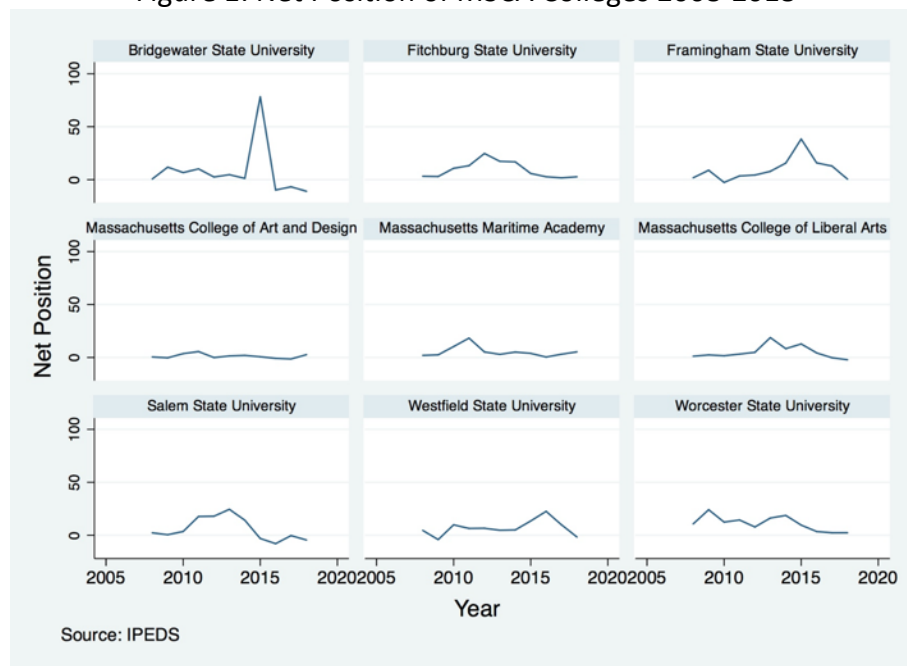


Capital Group Analysis (working draft)
MSCA/ Salem Chapter
7-13-20

Salem State University (SSU) has found itself in significant financial trouble over the last number of years. Prior to the pandemic, these financial struggles have caused the University to implement significant cuts to academic programs. This report looks to examine what strategic decisions have led SSU to underperform its peer institutions.

Figure 1 shows the net position of all nine state colleges. For all of the schools, the annual net position has fallen from previous highs (Figure 1). However, SSU is the only institution to consistently have a negative net position since 2015. Bridgewater State University also runs a negative net position, but only after a significant one-off spike.

Figure 1: Net Position of MSCA Colleges 2008-2018



During the last decade, the MSCA colleges have had different trends in Full-Time Equivalent (FTE) Enrollment (Figure 2). Aside from Salem State University and Massachusetts College of Liberal Arts, all of the other 7 state universities have seen their FTE enrollment increase since 2008. By far the worst performer of the group, Salem State University (SSU) has experienced a monotonic decline in FTE enrollment over this time period. This suggests that although there have been demographic shifts in the state of Massachusetts, other state colleges have been able to weather these changes while SSU has not.

One reason for these differences is the near halving of graduate enrollment at SSU (Figure 3). However, enrollment at the undergraduate level also declined at SSU over the past decade even as undergrad enrollments increased modestly elsewhere (Figure 4).

Figure 2: FTE Enrollment 2008-2018

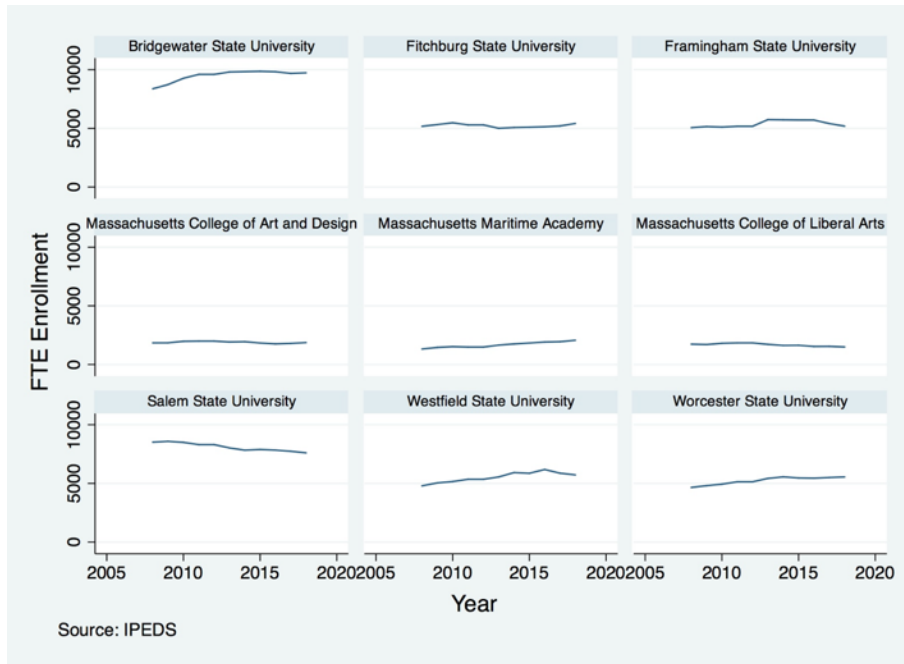


Figure 3: FTE Graduate Enrollment 2008-2018

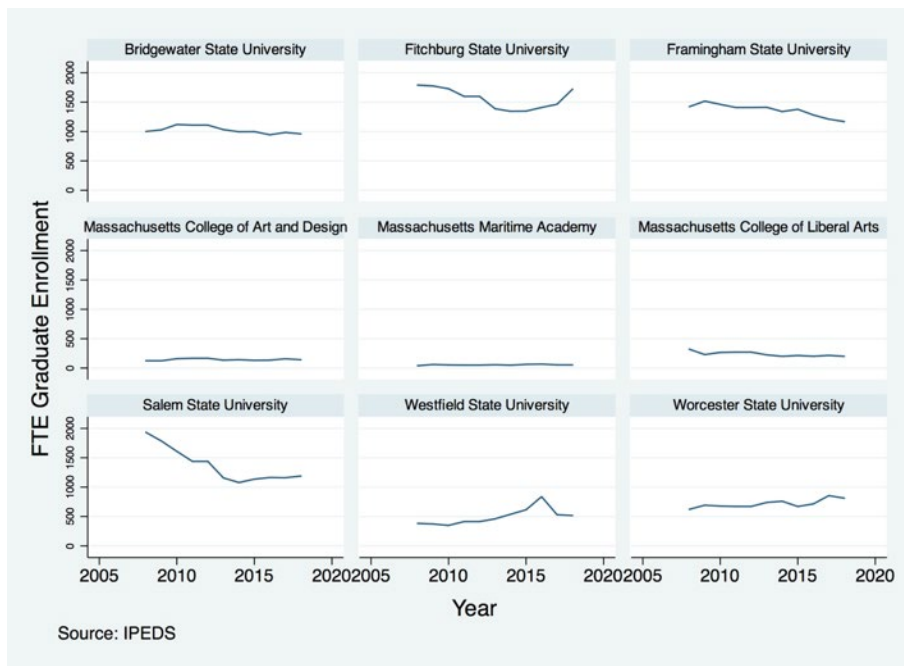
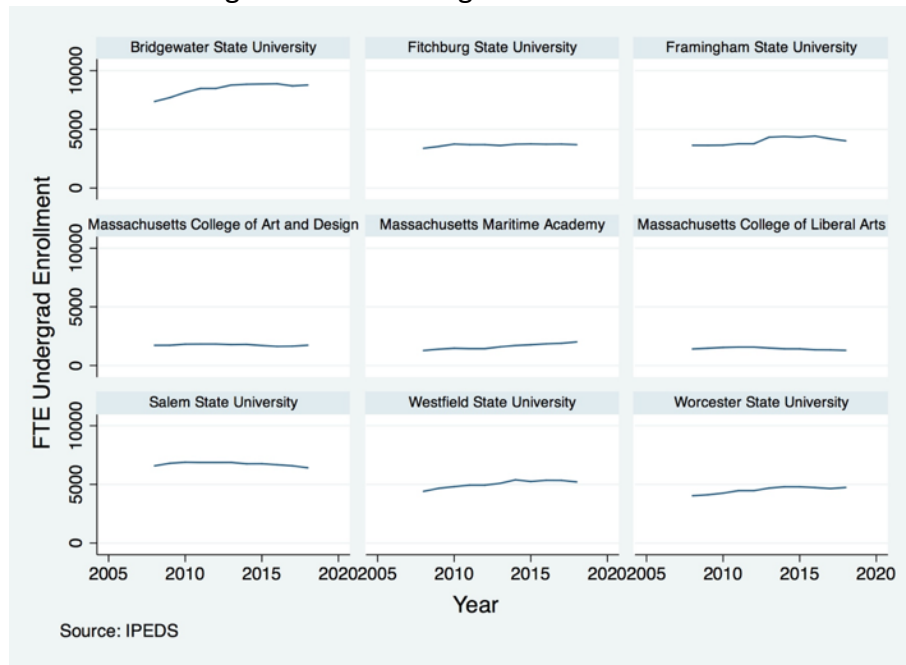
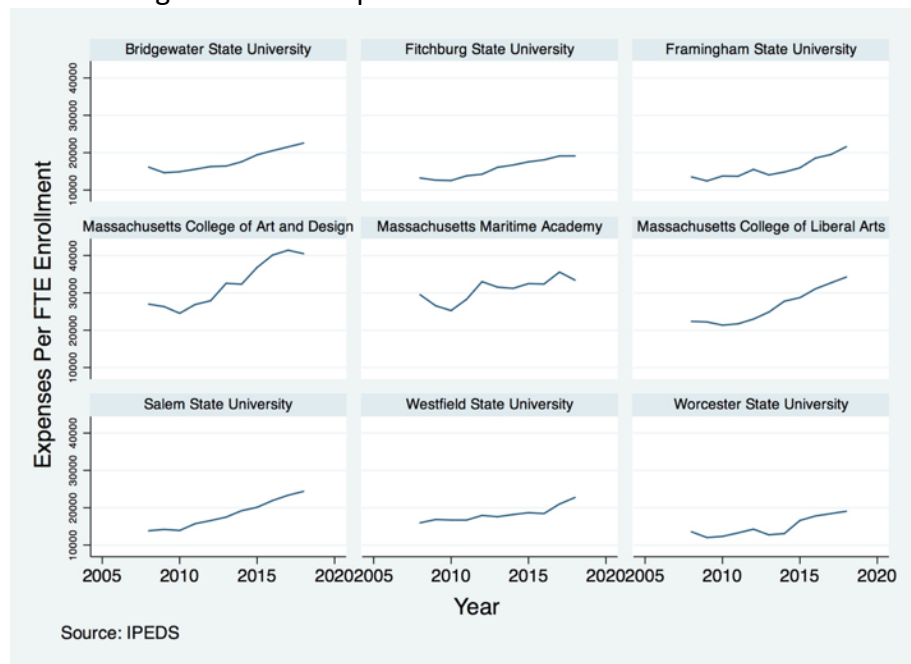


Figure 4: FTE Undergraduate Enrollment



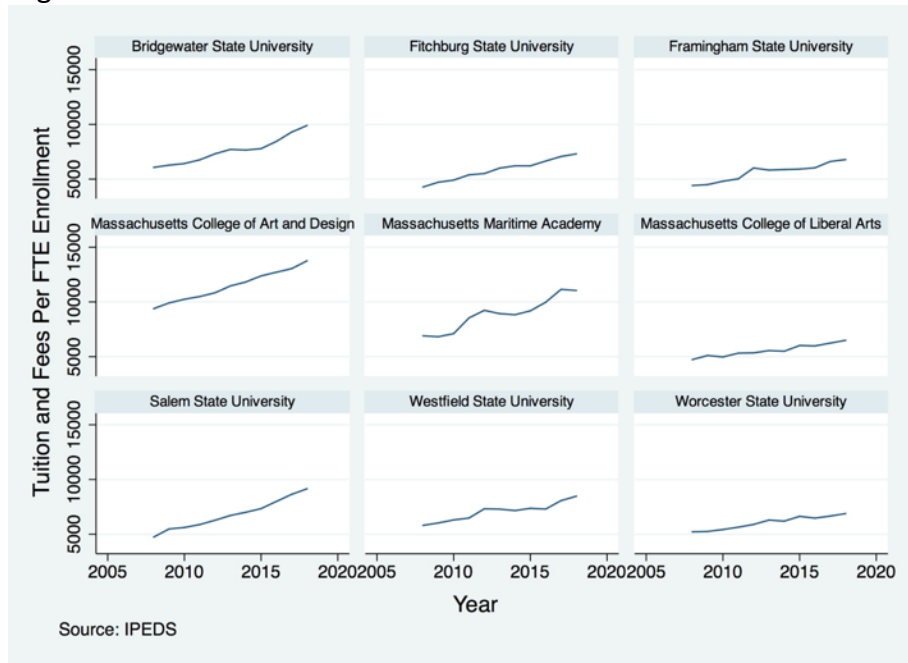
One possible reason why undergraduate enrollment has fallen relative to its sister schools is a decline in the relative price competitiveness of SSU relative to its peers. The significant loss of enrollment, driven by steep declines in graduate enrollment and modest declines in undergraduate enrollment, has led total expenses per FTE enrollment to increase faster at SSU than all of the other MSCA colleges except the Massachusetts College of Art and Design and the Massachusetts College of Liberal Arts (Figure 5).

Figure 5: Total Expenses Per FTE Enrollment



Rising costs per student has been met by Salem State University by increased tuition and fees after deductions and allowances. Although tuition and fee income has grown at all of the state colleges, SSU is one of the leaders in tuition and fee increases for students (Figure 6). That being said, tuition and fees have nearly doubled at many of the state colleges over the past decade.

Figure 6: Tuition and Fees Minus Deductions and Allowances Per FTE Enrollment



At public colleges, the state plays the important roll of funding the university so that tuition and fees can remain affordable for working class students. Although, in Massachusetts state appropriations per FTE enrollment have risen substantially over the past decade (Figure 7), they have not been able to keep up with the increasing costs of the university. This has resulted in student funding a larger percentage of their education (Figure 8).

Additionally, it is possible to compare an institution at different periods of time to see how revenue sources and costs have changed per FTE enrollment. Figure 9 presents the distribution of “Core Revenues” by source in 2018 and 2008. Over the past decade, it is apparent that SSU has relied more heavily on tuition and fees as a source of revenue as state appropriations’ share of revenue has fallen.

On the expense side, “Other Core Expenses” and “Student Services” make up the largest increases in costs as a percentage of total core expenses. This has been done by shifting money away from “Instruction”, “Institutional Support” and “Academic Support” as a percentage of total core expenses. At this time, it is unclear what is driving the increase in “Other Core Expenses” as it includes both scholarship and fellowship expenses and “Other Expenses and Deductions”.

Figure 7: State Appropriations Per FTE Enrollment

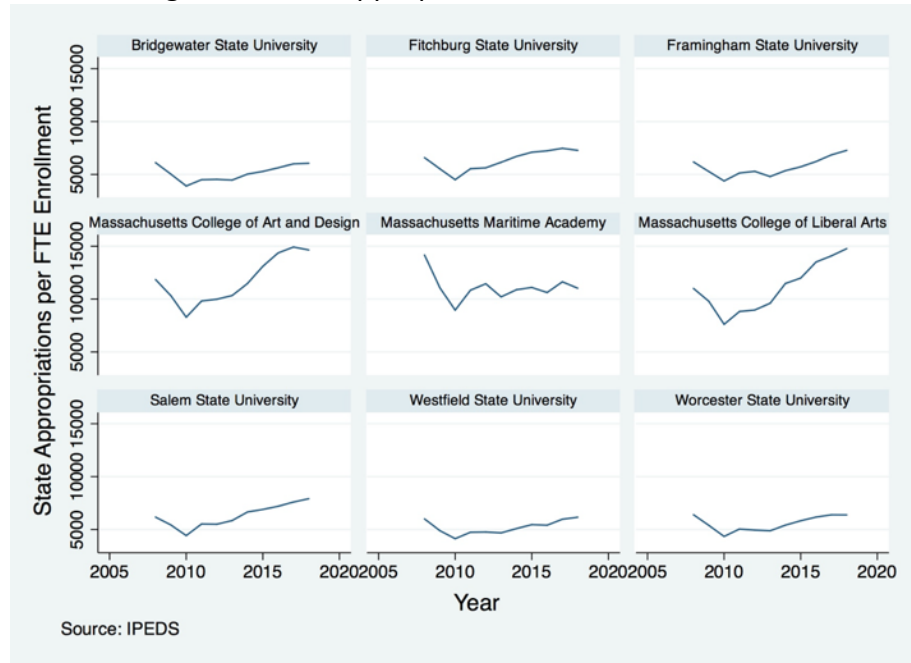


Figure 8: State Appropriations as a Percentage of Total Expenses

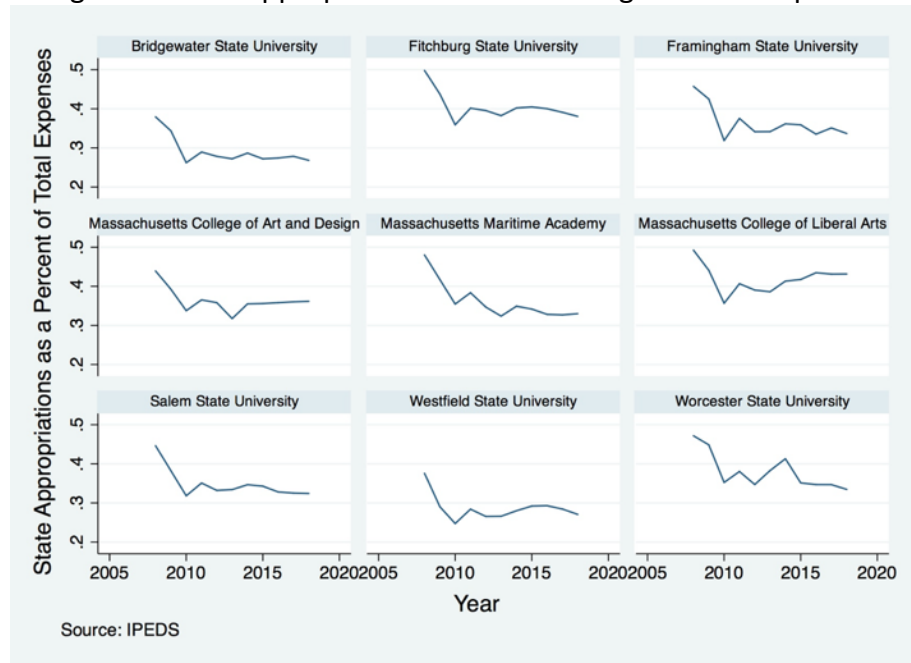


Figure 9: SSU's Distribution of Core Revenues 2018 and 2008

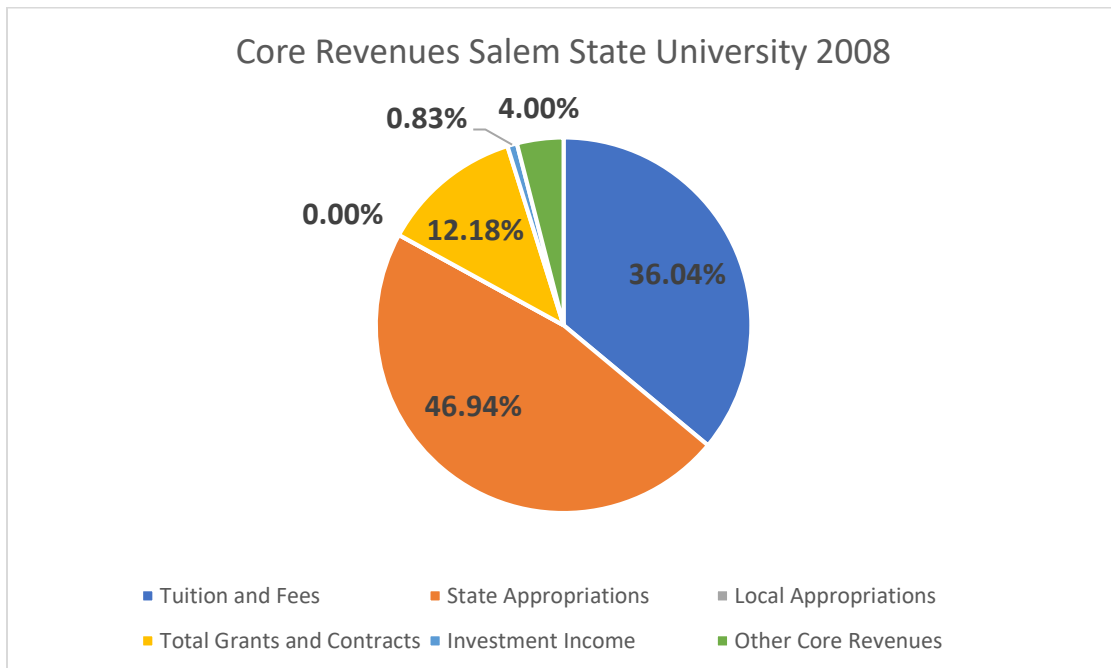
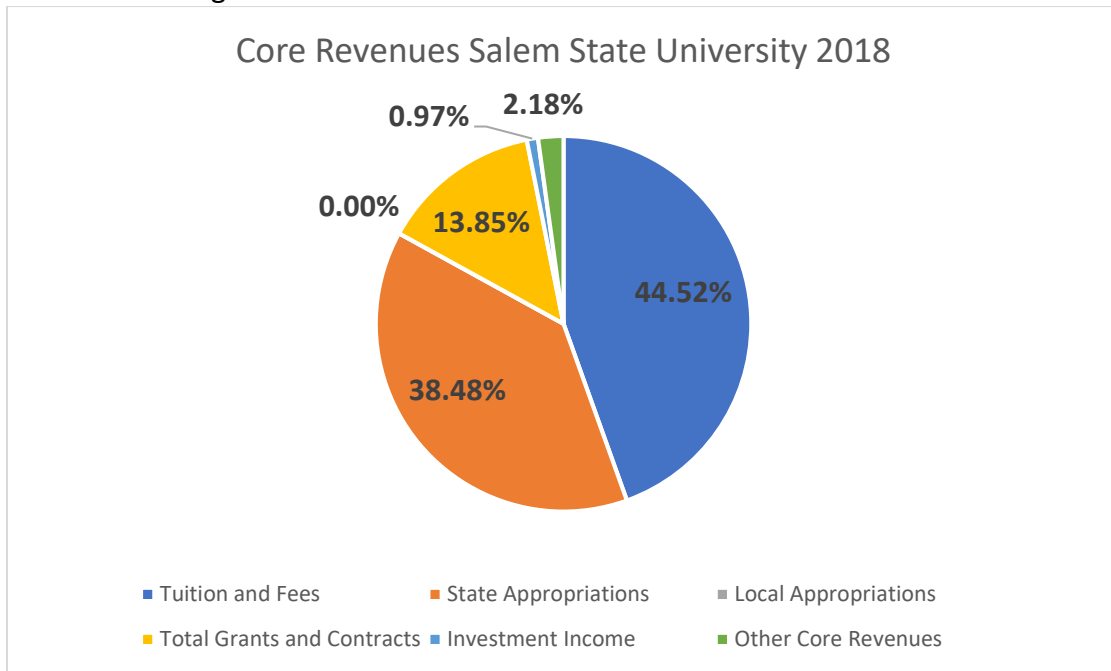
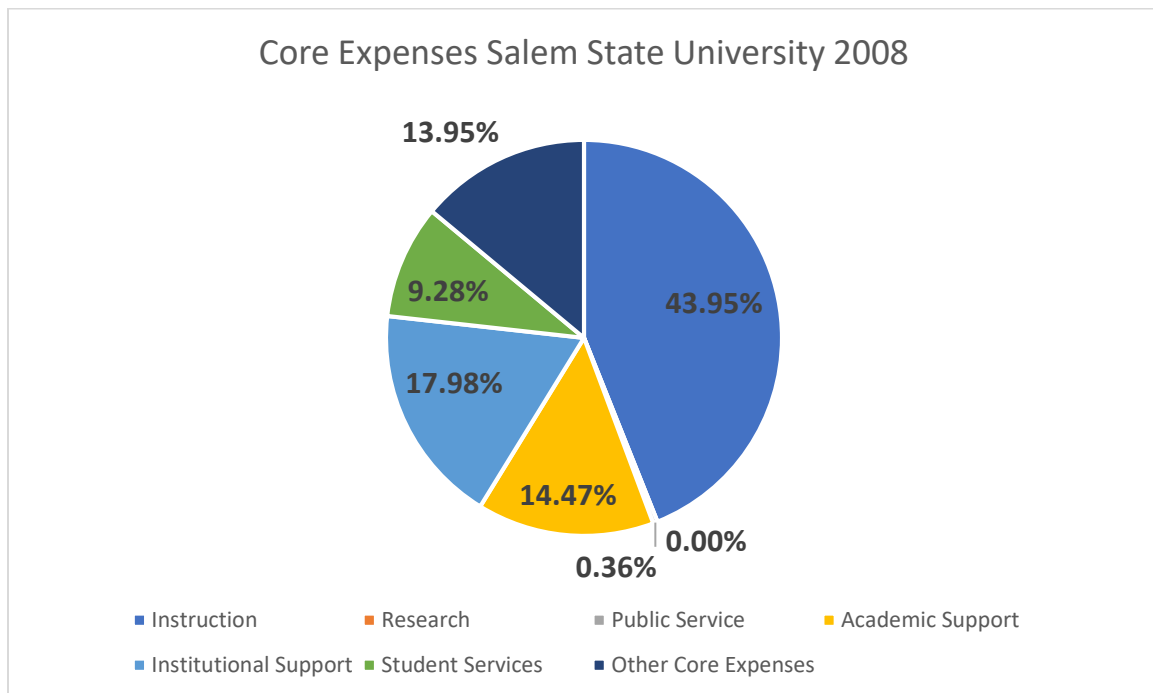
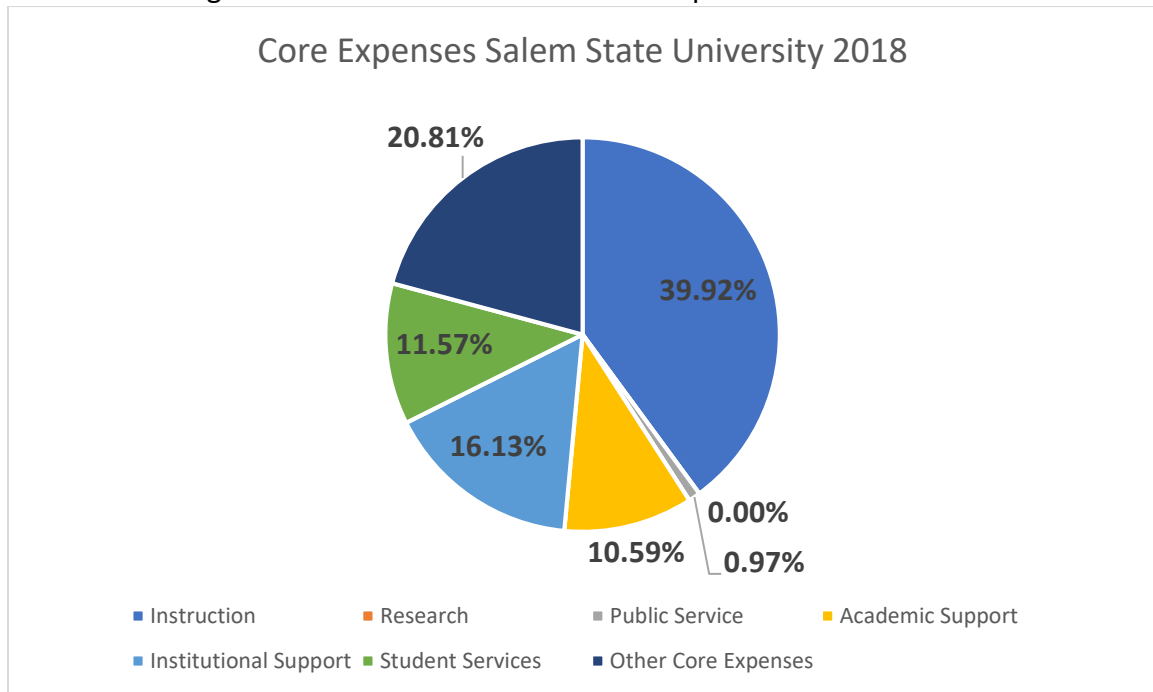


Figure 10: SSU's Distribution of Core Expenses 2018 and 2008



To further supplement its revenue, SSU has relied more heavily on “Auxiliary Services” which are not included in core expense or revenue calculations. “Auxiliary Services” include things like dormitories and bookstores. As a percentage of total revenues, auxiliary services

expenses have increased from 6.73% of total revenues to 12.94% of total revenues. This demonstrates SSU's shift from generating revenues from instruction (tuition and fees) to generating revenues from additional charges for services on campus (residence halls, dining, bookstores, etc.)

As a percentage of total expenses, auxiliary services revenue has increased from 7.34% of total revenues in 2008 to 10.59% of total revenues in 2018 making auxiliary services appear to be extremely profitable for the university. However, it is unclear if some of the costs of these services are captured in "Total Core Expenses" or not. It is also clear that students are not responding increases in auxiliary services by increasing their enrollment at the university.