

R13M00
Morgan State University

Operating Budget Data

(\$ in Thousands)

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$48,860	\$51,869	\$61,819	\$9,950	19.2%
Other Unrestricted Funds	72,082	74,393	74,812	419	0.6%
Total Unrestricted Funds	120,941	126,261	136,631	10,369	8.2%
Restricted Funds	<u>37,870</u>	<u>45,265</u>	<u>46,378</u>	<u>1,113</u>	<u>2.5%</u>
Total Funds	\$158,811	\$171,526	\$183,009	\$11,482	6.7%

- General funds increase by \$9.95 million, or 19.2 % over fiscal 2006. General funds include \$1.5 million in Access and Success funds.
- Overall funds grow by \$11.5 million, or 6.7% over fiscal 2006.

Personnel Data

	<u>FY 05</u> <u>Actual</u>	<u>FY 06</u> <u>Working</u>	<u>FY 07</u> <u>Allowance</u>	<u>FY 06-07</u> <u>Change</u>
Regular Positions	980.00	1,025.00	1,062.00	37.00
Contractual FTEs	<u>486.00</u>	<u>454.00</u>	<u>453.00</u>	<u>-1.00</u>
Total Personnel	1,466.00	1,479.00	1,515.00	36.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	50.02	4.71%
Positions Vacant as of 12/31/05	117.00	11.41%

- 37 new positions are proposed in fiscal 2007, including 27 State-supported faculty positions.

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

For further information contact: Keshia E. Cheeks

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Trends in Enrollment Rates: From fiscal 2004 to 2005 the number of high ability students enrolled increased to 585 students. This trend is expected to continue in fiscal 2006 and 2007.

Degrees Awarded in Critical Areas Expected to Increase: The number of doctoral and other degrees awarded in critical areas decreased in fiscal 2005 but is expected to increase in fiscal 2006 and 2007.

Issues

Faculty Instructional Workload Levels: Morgan State University (MSU) faculty workload remains level from fiscal 2001 to 2006. MSU anticipates this number decreasing now that MSU is no longer a comprehensive institution.

Affordability in the Spotlight at Morgan State University: Tuition rates at MSU increase 5.0%. MSU institutional aid continues to focus more on merit and mission-based aid than need-based aid.

Personnel Changes: MSU proposes 37 new regular positions in fiscal 2007.

Access and Success for Maryland's Historically Black Institutions: The fiscal 2007 allowance transfers Access and Success funds previously budgeted in the Maryland Higher Education Commission to the historically black institutions' budgets. MSU's operating budget includes \$1.5 million in Access and Success funds to improve the retention and graduation rates of students.

Recommended Actions

1. Add language limiting Morgan State University undergraduate in-state tuition increase to 0% over fiscal 2006.
2. Add language that would reduce general funds if Morgan State University increases undergraduate in-state tuition rates for the 2006-2007 academic year above the undergraduate in-state tuition rates in the 2005-2006 academic year.
3. Add budget bill language to restrict the expenditure of Access and Success funds to Morgan State University until a report is submitted to the budget committees.
4. Adopt committee narrative concerning institutional aid reports.
5. Adopt committee narrative concerning faculty workload reports.

Updates

Carnegie Re-classification: In December 2005, MSU's Carnegie Classification changed from Master's to Doctoral/Research-Intensive University.

Office of Civil Rights Agreement: MSU was allocated \$1,360,863 in fiscal 2006 to support enhancement efforts. The one-time expenditures were used for academic program enhancement and other institutional advancement efforts.

R13M00 – Morgan State University

R13M00
Morgan State University

Operating Budget Analysis

Program Description

Morgan State University (MSU) is Maryland's public urban university. The university gives priority to addressing the needs of Baltimore City through its academic, research, and service programs. MSU offers a comprehensive set of academic programs that are important to metropolitan Baltimore particularly majors in engineering, science, business, education, architecture, and transportation.

MSU educates a diverse student body, 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 promote economic development by meeting critical workforce needs and educate a multi-racial population, while increasing educational attainment for the African American population.

Performance Analysis: Managing for Results

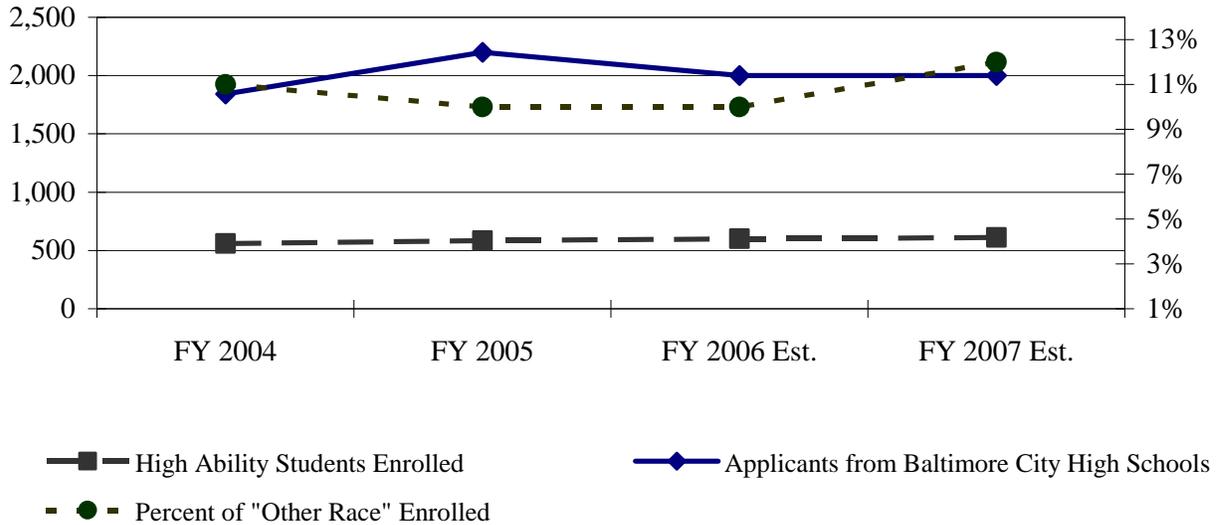
As Maryland's public urban university, MSU seeks to serve the needs of the surrounding Baltimore community and to enhance the opportunities available to African American students both in continuing education and in fields where African Americans are historically underrepresented.

MSU aspires to educate a student body diverse in academic preparedness, demographic characteristics, and socioeconomic background by increasing the number of "high ability" and "other race" students. MSU hopes to target applicants from Baltimore City high schools.

Exhibit 1 shows the trends in the number of applicants from Baltimore City, the number of high ability students enrolled, and the percentage of "other race" students enrolled at MSU from fiscal 2004 through 2007 estimated. The number of "high ability" students enrolled increased from fiscal 2004 to 2005 to 585 students. This trend is expected to continue in fiscal 2006 and 2007. As the exhibit shows, the number of applicants from Baltimore City fluctuated from fiscal 2004 to 2006. The number of applicants from Baltimore City increased by 358 applications in fiscal 2005 but is expected to decrease during fiscal 2006 by 200 applications. The percentage of "other race" students enrolled decreased to 10% in 2005 and is expected to remain level in fiscal 2006 and increase to 12% in fiscal 2007.

MSU prides itself on addressing the needs of Baltimore City yet is estimating a decline in Baltimore City high school enrollment. From fiscal 2004 to 2006, MSU enrolled 342, 344, and 160, respectively Baltimore City high school students. MSU attributes the decline in students enrolling from Baltimore City high schools to a higher SAT requirement for the 2005–2006 academic year. **The President should comment on the higher SAT requirement adopted this year and its impact on enrollment. The President should also comment on the number of Baltimore City students applying and enrolling.**

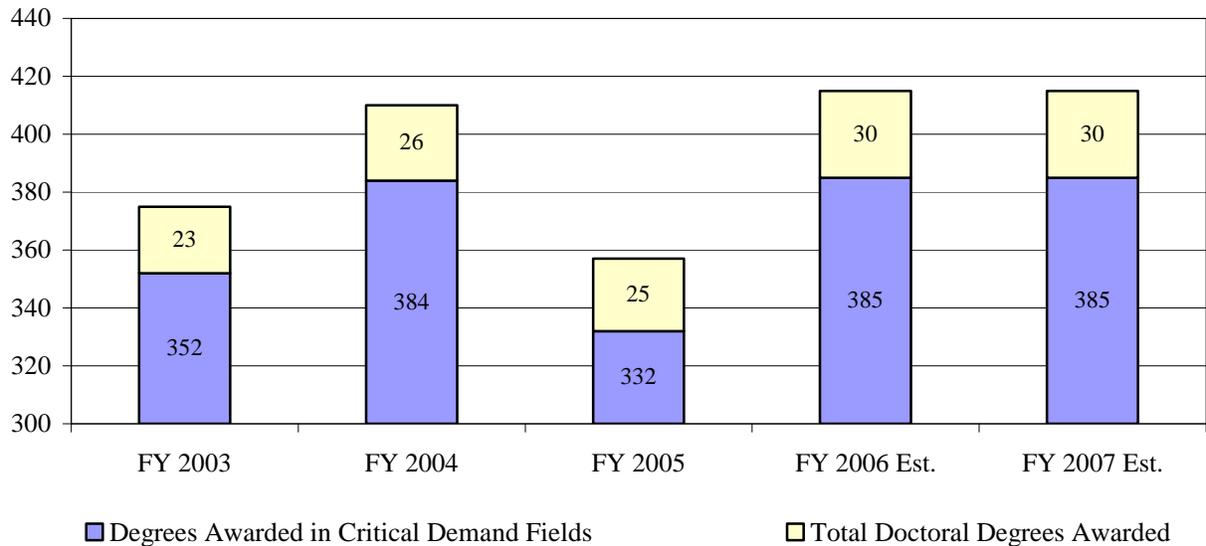
Exhibit 1
Trends in Applications and Enrollments
Fiscal 2004 – 2007 Estimates



Source: 2007 Maryland State Budget Books

MSU has actively expanded its doctoral degree programs and has met the requirements to be classified as a Doctoral/Research-Intensive University. **Exhibit 2** shows the number of doctoral degrees awarded each year since fiscal 2003 and the number of degrees awarded in critical fields. Critical fields include the following at all degree levels – physics, biology, chemistry, medical technology, computer sciences, information systems, education, and public health. MSU has actively expanded its doctoral degree programs, particularly in engineering. MSU does not track whether these degree recipients work in their fields in Maryland. As the exhibit shows, the number of doctoral degrees awarded is expected to increase in fiscal 2006 and remain level in 2007. Degrees awarded in critical demand areas declined in fiscal 2005 by 52 students but are expected to return to fiscal 2004 levels in fiscal 2006 and 2007. **The President should comment on the significant decline in degrees awarded in critical demand areas and why the degrees are not increasing at a consistent rate.**

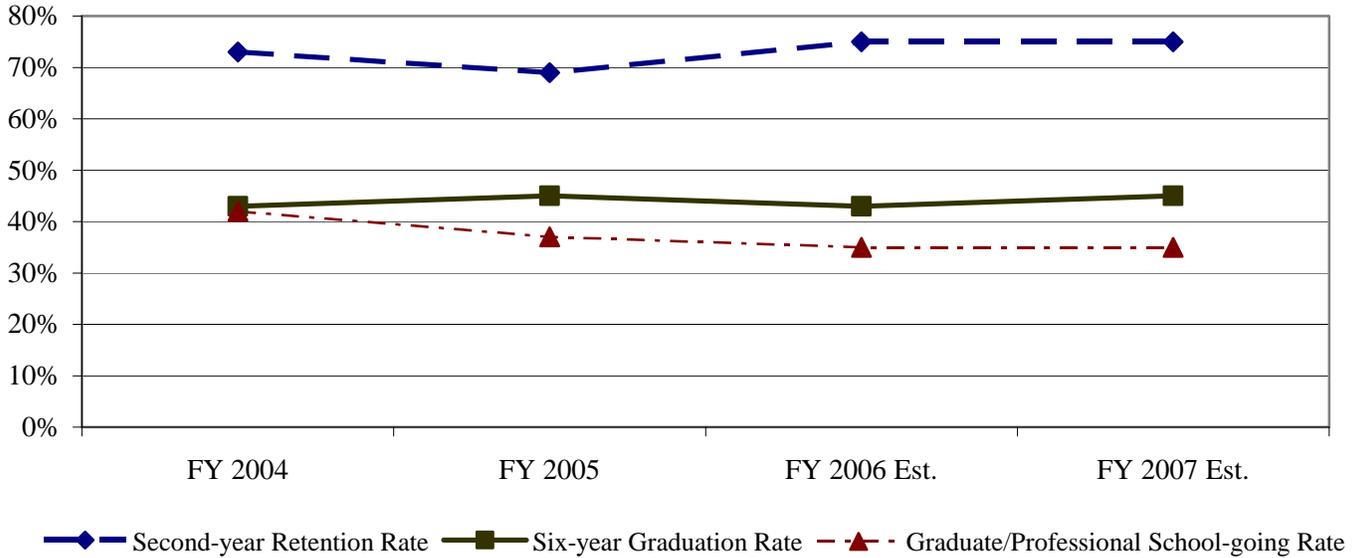
Exhibit 2
Total Doctoral Degrees Awarded and
Other Degrees Awarded in Critical Fields
Fiscal 2003 – 2007 Estimates



Source: 2007 Maryland State Budget Books

Exhibit 3 compares the trends in second-year retention and six-year graduation rates, as well as the graduate/professional school-going rate. Second-year retention rates declined to 69% in fiscal 2005 but are expected to recover in fiscal 2006 and remain level in fiscal 2007. Six-year graduation rates remained relatively stable in fiscal 2004 and 2005 at slightly more than 40%. Little change in the graduation rates is forecast for fiscal 2006 and 2007. The graduate/professional school-going rate decreased in fiscal 2005 and is expected to continue to decline in fiscal 2006 and 2007. **The President should comment on what practices the university is using to increase graduation rates. The President should also comment on the measures MSU will take to encourage students to enroll in graduate/professional programs in the future.**

Exhibit 3
Retention, Graduation, and Graduate/Professional School-going Rates
Fiscal 2004 – 2007 Estimates



Source: 2007 Maryland State Budget Books

Governor’s Proposed Budget

As **Exhibit 4** shows, the general fund allowance for fiscal 2007 is \$61.8 million. This reflects an increase of approximately \$10 million from the fiscal 2006 level. However, the \$10 million includes the transfer of Access and Success funds (\$1.5 million) that were previously in the Maryland Higher Education Commission’s (MHEC) budget. Excluding Access and Success funds, MSU’s general fund allowance increases by \$8.4 million, or 16.3% over fiscal 2006. Other unrestricted funds grow by 0.6%. Tuition and fee revenue account for 31.8% of unrestricted funds in fiscal 2007.

Exhibit 4
Governor's Proposed Budget
Morgan State University
(\$ in Thousands)

	FY 2005 <u>Actual</u>	FY 2006 <u>Working</u>	FY 2007 <u>Allowance</u>	FY 06 – 07 <u>\$ Change</u>	% Change <u>Prior Year</u>
General Funds	\$48,860	\$51,869	\$61,819	\$9,950	19.2%
Other Unrestricted Funds	72,082	74,393	74,812	419	0.6%
Total Unrestricted Funds	120,941	126,261	136,631	10,369	8.2%
Restricted Funds	37,870	45,265	46,378	1,113	2.5%
Total Funds	\$158,811	\$171,526	\$183,009	\$11,482	6.7%

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

Unrestricted fund budget changes in the allowance by program are shown in **Exhibit 5**. This exhibit considers only unrestricted funds which are comprised mostly of general funds and tuition and fee revenue. Between fiscal 2002 through 2006, current unrestricted funds for student services and institutional support slightly decreased by 0.2% and 0.9%, respectively, but both are expected to increase in fiscal 2007. Research increased the most from fiscal 2002 through 2006 (33.9%) and is expected to have the largest increase in fiscal 2007 (54%). In fiscal 2007, academic support is expected to receive the largest dollar increase at \$3.7 million which includes Access and Success funds distributed to academic support.

Tuition and fee revenue rose by 30.3% from fiscal 2002 through 2006. During that same period, general funds decreased by 0.3%. In fiscal 2007, tuition and fee revenue decreases by 1.5%, which is attributed to the fiscal 2006 budget overstating tuition and fee revenue by about \$3 million. Actual fiscal 2006 tuition and fee revenue will fall short of the estimate due to an enrollment decline. **Exhibit 6** shows full-time equivalent students (FTES) from fiscal 2004 to 2007. MSU's budgeted FTES in fiscal 2006 was 10.7% over the enrollment reported in the working appropriation for the 2005–2006 academic year. If the new expected number of FTES for fiscal 2006 is factored into the fiscal 2006 budget, MSU is expected to receive \$41,360,909 in tuition and fees. Therefore, MSU is expected to receive a \$2.2 million or 5.3% increase in tuition and fee revenue in fiscal 2007.

General funds increase 19.2% which includes \$1.5 million in Access and Success funds. MSU received a sizable increase in general fund support for fiscal 2007 but continues to not contribute unrestricted funds to the fund balance. MSU has a fund balance of \$5.5 million. The University has not added to the balance since at least fiscal 2002. **The President should comment on the enrollment decline in fiscal 2006 and how much enrollment is expected to grow in the future. The President should also comment on the outlook for contributing unrestricted funds to the fund balance in the future.**

Exhibit 5
Morgan State University
Budget Changes for Current Unrestricted Funds by Program
Fiscal 2002, 2006, and 2007
(\$ in Thousands)

	<u>FY 2002</u>	<u>Working FY 2006</u>	<u>% Change FY 02 – 06</u>	<u>Allowance FY 2007</u>	<u>\$ Change FY 06 – 07</u>	<u>% Change FY 06 – 07</u>
Expenditures						
Instruction	\$33,542	\$38,002	13.3%	\$40,633	\$2,631	6.9%
Research	1,023	1,370	33.9%	2,110	740	54.0%
Public Service	144	159	10.4%	196	37	23.3%
Academic Support	9,149	10,283	12.4%	13,971	3,688	35.9%
Student Services	5,148	5,137	-0.2%	5,307	170	3.3%
Institutional Support	20,325	20,138	-0.9%	20,835	697	3.5%
Operation and Maintenance of Plant	12,212	14,138	15.8%	15,232	1,094	7.7%
Scholarships and Fellowships	12,300	13,744	11.7%	14,114	370	2.7%
Subtotal Education and General	\$93,843	\$102,971	9.7%	\$112,398	\$9,427	9.2%
Auxiliary Enterprises	23,112	23,291	0.8%	24,232	941	4.0%
Total	\$116,955	\$126,262	8.0%	\$136,630	\$10,368	8.2%
Funds Specific to HBIs*	2,270	2,861	26.0%	1,361	-1,500	-52.4%
Adjusted Total	\$119,225	\$129,123	8.3%	\$137,991	\$8,868	6.9%
Revenues						
Tuition and Fees**	33,980	44,261	30.3%	43,576	-685	-1.5%
General Funds	52,035	51,869	-0.3%	61,819	9,950	19.2%
Other	2,561	4,434	73.1%	4,347	-87	-2.0%
Subtotal	\$88,576	\$100,564	13.5%	\$109,742	\$9,178	9.1%
Auxiliary Enterprises	26,651	25,698	-3.6%	26,888	1,190	4.6%
Transfers (to) from Fund Balance	1,730	0	-100.0%	0	0	0.0%
Total	\$116,957	\$126,262	8.0%	\$136,630	\$10,368	8.2%
Funds Specific to HBIs*	2,270	2,861	26.0%	1,361	-1,500	-52.4%
Adjusted Total	\$119,227	\$129,123	8.3%	\$137,991	\$8,868	6.9%

HBI = Historically Black Institution

*Funds for Access/Success program and HBI enhancement funds for fiscal 2002 and 2006. Fiscal 2007 funds only include HBI enhancements funds from the Maryland Higher Education Commission. HBI enhancement amount for fiscal 2007 is estimated based on fiscal 2006 allocation.

**Fiscal 2006 revenue is over-stated by \$2.9 million, resulting in adjusted revenue of \$41.361 million.

Source: Governor's Budget Books, fiscal 2004 and 2007

Exhibit 6
Enrollment Trends
Full-time Equivalent Students
Fiscal 2004 – 2007

	<u>Estimate</u>	<u>Actual</u>	<u>% Difference</u>
Fiscal 2004	6,230	6,092	-2.3%
Fiscal 2005	6,231	6,312	1.3%
Fiscal 2006*	6,400	5,783	-10.7%
Fiscal 2007	5,951		

*Fiscal 2006 actual is the working appropriation.

Source: 2007 Maryland State Budget Books

Budget Supports Program Enhancements

General funds received a significant increase in fiscal 2007 which allows for \$3.9 million in program enhancements at MSU. As shown in **Exhibit 7**, MSU's estimated current services cost increase is \$6,692,165. This cost increase includes salary enhancements (\$1,506,120), general inflation (\$1,119,385), staffing and growth for contractual employees (\$735,760), facility maintenance and improvements (\$2,137,900), and health insurance inflation (\$1,193,000). After paying for current services costs, the combination of \$9.5 million in new general funds and \$2.2 million in new tuition and fee revenue allows for \$3.9 million in programmatic enhancements. MSU proposes to spend the remaining funds on information technology hardware and software upgrades, financial aid, library resources, and 27 full-time faculty positions. **Given the significant increase in general fund support proposed for fiscal 2007, the Department of Legislative Services (DLS) recommends freezing undergraduate resident tuition rates at fiscal 2006 levels. Freezing tuition rates will reduce MSU revenues by \$823,257. After this loss of revenue, MSU would still have \$3,110,034 for program enhancements.**

Exhibit 7
Morgan State University State-supported Revenues
Available for Program Enhancements
Fiscal 2007
(\$ in Thousands)

	<u>\$ Amount</u>
Expenditure Growth	
Estimated Current Services Cost	\$6,692,165
Employee COLA	1,077,396
Total Current Services Cost	\$7,769,561
Revenue Growth	
New General Funds	\$9,950,000
COLA Received from DBM	1,038,000
New Tuition and Fee Revenue	2,214,852
Access and Success	-1,500,000
New General Fund and Tuition Revenues	\$11,702,852
Funds Available for Enhancements	\$3,933,291

COLA = Cost-of-living adjustment

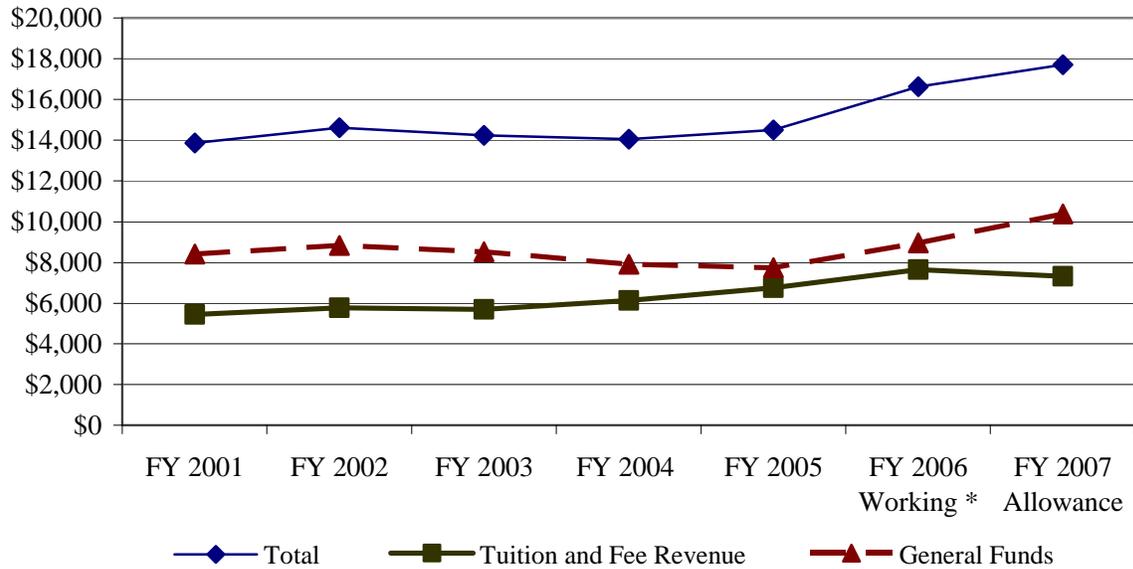
DBM = Department of Budget and Management

Source: Morgan State University

Tuition and Fees and General Fund Revenues

Exhibit 8 shows tuition and fees and general fund revenues per full-time equivalent student (FTES) from fiscal 2001 through 2007. From fiscal 2002 to 2005, general funds per FTES declined at an annual percent rate of 2.1%. In fiscal 2006, these funds increased by 15.9% and are expected to continue increasing in fiscal 2007 with a 6.5% increase over fiscal 2006. From fiscal 2001 to 2006, MSU's tuition and fee revenue per FTES increased 40.5% but is expected to decrease in fiscal 2007 by 4.3%. The decline in tuition and fee revenue is based on the FTES enrollment estimated in the fiscal 2006 allowance.

Exhibit 8
Tuition and Fees and General Fund Revenues Per Full-time Equivalent Student
(\$ in Thousands)



*Includes tuition and fee revenues from fiscal 2006 working appropriation which causes decline in tuition and fee revenues in fiscal 2007.

Source: Maryland State Budget Books, fiscal 2004 through 2007

Issues

1. Faculty Instructional Workload Levels

Faculty workload is one measure of institutional efficiency. **Exhibit 9** shows the instructional workload of full-time tenured and tenure-track faculty at MSU. From fiscal 2001 to 2005, MSU’s faculty workload averaged 8 course units. Morgan’s faculty workload policy is that full-time faculty teach 4 courses, 12 credit hours, or their equivalents, each semester. Schedules for faculty members teaching laboratory courses or other courses that meet for more hours than credit is granted are adjusted accordingly. MSU’s faculty workload does not account for department chairs and other faculty with special assignments because their workload must be adjusted to compensate for these extra duties. Also, faculty with external support have reduced teaching loads when grants and contracts include additional faculty to teach a course that would normally be taught by the faculty member receiving outside support.

As of the 2005 commencement, MSU has met the requirements to be designated a Doctoral/Research-Intensive University because of its three-year production of at least 20 doctorates overall. The target faculty workload for research institutions is typically 5 – 6 courses per year. **The President should comment on the future of MSU’s faculty workload policy with respect to the new classification of the university.**

Exhibit 9
Average Course Units Taught by Tenured and Tenure-track Faculty

	<u>2000 – 2001</u> <u>Courses/FTEF</u>	<u>2001 – 2002</u> <u>Courses/FTEF</u>	<u>2002 – 2003</u> <u>Courses/FTEF</u>	<u>2003 – 2004</u> <u>Courses/FTEF</u>	<u>2004 – 2005</u> <u>Courses/FTEF</u>
MSU	8.0	8.0	8.0	8.0	8.0

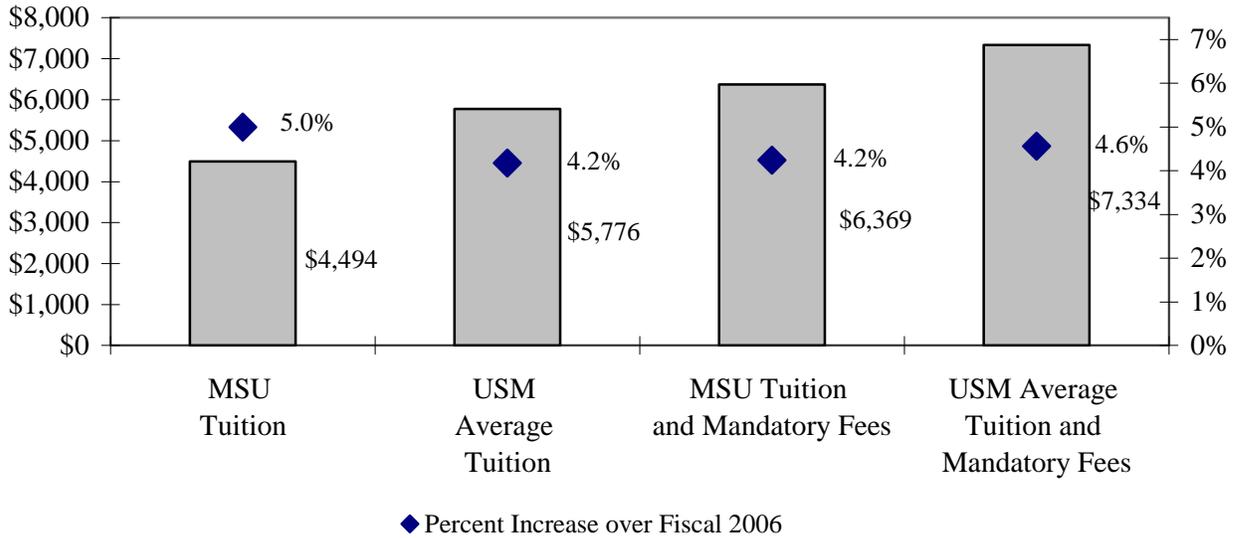
FTEF = Full-time equivalent faculty

Source: Morgan State University

2. Affordability in the Spotlight at Morgan State University

Affordability continues to be a concern for Maryland higher education. A factor that directly affects affordability is tuition and fee rates. Tuition at MSU continues to be lower than University System of Maryland (USM’s) average tuition in fiscal 2007. Tuition and mandatory fees at MSU increase by 4.2% in fiscal 2007, while USM’s average tuition and mandatory fees increase 4.6% over fiscal 2006. Although MSU’s tuition in fiscal 2007 is less than the average USM tuition rate, the percent increase for MSU is higher at 5% as shown in **Exhibit 10**.

Exhibit 10
Tuition and Mandatory Fees for Resident Undergraduates
Fiscal 2007 Estimate
(\$ in Thousands)



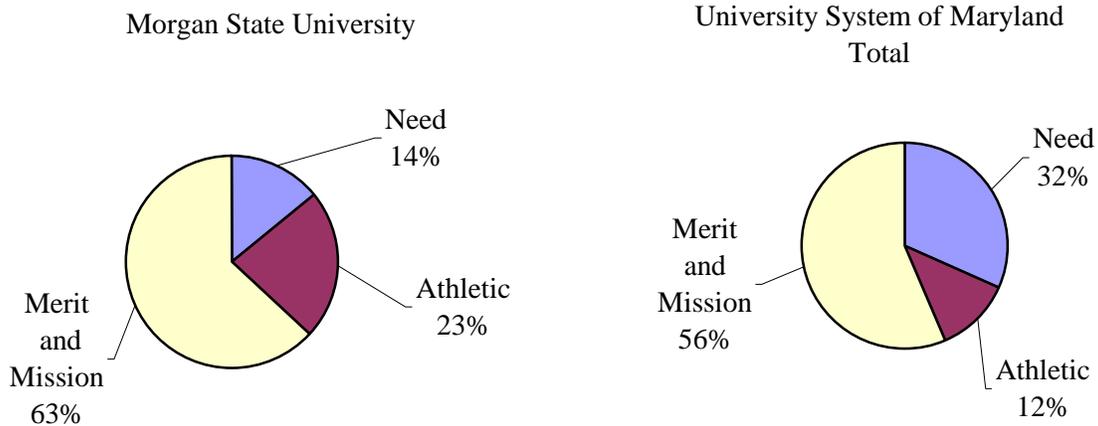
Note: University System of Maryland (USM) average is weighted.

Source: Morgan State University; University System of Maryland

Trends in Institutional Aid

Another factor that affects affordability is financial aid. Categories of institutional financial aid include need, athletic, merit, and mission. In fiscal 2006, 14% of institutional aid across MSU was need-based, 63% merit and mission, and 23% athletic as shown in **Exhibit 11**. MSU’s allocation of aid is similar to USM’s allocation, but MSU allocates much less of its aid based on need (14%) than USM (32%). Merit and mission continues to be the largest proportion of institutional aid awarded because MSU asserts that the majority of students enrolled are low-income and have high financial need and this allows MSU to attract talented students while providing assistance to students with need as well. In fiscal 2004, 42.2% of the total undergraduate headcount enrollment at MSU received Pell Grants, which are federal grants given to eligible low-income students; an average of 17.2% of students received Pell grants at USM institutions, ranging from 12.5% at University of Maryland, College Park to 50.7% at Coppin State University. MSU reports 95% of MSU students receive some type of financial aid and most are heavily dependent on this assistance to remain in school.

**Exhibit 11
Institutional Financial Aid
Fiscal 2006**

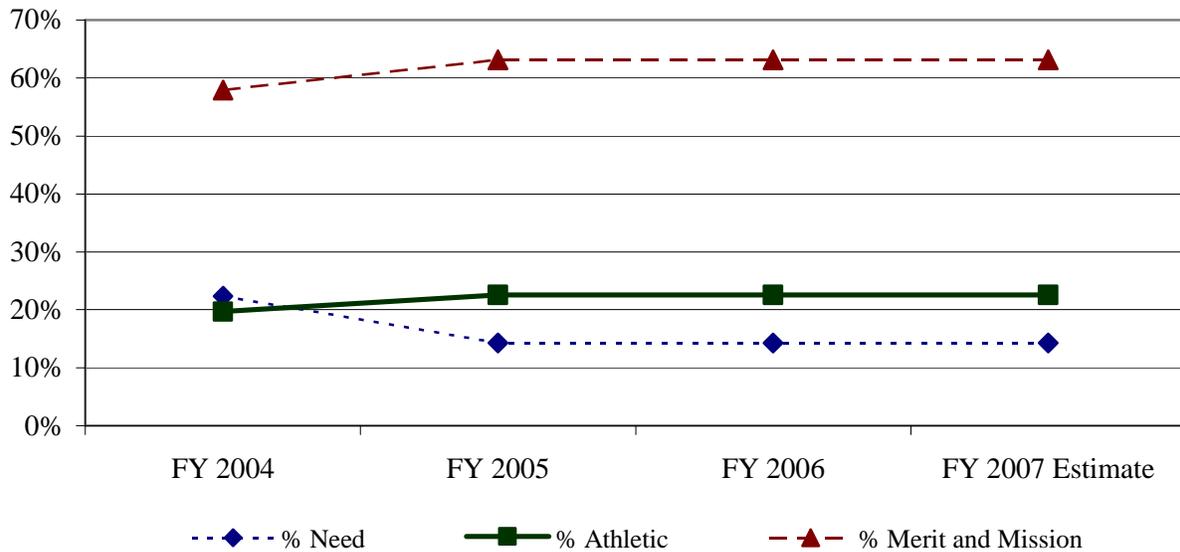


	<u>Need</u>	<u>Athletic</u>	<u>Merit and Mission</u>
MSU	\$1,646,686	\$2,605,976	\$7,280,844
USM Total	\$22,854,957	\$8,668,262	\$40,860,045

Source: Morgan State University; University System of Maryland

Exhibit 12 examines MSU trends in institutional aid by each category from fiscal 2004 to 2007. In fiscal 2005 need-based aid declined and received the smallest share of institutional aid awarded at MSU. This trend is expected to continue as need-based aid remains at 14% in fiscal 2006 and 2007. Athletic and merit and mission aid shares both increased in fiscal 2005 and are expected to remain level in fiscal 2006 and 2007 with merit and mission aid continuing to be the largest share of institutional aid awarded at 63%.

Exhibit 12
Trends in Institutional Aid by Category
Fiscal 2004 – 2007 Estimate



Source: Morgan State University

3. Personnel Changes

37 regular positions are proposed in the fiscal 2007 allowance. Of those positions, 27 are for State-supported faculty, and the remaining are for staff positions. The total workforce at MSU, regular and contractual, is 1,515 in the fiscal 2007 allowance. As of December 2005, MSU had a vacancy rate of 11.41%. Of the 117 vacancies, 59 are State-supported.

Exhibit 13 shows how the composition of MSU personnel (filled regular positions only) has changed from fiscal 2002 to 2006. Instructional personnel – who fulfill the institution’s core mission – slightly decreased from fiscal 2002 to 2006 to 39.1% but is still the largest proportion of personnel at MSU.

Exhibit 13
Morgan State University
Filled Full-time Equivalent Personnel by Budget Program
Fiscal 2002, 2005, and 2006

<u>Budget Program</u>	FY 2002		FY 2005		FY 2006		<u>FY 02 – 06</u>
	<u>FTEs</u>	<u>% FTEs</u>	<u>FTEs</u>	<u>% FTEs</u>	<u>FTEs</u>	<u>% FTEs</u>	
Instruction	366	40.4%	369	40.1%	355	39.1%	-1.0%
Research	40	4.4%	83	9.0%	66	7.3%	2.9%
Academic Support	78	8.6%	66	7.2%	82	9.0%	0.4%
Student Services	73	8.0%	62	6.7%	61	6.7%	-1.3%
Institutional Support	204	22.5%	191	20.8%	196	21.6%	-0.9%
Operations and Maintenance of Plant	102	11.2%	91	9.9%	88	9.7%	-1.5%
Auxiliary Enterprises	44	4.8%	58	6.3%	60	6.6%	1.8%
Total	907	100.0%	921	100.0%	908	100.0%	

Note: Data are for filled regular positions only

Source: Morgan State University

4. Access and Success for Maryland’s Historically Black Institutions

Recognizing that there is a critical need to improve student retention and graduation rates at Maryland’s Historically Black Institutions (HBIs), the State proposed and implemented a plan of action to address these concerns in 2000. This plan is called *Access and Success: A Plan for Maryland’s Historically Black Institutions*. The primary goal of the plan is to improve retention and graduation rates. In turn, the plan implements strategies to enhance the relationship between administration, enrollment management, and teaching and learning practices on the one hand, and student achievement, improved retention, and graduation rates on the other. The lessons learned through the implementation of the practices are to be shared with other public and independent colleges and universities throughout the State. Access and Success funds were budgeted in MHEC from fiscal 2001 to 2006. MHEC would release funding to the HBI after a proposal was submitted outlining how the funds would be spent for the upcoming year. The fiscal 2007 allowance transfers \$6 million in Access and Success funds previously budgeted in MHEC to HBI budgets (\$1.5 million each).

R13M00 – Morgan State University

From fiscal 2001 to 2006, MSU received a total of \$7,125,000 in Access and Success funds. MSU utilized Access and Success funds to strengthen and expand academic and student support services. MSU utilizes funds for the Office of Student Retention, which works in collaboration with the five schools of the university to provide academic support to students.

The President should comment on how the Access and Success funds have been used in the past, the performance measures used to evaluate the program, and plans for the program in the future. In addition, in an effort to ensure that these funds will be utilized to address student retention and graduation at HBIs, DLS recommends that the following language be added to the budgets of all HBIs (Coppin State University, Bowie State University, University of Maryland Eastern Shore, and Morgan State University).

, provided that \$1,500,000 of this appropriation, for the purpose of Access and Success, may not be expended until Morgan State University has prepared and submitted a report to the budget committees outlining how the funds will be spent and the measures that will be used to evaluate performance. The budget committee shall have 45 days to review and comment on the report.

Recommended Actions

1. Add the following language:

The appropriation herein for Morgan State University (MSU) shall be reduced by \$823,257 in unrestricted funds attributable to tuition revenues for resident undergraduate students. The allocation of the reduction shall be determined by MSU and adopted in a public meeting. MSU shall report to the budget committees by July 1, 2006, specifying and explaining the allocation of the reduction.

MSU shall not increase the current unrestricted fund appropriation through budget amendment due to tuition and fee revenue. Any tuition and fee revenue realized in fiscal 2007 in excess of \$42,752,504 shall be transferred to the fund balance and not expended. Notwithstanding the above, if MSU experiences full-time equivalent student enrollment growth of at least 5% greater than anticipated in the fiscal 2007 Governor's budget proposal, MSU may increase through budget amendment its unrestricted fund appropriation to recognize the increased tuition and fee revenue.

If MSU experiences full-time equivalent student enrollment growth of at least 5% greater than anticipated in the fiscal 2007 Governor's budget proposal, MSU shall report the amount by which it will increase its unrestricted fund appropriation through budget amendment due to increased tuition and fee revenue.

Explanation: Given the significant increase in general fund support proposed for fiscal 2007, this language would limit tuition revenue growth attributable to resident undergraduate students to 0% above fiscal 2006 to offset general fund increases in the allowance. Freezing tuition rates will reduce MSU revenues by \$823,257. After this loss of revenue, MSU would still have \$3.1 million for enhancements. The cap on tuition revenues creates an incentive for schools to minimize student costs.

Information Request	Author	Due Date
Report on allocation of reduction in unrestricted fund appropriation related to tuition and fee revenues	MSU	July 1, 2006
Report if enrollment growth exceeds estimate by at least 5%	MSU	As needed

2. Add the following language:

Provided that the appropriation herein for the Morgan State University (MSU) shall be reduced by \$823,257 in general funds if the undergraduate in-state tuition rate for the 2006 – 2007 academic year exceeds the undergraduate in-state tuition rate for the 2005 – 2006 academic year. MSU shall report undergraduate in-state tuition rates for the 2006 – 2007 academic year to the budget committees by July 15, 2006.

Explanation: The fiscal 2007 allowance assumes MSU undergraduate in-state tuition rates increase 5.0% on average above the fiscal 2006 rates. This language would reduce the general funds of MSU by \$823,257 if MSU increases undergraduate in-state tuition rates in the 2006-2007 academic year above the 2005-2006 academic year undergraduate in-state tuition rates.

Information Request	Author	Due Date
MSU's undergraduate in-state tuition	MSU	July 15, 2006

3. Add the following language:

, provided that \$1,500,000 of this appropriation, for the purpose of Access and Success, may not be expended until Morgan State University has prepared and submitted a report to the budget committees outlining how the funds will be spent and the measures that will be used to evaluate performance. The budget committee shall have 45 days to review and comment on the report.

Explanation: This language restricts the expenditure of funds until Morgan State University submits a report on how the funds will be spent to improve the retention and graduation rate for students.

Information Request	Author	Due Date
Access and Success expenditure and measures report	Morgan State University	July 1, 2006

4. Adopt the following narrative:

Institutional Aid Reports: The committees request that Morgan State University (MSU) submit all categories (need-based, merit, mission, and athletic) of institutional aid data in the same format that it is submitted to the Maryland Higher Education Commission with the budget request and allowance, including prior year actual, current year working, and allowance.

Information Request	Author	Due Date
Reports on all categories of institutional aid provided in the same format submitted to the Maryland Higher Education Commission	MSU	With request and allowance

5. Adopt the following narrative:

Faculty Workload Reports: The committees request that Morgan State University (MSU) continue to provide annual instructional workload reports for tenured and tenure-track faculty. By focusing on these faculty, the committees gain a sense of the teaching activities for the regular, core faculty at the institutions. Additional information can be included in the report at MSU's discretion.

Information Request	Author	Due Date
Annual report on instructional workload for tenured and tenure-track faculty	MSU	December 2006

Updates

1. Carnegie Re-classification

MSU has actively expanded its doctoral degree programs and has met the requirements to be classified as a Doctoral/Research-Intensive University. As of the 2005 commencement, MSU is designated a Doctoral/Research-Intensive University because of its three-year production of at least 20 doctorates overall. MSU falls into a category that recognizes institutions with multiple doctoral programs (Doctoral, Professional Dominant).

2. Office for Civil Rights Agreement

In October 1999, the U.S. Department of Education's Office for Civil Rights (OCR) initiated a review of Maryland's efforts to desegregate its public higher education system. In December 2000, the State entered into a partnership agreement with OCR to eliminate any remaining vestiges of segregation in Maryland's public colleges and universities. Since fiscal 2002, general funds have been designated to provide enhancement to the State's HBIs. In fiscal 2006, MSU received \$1,360,863 to support enhancement efforts. The enhancement funds are intended for debt service payments and one-time expenditures. MSU planned to purchase research equipment, upgrade the data and voice network, and renovate the boiler plant.

On December 31, 2005, the OCR agreement expired. The State and OCR will determine if the commitments contained in the partnership agreement have been fully implemented. Although, the implementation period ended this past December, MHEC's budget includes continued enhancement funding for the HBIs in fiscal 2007.

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 2005					
Legislative Appropriation	\$48,171	\$73,885	\$122,056	\$40,738	\$162,794
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	688	0	688	0	688
Reversions and Cancellations	0	-1,804	-1,804	-2,868	-4,672
Actual Expenditures	\$48,859	\$72,081	\$120,940	\$37,870	\$158,810
Fiscal 2006					
Legislative Appropriation	\$51,321	\$74,393	\$125,714	\$45,265	\$170,979
Budget Amendments	548	0	548	0	548
Working Appropriation	\$51,869	\$74,393	\$126,262	\$45,265	\$171,527

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

Fiscal 2005

Morgan's general funds were increased \$688,205 to cover costs associated with the fiscal 2005 general salary increase.

Unrestricted funds decreased \$1.8 million in cancellations because the debt service appropriation for revenue bonds in the Auxiliary Enterprises program was not utilized.

Restricted funds decreased \$2.8 million in cancellations primarily due to:

- Grants and Contracts – \$1,747,984
- Pell Grants – \$565,862
- College Work Study – \$98,058
- Other – \$ 456,390

Fiscal 2006

A budget amendment increased general funds by \$547,852 to cover costs associated with the fiscal 2006 general salary increase.

Audit Findings

Audit Period for Last Audit:	March 2, 2001 – October 31, 2003
Issue Date:	November 2004
Number of Findings:	14
Number of Repeat Findings:	6
% of Repeat Findings:	43%
Rating: (if applicable)	n/a

- Finding 1:** Contractual services totaling approximately \$439,000 were procured without obtaining competitive bids, and the contract was not submitted to the Board of Public Works for approval until after the related work had been completed. In addition, other contractual services and contract modifications totaling approximately \$665,000 were not submitted to the board as required.
- Finding 2:** **The university did not adequately monitor grants received.**
- Finding 3:** Documentation was not on file as required for 106 credit card purchases totaling \$104,000, and documentation that was on file was often inadequate to support the propriety of the expenditure.
- Finding 4:** The university lacked an adequate accounting for student loan checks.
- Finding 5:** The university's cash deposits were not recorded in the State's financial records on a timely basis. Recording delays were noted of five to eight months for deposits totaling approximately \$5.1 million.
- Finding 6:** **Reconciliations of the university's detail student accounts receivable records to the related control records were not performed on a timely or adequate basis.**
- Finding 7:** Critical network devices did not adequately protect the internal network and monitoring of the Internet firewall was not sufficient.
- Finding 8:** The university's computer network protection was not adequate.
- Finding 9:** **Access to the university's critical production data files, program files, and system and security files was not properly restricted.**
- Finding 10:** **Numerous inactive user accounts existed on the university's administrative minicomputer system.**

R13M00 – Morgan State University

Finding 11: A complete information technology disaster recovery plan did not exist.

Finding 12: The university did not properly reconcile its equipment records or report equipment to the Department of General Services as required.

Finding 13: **The university often submitted invoices to the Comptroller of the Treasury for payment after the 25-day time limit established by State regulations.**

Finding 14: **The university has not fully implemented a Financial Management Information System (FMIS) as required by law or proposed changes to the legal requirements to implement FMIS.**

*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	980.00	1025.00	1062.00	37.00	3.6%
02 Contractual	486.00	454.00	453.00	-1.00	-0.2%
Total Positions	1466.00	1479.00	1515.00	36.00	2.4%
Objects					
01 Salaries and Wages	\$ 64,350,153	\$ 67,469,826	\$ 76,997,399	\$ 9,527,573	14.1%
02 Technical & Spec Fees	25,845,854	25,100,076	24,121,849	-978,227	-3.9%
03 Communication	1,350,736	1,471,575	1,367,619	-103,956	-7.1%
04 Travel	2,220,152	1,882,025	2,250,671	368,646	19.6%
06 Fuel & Utilities	6,023,207	4,129,366	5,196,772	1,067,406	25.8%
07 Motor Vehicles	231,251	486,504	245,760	-240,744	-49.5%
08 Contractual Services	14,629,607	16,716,175	16,911,270	195,095	1.2%
09 Supplies & Materials	6,694,475	8,743,382	8,843,279	99,897	1.1%
10 Equip - Replacement	0	414,532	0	-414,532	-100.0%
11 Equip - Additional	4,738,283	5,952,698	7,125,242	1,172,544	19.7%
12 Grants, Subsidies, and Contributions	25,234,255	30,116,336	30,022,876	-93,460	-0.3%
13 Fixed Charges	4,988,844	5,466,867	6,261,503	794,636	14.5%
14 Land & Structures	2,504,214	3,577,072	3,664,464	87,392	2.4%
Total Objects	\$ 158,811,031	\$ 171,526,434	\$ 183,008,704	\$ 11,482,270	6.7%
Funds					
40 Unrestricted Fund	\$ 120,941,291	\$ 126,261,493	\$ 136,630,559	\$ 10,369,066	8.2%
43 Restricted Fund	37,869,740	45,264,941	46,378,145	1,113,204	2.5%
Total Funds	\$ 158,811,031	\$ 171,526,434	\$ 183,008,704	\$ 11,482,270	6.7%

**Fiscal Summary
Morgan State University**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Instruction	\$ 36,182,032	\$ 38,132,145	\$ 40,793,202	\$ 2,661,057	7.0%
02 Research	28,711,670	34,192,876	36,859,264	2,666,388	7.8%
03 Public Service	261,616	159,455	196,020	36,565	22.9%
04 Academic Support	11,224,714	10,408,937	14,037,570	3,628,633	34.9%
05 Student Services	5,215,639	5,667,057	5,527,875	-139,182	-2.5%
06 Institutional Support	19,820,662	20,366,364	20,966,463	600,099	2.9%
07 Operation And Maintenance Of Plant	14,759,302	14,156,364	15,250,699	1,094,335	7.7%
08 Auxiliary Enterprise	21,084,721	23,316,867	24,282,149	965,282	4.1%
17 Scholarships And Fellowships	21,550,675	25,126,369	25,095,462	-30,907	-0.1%
Total Expenditures	\$ 158,811,031	\$ 171,526,434	\$ 183,008,704	\$ 11,482,270	6.7%
Unrestricted Fund	\$ 120,941,291	\$ 126,261,493	\$ 136,630,559	\$ 10,369,066	8.2%
Restricted Fund	37,869,740	45,264,941	46,378,145	1,113,204	2.5%
Total Appropriations	\$ 158,811,031	\$ 171,526,434	\$ 183,008,704	\$ 11,482,270	6.7%