced tuition and auxiliary revenue (e.g. room and board). The College has managed its finances, consistent with the Block Grant, by reducing expenses to balance its budget. Overall, in fiscal years 2014 and 2015, the College has permanently reduced its expenses by \$4.2 million including \$2.6 million in personnel reductions and cutting \$1.6 million in non-wage expenses. These permanent reductions total over 6% of the College operating budget.

Importantly, recent additional State funding for the DeSousa Brent Scholars Program and tuition relief has had no effect on the College’s budget challenge, both being a “wash” financially. The DeSousa Brent Scholars Program funding is performance-based with funding used to expand its service to underrepresented groups per legislative intent. Tuition relief funding from the State has replaced tuition revenue dollar-for-dollar.

For fiscal year 2016, the College’s decision to freeze tuition will result in a projected deficit of about \$0.8 million, assuming State support remains per the Governor’s proposed State appropriation. The College is currently in the process of identifying additional personnel and non-personnel reductions to balance its 2016 budget.

Overall, the College budget has remained essentially flat since inception of the Block Grant in 1992. As shown in Exhibit 9, Educational and General Expenses (E&G) in FY14 were less than FY93 on a per student basis. St. Mary’s College continues to conduct its highly successful academic program, student support services, and operations with high efficiency.



DLS Question (page 27): The President should comment on whether, given reduced tuition revenue, the college expects to balance its budget through a greater quantity of students in future fiscal years and what will occur if enrollment does not improve.

During this period of reduced tuition revenue, resulting from lower enrollments, the College has adjusted its budget each year by reducing expenses, predominantly through permanent measures. As enrollments stabilize and increase in the coming years, tuition revenue is expected to increase modestly to the level of supporting the College's expenses. In the event enrollments do not increase, then the College's efforts to reduce permanent expenses over the past few years will have served it well to structurally balance its budget to current enrollment levels moving forward.

Additionally, the College is preparing to expand its revenue streams to further support the College budget. Private support for both endowment and annual funds will increase as the President, and soon to be hired Vice President for Advancement, build fund raising capacity. Opportunities to increase levels of grant support and auxiliary activity are also being explored.

Operating Budget for FY 2016

For FY16, the College requests \$23.5 million in State funds including \$21.0 million in the general fund grant of which its annual inflator totals approximately \$0.5 million. Higher Education Investment Funds (HEIF) total \$2.5 million of which \$0.8 million represents the DeSousa Brent Scholars Program Completion Grant as required by Senate Bill 828 of 2013 and the balance representing recent tuition relief funds through FY15.

DLS Question (page 15): The President should comment on why the college should be realizing significant increases in State support given much lower support for other segments of higher education and declining enrollment at the college.

The relatively higher support compared to other institutions reflects four primary factors: tuition relief, the DeSousa Brent Scholars Program, the Block Grant, and wages.

- Tuition relief funding has only recently been provided to St. Mary's College - several years after similar funding was provided to USM and MSU. Specifically, the College's increased FY15 and FY16 State support includes \$3.1 million in tuition relief funding. Had these funds been provided to the College concurrently with other Maryland public institutions, the College's increases in FY15 and FY16 would be significantly reduced.
- State support for the DeSousa Scholars Program is structured as a performance- based model. Continued funding of this program is contingent upon the College meeting specific retention and graduation targets. Consequently, these funds are not considered part of the College's base funding increase.
- The Block Grant funding includes its normal inflator, totaling \$0.5 million in FY16 (2.28%).

- The proposed FY16 budget for the College excludes funding for wage increases and increments. Our funding appears relatively higher than other Maryland public institutions, in large part due to the back of the bill wage reductions that do not apply to the College. Consistent with the Block Grant, St. Mary's *does not receive* State funds for wage increases.

Further, the College will not provide funds for a COLA increase in FY16 as previously anticipated. The Governor's proposed budget includes a wage freeze that applies to higher education. The College's projected FY16 deficit of \$0.8 million incorporates the wage freeze.

Last, recent declines in enrollment should not affect the level of State support. Current enrollment, while lower than the College's peak enrolments in the mid 2000's, remains substantially higher than enrollment at the inception of the funding formula in 1992.

DLS Recommended Actions

1. Add the following language to the special fund appropriation:

Provided it is the intent of the General Assembly that St. Mary's College of Maryland receive a portion of any midyear reduction in Higher Education Investment Fund cost containment action in fiscal 2015 or later.

Concur

2. Add the following language to the unrestricted fund appropriation:

, provided that this appropriation made for the purpose of St. Mary's College of Maryland be reduced by \$538,525.

St. Mary's College opposes the recommended language to reduce its State appropriation.

As discussed above, the College's proposed FY16 budget includes funding that the Legislature and Governor have intended to become part of the College's Block Grant. The increase incorporates tuition relief funds that have been recently provided to the College. This increase occurred at a point that is much later than the tuition relief provided to other public institutions. The timing of this funding makes it appear that our FY16 increase is disproportionately higher than the other public institutions. The rationale to reduce our appropriation also considers defunding wage increases for which the College did not receive funding from the State. The College will not fund wage increases in FY16 as part of its internal budgeting.

The College took the bold step to freeze tuition in FY16, without consideration of new State funding. Our emphasis on affordability will result in an estimated \$0.8 million deficit for FY16, assuming the State appropriation is not reduced. Reducing our State appropriation will affect much of the extraordinary work of the Legislature the past few years and is contrary to the intended purpose of the College's Block Grant funding structure. We look forward to continuing to work with the Legislature to identify mutually beneficial ways to remain fiscally responsible while maintaining the education excellence demonstrated by St. Mary's College, a national leader in public higher education.

