

R14D00
St. Mary's College of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Instruction	\$12,193	\$12,564	\$13,653	\$1,460	\$13,467	-\$186
Research/Public Service	1,698	1,187	1,324	-374	1,310	-14
Administration/Operations	17,323	16,064	16,803	-520	17,140	337
Auxiliary Enterprises	5,512	6,430	9,306	3,794	9,865	559
Scholarships & Fellowships	3,014	3,440	5,198	2,184	5,347	149
Contingent & Back of Bill Reductions	0	0	0	0	-301	-301
Adjusted Grand Total	\$39,740	\$39,685	\$46,284	\$6,544	\$46,828	\$544
General Funds	14,722	13,853	13,683	-1,039	13,983	300
Contingent & Back of Bill Reductions	0	0	0	0	-301	-301
Adjusted General Funds	\$14,722	\$13,853	\$13,683	-\$1,039	\$13,682	-\$1
Other Unrestricted Funds	21,357	22,989	29,001	7,644	29,546	545
Total Unrestricted Funds	36,079	36,842	42,684	6,605	43,228	544
Restricted Funds	3,662	2,843	3,600	-62	3,600	0
Adjusted Grand Total	\$39,741	\$39,685	\$46,284	\$6,543	\$46,828	\$544
Annual % Change		-0.1%	16.6%		1.2%	

- Cost containment reduced general funds \$1 million (7.2%) between fiscal 2002 and 2004.
- General funds increase 2.2% from fiscal 2004 working to fiscal 2005; this increase would be eliminated in proposed budget reconciliation legislation.
- General funds of \$263,534 for a 1.6% general salary increase for State-supported employees are included in the Department of Budget and Management's allowance.
- Other unrestricted funds increase \$544,000 and restricted funds do not change.

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

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Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Regular Positions	396.0	395.5	384.0	-12.0	384.0	0.0
Contractual FTEs	24.7	21.0	20.3	-4.4	18.2	-2.1
Total Personnel	420.7	416.5	404.3	-16.4	402.2	-2.1

Vacancy Data: Regular Positions

Turnover Expectancy	0.00	0.00%
Positions Vacant as of 12/31/03	0.00	0.00%

- No budgeted turnover or vacancies appear for fiscal 2005 because St. Mary’s College of Maryland (SMCM) does not use the same turnover formula as other State agencies.

Analysis in Brief

Major Trends

SMCM Focuses on Diversity: The Managing for Results measures show small increases in the percent of each freshman class that are racial/ethnic minorities; the percent that are first generation college-goers is expected to decrease.

Six-year Graduation Rates Decline: SMCM projects a decrease in the six-year graduation rate for all students, but nearly 20 percentage point decreases for African American and all minority students since fiscal 2002.

Issues

Instruction Personnel Protected During Cost Containment: The only increase in personnel from fiscal 2002 to 2004 was for instruction; all other categories lose positions, with the exception of plant maintenance and operations which remains the same.

Faculty Salaries Comparable to Peers: The faculty salary data shows that SMCM is in line with its peer institutions.

Recommended Actions

	<u>Funds</u>
1. Reduce general funds to reflect use of the State Higher Education Labor Relations Board reimbursable fund balance toward higher education institutions' assessment for the board.	\$ 4,750
2. Reduce general funds.	301,023
Total Reductions	\$ 305,773

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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, SMCM 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.

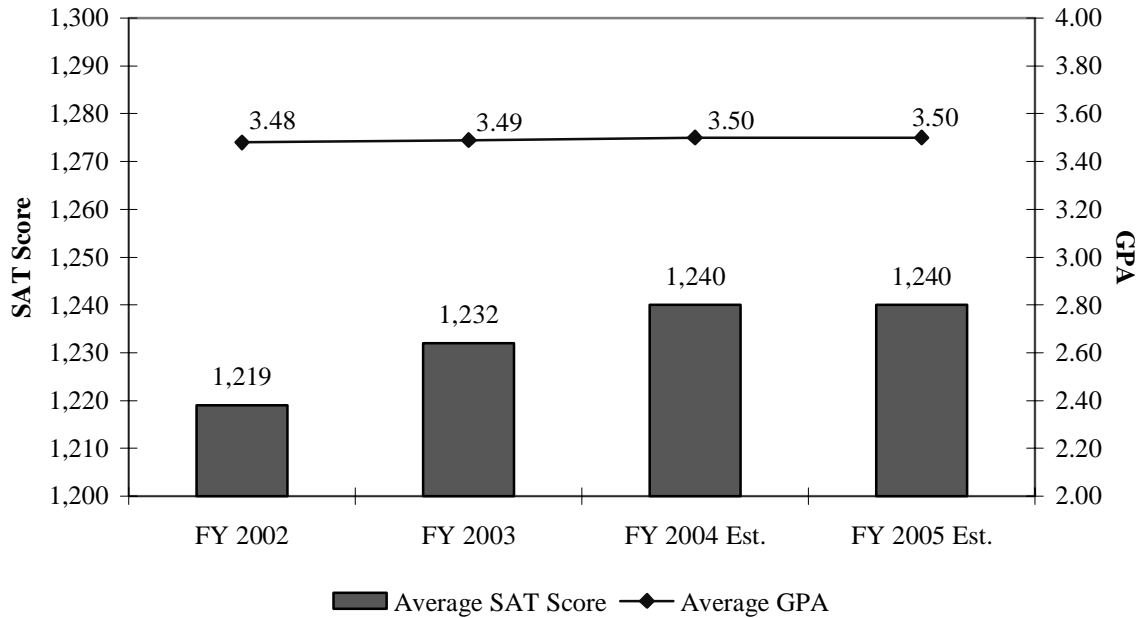
As an honors college, SMCM strives to offer its students an educational experience that goes beyond traditional course-based study to foster independent learning and a link between curricular and extra-curricular activities and interests. SMCM includes civic responsibility as a cornerstone of its academic 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. As an honors institution, it is important that SMCM have a diverse population that contributes to Maryland's educated workforce.

As a small liberal arts college, SMCM competes with many private institutions. One goal is to recruit a diverse freshman class having an average total Scholastic Aptitude Test (SAT) score of at least 1240 and average high school grade point average (GPA) of at least 3.43 by fiscal 2005. SMCM has already reached these scores, as shown in **Exhibit 1. The President should comment on these goals in comparison to the college's peers and how the average compares to the actual range of scores.**

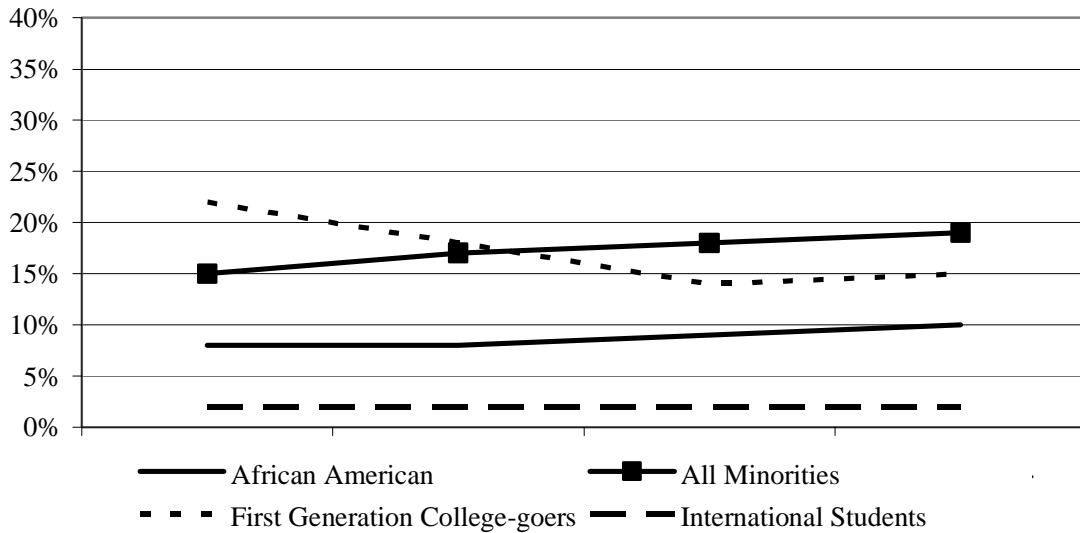
Exhibit 1
Average SAT Scores and GPA of Entering Freshman Classes



Source: St. Mary’s College of Maryland

Exhibit 2 shows the different measures for diversity including the percent of each entering freshman class that is African American, first generation college-goers, and international. The percent that are African American and the percent of all minority students is slowly increasing. However, first generation college-goers are expected to decrease seven percentage points between fiscal 2002 and 2005. The percent of students that are international is not expected to change.

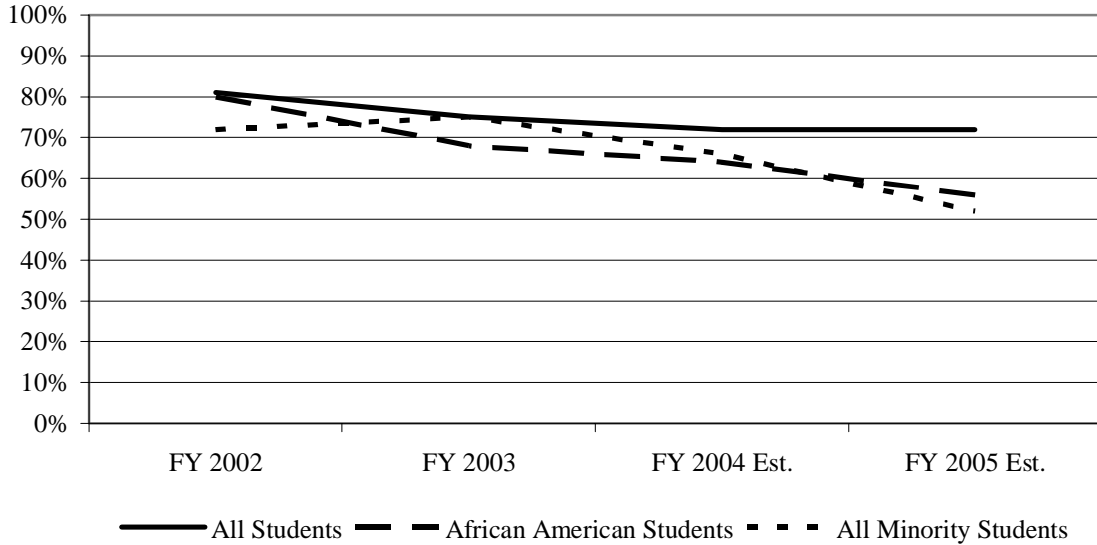
Exhibit 2
Diversity of Entering Freshman Classes



Source: St. Mary’s College of Maryland

The six-year graduation rates for all minority students, African American students, and all students are shown in **Exhibit 3**. The six-year graduation rate for all minority students has steadily decreased since fiscal 2002, as has the rate for African American students and all other students. **The President should provide an explanation for the decreasing graduation rates.**

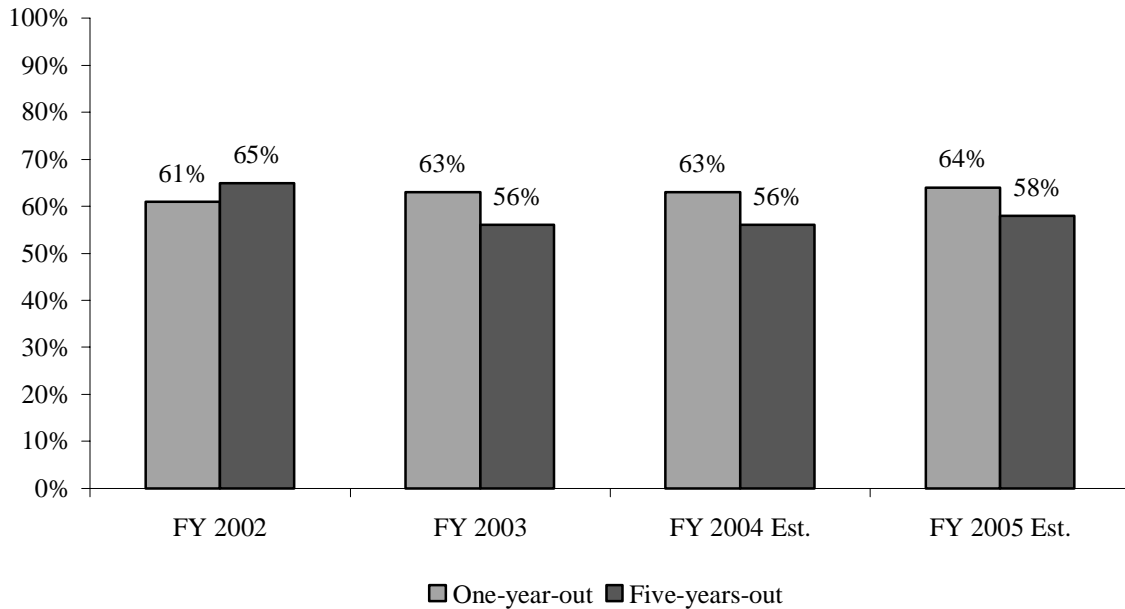
Exhibit 3
Trends in Six-year Graduation Rates



Source: St. Mary’s College of Maryland

The last measure, in **Exhibit 4**, shows the percent of one-year-out and five-year-out alumni who work in Maryland. The percent of one-year-out alumni is expected to increase three percentage points between fiscal 2002 and 2005. The percent of five-year-out alumni was at a high of 65% in fiscal 2002, and is expected to be around 58% in fiscal 2005. SMCM estimates that 45% of alumni work for not-for-profit organizations, and that alumni salaries are about 112 to 114% of national salaries of comparable workers. The employment rate of one-year-out alumni remains steady at 95%.

Exhibit 4
Percent of One-year- and Five-years-out Alumni That Work in Maryland



Source: St. Mary’s College of Maryland

Fiscal 2004 Actions

Impact of Cost Containment

General funds were reduced 2.7% (\$381,955) by the Board of Public Works action in July 2003. This reduction brought the total general fund appropriation to \$13.68 million. SMCM’s fiscal 2004 appropriation is lower than the fiscal 2003 actual general fund appropriation; however, the fiscal 2004 level after cost containment is \$170,000 below what the fiscal 2003 level would have been if SMCM had not received general funds in addition to their formula grant in fiscal 2000, 2001, and 2002 (the formula is based on the prior year appropriation increased by the implicit price deflator).

Fiscal 2002 to 2004 Changes

The composition of revenues and expenditures in fiscal 2002 and 2004 for current unrestricted funds only are shown in **Exhibit 5**. Although there was a 7.1% reduction in general funds support, education and general expenditure growth averaged about 4.5% per year over the two years. Scholarships and fellowships increase 109% over this period and comprise 10% of the budget in fiscal 2004; this proportion is the highest of any four-year comprehensive institution in Maryland. Instruction increases 11% over this period, while the administrative functions, institutional support, and operations and maintenance decrease. Student services increase \$210,000 due to increased enrollment, a new work-study program, and additional health center costs.

Exhibit 5
Budget Changes for Current Unrestricted Funds by Program
Fiscal 2002 – 2004
(\$ in Thousands)

	<u>FY 2002</u>	<u>Working FY 2004</u>	<u>\$ Change FY 02 - 04</u>	<u>% Change FY 02 - 04</u>
<u>Expenditures</u>				
Instruction	\$11,925	\$13,265	\$1,340	11.2%
Public Service	543	249	-294	-54.1%
Academic Support	2,070	2,058	-12	-0.6%
Student Services	3,698	3,908	210	5.7%
Institutional Support	8,114	8,052	-62	-0.8%
Operation and Maintenance of Plant	2,600	2,473	-127	-4.9%
Scholarships and Fellowships	1,616	3,373	1,757	108.7%
Subtotal Education and General	\$30,566	\$33,378	\$2,812	9.2%
Auxiliary Enterprises	5,512	9,306	3,794	68.8%
Total	\$36,078	\$42,684	\$6,606	18.3%
<u>Revenues</u>				
Tuition and Fees	\$12,389	\$15,473	\$3,084	24.9%
General Funds	14,722	13,683	-1,039	-7.1%
Other	1,572	1,407	-165	-10.4%
Subtotal	\$28,683	\$30,563	\$1,880	6.5%
Auxiliary Enterprises	7,598	11,471	3,873	51.0%
Transfers (to) from Fund Balance	-203	650	853	-420.2%
Total	\$36,078	\$42,684	\$6,606	18.3%

Source: Governor’s Budget Books, fiscal 2003 and 2004

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For revenues, the sales and services of auxiliary enterprises increase nearly 51% between fiscal 2002 and 2004. This increase is due to the opening of the new residence halls, which also increase food service and bookstore activity. Auxiliary revenues that are greater than expenditures are used for other operating expenditures. Tuition and fee revenues increase 25%, though a combination of higher enrollment and yearly tuition rate increases. These revenues more than offset a 7.1% decline in general funds. **The President should comment on the impact of constraining expenditure growth to 4.5% per year and the use of auxiliary revenues for operating expenditures.**

Governor's Proposed Budget

General fund increases are appropriated to SMCM 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 2005 the price deflator is 2.20%. This results in a mandated increase of \$301,023 over the adjusted fiscal 2004 general fund appropriation. The fiscal 2005 formula grant increase would be eliminated in the proposed contingent reductions. The changes in fiscal 2005 current unrestricted revenues and expenditures are shown in **Exhibit 6**.

Overall unrestricted fund spending increases by \$0.9 million, or 2% in fiscal 2005. Most of the growth is in auxiliary services (\$0.6 million), operation and maintenance of plant (\$0.3 million), and scholarships and fellowships (\$150,000). Modest decreases are planned for student services and institutional support. SMCM will rely on additional tuition and fees (\$1.1 million) and auxiliary revenues to finance the spending increases in fiscal 2005. In contrast to fiscal 2004, the college does not plan to utilize fund balance to support education and general expenses.

The fiscal 2005 allowance for the Department of Budget and Management includes \$263,534 for a general salary increase for SMCM's State-supported employees. Funding for salary increases for employees supported by grants and contracts is not included in the allowance.

Since SMCM has reached its enrollment goal in fiscal 2004, the increased tuition and fee revenue is from rate increases only. The elimination of general fund revenue increases through contingent reductions are shown in the adjusted total in Exhibit 6, resulting in a 1% increase in total current unrestricted funds from fiscal 2004. **The President should discuss the impact of only 1% revenue growth on the college.**

Exhibit 6
Governor’s Proposed Budget
Current Unrestricted Funds
(\$ in Thousands)

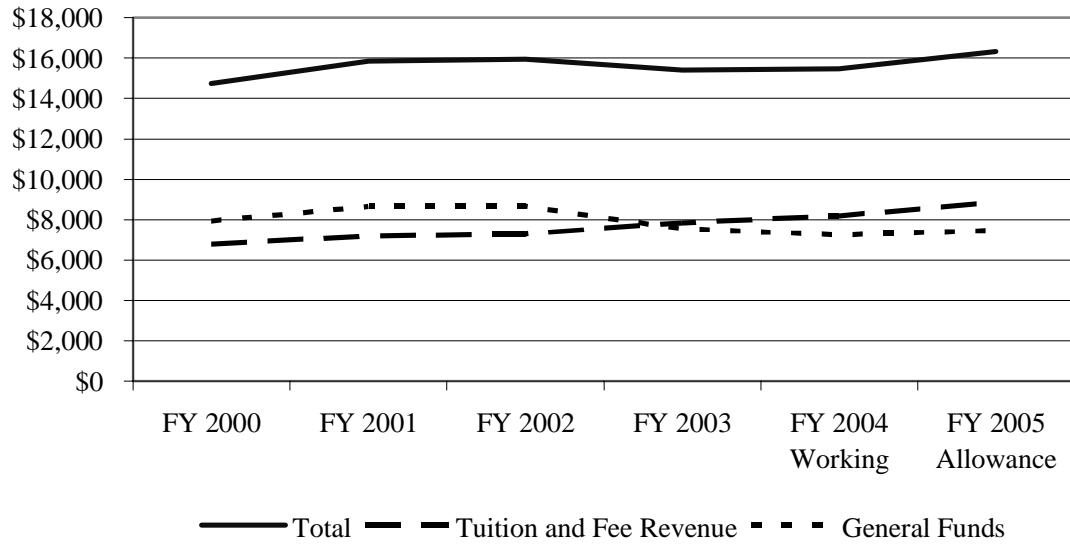
	<u>Working</u> <u>FY 2004</u>	<u>Allowance</u> <u>FY 2005</u>	<u>\$ Change</u> <u>FY 04 - 05</u>	<u>% Change</u> <u>FY 04 - 05</u>
<u>Expenditures</u>				
Instruction	\$13,265	\$13,080	-\$185	-1.4%
Public Service	249	235	-14	-5.6%
Academic Support	2,058	2,164	106	5.2%
Student Services	3,908	3,886	-22	-0.6%
Institutional Support	8,052	7,986	-66	-0.8%
Operation and Maintenance of Plant	2,473	2,792	319	12.9%
Scholarships and Fellowships	3,373	3,523	150	4.4%
Subtotal Education and General	\$33,378	\$33,666	\$288	0.9%
Auxiliary Enterprises	\$9,306	\$9,864	\$558	6.0%
Contingent Reductions	0	-301	-301	-100%
Total	\$42,684	\$43,229	\$545	1.3%
<u>Revenues</u>				
Tuition and Fees	\$15,473	\$16,553	\$1,080	7.0%
General Funds	13,683	13,984	301	2.2%
Other	1,407	798	-609	43%
Subtotal	\$30,563	\$31,335	\$772	2.5%
Auxiliary Enterprises	11,471	12,195	724	6.3%
Transfers (to) from Fund Balance	650	0	-650	-100.0%
Total	\$42,684	\$43,530	\$846	2.0%
Contingent Reductions	0	-301	-301	-100%
Adjusted Total	\$42,684	\$43,229	\$545	1.3%

Source: Governor’s Budget Books, fiscal 2005

Tuition and Fee and General Fund Revenues

Exhibit 7 shows the tuition and fee and general fund revenues per full-time equivalent student (FTES) from fiscal 2000 through 2005. Because tuition and fee rates have not increased dramatically throughout this period, the total revenue line per FTES mirrors that of general funds. Tuition and fee revenue steadily increases. FTES enrollment at SMCM has increased a total of 17% from fiscal 2000, but SMCM plans to maintain it at approximately 1,870 students from fiscal 2005 through fiscal 2008.

Exhibit 7
Tuition and Fee and General Fund Revenues per FTE Student



Source: Governor’s Budget Books, fiscal 2003 through 2005

Issues

1. Instruction Personnel Protected During Cost Containmentment

In the 2003 *Joint Chairmen’s Report*, the committees stated their intent that higher education institutions to seek cost saving measures and efficiencies rather than passing costs on to students through tuition and fee increases. In this light, the Department of Legislative Services reviewed data related to the number and composition of SMCM’s personnel, among other budget issues.

Exhibit 8 shows the composition of personnel at SMCM in fiscal 2002 and 2004. Personnel decreased a net of one position. The only increase in positions was for instruction, while nearly every other category lost at least one position except plant operations and maintenance. The largest decrease in personnel was for institutional support. The data shows that SMCM sought to protect its core functions during cost containmentment.

**Exhibit 8
Personnel by Budget Program
Fiscal 2002 and 2004**

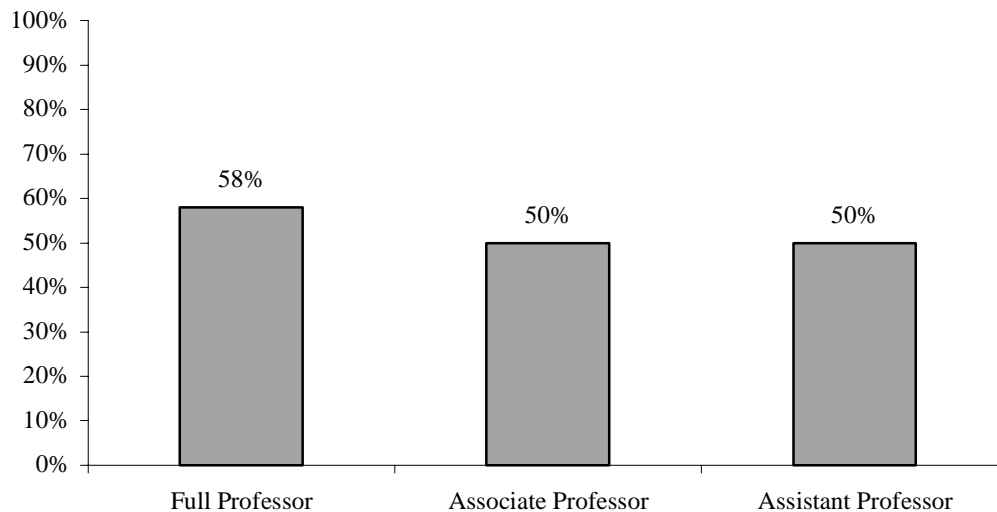
<u>Budget Program</u>	FY 2002		FY 2004	
	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>
Instruction	150.00	39.8%	155.00	41.2%
Research	21.00	5.6%	20.00	5.3%
Public Service	2.00	0.5%	2.00	0.5%
Academic Support	0.00	0.0%	0.00	0.0%
Student Services	57.00	15.1%	56.00	14.9%
Institutional Support	79.00	21.0%	76.00	20.2%
Operations and Maintenance of Plant	33.00	8.8%	33.00	8.8%
Auxiliary Enterprises	35.00	9.3%	34.00	9.0%
Scholarships and Fellowships	0.00	0.0%	0.00	0.0%
Total	377.00	100.0%	376.00	100.0%

Source: St. Mary’s College of Maryland

2. Faculty Salaries Comparable to Peers

Faculty salary levels are another factor to consider in measuring efficiency. The data in **Exhibit 9** are from the American Association of University Professors 2002 to 2003 faculty compensation survey. Comparisons with peers are intended to show how competitive Maryland institutions are on a national scale. Many of SMCM's peers are private liberal arts institutions.

Exhibit 9
Faculty Salaries Compared to Peer Institutions



Source: American Association of University Professors, Fiscal 2003

At SMCM, full professor salaries are at the fifty-eighth percentile, while associate and assistant professors are at exactly the mid-point. The data shows that SMCM is in line with its peers. **The President of SMCM should comment on the institution's ability to attract and retain faculty given current salary levels.**

Salary percentile rankings may be affected by a number of factors, including the number of promotions occurring at an institution, a faculty member's time in service, the length of time served at a particular salary classification, and whether the faculty is in a high-demand, high-paying discipline in the larger marketplace.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce general funds to reflect use of the State Higher Education Labor Relations Board reimbursable fund balance toward higher education institutions' assessment for the board.	\$ 4,750	UF
2. Reduce general funds due to the State’s fiscal condition. The action implements the contingent reduction proposed by the Governor.	301,023	UF
Total Unrestricted Fund Reductions	\$ 305,773	

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2003					
Legislative Appropriation	\$15,058	\$24,424	\$39,482	\$3,600	\$43,082
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	1,838	1,838	0	1,838
Cost Containment	-1,205	0	-1,205	0	-1,205
Reversions and Cancellations	0	-3,272	-3,272	-757	-4,029
Actual Expenditures	\$13,853	\$22,990	\$36,843	\$2,843	\$39,686
Fiscal 2004					
Legislative Appropriation	\$14,065	\$27,358	\$41,423	\$3,600	\$45,023
Cost Containment	-382	0	-382	0	-382
Budget Amendments	0	1,643	1,643	0	1,643
Working Appropriation	\$13,683	\$29,001	\$42,684	\$3,600	\$46,284

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

Fiscal 2003

\$1.8 million in CUF was brought in through budget amendment due to increased revenue from tuition rate increases and enrollment growth. Scholarships were increased \$609,000 and auxiliary revenues, due to enrollment growth, accounted for \$895,000.

\$3.2 million was unspent in fiscal 2003, due to the deferral of information technology equipment purchases and transfers for debt service, lease payments, and other matching requirements not recorded as expenditures. Also, \$169,000 in scholarship funds was not expended.

Fiscal 2004

The CUF budget amendment brought in carry forward funds from fiscal 2003 and auxiliary revenues related to the opening of SMCM’s second new residence hall.

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

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	395.50	384.00	384.00	0	0%
02 Contractual	20.97	20.34	18.17	-2.17	-10.7%
Total Positions	416.47	404.34	402.17	-2.17	-0.5%
Objects					
01 Salaries and Wages	\$ 22,328,578	\$ 22,982,842	\$ 23,491,384	\$ 508,542	2.2%
02 Technical & Spec Fees	2,457,351	2,647,628	2,439,024	-208,604	-7.9%
03 Communication	349,472	435,740	475,640	39,900	9.2%
04 Travel	773,409	757,847	742,667	-15,180	-2.0%
06 Fuel & Utilities	1,135,229	1,289,135	1,437,337	148,202	11.5%
07 Motor Vehicles	171,019	204,931	202,606	-2,325	-1.1%
08 Contractual Services	4,723,633	5,400,230	5,307,536	-92,694	-1.7%
09 Supplies & Materials	2,377,453	2,812,379	2,819,031	6,652	0.2%
10 Equip - Replacement	101,132	23,522	23,522	0	0%
11 Equip - Additional	1,204,372	1,546,207	1,518,025	-28,182	-1.8%
12 Grants, Subsidies, Contracts	3,797,740	5,426,909	5,577,010	150,101	2.8%
13 Fixed Charges	305,254	2,790,603	3,130,100	339,497	12.2%
14 Land & Structures	-39,192	-33,718	-33,718	0	0%
Total Objects	\$ 39,685,450	\$ 46,284,255	\$ 47,130,164	\$ 845,909	1.8%
Funds					
40 Unrestricted Fund	\$ 36,842,317	\$ 42,684,255	\$ 43,530,164	\$ 845,909	2.0%
43 Restricted Fund	2,843,133	3,600,000	3,600,000	0	0%
Total Funds	\$ 39,685,450	\$ 46,284,255	\$ 47,130,164	\$ 845,909	1.8%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.

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

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
01 Instruction	\$ 12,564,036	\$ 12,599,291	\$ 13,652,678	8.7%	\$ 13,467,908	-1.4%
02 Research	599,637	881,808	717,249	19.6%	717,249	0%
03 Public Service	587,909	575,680	606,890	3.2%	593,020	-2.3%
04 Academic Support	2,133,353	2,231,906	2,190,689	2.7%	2,296,162	4.8%
05 Student Services	3,967,675	3,951,639	4,087,674	3.0%	4,065,764	-0.5%
06 Institutional Support	7,457,525	8,728,400	8,052,364	8.0%	7,985,870	-0.8%
07 Operation and Maintenance of Plant	2,505,517	2,898,949	2,472,871	-1.3%	2,791,949	12.9%
08 Auxiliary Enterprises	6,430,133	8,693,382	9,306,254	44.7%	9,864,555	6.0%
17 Scholarships and Fellowships	3,439,665	4,462,504	5,197,586	51.1%	5,347,687	2.9%
Total Expenditures	\$ 39,685,450	\$ 45,023,559	\$ 46,284,255	16.6%	\$ 47,130,164	1.8%
Unrestricted Fund	\$ 36,842,317	\$ 41,423,559	\$ 42,684,255	15.9%	\$ 43,530,164	2.0%
Restricted Fund	2,843,133	3,600,000	3,600,000	26.6%	3,600,000	0%
Total Appropriations	\$ 39,685,450	\$ 45,023,559	\$ 46,284,255	16.6%	\$ 47,130,164	1.8%

Note: The fiscal 2004 appropriation does not include deficiencies, and the fiscal 2005 allowance does not reflect contingent reductions.