

R14D00
St. Mary's College of Maryland

Operating Budget Data

	(\$ in Thousands)				
	FY 02	FY 03.	FY 04	FY 03 - 04	FY 03 - 04%
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>Change</u>
General Funds	\$14,722	\$15,058	\$14,316	-\$742	-4.9%
FY 03 Cost Containment	0	-527	0	527	
Contingent & Back of Bill Reductions	0	-678	0	678	
Adjusted General Funds	\$14,722	\$13,853	\$14,316	\$463	3.3%
Other Unrestricted Funds	21,357	25,333	27,359	2,026	8.0%
Total Unrestricted Funds	\$36,079	\$39,186	\$41,675	\$2,488	6.4%
Restricted Funds	3,662	3,600	3,600	0	
Adjusted Grand Total	\$39,741	\$42,786	\$45,275	\$2,488	5.8%

- Fiscal 2003 cost containment reduces general fund appropriations by \$1,205,000, or 8%.
- Current unrestricted funds increase \$2.5 million, or 6.35%.
- Current restricted funds remain flat funded at \$3.6 million.

Personnel Data

	FY 02	FY 03	FY 04	Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	
Regular Positions	396.00	396.00	396.00	0.00
Contractual FTEs	24.67	22.37	23.40	1.03
Total Personnel	420.67	418.37	419.40	1.03

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	0.00	0.00%
Positions Vacant as of 09/31/02	8.00	2.02%

- No budgeted turnover appears for fiscal 2004 because St. Mary's does not use the same turnover formula as other State agencies.

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

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Analysis in Brief

Issues

Intent of Budget Bill Language: Include or Exclude St. Mary's?: The State's fiscal crisis led the General Assembly to place restrictive language in the back of the bill regarding personnel issues. The provisions for higher education institutions specifically included the University System of Maryland but made no mention of St. Mary's. A resulting disagreement ensued during the interim about whether or not the restrictions should apply to St. Mary's, or if the school's statute renders it exempt.

Recommended Actions

	<u>Funds</u>
1. Reduce general funds	\$ 463,000
Total Reductions	\$ 463,000

R14D00
St. Mary's College of Maryland

Operating Budget Analysis

Program Description

St. Mary's College of Maryland (SMCM) is Maryland's only public, co-educational, liberal arts honors college. The college offers an array of baccalaureate degrees in the arts and sciences. Since gaining autonomy in 1991, St. Mary's has been ranked consistently in the *U.S. News and World Report* as one of the best educational bargains and one of the top regional liberal arts colleges. It was recently ranked among the top 25 liberal arts colleges in the nation.

As an honors college, St. Mary's strives to offer its students an educational experience that goes beyond traditional course-based study to foster independent learning and a link between curricular and extra-curricular activities and interests. St. Mary's includes civic responsibility as a cornerstone of its academic and extra-curricular programs.

Performance Analysis: Managing for Results

The performance measures for Maryland's four-year public colleges and universities focus on graduation and retention rates for all students and African American students. Due to the shortage of workers in critical fields such as nursing and teaching, higher education institutions are placing importance on tracking students graduating from and entering the workforce in those fields. The following discussion of performance measurement tracks progress over a period of years and compares St. Mary's to its nationwide peer group.

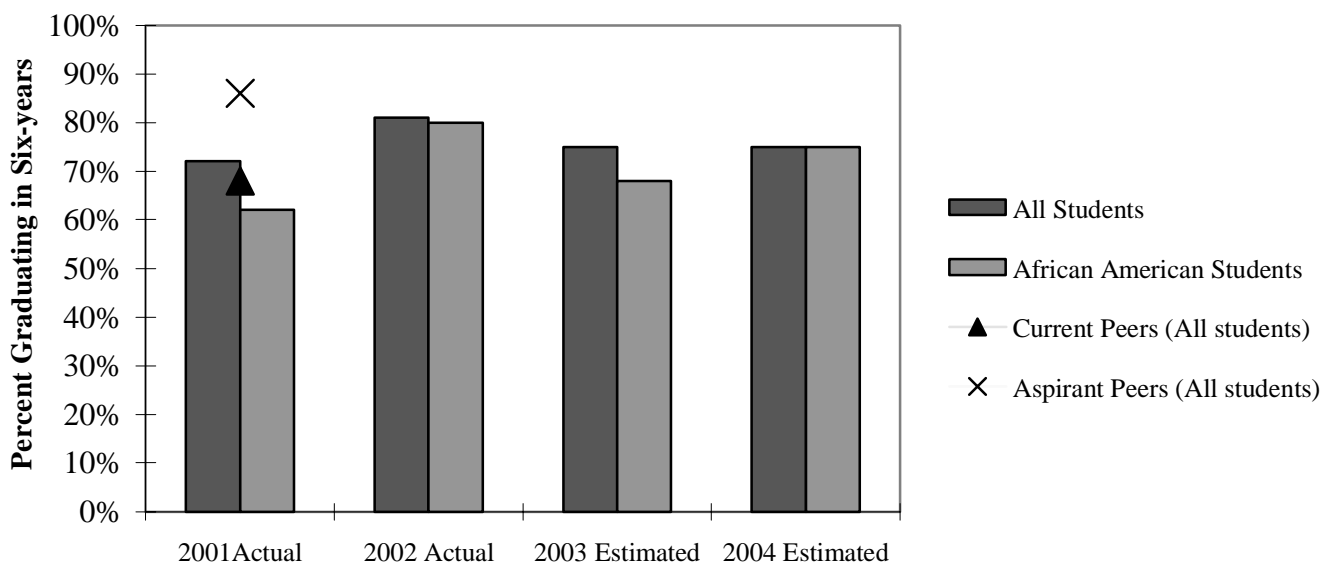
St. Mary's has two peer groups with which to compare: "current" peers and "aspirant" peers. Current peers are ones that reflect the college's current mission and capabilities, while aspirant peers reflect institutions that St. Mary's aspires to emulate in performance and reputation. Of the 12 current peers, 4 are public, while all of the aspirant peers are private. The college exceeds its current peers in a number of indicators but does not quite reach the average of its aspirant peers on most indicators.

The six-year graduation rate at St. Mary's is depicted in **Exhibit 1**. From this graph, the following points can be made:

- The six-year graduation rate for African Americans increased 12 percentage points between fiscal 2001 and 2002. However, it is expected to drop to 68% in the current academic year.
- The graduation rate for all students is higher than for African Americans, expected at 75% for fiscal 2003 and 2004.
- St. Mary's surpasses the average six-year graduation rate of its peers for all students.

Exhibit 1

Six-year Graduation Rate



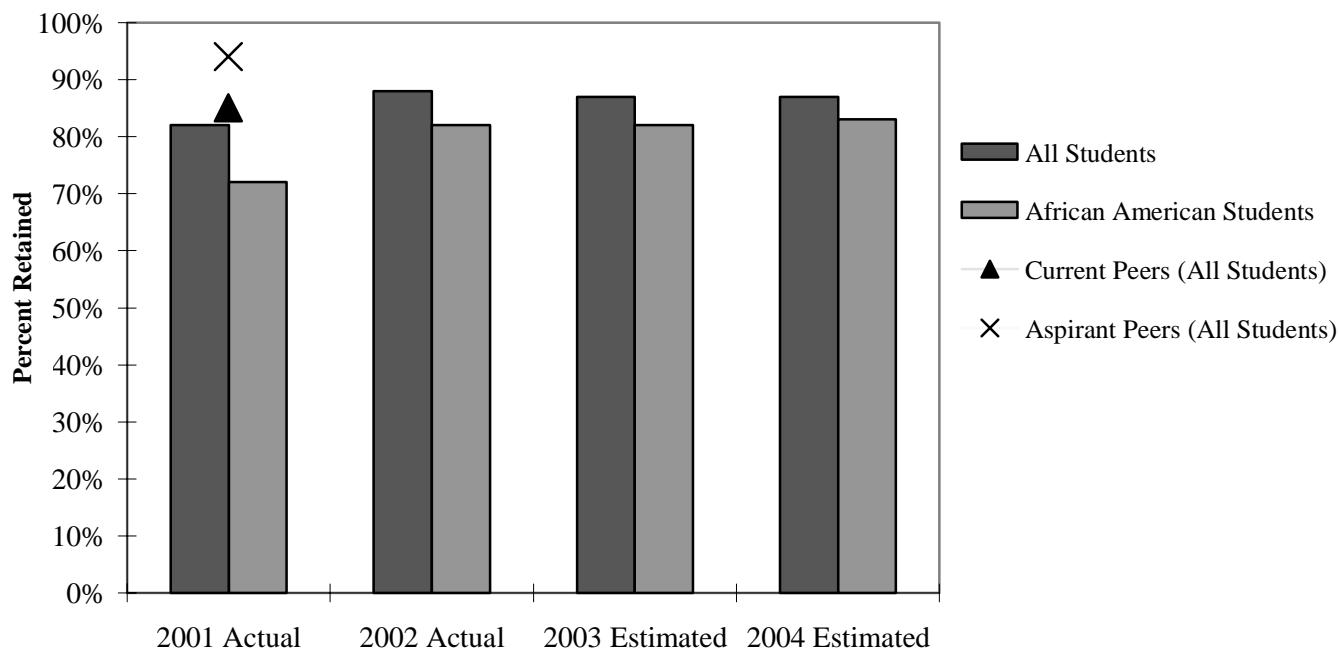
Source: St. Mary's College of Maryland

St. Mary's also surpasses the average of its current peers on second-year retention rate. Second-year retention is shown in **Exhibit 2** for African American students, all students, and the peer and aspirant peer institutions. By fiscal 2005 St. Mary's hopes to stabilize the second-year retention rate at a minimum of 86%. Exhibit 2 shows the following:

- At an estimated 87% retention for all students in the 2003 and 2004 academic years, St. Mary's slightly exceeds the minimum goal for fiscal 2005, which is 86%.
- St. Mary's retention rate for African American students increased 10% from academic year 2001 to 2002.
- The college retains 3% fewer students than the average retention rate of its current peers and is less than 10% away from the retention rate of the aspirant peers.

Exhibit 2

Second-year Retention Rate



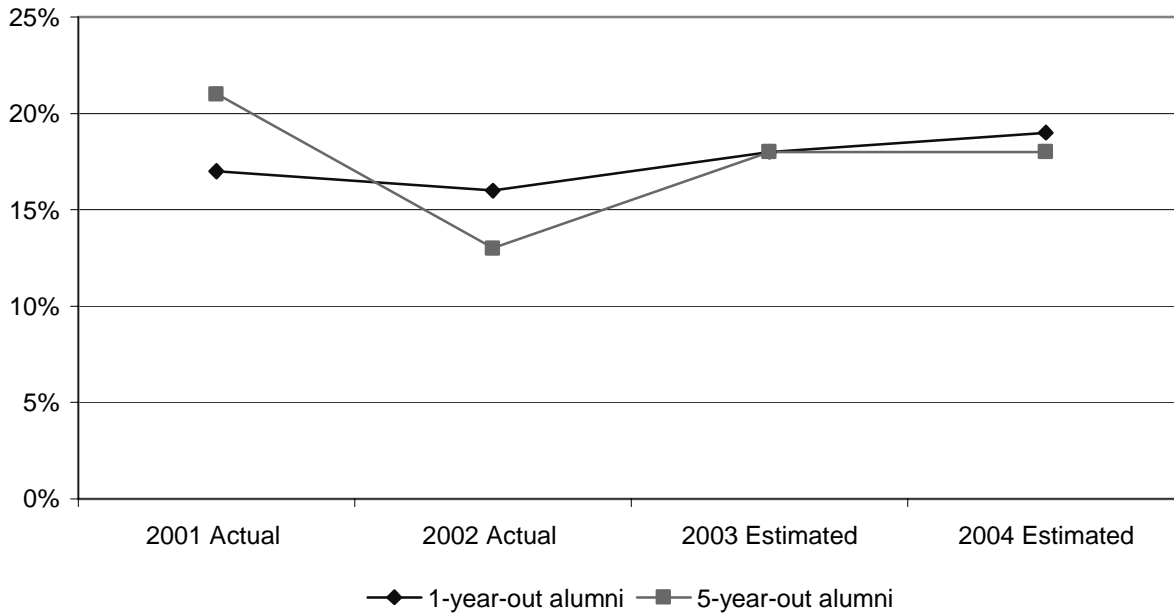
Source: St. Mary's College of Maryland

Another of the college's goals is for at least 18% of graduates to become teachers by 2005. For the last two years, 100% of students taking the teacher certification exams have passed, and the percent of five-year-out alumni who are teachers is very close to that of one-year-out alumni who are teachers. This can be seen in **Exhibit 3**. After a small drop in 2002, the percent of one-year- and five-year-out alumni who are teachers is expected to return to the 2001 levels.

St. Mary's has a growing endowment that the college hopes to increase from \$24 million in fiscal 2001 to \$29 million by fiscal 2005. Annual giving is growing by an average of \$350,000 each year, with a goal of \$6 million by fiscal 2005. The alumni giving program is fairly new, and the college has established programs that will increase the amount of giving, including a senior class gift, emphasis on specific program solicitations, a phonathon, and the production of an annual fund brochure. With these programs, St. Mary's seeks to increase participation from 23% to 30% by December 2005. The college is currently the third lowest in comparison to its current peers in alumni donations. **The President should comment on the progress of these programs.**

Exhibit 3

Percent of Graduates Who Are Teachers After One Year and Five Years Out of School



Source: St. Mary's College of Maryland

Fiscal 2003 Actions

Impact of Cost Containment

\$527,000 was taken out of St. Mary's fiscal 2003 budget for cost containment. This represents a reduction of 3.5% in general funds. The college is eliminating planned market-based pay increases for employees, but the reductions will not have a significant impact on agency operations. Governor Ehrlich has proposed reducing St. Mary's fiscal 2003 general funds an additional \$678,000. The cost containment measures bring St. Mary's general funds to \$869,000 below its fiscal 2002 funding level.

Governor's Proposed Budget

The fiscal 2004 allowance for SMCM is \$45.3 million, an increase of 5.8%, or \$2.5 million. There is a \$463,000, 3.3%, increase in general fund support from fiscal 2003 after adjustments for cost containment and contingent reductions. Other unrestricted funds increase 8%, or \$2 million. Restricted funds remain the same at \$3.6 million.

General fund increases are appropriated to St. Mary's as provided by the Education Article, § 14-405(b)(ii), which states that the prior year appropriation be augmented by funds required to offset inflation. This involves multiplying the prior year appropriation by the implicit price deflator for State Higher Education institutions. For fiscal 2004 the price deflator is 3.34%. This results in a mandated

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increase of \$463,000 over the adjusted fiscal 2003 general fund appropriation. The fiscal 2004 formula grant is a decrease of 4.9% if compared to the fiscal 2003 appropriation before cost containment. The changes in the fiscal 2004 allowance are shown in **Exhibit 4**.

Exhibit 4

**Governor's Proposed Budget
St. Mary's College of Maryland
(\$ in Thousands)**

	<u>FY 02</u> <u>Actual</u>	<u>FY 03.</u> <u>Approp.</u>	<u>FY 04</u> <u>Allowance</u>	<u>FY 03 - 04</u> <u>Change</u>	<u>FY 03 - 04%</u> <u>Change</u>
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Adjusted Grand Total	\$39,741	\$42,786	\$45,275	\$2,488	5.8%

Where It Goes:

Personnel Expenses

Salaries and other compensation and fringe benefits \$120

Other Changes

Fellowships and need-based scholarships (19% increase) 500

Restoration of fiscal 2003 cost containment measures..... 1,200

Auxiliary services and credit card processing fees (8% increase) 202

New residence hall operating expenditures..... 100

Debt service for new residence hall..... 422

Other -56

Total **\$2,488**

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

Tuition and fees at St. Mary's college will bring in an estimated \$13.7 million in revenue for fiscal 2003. Tuition and fees for in-state FTE students increased 7.04% from fiscal 2002 to \$8,082. Tuition and fees for out-of-state FTE students increased 7.04% from fiscal 2002 to \$13,417. St. Mary's is not planning a mid-year tuition increase and has not set tuition for the 2003 to 2004 academic year. The allowance, however, assumes tuition and fees will rise by 7.5% for in-state students and out-of-state students. The college is now recommending a 9% tuition increase for in-state students and a 15% increase for out-of-state students, but the board has not yet discussed this.

Issues

1. Intent of Budget Bill Language: Include or Exclude St. Mary's?

During the 2002 interim, a disagreement arose over the extent to which budget bill language applies to St. Mary's College. St. Mary's College is funded each year through a statutory formula rather than request and is not a part of the University System of Maryland (USM). Section 42 of the fiscal 2003 budget bill specified that merit increases could only be provided as one-time bonuses at one-half the normal amount and only if the Board of Public Works authorized the increases to go forward (the Board of Public Works has not authorized increases). St. Mary's believes it should be excluded from this restrictive language based on its independent funding formula. However, the language did not specify whether St. Mary's was to be excluded from the across-the-board action.

St. Mary's statute does not limit the creation of positions to available funds, and it allows the board to create and abolish positions at will, with the statutory understanding that the General Assembly will not fund these positions. The statute further allows the President of the Board to establish a personnel system and in doing so determine the terms of employment, including compensation and benefits concerning employees.

St. Mary's was not formula funded until 1993, so no precedent exists from the fiscal crisis in 1991 and 1992. **With the current budget problems and consequent spending restrictions taking place this year, the General Assembly should specifically include or exclude St. Mary's from restrictive language in order to avoid further confusion.**

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce general funds to ensure equitable treatment of St. Mary's College of Maryland and the University System of Maryland institutions due to the State's fiscal condition.	\$ 463,000	UF
Total Unrestricted Fund Reductions	\$ 463,000	

Current and Prior Year Budgets

Current and Prior Year Budgets					
St. Mary's College of Maryland					
(\$ in Thousands)					
	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Unrestricted</u> <u>Fund</u>	<u>Total</u> <u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$14,793	\$22,922	\$37,715	\$3,100	\$40,815
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	1,095	1,095	900	1,995
Reversions and Cancellations	0	-2,731	-2,731	-338	-3,069
Actual Expenditures	\$14,793	\$21,357	\$36,079	\$3,662	\$39,741
Fiscal 2003					
Legislative Appropriation	\$15,058	\$25,333	\$40,391	\$3,600	\$43,991
Budget Amendments	0	0	0	0	0
Cost Containment	-1,205	0	-1,205	0	-1,205
Working Appropriation	\$13,853	\$25,333	\$39,186	\$3,600	\$42,786
Note: Numbers may not sum to total due to rounding.					

Current Unrestricted Funds

In fiscal 2002 St. Mary's College reverted \$2.7 million in current unrestricted funds. As of June 30, of each year SMCM carries forward any unused funds and re-appropriates them. Approximately \$200,000 was unspent so that expenditures would not exceed total revenues.

Current Restricted Funds

Many of SMCM's grants and project funds are not aligned with the fiscal year. This accounts for the \$338,000 in current restricted funds that will be carried over from fiscal 2002 to 2003. Some current restricted funds are purposely left unallocated to accommodate grants that are awarded late in the fiscal

year.

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

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 - FY04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	396.00	396.00	396.00	0	0%
02 Contractual	24.67	22.37	23.40	1.03	4.6%
Total Positions	420.67	418.37	419.40	1.03	0.2%
Objects					
01 Salaries and Wages	\$ 22,231,494	\$ 22,726,611	\$ 22,846,454	\$ 119,843	0.5%
02 Technical & Spec Fees	2,291,609	2,109,425	2,186,775	77,350	3.7%
03 Communication	454,265	433,112	452,912	19,800	4.6%
04 Travel	785,445	776,855	740,269	-36,586	-4.7%
06 Fuel & Utilities	1,057,099	1,186,799	1,291,615	104,816	8.8%
07 Motor Vehicles	97,111	248,617	196,557	-52,060	-20.9%
08 Contractual Services	4,270,629	5,116,222	5,094,056	-22,166	-0.4%
09 Supplies & Materials	2,380,545	2,693,363	2,676,060	-17,303	-0.6%
10 Equip - Replacement	133,261	63,022	63,022	0	0%
11 Equip - Additional	2,554,256	2,126,898	2,318,723	191,825	9.0%
12 Grants, Subsidies, Contr	3,249,508	4,119,444	4,619,441	499,997	12.1%
13 Fixed Charges	232,727	2,361,041	2,759,333	398,292	16.9%
14 Land & Structures	2,916	29,486	29,486	0	0%
Total Objects	\$ 39,740,865	\$ 43,990,895	\$ 45,274,703	\$ 1,283,808	2.9%
Funds					
40 Unrestricted Fund	\$ 36,078,758	\$ 40,390,895	\$ 41,674,703	\$ 1,283,808	3.2%
43 Restricted Fund	3,662,107	3,600,000	3,600,000	0	0%
Total Funds	\$ 39,740,865	\$ 43,990,895	\$ 45,274,703	\$ 1,283,808	2.9%

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.
Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

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

<u>Unit/Program</u>	<u>FY02 Actual</u>	<u>FY03 Legislative Appropriation</u>	<u>FY03 Working Appropriation</u>	<u>FY02 - FY03 % Change</u>	<u>FY04 Allowance</u>	<u>FY03 - FY04 % Change</u>
01 Instruction	\$ 12,193,274	\$ 12,635,908	\$ 12,417,640	1.8%	\$ 12,750,435	2.7%
02 Research	861,306	681,274	846,625	-1.7%	881,808	4.2%
03 Public Service	836,713	724,504	588,639	-29.6%	575,680	-2.2%
04 Academic Support	2,260,911	2,333,159	2,222,880	-1.7%	2,231,906	0.4%
05 Student Services	3,793,213	3,692,947	4,186,996	10.4%	3,951,639	-5.6%
06 Institutional Support	8,663,405	8,238,175	8,954,605	3.4%	8,828,400	-1.4%
07 Operation And Maintenance Of Plant	2,605,743	3,175,400	2,792,809	7.2%	2,898,949	3.8%
08 Auxiliary Enterprises	5,512,006	7,742,730	8,018,194	45.5%	8,693,382	8.4%
17 Scholarships And Fellowships	3,014,294	3,857,323	3,962,507	31.5%	4,462,504	12.6%
Total Expenditures	\$ 39,740,865	\$ 43,081,420	\$ 43,990,895	10.7%	\$ 45,274,703	2.9%
Unrestricted Fund	\$ 36,078,758	\$ 39,481,420	\$ 40,390,895	12.0%	\$ 41,674,703	3.2%
Restricted Fund	3,662,107	3,600,000	3,600,000	-1.7%	3,600,000	0%
Total Appropriations	\$ 39,740,865	\$ 43,081,420	\$ 43,990,895	10.7%	\$ 45,274,703	2.9%

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.