

R13M00
Morgan State University

Operating Budget Data

	(\$ in Thousands)				
	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 03 - 04</u>	<u>FY 03 - 04</u>
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
General Funds	\$52,035	\$53,217	\$51,088	-\$2,129	-4.0%
FY 03 Cost Containment	0	-1,863	0	1,863	
Contingent & Back of Bill Reductions	0	-266	0	266	
Adjusted General Funds	\$52,035	\$51,088	\$51,088	\$0	
Other Unrestricted Funds	64,921	63,658	68,462	4,804	7.5%
Total Unrestricted Funds	\$116,956	\$114,747	\$119,551	\$4,804	4.2%
Restricted Funds	32,865	33,776	38,729	4,954	14.7%
Adjusted Grand Total	\$149,821	\$148,522	\$158,280	\$9,758	6.6%

- The allowance does not include enhancement funding that will be allocated for fiscal 2004 pursuant to the Office of Civil Rights (OCR) agreement.
- Other unrestricted funds will increase \$5 million, or nearly 8%.
- The general fund allowance does not increase from the fiscal 2003 working appropriation after cost containment reductions.

Personnel Data

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	
Regular Positions	973.00	975.00	975.00	0.00
Contractual FTEs	449.00	453.00	501.00	48.00
Total Personnel	1,422.00	1,428.00	1,476.00	48.00

Vacancy Data: Regular Positions

Budgeted Turnover: FY 04	63.57	6.52%
Positions Vacant as of 09/31/02	78.00	8.00%

- The allowance includes an increase of 48 contractual employees due to increased enrollment.
- The Board of Public Works approved 23 new employees under the “Rule of 500” for the fiscal 2004 allowance.

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

For further information contact: Jessica E. Jordan

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Six-year Graduation Rate Expected to Rise: Morgan outperformed its peers by 10% for African American six-year graduation rates in 2002.

Second-year Retention Rate Improves but Does Not Reach Goals: Morgan has consistently fallen short of its goals for second year retention rates in all categories of students.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add budget bill language to restrict the Current Unrestricted Funds that can be brought in through budget amendment from tuition and fee revenue.		
2. Reduce general funds.	\$ 504,234	
Total Reductions	\$ 504,234	

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Operating Budget Analysis

Program Description

Morgan State University (MSU) is Maryland's public urban university. The university offers a comprehensive set of academic programs that are important to metropolitan Baltimore and fields where there is an under-representation of minority students. In addition to programs in arts and humanities, the university places special emphasis on engineering and the sciences, business, education, architecture, and transportation.

MSU educates a wide variety of students, including those who are among the best prepared, as well as those who might not obtain a baccalaureate degree without the extra support of the university. MSU's short-term goals are to increase the diversity of the student body, increase the number of applicants from Baltimore City high schools, and to establish Morgan as one of the nation's premier moderately sized urban doctoral-granting universities.

Performance Analysis: Managing for Results

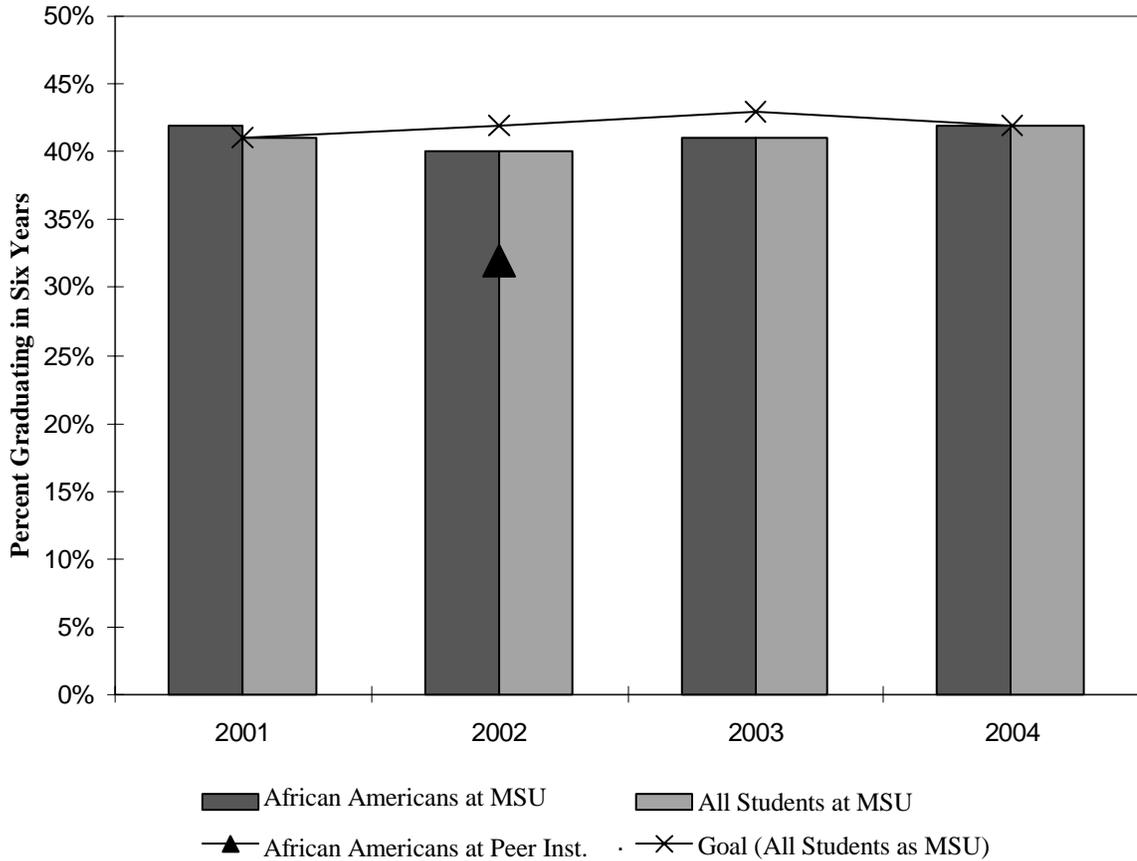
The performance measures for Maryland's four-year public colleges and universities focus on graduation and retention rates for all students and African American students. Due to the shortage of workers in critical fields such as nursing and teaching, higher education institutions are placing importance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

Morgan's six-year undergraduate graduation rate experienced a 1% decrease from 2001 to 2002 but is expected to rise from 40% to 41% in 2003. The estimated graduation rate for all students in 2004 is 42%. These numbers are very similar to the six-year undergraduate graduation rate for African American students at Morgan, whose expected graduation rate this year is also 41%, and is expected to increase to 42% next year. **Exhibit 1** shows the six-year graduation rate from 2001 to 2004; a number of conclusions can be made from this exhibit:

- Morgan continues to fall short of its yearly goal by 1% to 2%. The goal for all students in 2004 reflects this and is set at only 42%.
- Morgan outperformed its peers by a 10% margin in 2002 for African American graduation rates.
- The graduation rate for all students falls short of its peers' average by 2%.
- African Americans outperformed all students in 2001; since then the rates have been the same for both groups.

Exhibit 1

Six-year Graduation Rate Comparison of Morgan and Peer Institutions



Source: Morgan State University

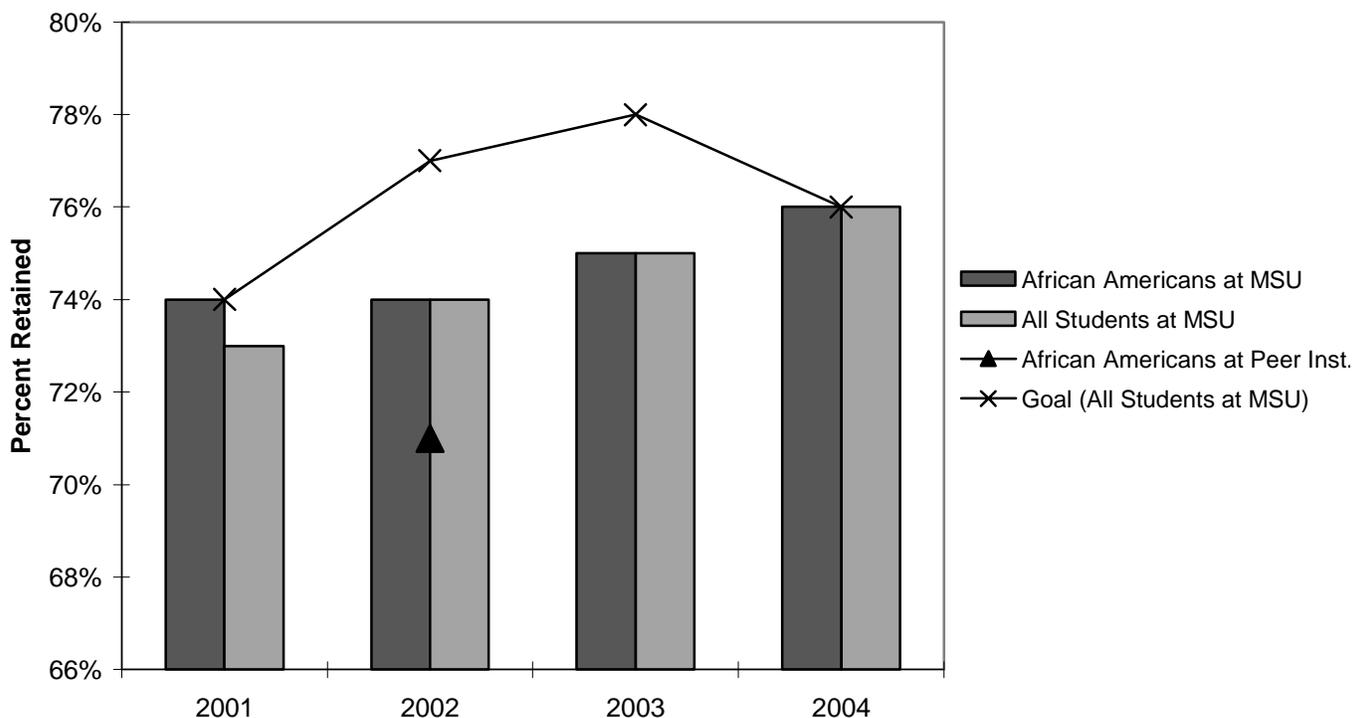
Exhibit 2 depicts the second-year retention rate at Morgan in relation to its yearly goals and peer institutions. The following points can be made about Exhibit 2:

- The retention rate of all students consistently falls short of the goal.
- For 2004, the goal and the estimates were brought into line at 76%.
- The retention rate of all students was the same as for African American students in 2002. This trend is expected to continue in fiscal 2004.

The President should comment on why Morgan has failed to reach its goals for the second-year retention rate and what the school has done in the past and might do in the future to improve retention.

Exhibit 2

Comparison of Second-year Retention Rate at Morgan and Peer Institutions

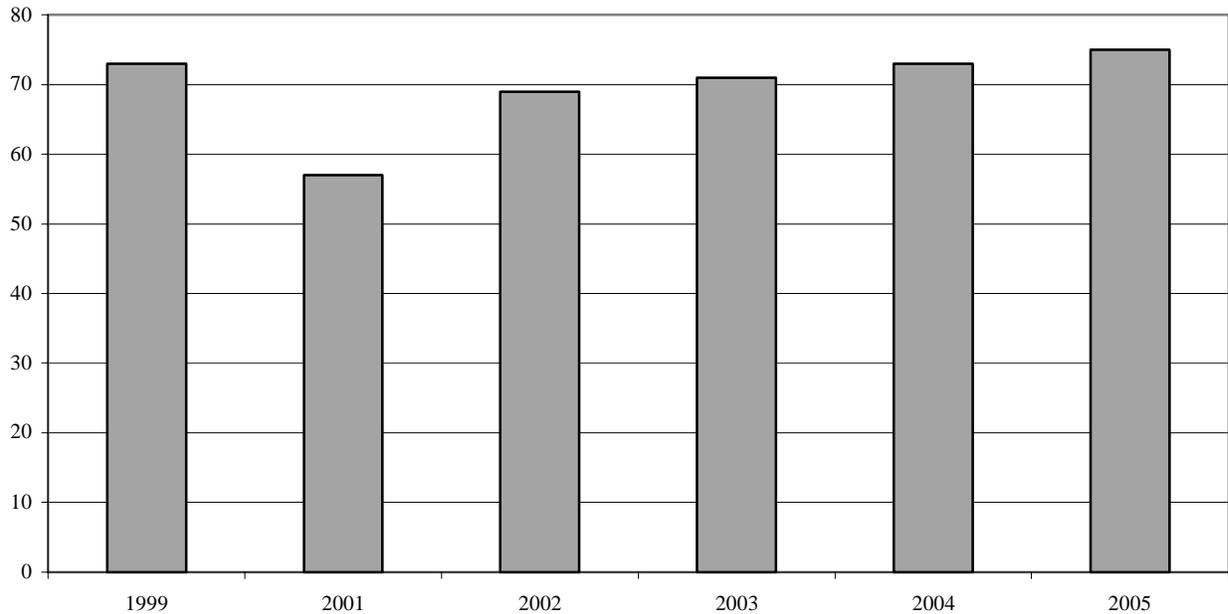


Source: Morgan State University

In recent years, Morgan has placed an emphasis on teacher education and has increased the passage rate of students on the national teacher's exam, the Praxis II, from 73% to 86% in the last year. Morgan's goal is to increase the number of degrees awarded in teacher education by 3% between 1999 and 2005. **Exhibit 3** shows the number of baccalaureate degrees awarded in teacher education. Morgan estimates graduating 73 bachelor's degrees in teaching in 2004, which would be a 28% increase since 2001. However, in 1999, Morgan graduated 73 degrees in teaching and estimates graduating 75 in 2005. **The President should comment on the drop in teaching degrees from 1999 to 2001 and why, over time, the university will barely catch up to its earlier numbers.**

Exhibit 3

Number of Baccalaureate Degrees Awarded in Teaching



Source: Morgan State University

Increasing revenues from sources other than the State is a goal of both MSU and University System of Maryland institutions. Morgan has greatly increased its private grants and contract awards over the last four years, with specific focus on the value of grants targeted for student research opportunities. Morgan's goal is to increase student research grants by 106%, from \$1.7 million in 1999 to \$3.5 million in 2005. The grant amounts are on target to reach this goal with \$3.3 million estimated in 2003. Morgan has increased grant and contract awards by 500% in the last decade, far exceeding the peer average of 222%.

Morgan has placed special emphasis on expanding its doctoral programs. Since 1997, nine doctoral programs have been added, and doctoral enrollment has increased by 176 students, or 279%. However, since 1999, the number of doctoral degrees granted has decreased 40%. Morgan's peers have increased their doctorate awards 8% during the same period; however, three-fourths of its peers do not collect this data. **The President should comment on why the number of doctorate degrees awarded has dropped despite the addition of new doctoral programs.**

Fiscal 2003 Actions

Impact of Cost Containment

Fiscal 2003 cost containment actions will reduce MSU's budget by \$2.1 million, or 4%. The first round of cost containment approved by the Board of Public Works on January 8, 2003, reduced the appropriation by \$1.9 million. Governor Robert Ehrlich has proposed an additional \$0.3 million reduction. The first round of cost containment savings was achieved by taking \$500,000 from the National Transportation Center; imposing a hiring freeze (\$250,000); using funds from Morgan's fund balance (\$888,000) to pay for lease payments for the purchase of information technology (IT); and reducing the planned operation of a campus-wide surveillance system until funding is restored (\$225,000). **Morgan should brief the committees on how it will achieve the additional \$0.3 million in savings proposed by the Governor.**

Governor's Proposed Budget

The fiscal 2004 allowance for MSU is \$158 million, an increase of \$9.8 million, or 6.6% over the revised fiscal 2003 working appropriation. The general fund allocation of the allowance is \$51 million, the same as the fiscal 2003 appropriation after cost containment. Other unrestricted funds increase by 7.5%. Restricted funds increase by nearly 15%, or \$5 million, over fiscal 2003. **Exhibit 4** shows the major changes in the fiscal 2003 allowance.

Exhibit 4

**Governor's Proposed Budget
Morgan State University
(\$ in Thousands)**

	<u>FY 02 Actual</u>	<u>FY 03 Approp.</u>	<u>FY 04 Allowance</u>	<u>FY 03 - 04 Change</u>	<u>FY 03 - 04 % Change</u>
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Adjusted Grand Total	\$149,821	\$148,522	\$158,280	\$9,758	6.6%

Where It Goes:

Personnel Expenses

Forty-eight new contractual positions to accommodate increased enrollment \$840

Other Changes

Restoration of cost containment reductions..... 2,129

Auxiliary funds (8% increase) 2,033

Need-based scholarships and fellowships (13% increase) 2,693

Current unrestricted funds for research grants and contracts (12% increase)..... 1,713

Plant operation and maintenance (1.7% increase)..... 200

Other..... 150

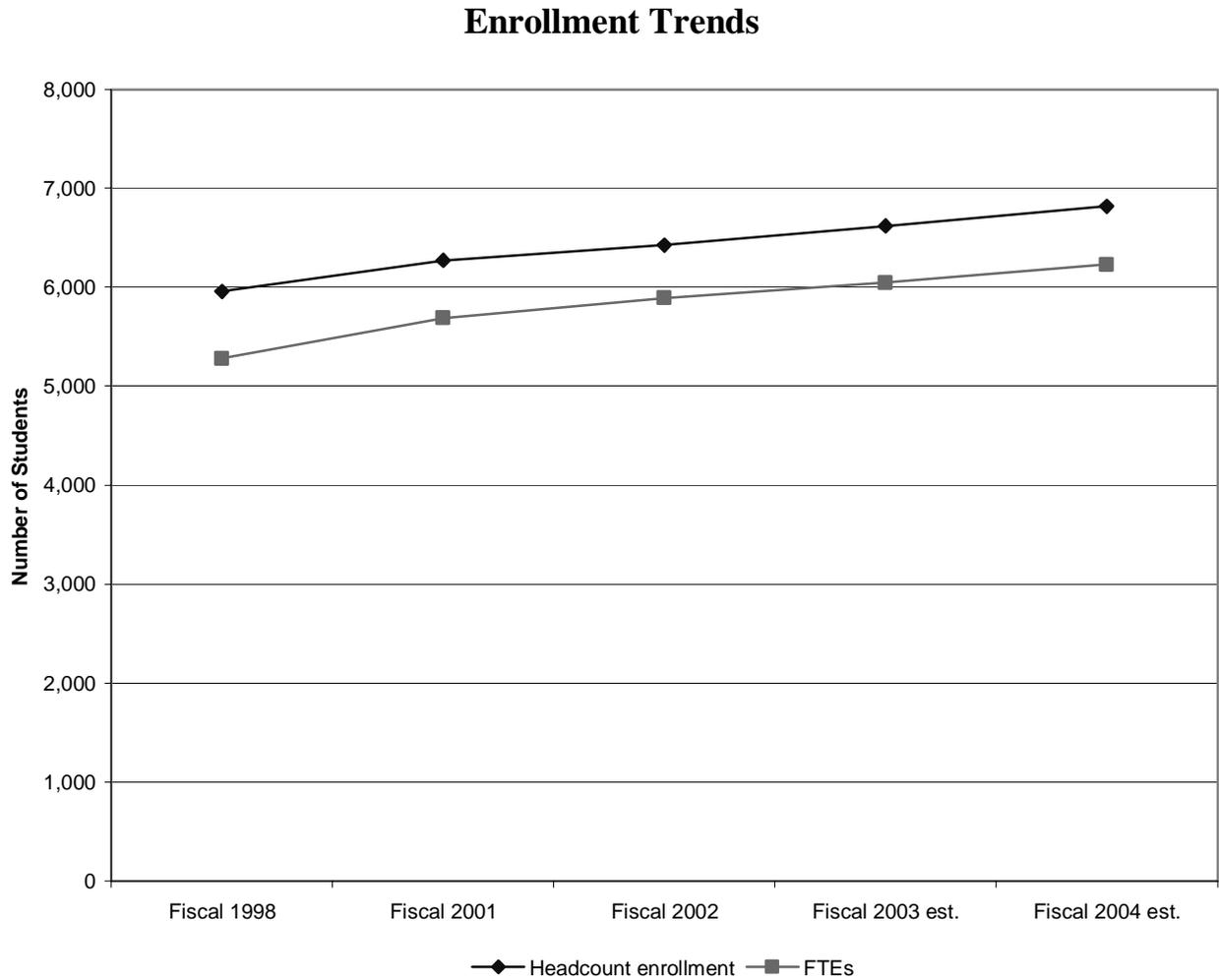
Total **\$9,758**

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

Enrollment Trends

Since 1998, Morgan has experienced nearly 11% increase in student headcount, 15% increase for FTES, and is projecting a further increase of 3% by fiscal 2004, for a total enrollment of 6,816 students – 90% are undergraduates and 70% are Maryland residents. **Exhibit 5** depicts enrollment growth at Morgan since 1998.

Exhibit 5



Source: Morgan State University

Funding for Historically Black Institutions

Prior to the Office of Civil Rights (OCR) agreement that was signed in 2000 and first funded in fiscal 2003, the four historically black institutions (HBIs) in Maryland received State funding for various programs seeking to improve the higher educational experiences of African American students. **Exhibit 6** shows the general fund support without the HBI-specific (nonbase) funds and the total general funds available with them. In 1999, Morgan received \$500,000 for the *Access and Success* program targeted at improving retention and graduation rates of African American students. Fiscal 2003 was the largest year of nonbase funding to date, attributable to the enhancement funds distributed under the OCR agreement. It is expected that OCR enhancement funds will continue to be distributed to the HBIs for the next four

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years and will include funds for *Access and Success*; the exact amount and how it will be allocated is yet to be determined. **The fiscal 2004 MHEC allowance provides \$6 million in OCR enhancement dollars for the HBIs. MSU should discuss how it plans to spend any money which it receives.**

Exhibit 6

**General Fund Support Including Funds Specific to Historically Black Institutions
Fiscal 1999 through 2003**

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002*</u>	<u>FY 2003*</u>	<u>Average Annual Change</u>
Base General Funds	\$38,358	\$43,459	\$47,912	\$52,035	\$53,217	9%
Access/Success	500	500	750	1,125	1,500	59%
Enhancement Funds	-	-	-	-	772	n/a
IT Enhancements	-	-	-	-	400	n/a
Private Donation Incentive Grants	-	-	364	20	-	n/a
Nonbase Total	500	500	864	1,145	2,672	82%
Adjusted Total General Fund	\$38,858	\$43,959	\$49,026	\$53,180	\$55,889	10%

*Fiscal 2002 and 2003 base general funds reflect the actual and working appropriations after cost containment measures.

Source: Morgan State University

Tuition and Fees

MSU's estimated tuition and fee revenue for fiscal 2004 is \$37 million. For fiscal 2004, resident tuition and fees are scheduled to be \$4,792 per student, a 5.8% increase over fiscal 2003. For out-of-state full-time students, tuition and fees are \$11,742, an increase of 5.6%. State residents make up 70% of MSU's student population. Morgan will not impose a mid-year tuition increase during fiscal 2003.

Recommended Actions

1. Add the following language:

, provided that the Current Unrestricted Fund appropriation may not be increased through budget amendment more than \$1,480,454 using tuition and fee revenue, excepting additional revenue due to full-time equivalent student enrollment of 6,604 or more. Current Unrestricted Funds unrelated to tuition and fees may be added through budget amendment.

Explanation: The budget language signals the General Assembly's intent that Morgan State University (1) seek alternatives to tuition and fee increases to address budget constraints; and (2) achieve real spending reductions rather than shifting costs to students. The Current Unrestricted Fund allowance includes revenue from tuition and fees up to 4% over fiscal 2003.

	<u>Amount Reduction</u>
2. Reduce general funds for the amount of employee tuition remission with the expectation that Morgan will discontinue this policy due to the State's fiscal condition.	\$ 504,234 UF
Total Unrestricted Fund Reductions	\$ 504,234

Current and Prior Year Budgets

**Current and Prior Year Budgets
Morgan State University
(\$ in Thousands)**

	<u>General Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2002					
Legislative Appropriation	\$52,035	\$59,034	\$111,069	\$27,185	\$138,254
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	9,230	9,230	5,750	14,980
Reversions and Cancellations	0	-3,343	-3,343	-70	-3,413
Actual Expenditures	\$52,053	\$64,921	\$116,956	\$32,865	\$149,821
Fiscal 2003					
Legislative Appropriation	\$53,217	\$62,735	\$115,952	\$31,476	\$147,428
Budget Amendments	0	923	923	2,300	3,223
Cost Containment	-2,129	0	-2,129	0	-2,129
Working Appropriation	\$51,088	\$63,658	\$114,746	\$33,776	\$148,522

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

Fiscal 2002

\$3.3 million in current unrestricted funds were reverted to the university's fund balance to pay for projects that were not completed in fiscal 2002. This includes \$800,000 for the multi-purpose building and \$400,000 for the Turner Armory. Funding for the Pentridge apartment demolition (\$1 million) was transferred to the university's plant fund along with approximately \$1 million for other various construction projects.

The reverted current restricted funds are due to a small over-estimation of restricted fund revenues. Restricted fund expenditures matched revenues for fiscal 2002, resulting in the cancellation of \$70,000.

**Object/Fund Difference Report
Morgan State University**

<u>Object/Fund</u>	<u>FY 02 Actual</u>	<u>FY 03 Working Appropriation</u>	<u>FY 04 Allowance</u>	<u>FY 03 – FY 04 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	973.00	975.00	975.00	0	0%
02 Contractual	449.00	453.00	501.00	48.00	10.6%
Total Positions	1422.00	1428.00	1476.00	48.00	3.4%
Objects					
01 Salaries and Wages	\$ 57,986,304	\$ 61,156,180	\$ 60,791,153	- \$ 365,027	- 0.6%
02 Technical & Spec Fees	22,949,864	19,907,048	25,298,754	5,391,706	27.1%
03 Communication	2,375,600	1,891,960	1,726,754	- 165,206	- 8.7%
04 Travel	1,660,516	1,826,292	1,793,274	- 33,018	- 1.8%
06 Fuel & Utilities	3,194,042	3,334,298	2,897,619	- 436,679	- 13.1%
07 Motor Vehicles	427,874	402,454	449,880	47,426	11.8%
08 Contractual Services	16,638,713	14,869,424	14,565,773	- 303,651	- 2.0%
09 Supplies & Materials	6,815,153	7,530,197	7,998,398	468,201	6.2%
10 Equip - Replacement	445,703	578,522	357,598	- 220,924	- 38.2%
11 Equip - Additional	7,048,211	5,348,764	5,687,576	338,812	6.3%
12 Grants, Subsidies, Contr	22,711,431	23,509,147	25,891,206	2,382,059	10.1%
13 Fixed Charges	4,921,051	7,523,129	7,951,422	428,293	5.7%
14 Land & Structures	2,646,972	2,773,674	2,870,514	96,840	3.5%
Total Objects	\$ 149,821,434	\$ 150,651,089	\$ 158,279,921	\$ 7,628,832	5.1%
Funds					
40 Unrestricted Fund	\$ 116,956,133	\$ 116,875,277	\$ 119,550,561	\$ 2,675,284	2.3%
43 Restricted Fund	32,865,301	33,775,812	38,729,360	4,953,548	14.7%
Total Funds	\$ 149,821,434	\$ 150,651,089	\$ 158,279,921	\$ 7,628,832	5.1%

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

**Fiscal Summary
Morgan State University**

<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	\$ 33,687,907	\$ 36,442,028	\$ 36,196,586	7.4%	\$ 36,168,311	- 0.1%
02 Research	24,446,498	23,597,130	24,897,130	1.8%	27,863,272	11.9%
03 Public Service	144,466	131,853	131,853	- 8.7%	166,749	26.5%
04 Academic Support	9,231,365	8,904,901	8,881,823	- 3.8%	8,487,960	- 4.4%
05 Student Services	5,663,336	5,318,257	5,600,316	- 1.1%	5,664,892	1.2%
06 Institutional Support	20,445,189	17,263,118	17,886,334	- 12.5%	17,941,645	0.3%
07 Operation and Maintenance of Plant	12,216,048	11,775,371	12,061,817	- 1.3%	12,263,550	1.7%
08 Auxiliary Enterprise	23,153,926	24,098,141	24,098,141	4.1%	26,133,284	8.4%
17 Scholarships and Fellowships	20,832,699	19,897,089	20,897,089	0.3%	23,590,258	12.9%
Total Expenditures	\$ 149,821,434	\$ 147,427,888	\$ 150,651,089	0.6%	\$ 158,279,921	5.1%
Unrestricted Fund	\$ 116,956,133	\$ 115,952,076	\$ 116,875,277	- 0.1%	\$ 119,550,561	2.3%
Restricted Fund	32,865,301	31,475,812	33,775,812	2.8%	38,729,360	14.7%
Total Appropriations	\$ 149,821,434	\$ 147,427,888	\$ 150,651,089	0.6%	\$ 158,279,921	5.1%

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