

Department of Education
HOWARD UNIVERSITY
Fiscal Year 2018 Budget Request

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For partial support of Howard University, \$221,399,000, of which not less than \$3,405,000 shall be for a matching endowment grant pursuant to the Howard University Endowment Act and shall remain available until expended.¹

NOTES

A full-year 2017 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

Each language provision that is followed by a footnote reference is explained in the Analysis of Language Provisions and Changes document, which follows the appropriation language.

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Analysis of Language Provisions and Changes

Language Provision	Explanation
<u>¹ ... of which not less than \$3,405,000 shall be for a matching endowment grant pursuant to the Howard University Endowment Act and shall remain available until expended.</u>	This language establishes a minimum funding level for the endowment program. Endowment funds would remain available for obligation until expended.

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Appropriation, Adjustments and Transfers
(dollars in thousands)

Appropriation/Adjustments/Transfers	2016	2017 Annualized CR	2018
Discretionary appropriation:			
Appropriation	\$221,821	0	\$221,399
Annualized CR	<u>0</u>	<u>\$221,399</u>	<u>0</u>
Total, discretionary appropriation	221,821	221,399	221,399

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Authorizing Legislation
(dollars in thousands)

Activity	2017 Authorized	2017 Annualized CR	2018 Authorized	2018 Request
General support (20 U.S.C. 121 et seq.)	Indefinite	\$194,126 ¹	Indefinite	\$194,126
Endowment program (P.L. 98-480)	(2)	(3)	(2)	(3)
Howard University Hospital (20 U.S.C. 128)	<u>Indefinite</u>	<u>27,273</u>	<u>Indefinite</u>	<u>27,273</u>
Total appropriation		221,399		221,399

¹ The University has discretion to allocate funds for activities authorized under the general statute for Howard University.

² Title II of P.L. 98-480, the Howard University Endowment Act, authorized \$2,000 thousand in fiscal year 1985 to establish an endowment program. Subsequent year appropriations language has authorized minimum funding levels for the endowment program under the terms and conditions of the Act.

³ For fiscal year 2017, the University must allocate at least \$3,405 thousand for the endowment program. For fiscal year 2018, the Administration requests that not less than \$3,405 thousand be allocated to the endowment program.

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Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2009	233,245	236,709 ¹	233,244 ¹	234,977
2010	234,977	234,977	234,977 ²	234,977
2011	234,977	234,977 ³	234,977 ²	234,507 ⁴
2012	234,507	234,507 ⁵	234,507 ⁵	234,064
2013	234,064	234,064 ⁶	234,064 ⁶	221,821
2014	234,064	N/A ⁷	234,064 ²	221,821
2015	221,821	N/A ⁷	221,821 ⁸	233,245
2016	221,821	221,821 ⁹	219,500 ⁹	221,821
2017	221,821 ¹⁰	221,821 ¹⁰	221,821 ¹⁰	221,821 ¹⁰
2018	221,399			

¹ The levels for the House and Senate allowances reflect action on the regular annual 2009 appropriations bill, which proceeded in the 110th Congress only through the House Subcommittee and the Senate Committee.

² The level for the Senate allowance reflects Committee action only.

³ The level for the House allowance reflects the House-passed full-year continuing resolution.

⁴ The level for appropriation reflects the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).

⁵ The level for the House allowance reflects an introduced bill and the level for the Senate allowance reflects Senate Committee action only.

⁶ The levels for the House and Senate allowances reflect action on the regular annual 2013 appropriations bill, which proceeded in the 112th Congress only through the House Subcommittee and the Senate Committee.

⁷ The House allowance is shown as N/A because there was no Subcommittee action.

⁸ The level for the Senate allowance reflects Senate Subcommittee action only.

⁹ The levels for House and Senate allowances reflect action on the regular annual 2016 appropriations bill, which proceeded in the 114th Congress only through the House Committee and Senate Committee.

¹⁰ The levels for the House and Senate allowances reflect Committee action on the regular annual 2017 appropriation bill; the Appropriation reflects the Consolidated Appropriations Act, 2017.

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Howard University
(20 U.S.C. 121, et seq.)

(dollars in thousands)

FY 2018 Authorization: Indefinite

Budget authority:

	<u>2017</u> <u>Annualized CR</u>	<u>2017</u> <u>Appropriation</u>	<u>2018</u>	<u>Change from</u> <u>Annualized CR</u>
General Support	\$194,126	\$194,496 ¹	\$194,126 ¹	0
Howard University Hospital	<u>27,273</u>	<u>27,325</u>	<u>27,273</u>	<u>0</u>
Total	221,399	221,821	221,399	0

¹ The University has discretion to allocate funds for activities authorized under the general statute for Howard University. However, the 2017 appropriation required the University to allocate at least \$3,405 thousand for the endowment program. The Administration proposes the same language for 2018.

PROGRAM DESCRIPTION

Howard University (University) was established in 1867 as a federally chartered, private, nonprofit educational institution in Washington, DC. As a comprehensive, research-oriented historically Black university, Howard's mission is to provide an educational experience of exceptional quality at the undergraduate, graduate, and professional levels. The University has an enduring commitment to the education and advancement of underrepresented populations in America and the global community, and ranks among the highest producers of the Nation's Black professionals in medicine, dentistry, pharmacy, engineering, nursing, architecture, religion, law, music, social work, and education. For example, according to the National Science Foundation, the University consistently ranks among the highest producers of Black Ph.D. students. Likewise, according to the most recent data from the Association of American Medical Colleges, the University ranks first among all colleges and universities in the total number of Black graduates who go on to apply to medical school.

The annual appropriation for Howard University provides partial support for construction, development, improvement, endowment, and maintenance of the University and Howard University Hospital. Howard University has discretion in allocating funds for its academic, research, and endowment programs, and for construction activities.

Academic Programs — The University offers more than 120 fields of study leading to undergraduate, graduate, and professional degrees within 13 schools and colleges: Arts and Sciences; Business; Communications; Dentistry; Divinity; Education; Engineering, Architecture; Graduate School; Law; Medicine; Nursing and Allied Health Sciences; Pharmacy; and Social Work. To support these academic programs, the University provides a wide range of administrative, library, computer, and technology resources and services. These programs and

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services further the University's goals of expanding the opportunities of graduates, particularly minorities, especially in fields in which they are still underrepresented. The University recently announced a new partnership with Google and the launch of 'Howard West,' a three-month, summer Computer Science residency for rising juniors and seniors in the University's Computer Science program. The residency includes a dedicated workspace on Google's Mountain View campus and a stipend to cover housing and other expenses in Silicon Valley.

Research Programs — The University's research programs provide support for doctoral and post-doctoral research in scientific disciplines, pilot studies by interdisciplinary faculty teams, and the purchase of laboratory equipment. In addition, they provide new faculty with start-up research funding and offer bridge support for externally-funded research programs. The Interdisciplinary Research Center concentrates on a range of emerging disciplines including Nanoscience, Natural Products Research, Microbial Ecology, Diversity and Immunology, Atmospheric Sciences, Developmental Biology, and Stem Cell Differentiation.

Endowment Program — The endowment program is designed to assist the University in increasing its financial strength and independence by stimulating private contributions. To receive Federal endowment funds, the University must provide a one-for-one match through non-Federal contributions to the endowment. The endowment fund continues to grow by generating income that may be used to pay University expenses such as costs related to operations, maintenance, administration, personnel, construction, technical assistance, and research. However, the University may withdraw no more than 50 percent of the yearly income generated by the endowment to help meet operating costs, except in the case of a financial emergency or another unusual occurrence.

Construction — The University has discretion in allocating funds for capital construction and renovation of buildings to maintain and improve the University's ability to provide high-quality postsecondary education and research opportunities. The University commenced a \$144 million public-private partnership in January 2017 to fully renovate its largest existing residences (the Towers) with 1,850 beds (35 percent of Howard's residential cohort). Completion of the first tower is scheduled for fall 2017 and the second tower for fall 2018.

Howard University Hospital — Howard University Hospital (Hospital) was established in 1862 as Freedmen's Hospital, and was incorporated into the University by Congress in 1962. Today, the Hospital is a general medical and surgical facility, and is designated as a DC Level 1 Trauma Center. The 241-bed hospital is one of several comprehensive health care facilities serving the Washington, DC metropolitan area, with over 11,000 admissions and 60,000 emergency room visits annually. Hospital operations are financed through a combination of Federal funds, hospitalization insurance, patient payments, Medicare and Medicaid payments, and contractual agreements for patient care services with the District of Columbia government and other local jurisdictions. The Hospital is also a major teaching facility, providing training opportunities across a wide variety of specialty areas for graduate and professional students in the health sciences.

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Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2013.....	\$221,821
2014.....	221,821
2015.....	221,821
2016.....	221,821
2017.....	221,821

FY 2018 BUDGET REQUEST

The Administration requests \$221.4 million for the University in fiscal year 2018, the same as the fiscal year 2017 annualized Continuing Resolution (CR) level. The Department of Education Appropriations Act, 2017, provided \$221.8 million for this program. This request supports the Administration's goals to advance opportunities in higher education and strengthen the capacity of Historically Black Colleges and Universities (HBCUs) to provide the highest quality education. As a congressionally-chartered HBCU, the University plays an important role in providing disadvantaged individuals, particularly Blacks or African Americans, with access to a high quality postsecondary education.

The Federal appropriation constituted approximately 31 percent of the University's total revenues and 10.3 percent of the Hospital's total revenues in fiscal year 2016. In order to maintain current levels of educational and healthcare services, approximately \$194.5 million of the fiscal year 2018 request would be allocated under General Support to the University, and \$27.3 million would go to the Hospital. General Support includes the University's academic programs, research programs, endowment program, and construction.

Academic Programs — From the fiscal year 2018 appropriation, approximately \$87.5 million would support instruction. Another \$9 million would support public service program services. The University would utilize approximately \$34.5 million for academic support and an additional \$32.7 million for student services.

The University anticipates revenues (i.e., approximately \$143.5 million) from tuition and fees to be an additional source of funding for academic programs and support services in fiscal year 2018. The University's 2015-2016 academic year tuition and fees totaled \$23,790, well below that of nearby private universities, but significantly higher than the average cost for students attending other 4-year, private HBCUs. In comparison, the 2015-2016 Georgetown University and George Washington University tuition and fee costs per student were \$48,611 and \$50,435, respectively. Average tuition and fees for the other 46, 4-year, private HBCUs was \$14,098 for the 2015-2016 academic year. The University anticipates another \$52.5 million from sales and auxiliary enterprises and approximately \$344 million in other operating revenues to cover additional expenses related to academic programming.

Endowment Program — From the fiscal year 2018 appropriation, at least \$3.4 million would be directed to continue building the University's endowment, and the University would be required to match this contribution on a one-to-one basis. The Administration believes earmarking a minimum dollar level to be allocated for the endowment will continue to encourage the

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University to increase its financial strength and independence from Federal support. The University maintains a pooled endowment that is comprised of 800+ individual endowments. Revenue earned through the consolidated endowment program is intended to be used for instructional and research support, professorships, scholarships and other forms of student aid, and facilities. In recent years, the University has matched all Federal funds appropriated for endowment purposes in the fiscal year in which they were appropriated. The University plans to match all endowment funds appropriated in fiscal year 2018.

According to a recent study published in February 2017 by the National Association of College and University Business Officers (NACUBO), called the NACUBO – Commonfund Study of Endowments (NCSE), Howard University's total endowment value ranked 136th out of 815 participating institutions. The study was based on an analysis of 2015 and 2016 endowment data from the 815 institutions. The University reported figures (i.e., \$685.8 million in fiscal year 2016 and \$704.8 million in fiscal year 2015) to the NCSE that included total assets and liabilities measured at fair value, including a broader array of assets than the endowment definition. The University's consolidated financial statements indicated a total market value of the endowment at \$578 million at the end of fiscal year 2016 and \$590 million at the end of fiscal year 2015. Due to the discrepancies, the Department urged the University to consult with NACUBO to clarify methodology. As a result, the University's future submissions will conform to the methodology described by NACUBO. According to the University, the spending rate for the endowment is 5 percent of the donor endowment market value, based upon a three-year moving average. This rate is slightly higher than that of institutions with similarly sized endowments (i.e., between \$501 million and \$1 billion) participating in the NCSE study cited above which found an average annual effective spending rate of 4.3 percent for fiscal year 2016.

Howard University Hospital — The Administration's request includes \$27.3 million for the Hospital. Federal support for the Hospital enables provision of medical, dental, and other health-related education, research, and training opportunities for students. As of October 2014, Paladin Healthcare assumed responsibility for day-to-day operations of the Hospital under the oversight of a joint University and Paladin Healthcare Management Committee. Under this signed Management Service Agreement, the University continues to be the licensed operator of the Hospital. The University has recently raised the idea of selling the hospital, which has been a financial drain and indicated that Paladin Healthcare may be a potential buyer. According to the University, they are open to working with business partners that can assist in improving the operation and management of Howard University Hospital.

The University's primary objective regarding the Hospital is a reorganization that results in the removal of the Hospital from the University's balance sheet, not a "sale" per se. The University proposes that this kind of reorganization would be to better manage the University's risk exposure by separating the current Howard University legal entity into two entities with separate balance sheets, but interlocking missions and a detailed academic affiliation agreement. The University believes this would preserve the Hospital's role as an academic medical center, closely and inextricably tied to the University, operating in support of the University's mission as an educator of medical and other health care students. Additionally, the University maintains that current activities of the Hospital that utilize the Federal appropriation as a funding source will continue to take place even if the University and the Hospital are, in the future, legally

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separate but affiliated entities. At this time, no decision to separate the University and the Hospital has been made, and no authorization to separate has been sought from or given by the Trustees.

Research Programs — In fiscal year 2016, the University dedicated \$40.1 million to research programs, though the Federal appropriation was not a source of funding in this area. The University does not plan to allocate any of the Federal appropriation for research in fiscal year 2018.

Construction — In fiscal year 2016, the University allocated \$1.7 million of the Federal appropriation for construction. The fiscal year 2018 request includes \$1.7 million for construction and maintenance.

PROGRAM OUTPUT MEASURES

(data in whole numbers)

<u>Output Measures</u>	<u>2016</u>	<u>2017 Annualized CR</u>	<u>2018</u>
Student population by enrollment:			
Number of full-time undergraduate students	6,075	5,623	5,651
Number of full-time graduate students	1,196	1,024	1,036
Number of full-time professional students	<u>1,446</u>	<u>1,409</u>	<u>1,409</u>
Total number of full-time students	8,717	8,056	8,096
Total number of undergraduate students	7,098	6,567	6,599
Total number of graduate students	1,753	1,490	1,508
Total number of professional students	<u>1,493</u>	<u>1,493</u>	<u>1,493</u>
Total number of students	10,344	9,550	9,600
Student population by race:			
Number of Black U.S. undergraduate students	6,378	5,900	5,930
Number of other U.S. undergraduate students	315	292	293
Number of foreign undergraduate students	405	375	376
Number of Black U.S. graduate students	1,338	1,137	1,151
Number of other U.S. graduate students	140	119	120
Number of foreign graduate students	275	234	237
Number of Black U.S. professional students	1,060	1,060	1,060
Number of other U.S. professional students	367	367	367
Number of foreign professional students	66	66	66

NOTE: Howard University has provided all data, which is based on the University's July 1 to June 30 academic year. The Department is not able to confirm the accuracy of the FY 2016 data.

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PROGRAM OUTPUT MEASURES

(in whole dollars)

<u>Output Measures</u>	<u>2016</u>	<u>2017 Annualized CR</u>	<u>2018</u>
Student population by family income:			
Number of undergraduates with family income of less than \$40,000	2,650	2,675	2,675
Number of graduate students with family income of less than \$40,000	801	815	815
Number of professional students with family income of less than \$40,000	955	945	950
Undergraduate student financial aid:			
Number of U.S. students receiving Federal aid	5,750	5,850	5,850
Average amount of aid	\$17,500	\$17,500	\$17,500
Number of U.S. students receiving non-Fed'l aid	5,300	5,350	5,350
Average amount of aid	\$14,500	\$14,575	\$14,600
Number of foreign students receiving non-Fed'l aid	265	266	270
Average amount of aid	\$23,970	\$23,990	\$24,000
Graduate student financial aid:			
Number of U.S. students receiving Federal aid	2,559	2,600	2,625
Average amount of aid	\$48,670	\$48,700	\$48,900
Number of U.S. students receiving non-Fed'l aid	795	795	800
Average amount of aid	\$15,945	\$16,250	\$16,500
Number of foreign students receiving non-Fed'l aid	125	130	135
Average amount of aid	\$21,230	\$21,186	\$22,200
Professional student financial aid:			
Number of U.S. students receiving Federal aid	1,350	1,355	1,360
Average amount of aid	\$54,005	\$54,005	\$54,100
Number of U.S. students receiving non-Fed'l aid	792	795	800
Average amount of aid	\$15,250	\$16,275	\$16,300
Number of foreign students receiving non-Fed'l aid	60	65	70
Average amount of aid	\$31,000	\$32,500	\$33,000

NOTE: Howard University has provided all data, which is based on the University's July 1 to June 30 academic year. The Department is not able to confirm the accuracy of the University's FY 2016 data.

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PROGRAM OUTPUT MEASURES

(in whole numbers)

<u>Output Measures</u>	<u>2016</u>	<u>2017 Annualized CR</u>	<u>2018</u>
Degrees awarded by type and race:			
Baccalaureates awarded to Black U.S. students	1,187	1,180	1,180
Baccalaureates awarded to other U.S. students	61	60	60
Baccalaureates awarded to foreign students	<u>50</u>	<u>45</u>	<u>50</u>
Total number of Baccalaureates awarded	1,288	1,285	1,290
Masters awarded to Black U.S. students	284	285	285
Masters awarded to other U.S. students	25	30	32
Masters awarded to foreign students	<u>34</u>	<u>35</u>	<u>36</u>
Total number of Masters awarded	343	350	353
Ph.D.s awarded to Black U.S. students	80	85	85
Ph.D.s awarded to other U.S. students	7	7	7
Ph.D.s awarded to foreign students	<u>14</u>	<u>12</u>	<u>12</u>
Total number of Ph.D.s awarded	101	104	104
Professional degrees awarded to Black U.S. students	308	310	312
Professional degrees awarded to other U.S. students	99	95	95
Professional degrees awarded to foreign students	<u>9</u>	<u>20</u>	<u>20</u>
Total number of Professional degrees awarded	426	425	427
Faculty:			
Number of paid faculty	1,333	1,306	1,310
Number of faculty serving without compensation	<u>28</u>	<u>28</u>	<u>25</u>
Total number of faculty	1,361	1,334	1,335
Construction:			
Construction expenditures (dollars in thousands)	\$8,219	\$15,000	\$16,500

NOTE: Howard University has provided all data, which is based on the University's July 1 to June 30 academic year. The Department is not able to confirm the accuracy of the University's FY 2016 data.

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PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2016</u>	<u>2017 Annualized CR</u>	<u>2018</u>
Endowment program:			
Federal appropriation	3,405 ¹	3,405 ¹	3,405 ¹
Matching funds raised by University	<u>3,405</u>	<u>3,405</u>	<u>3,405</u>
Total new contributions	6,810	6,810	6,810
Market value of total University endowment	577,132	600,866	630,909
Endowment investment income	14,274	15,701	17,272
Investment income as percent of endowment	2.5%	2.6%	2.7%
Howard University General Support:			
Federal appropriation	\$194,496 ¹	\$194,126 ¹	\$194,126 ¹
Other Federal funding	<u>47,922</u>	<u>65,000</u>	<u>65,000</u>
Total Federal funding	242,418	259,126	259,126
Restricted non-Federal revenue	13,010	16,794	17,633
Revenue from tuition and fees	256,887	259,107	261,698
Other non-Federal revenue	<u>109,732</u>	<u>107,503</u>	<u>108,578</u>
Total non-Federal revenue	379,629	383,404	387,909
Total University revenue	618,921	642,530	647,035
Total University expenditures	627,606	645,647	667,909
Federal funding as percent of total revenue	39.2%	40.3%	40.0%
Tuition and fees as percent of total revenue	41.5	40.3	40.4
Federal appropriation as percent of total revenue	31.4	30.2	30.0
Howard University Hospital:			
Federal appropriation	\$27,325	\$27,273	\$27,273
Other Federal funding	<u>66,616</u>	<u>65,000</u>	<u>65,000</u>
Total Federal funding	93,941	92,273	92,273
Total Hospital revenue	265,241	265,690	267,842
Total Hospital expenditures	260,705	258,098	271,819
Federal appropriation as percent of total revenue	10.3%	10.3%	10.2%

NOTE: Howard University has provided all data, which is based on the University's July 1 to June 30 academic year. The Department is not able to confirm the accuracy of the University's FY 2016 data.

¹ Federal funding for the Howard endowment program (\$3,405 thousand) is drawn from the appropriation for Howard University General Support.

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PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2018 and future years, as well as the resources and efforts invested by those served by this program.

Goal: To assist Howard University with financial resources needed to carry out its educational mission.

Objective: *Maintain or increase the undergraduate graduation rate.*

Measure: The percentage of first-time, full-time, degree-seeking, undergraduate students who graduate within 6 years of enrollment.

Year	Target	Actual
2013	70%	61%
2014	70	60
2015	70	61
2016	70	59
2017	70	
2018	70	

Additional Information: This measure defines the graduation rate as completion of a 4-year degree within 6 years of enrollment at the University. The measure uses data taken from the Integrated Postsecondary Education Data System (IPEDS) database maintained by the National Center for Education Statistics (NCES) rather than directly from the University. The 2016 IPEDS data are not yet available; however, the University reports an estimated 59 percent for this year and will provide this figure to IPEDS. Previous years in this table have been updated to reflect actual IPEDS reporting.

The long-term goal is to increase Howard University's graduation rate. According to the IPEDS data, in 1998, the graduation rate for Howard University was only 41 percent, but by 2003, it had significantly increased to 69 percent. Since then, Howard's graduation rate has declined, and has hovered around 60 percent. In comparison, the average graduation rate for 4-year, private, not-for-profit universities is approximately 64 percent. However, the graduation rate for the University is significantly higher than the average graduation rate (i.e., 33 percent) for other 4-year, private, not-for-profit HBCUs. The Department plans to work with Howard in fiscal years 2017 and 2018 to improve performance in this area and will review targets for possible adjustment.

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Objective: *Maintain or increase the retention of full-time undergraduate students.*

Measure: The percentage of first-time, full-time, degree-seeking, undergraduate students who were in their first year of postsecondary enrollment in the previous year and are enrolled in the current year.

Year	Target	Actual
2013	88%	83%
2014	89	80
2015	90	89
2016	90	87
2017	90	
2018	90	

Additional Information: The long-term goal is to increase the percentage of first-time, full-time students who return for their second year of undergraduate education. Data from IPEDS showed Howard University's persistence rate steadily dropped beginning in 2007, when it dipped to 85 percent after multiple years at 90. The rate fell further through 2014 before improving in 2015 and decreasing again in 2016. The 2016 IPEDS data are not yet available; however, the University reports an estimated 87 percent for this year and will provide this figure to IPEDS. The University's persistence rate is higher than the average of 4-year, private, not-for-profit universities in general (i.e., 82 percent), as well as other 4-year, private, not-for-profit HBCUs (60 percent).

Objective: *Increase student enrollment over the long term.*

Measure: The number of full-time, degree-seeking, undergraduate and graduate students enrolled at Howard University.

Year	Target	Actual
2013	12,000	8,818
2014	12,000	9,065
2015	12,000	9,029
2016	12,000	8,717
2017	12,000	
2018	10,000	

Additional Information: This measure utilizes data provided by Howard University. Combined enrollment of degree-seeking undergraduates and graduates at the University has remained around 9,000 students annually since fiscal year 2012 but decreased by 3.5 percent in fiscal year 2016. The University currently estimates that fewer than 8,100 students are enrolled full-time in fiscal year 2017, and projections indicate this will be consistent for 2018 as well. In fiscal year 2015, the freshman class was one of the largest classes enrolled in the past 30 years, which stretched the capacity of the University in every administrative and academic area, including providing on-campus housing, creating additional stress on the network, adding additional course sections, and addressing increased financial needs of students. As a result, the University intentionally planned for a smaller freshman class for fiscal year 2016, as they sought to balance enrollment and capacity. Demand for the University continues to remain high.

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Annual applications range between 17,000-18,000. This has permitted the University to be more selective in the students who are accepted. As a result, the Department is discussing a plan with the University to ensure sufficient capacity as they seek to gradually increase enrollment and may consider adjusting targets beyond 2018.

Efficiency Measures

The efficiency measure tracks the cost of a successful outcome, where success is defined as graduation and Federal cost is defined as the program appropriation. This measure ties in with the program's performance indicators.

Measure: Federal cost of degrees and certificates awarded by Howard University.

Year	Target	Actual
2013	\$88,000	\$90,337
2014	88,000	95,108
2015	88,000	88,127
2016	88,000	90,128
2017	88,000	
2018	88,000	

Additional Information: The efficiency measure is calculated by dividing the total funds appropriated for Howard (exclusive of Hospital funding) by the number of students successfully completing degree or certificate programs. This measure allows the Department to track program performance in terms of cost to the Federal Government and the efficiency of Federal funds in achieving successful outcomes. With the exception of 2015, the Federal cost per degree or certificate awarded has remained well above the target. As a result of the decreased enrollment at the University, the Department will consider revising targets for future years.

A similar efficiency measure has been established for the higher education programs authorized under Titles III and V of the Higher Education Act, as well as for Gallaudet University and the National Technical Institute for the Deaf.

Other Performance Information

The University's fiscal year 2016 audit, required by OMB Circular A-133 (A-133) identified a number of concerns with internal control over financial reporting, including eight material weaknesses and three significant deficiencies. In summary, for the fiscal year ending in June 2016, the University did not have adequately designed internal controls over: human resources; information systems; accounting transactions; medical malpractice reserves; account reconciliations and consolidated financial reporting; journal entry support and review; internal communications and financial reporting; system interfaces; and expense cut-off. Similarly, the audit of the University's major federal programs disclosed seven instances of noncompliance as a result of a lack of sufficient administrative oversight and one significant deficiency.

The following Uniform Guidance areas had associated findings: B. Allowable Costs/Cost Principles - Effort Certification; I. Procurement and Suspension and Debarment; Reporting (of federal awards); L. Reporting – Common Origination and Disbursement (COD) System (i.e.,

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Federal Pell Grant Program payment data reporting); N. Special Tests and Provisions – Verification (Education Department-approved Quality Assurance (QA) Program verifications procedures; N. Special Tests and Provisions – Disbursements To or On Behalf of Students (transfer monitoring procedures); N. Special Tests and Provisions - Enrollment Reporting; N. Special Tests and Provisions - Return of Title IV Funds; and N. Special Tests and Provisions – Publications (not attributing source of federal grants funds). It should be noted that many of these are repeat findings from the prior fiscal year audit that had not been resolved according to the Corrective Action Plan developed by the University at that time. As a result of the audit for the fiscal year ending June 30, 2016, the University developed a new Corrective Action Plan, including descriptions of corrective actions and the anticipated time needed to implement the actions for each finding; in most cases, the University listed the date for the fiscal year ending June 30, 2017.

In addition to these issues, the teaching Hospital has struggled repeatedly to maintain several of its residency programs. Records for the Chicago-based Accreditation Council for Graduate Medical Education (ACGME) indicate that ACGME has withdrawn the accreditation of residency programs at Howard more often than at any other Washington, D.C. hospital in the last 15 years. The Hospital lost accreditation for five training programs since 2002: emergency medicine, pediatrics, urology, radiation oncology and diagnostic radiology, none of which have been reaccredited. In comparison, the ACGME database indicates that George Washington Hospital, MedStar Georgetown and MedStar Washington Hospital Center have lost accreditation for one program in the same time period. According to ACGME, hospitals cannot use public money to employ residents from programs that are not accredited.

In response to ongoing annual revenue losses at both the Hospital and the University, in recent years the University reports that it has taken several steps to improve its overall financial standing. The University claimed their strongest financial performance in five years in fiscal year 2016, with a gain from operations of almost \$12 million for the year ending June 30, 2016. According to the University, operating revenues stabilized compared to fiscal year 2015, due to improved fiscal management and increases in operating efficiencies, namely costs associated with employment.

During fiscal year 2017, the University strives to create a University Budget Office that can develop improved revenue projections, multi-year financial forecasts, and intra-year and year-end projections at the enterprise level and at the Accountable Unit level. The University is in the process of hiring staff for positions in the Chief Budget Office. In an effort to provide managers with tools needed to monitor finances and ensure accountability and compliance, the University engaged Oracle Consulting in October 2016 to create monthly financial reports for University accountable unit managers, including revenue and expense reports, position and headcount reports, vendor spending reports, and restricting fund. Additionally, the University is seeking to improve forecasting models for enrollment, financial aid packaging, and net tuition revenue realization. The Department will work with the University in fiscal year 2017 and 2018 to determine what impact, if any, these initiatives had on the institution's financial standing, as well as enrollment patterns and graduation rates. In addition, the Department will analyze the effects of these initiatives over longer periods of time.

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Despite these recent improvements and institutional enhancements, the Department has ongoing concerns about Howard's overall financial health and stability. Recent (March 2017) Washington Post articles (https://www.washingtonpost.com/local/howard-university-hospital-shows-symptoms-of-a-severe-crisis/2017/03/24/dc84ca34-02a5-11e7-b9fa-ed727b644a0b_story.html?tid=a_inl&utm_term=.caa2e97dd85d and https://www.washingtonpost.com/local/howard-university-hospital-shows-symptoms-of-a-severe-crisis/2017/03/24/dc84ca34-02a5-11e7-b9fa-ed727b644a0b_story.html?tid=a_inl&utm_term=.caa2e97dd85d) describe the numerous challenges plaguing the Hospital and University in detail.

Standard & Poor's (S&P) further lowered the University's stand-alone credit profile and long-term rating in September 2016. S&P's Global Ratings affirmed its 'BBB' long-term and underlying rating on the District of Columbia's \$292 million revenue bonds issued for Howard University; the outlook is negative, citing declining revenues and significant operating losses in recent years

(https://www2.howard.edu/sites/default/files/pdf/2.05.2_SandP_Ratings_Direct_Analysis_Sep_2016.pdf). Combined, these credit factors lead to an indicative stand-alone credit profile of 'bbb' and a 'BBB' long-term rating (down from bbb+ and BBB+, respectively, reported in the fiscal year 2017 budget request for the University), though the S&P credit analyst expects "the financial performance will stabilize and be positive in 2017."

Most recently, senior faculty of the University cited significant concerns regarding financial problems, lack of transparency, and failures of leadership in their vote of no confidence in University President Wayne A.I. Frederick and Provost Anthony Wutoh. The Department will continue working with leadership to stabilize the University's financial condition in fiscal years 2017 and 2018 to ensure continued improvements in financial and operational management and full compliance in regards to the Federal appropriation.