

R13M00
Morgan State University

Operating Budget Data

(\$ in Thousands)

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$51,929	\$62,915	\$67,215	\$4,300	6.8%
Other Unrestricted Funds	70,310	73,989	77,825	3,836	5.2%
Total Unrestricted Funds	122,239	136,903	145,039	8,136	5.9%
Restricted Funds	<u>38,486</u>	<u>46,378</u>	<u>46,422</u>	<u>44</u>	<u>0.1%</u>
Total Funds	\$160,725	\$183,282	\$191,462	\$8,180	4.5%

- General funds increase by \$4.3 million, or 6.8%, and other unrestricted funds increase \$3.8 million, or 5.2% over fiscal 2007.
- Morgan State University (MSU) will allocate \$861,378 of the general fund increase to freezing fiscal 2008 in-state tuition.
- Total funds available for fiscal 2008 actually increase by \$10.5 million after accounting for one-time health insurance savings.

Personnel Data

	<u>FY 06</u> <u>Actual</u>	<u>FY 07</u> <u>Working</u>	<u>FY 08</u> <u>Allowance</u>	<u>FY 07-08</u> <u>Change</u>
Regular Positions	1,025.00	1,035.00	1,035.00	0.00
Contractual FTEs	<u>453.00</u>	<u>442.00</u>	<u>455.00</u>	<u>13.00</u>
Total Personnel	1,478.00	1,477.00	1,490.00	13.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	45.75	4.42%
Positions Vacant as of 12/31/06	80.00	7.73%

- As of December 31, 2006, MSU has 80 vacancies.
- The allowance includes 13 new contractual positions for academic support.

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

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Analysis in Brief

Major Trends

Increase in the Number of Doctoral Degrees Awarded: The number of doctoral degrees awarded increased in fiscal 2006, and this trend is expected to continue in fiscal 2007 and 2008.

Enrollment Increases for “High Ability” Students: The number of “high ability” students enrolled increased in fiscal 2006 to 612. The university anticipates the number rising to 980 for fiscal 2007 and 2008.

Issues

Affordability Remains in the Spotlight: This issue will examine MSU’s institutional aid and whether it adequately addresses the need of low- to moderate-income students.

Enrollment Rebounds: In fiscal 2006, full-time equivalent student enrollment significantly declined. Although, the number of applicants decreased in fiscal 2007, enrollment increased and is expected to continue increasing in fiscal 2008.

Access and Success for Maryland’s Historically Black Institutions (HBIs): Access and Success funds are utilized to improve student retention and graduation rates at Maryland’s HBIs. This discussion will examine available cohort data to see if retention and graduation rates are improving.

Parity with Respect to Maryland’s HBIs: The Maryland Coalition for Equity and Excellence in Higher Education filed a lawsuit against the State alleging it violated federal laws which include the Office for Civil Rights agreement by allowing programs currently at MSU to be duplicated. This issue will examine the lawsuit and the issue of program duplicity in regards to MSU’s mission and programs.

Personnel: MSU has increased the number of filled positions by 37 since fiscal 2005. Most of the additional filled positions are for academic support.

Recommended Actions

1. Add budget language to restrict the expenditure of \$1.5 million to be used to improve student retention and graduation rates at Morgan State University until a report is submitted to the budget committees.
2. Add budget bill language restricting funds to be used for transfer to fund balance only.
3. Add language that would reduce other unrestricted funds to be used for enhancements.
4. Adopt committee narrative concerning faculty workload reports.
5. Adopt committee narrative concerning institutional aid reports.

Updates

Communication Problems: In fall 2006, MSU experienced phone outages, several weeks of a voice mail malfunction, and other technical problems that continued into the spring 2007 semester.

R13M00
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Operating Budget Analysis

Program Description

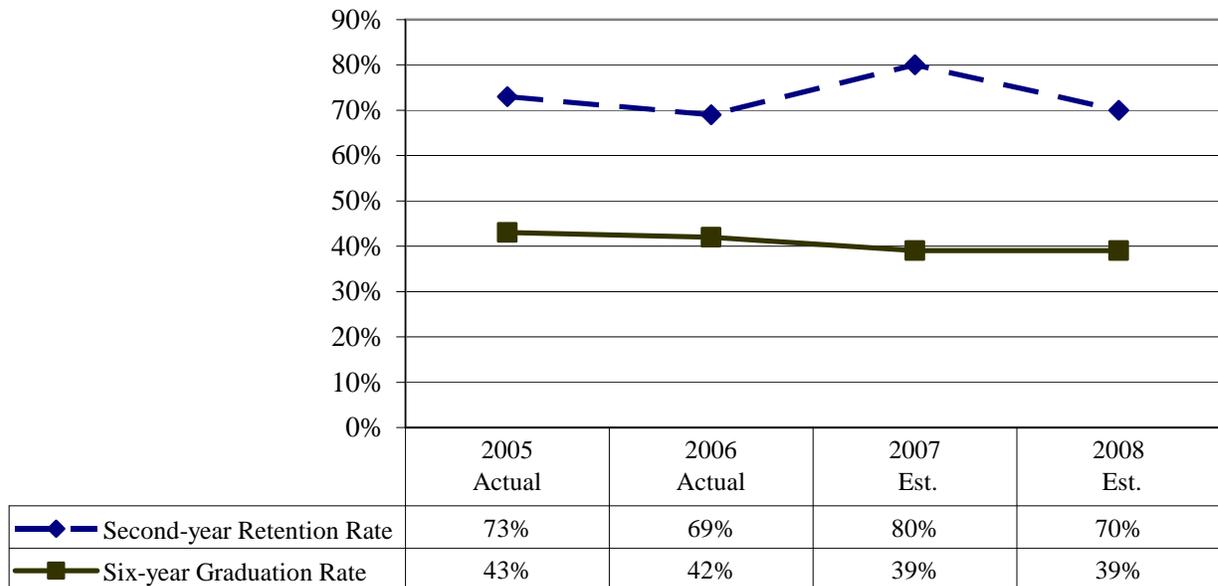
Morgan State University (MSU) is Maryland's public urban university. The university gives priority to addressing the needs of Baltimore City through its academic, research, and service programs. MSU offers a comprehensive set of academic programs that are important to metropolitan Baltimore particularly 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 to educate a multi-racial population, while increasing educational attainment for the African American population. The overall goal is to establish MSU as one of the nation's premier moderately sized urban doctoral-granting universities.

Performance Analysis: Managing for Results

Performance measures for retention and graduation rates are critical for MSU to become established as one of the nation's premier moderately sized urban doctoral-granting universities. **Exhibit 1** compares the trends in second-year retention and six-year graduation rates from fiscal 2005 to 2008. The second-year retention rate declined to 69% in fiscal 2006 but is expected to increase significantly in fiscal 2007 to 80% but decline again in fiscal 2008. The six-year graduation rate slightly declined from fiscal 2005 to 2006, and this trend is expected to continue in fiscal 2007 and 2008.

**Exhibit 1
Second-year Retention and Six-year Graduation Rates
Fiscal 2005-2008 Estimates**

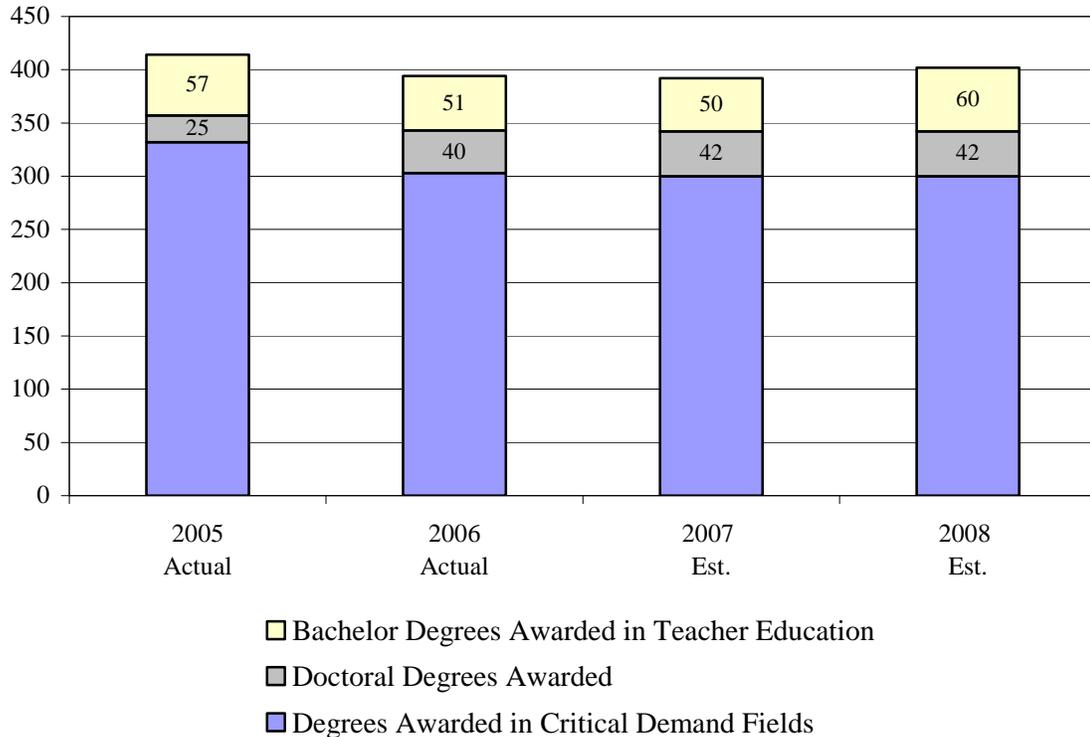


Source: Governor’s Budget Books, Fiscal 2008

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 traditionally has placed strong emphasis on the arts and sciences in areas of critical demand. Critical fields include the following at all degree levels: physics, biology, chemistry, medical technology, computer sciences, information systems, education, and public health. **Exhibit 2** shows the trend in degrees awarded from fiscal 2005 to 2008. Critical degrees awarded in fiscal 2006 declined and are expected to remain relatively flat in fiscal 2007 and 2008. As the exhibit shows, the number of doctoral degrees awarded increased in fiscal 2006, and this trend is expected to continue in fiscal 2007 and 2008.

Maryland, like many other states, continues to face shortages of qualified applicants for teaching positions. Maryland colleges and universities play an important role in educating qualified teachers. MSU does not require special qualifications beyond those required to be admitted to the university for teacher education programs. Therefore, the number of students declaring teacher education as a major is higher than those that actually complete the program and graduate. In fiscal 2006, the number of bachelor degrees awarded in teacher education declined to 51 but is expected to increase to 60 in fiscal 2008. **The President should comment on the steady decline of degrees awarded in critical demand areas. The President should also comment on future practices to increase the number of bachelor degrees awarded in teacher education.**

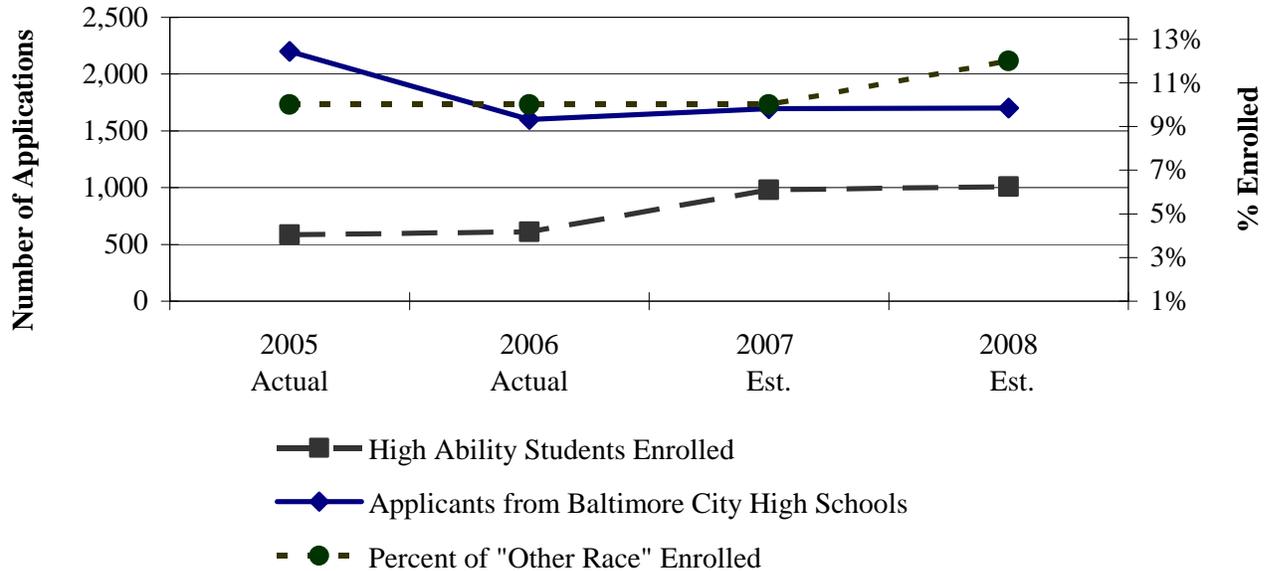
**Exhibit 2
Trends in Degrees Awarded
Fiscal 2005-2008 Estimates**



Source: Governor’s Budget Books, Fiscal 2008

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 3** 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 2005 through 2008. The number of “high ability” students enrolled increased from fiscal 2005 to 2006 to 612 students. The university anticipates its largest increase in fiscal 2007 with 980 students. As the exhibit shows, the number of applicants from Baltimore City declined in fiscal 2006 and is only expected to slightly increase in fiscal 2007 and 2008. The percentage of “other race” students enrolled was 10% in fiscal 2005 and is expected to remain level until fiscal 2008, at which time it is expected to increase to 12%.

Exhibit 3
Trends in Applications and Enrollment
Fiscal 2005-2008 Estimates



Source: Governor’s Budget Books, Fiscal 2008

Governor’s Proposed Budget

As **Exhibit 4** shows, the general fund allowance for fiscal 2008 is \$67.2 million. This reflects an increase of approximately \$4.3 million over fiscal 2007. Other unrestricted funds increase by \$3.8 million, which is attributed to a 3.4% increase in tuition and fees revenue. Restricted funds slightly increase by 0.1%.

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

	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 07-08</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$51,929	\$62,915	\$67,215	\$4,300	6.8%
Other Unrestricted Funds	70,310	73,989	77,825	3,836	5.2%
Total Unrestricted Funds	122,239	136,903	145,039	8,136	5.9%
Restricted Funds	38,486	46,378	46,422	44	0.1%
Health Insurance Savings*		-2,359		2,359	-100.0%
Total Funds	\$160,725	\$180,922	\$191,461	\$10,539	5.8%

*One-time savings available for expenditure in fiscal 2008.

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 fees revenue. From fiscal 2006 through 2007, research, academic support, and scholarship and fellowship increased at the fastest rates. However, after a significant increase in research it declines the most in fiscal 2008 by 74.2% over fiscal 2007. Operation and maintenance of plant will increase the most in fiscal 2008 at \$3.1 million or 20.2%. From fiscal 2006 to 2007, tuition and fee revenues increased 6.2% and are expected to increase 4.1% in fiscal 2008. No increase in tuition for in-state students is planned for fiscal 2008.

General funds increased significantly from fiscal 2006 to 2007 by 21.2%. Beginning in fiscal 2007, \$1.5 million in Access/Success Program funds were moved from the Maryland Higher Education Commission’s (MHEC) budget to the institution’s budget. Adjusting for this, general funds increased 18.3% from fiscal 2006 to 2007. In fiscal 2008, general funds increase 6.8%. Despite a significant increase in general funds for fiscal 2007 and again in fiscal 2008, MSU has not budgeted to contribute to the fund balance in fiscal 2008. During the 2006 session of the General Assembly, MSU stated with continued State support, the university would seek to set aside 1.0% of its State supported budget (approximately \$1.0 million) each year. Currently, MSU has a fund balance of \$4.8 million. The university has not added to the balance since fiscal 2004.

The Department of Legislative Services (DLS) recommends that MSU transfer \$1,104,505 to fund balance. This is approximately 1.0% of MSU’s State supported budget. DLS considers this to be prudent given the State’s structural budget deficit and potential down-turn in spending affordability in future years.

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

	<u>FY 2006</u>	<u>Working FY 2007</u>	<u>% Change FY 06-07</u>	<u>Allowance FY 2008</u>	<u>\$ Change FY 07-08</u>	<u>% Change FY 07-08</u>
Expenditures						
Instruction	\$37,219	\$40,366	8.5%	\$41,557	\$1,190	2.9%
Research	620	2,126	242.7%	548	-1,577	-74.2%
Public Service	164	196	19.3%	201	5	2.4%
Academic Support	11,599	14,089	21.5%	15,460	1,371	9.7%
Student Services	5,445	5,369	-1.4%	5,770	401	7.5%
Institutional Support	19,874	21,091	6.1%	21,797	706	3.3%
Operation and Maintenance of Plant	14,007	15,320	9.4%	18,417	3,097	20.2%
Scholarships and Fellowships	11,260	14,114	25.3%	15,235	1,121	7.9%
Subtotal Education and General	\$100,188	\$112,671	12.5%	\$118,984	\$6,313	5.6%
Auxiliary Enterprises	22,051	24,232	9.9%	26,055	1,823	7.5%
Total	\$122,239	\$136,903	12.0%	\$145,039	\$8,136	5.9%
Funds Specific to HBIs*	2,861	1,700	-40.6%	1,700	\$0	0.0%
Adjusted Total	\$125,100	\$138,604	10.8%	\$146,740	\$8,136	5.9%
Revenues						
Tuition and Fees	40,262	42,753	6.2%	44,494	1,742	4.1%
General Funds	51,929	62,915	21.2%	67,215	4,300	6.8%
Other	5,032	4,183	-16.9%	4,313	130	3.1%
Subtotal	\$97,223	\$109,850	13.0%	\$116,022	\$6,172	5.6%
Auxiliary Enterprises	24,305	27,053	11.3%	29,017	1,964	7.3%
Transfers (to) from Fund Balance	712	0	-100.0%	0	\$0	0.0%
Total	\$122,239	\$136,903	12.0%	\$145,039	\$8,136	5.9%
Funds Specific to HBIs*	2,861	1,700	-40.6%	1,700	\$0	0.0%
Adjusted Total	\$125,100	\$138,604	10.8%	\$146,740	\$8,136	5.9%

*Funds for Access/Success program and HBI enhancement funds for fiscal 2006. Beginning in fiscal 2007, funds only include HBI enhancement funds from the Maryland Higher Education Commission budget as the Access/Success funds are included in the institution's budget.

HBIs: Historically Black Institutions

Source: Governor's Budget Books, Fiscal 2008

Budget Supports Program Enhancements

The allowance provides \$3.2 million for program enhancements at MSU. As shown in **Exhibit 6**, the fiscal 2008 estimated “mandatory” or current services costs are \$4.6 million. These costs are related to salary enhancements, facility renewal, and general inflation, among other things. After paying for current services costs, the combination of new general funds, new tuition and fee revenue, and one-time health savings allows for \$3.2 million in programmatic enhancements. MSU proposes to spend the remaining funds on library resources, financial aid, and additional faculty.

DLS recommends the reduction of \$1,085,646 in general funds from the fiscal 2008 allowance for MSU. This is approximately one-third of the funds available for enhancements and would leave MSU \$2,171,293 for enhancements. Given the State’s structural budget deficit, moderate enhancement funding is prudent.

Exhibit 6 MSU Revenues Available for Program Enhancements Fiscal 2008

Expenditure Growth

Estimated Current Services Cost	\$4,632,499
Employee COLA	1,371,861
Estimated Current Services Cost	\$6,004,360

Revenue Growth

New General Funds	\$4,300,000
COLA Received from DBM	1,119,439
New Tuition and Fee Revenue	1,483,257
One-time Health Savings	2,358,603
New General Fund and Tuition Revenues	\$9,261,299
Funds Available for Enhancements	\$3,256,939

COLA: Cost-of-Living Adjustment

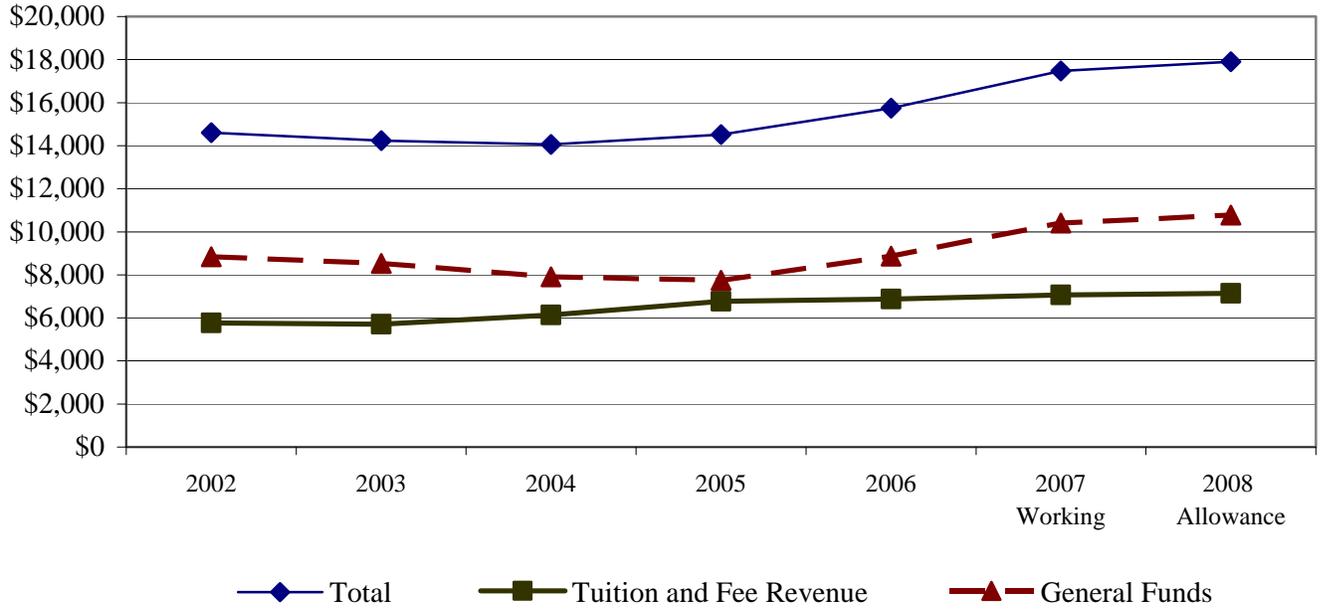
DBM: Department of Budget and Management

Source: Governor’s Budget Books, Fiscal 2008; Morgan State University

Tuition and Fees and General Fund Revenues

Exhibit 7 shows tuition and fee and general fund revenues per full-time equivalent student (FTES) from fiscal 2002 through 2008. General funds per FTES declined from fiscal 2003 to 2005 while tuition and fees per FTES significantly increased. From fiscal 2005 to 2007, general funds rebounded and significantly increased (34%). Tuition and fees per FTES continued to increase but at a slower rate. In fiscal 2008, general funds per FTES are expected to increase 4% while tuition and fees per FTES are expected to increase slightly less than 1%.

Exhibit 7
Tuition and Fees and General Fund Revenues
Per Full-time Equivalent Student
Fiscal 2002-2008
(\$ in Thousands)



Source: Governor's Budget Books, Fiscal 2008

Issues

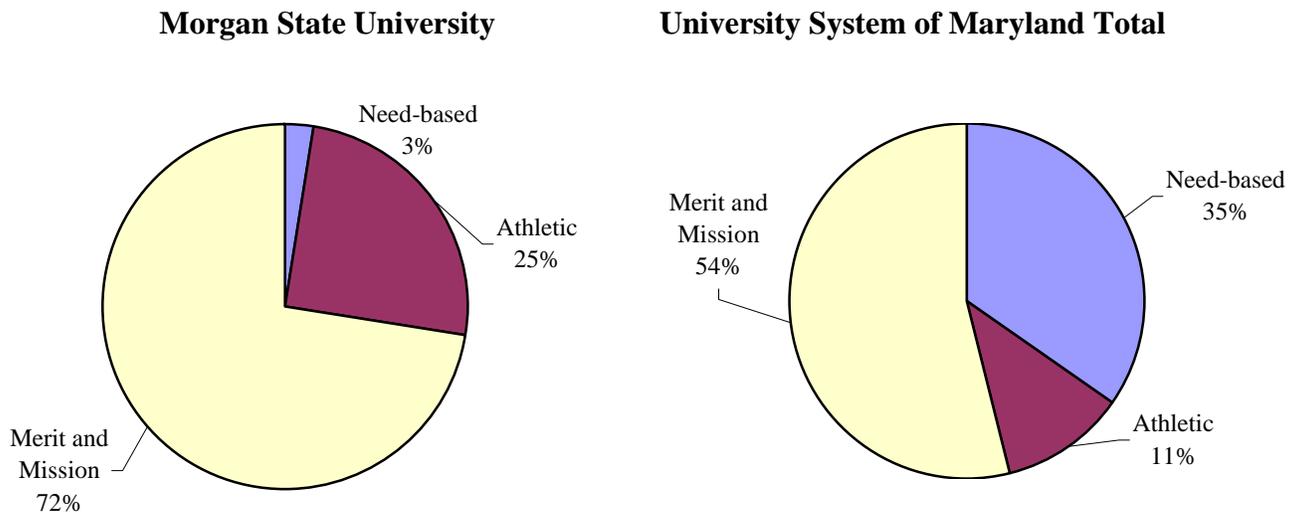
1. Affordability Remains in the Spotlight

Affordability continues to be a concern for Maryland public education. The fiscal 2008 allowance provides funds to freeze in-state undergraduate tuition for the second consecutive year. However, public institutions are able to increase the mandatory fees that students are required to pay. MSU will increase fees by \$58, or 3% over fiscal 2007 for in-state undergraduates. Tuition and fees combined increase less than 1% in fiscal 2008. Mandatory fees account for over 30% of the tuition and fees that a student pays to attend the university. **The President should provide an overview of what these fees cover.**

Trends in Institutional Aid

Another factor that affects affordability is financial aid. Categories of institutional financial aid include need, athletic, merit, and mission. The University System of Maryland (USM) institutions have committed to increasing institutional need-based aid for students. In fiscal 2007, 35% of institutional aid across USM was need-based, 54% merit and mission, and 11% was athletic as shown in **Exhibit 8**. However, at MSU two-thirds of the institutional aid awarded is merit- and mission-based and only 3% is need-based.

Exhibit 8
Institutional Financial Aid
Fiscal 2007 Estimate



	<u>Need-based</u>	<u>Athletic</u>	<u>Merit and Mission</u>
MSU	\$281,257	\$2,821,351	\$8,146,765
USM Total	32,589,592	10,654,292	50,592,240

Source: Morgan State University

MSU, like other institutions, believes merit-based aid does assist students that have unmet need according to the federal definition (cost of attendance – expected family contribution = unmet need). In order to secure high ability students, institutions award more merit-based scholarships. However, MSU states that a majority of the students that enroll have a high level of financial need. Therefore, any institutional aid is addressing financial need.

The number of Pell grant recipients is a good indicator of the level of financial need of students at an institution. In fiscal 2005, 49% of total headcount enrollment received Pell awards, which was the second highest percentage among all public four-year institutions.

The Maryland Higher Education Commission is in the process of developing a Financial Aid Information System (FAIS) database. The FAIS data collected provides a profile of those students receiving financial aid. The FAIS data has information for institutional aid awarded at MSU for fiscal 2005 for students that filled out a Free Application for Federal Student Aid to determine a student's expected family contribution (EFC). In general, the lower a student's EFC, the greater a student's financial need. Certain students with very low family income automatically qualify for a \$0 EFC, *i.e.*, no family contribution. **Exhibit 9** shows the percent of awards for need-based and other aid at each EFC category. The majority of the awards for need-based and non-need-based aid were to students in the \$0 to \$2,499 categories. It appears that both types of aid direct funds to students at the low to middle EFC range. However, the average award for need-based aid was \$2,756 compared to \$8,749 for non-need-based aid. **The President should comment on future plans to increase the need-based award.**

Exhibit 9
Percent of Institutional Financial Aid Awards by EFC
Fiscal 2005

<u>EFC Category</u>	<u>Need-based</u>	<u>Other</u>
\$0	36.3%	34.2%
\$1 – \$2,499	22.0%	18.6%
\$2,500 – \$4,999	13.2%	10.1%
\$5,000 – \$9,999	14.3%	14.5%
\$10,000 – \$19,999	11.0%	12.3%
\$20,000 +	3.3%	10.3%

EFC: Expected Family Contribution

Note: Does not include work study. Other includes merit, mission, athletic, and other aid.

Source: Financial Aid Information System; Maryland Higher Education Commission

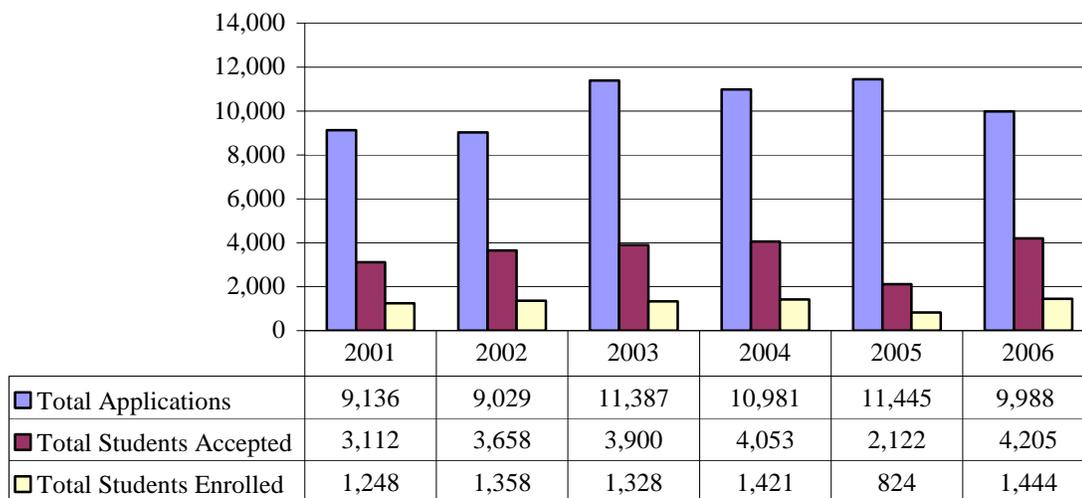
2. Enrollment Rebounds

In fall 2005, MSU reduced the size of the freshman class by accepting fewer students, which resulted in approximately 600 fewer students enrolling than in fall 2004. The university reports that it made changes in the admission process in order to maintain enrollment at a level consistent with campus resources. However, due to the increase in State funding for the 2006-07 academic year, MSU returned to its traditional enrollment practices with an emphasis on recruiting students with strong credentials in fall 2006.

This past interim, DLS conducted research on applications for first-time students at public four-year institutions. **Exhibit 10** shows the total number of applications MSU received from fall 2001 to 2006 as well as the number of students accepted and the number of students enrolled. The total number of applicants fluctuates up and down during this period. The total number of students accepted increased at a constant rate until it declined in fall 2005. The number of students that end up enrolling after being accepted (known as the yield) during this period has remained fairly level with the exception of fall 2005.

MSU uses a combination of high school grade-point average (GPA) and SAT/ACT in selecting new freshmen for admission. The minimum GPA and SAT/ACT requirements are slightly higher for out-of-state students applying. Since MSU seeks academic diversity in its freshman class, all students that qualify for regular admission are accepted as well as students that require a pre-college summer program. However, MSU anticipates there will be a gradual decline in the number of students admitted through the summer studies program. MSU believes the recent trend toward program duplication at all levels of study will likely compromise MSU’s enrollment prospects.

Exhibit 10
Trends in Applications and Acceptance
Fall 2001-2006



Source: Maryland Higher Education Commission; Morgan State University

3. Access and Success for Maryland’s Historically Black Institutions (HBIs)

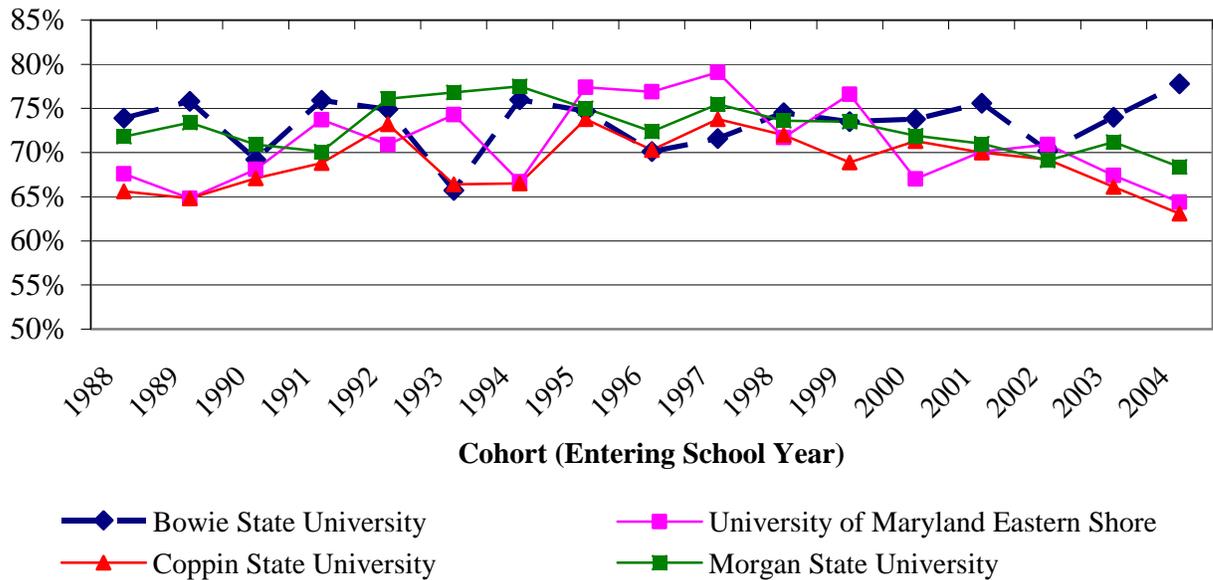
In December 1994, *A Plan for Increasing the Number of African-Americans Receiving Baccalaureate Degrees in Maryland* was developed by the Presidents of Maryland’s four HBIs, which include the University of Maryland Eastern Shore, Bowie State University, Coppin State University, and Morgan State University. The plan was written in response to the statewide gap between retention and graduation rates of African American students and all other students at Maryland’s public two-year and four-year institutions. Recognizing the critical need to improve African American student retention and graduation rates at these institutions, MHEC proposed a plan of action, *From Access to Success*. The plan became the Access and Success Multi-Year Grant Program with the primary intent to improve retention and graduation rates of African American students by enhancing the relationship between administration, enrollment management, and teaching and learning practices. In 1999, each HBI received \$500,000 to address retention and graduation efforts. However, after the State entered into a partnership agreement with the U.S. Department of Education’s Office for Civil Rights (OCR), funding increased from \$3 million in fiscal 2001 to \$6 million in fiscal 2003 with equal distribution among the four HBIs. Access and Success funds were budgeted in MHEC from fiscal 2001 to 2006. MHEC would release funding to each HBI after a proposal was submitted outlining how the funds would be spent for the upcoming year. The fiscal 2007 allowance transferred \$6 million in Access and Success funds previously budgeted in MHEC to the HBIs’ budgets.

From fiscal 2001 to 2007, MSU received a total of \$8,625,000 in Access and Success funds. MSU utilized funds for the Office of Student Retention, which works in collaboration with the five schools of the university to provide academic support to students. Funds were also used for several other programs such as the Summer Bridge Program, Morgan M.I.L.E. (the Male Initiative on Leadership and Excellence) Program, and P.A.C.E. (the Pre-Accelerated Curriculum in Engineering and Summer Experience) Program.

Retention and Graduation Rates

While the full impact of Access and Success cannot be determined until a number of cohorts graduate, retention rates for cohorts entering school since fiscal 1998 (entering fall 1997 or 1997 cohort) should reflect enhancements to student support services that were implemented beginning in fiscal 1999. **Exhibit 11** shows the retention rates for African American students at HBIs from 1988 to 2004 cohorts (fiscal 1989 to 2005). Second-year retention rates fluctuated during this period for every HBI. There is no apparent trend to show that Access and Success funds have benefited students and increased retention rates.

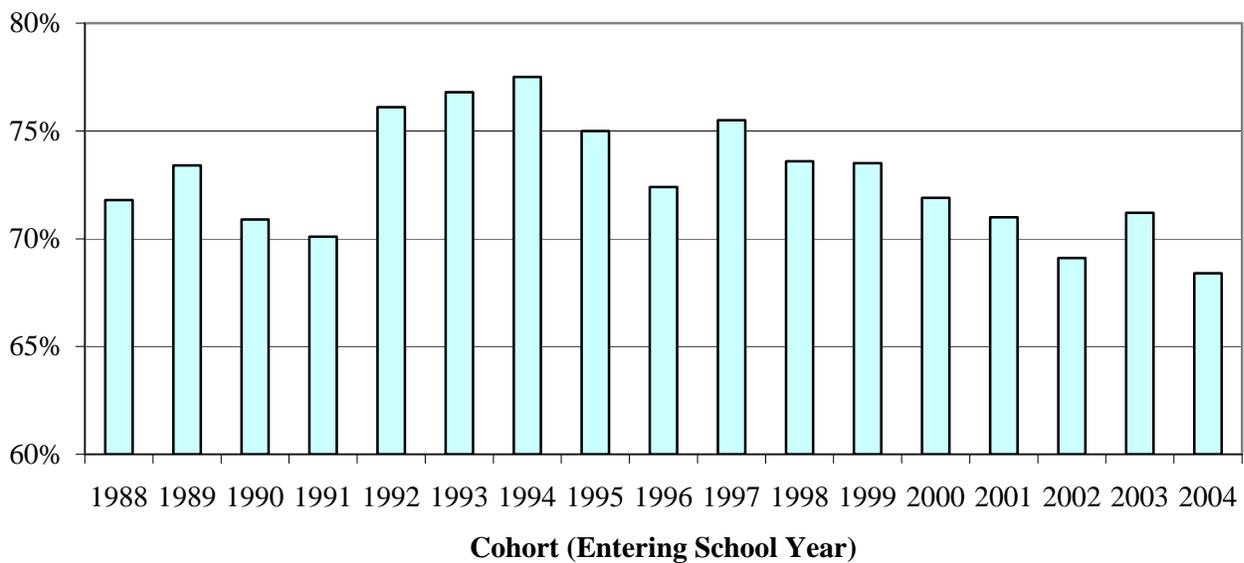
Exhibit 11
Second-year Retention Rates for African American Students at HBIs
1988-2004 Cohorts



Source: Maryland Higher Education Commission

Exhibit 12 shows second-year retention rates for African Americans at MSU from the 1988 to 2004 cohorts (fiscal 1989 to 2005). During the time when Access and Success funds were available retention rates steadily declined. The second-year retention rate for the 2004 cohort is significantly lower than the 1988 cohort, and is the lowest retention rate in the 17-year period shown in Exhibit 12. This trend indicates rates declined after Access and Success funds were made available to specifically target retention rates.

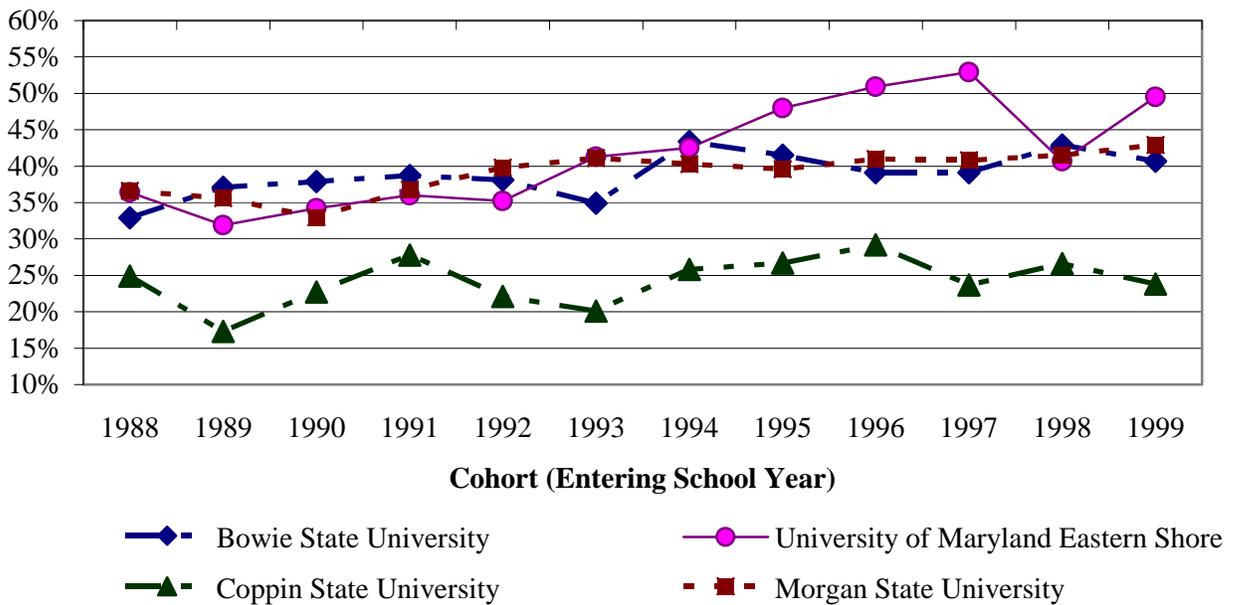
Exhibit 12
Second-year Retention Rates for African American Students at MSU
1988-2004 Cohorts



Source: Maryland Higher Education Commission

The ultimate goal for higher education institutions is for students to graduate and obtain a degree. **Exhibit 13** shows six-year graduation rates for African American students at all HBIs from the 1988 to 1999 cohorts (fiscal 1994 to 2005). With the exception of one institution, the graduation rates remain below the mid-40 percentile range.

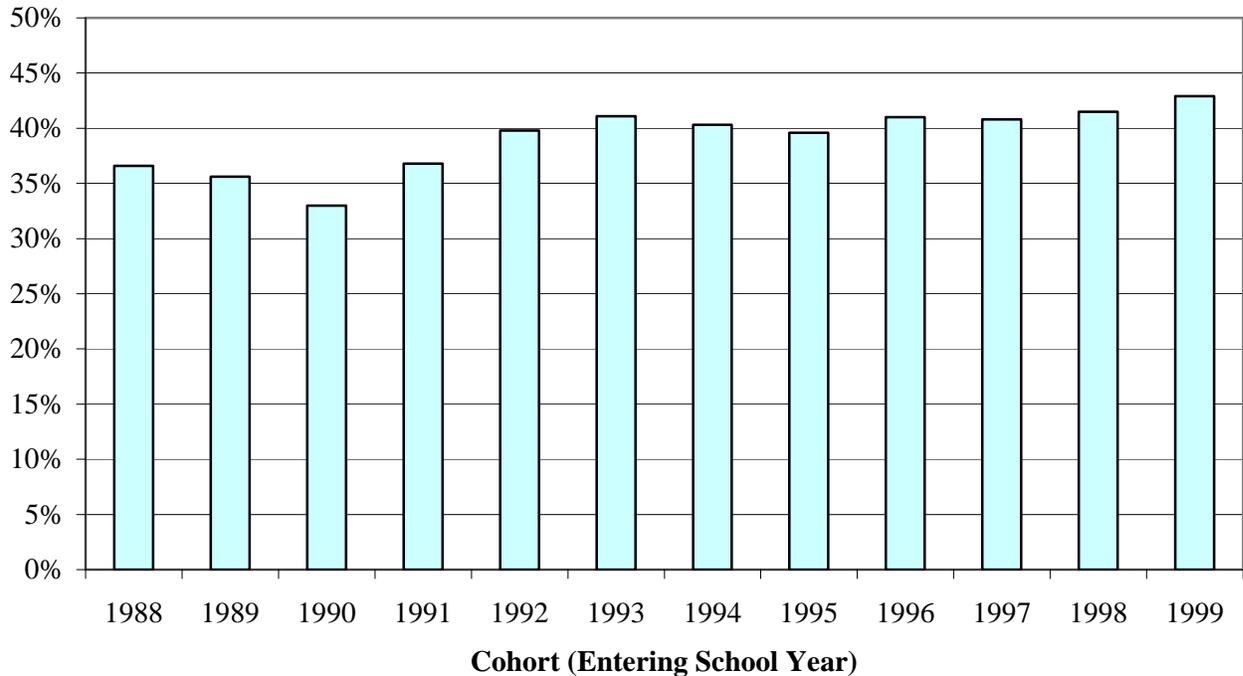
Exhibit 13
Six-year Graduation Rates for African American Students at HBIs
1988-1999 Cohorts



Source: Maryland Higher Education Commission

Exhibit 14 shows MSU six-year graduation rates for African American students from 1988 to 1999 cohorts (fiscal 1994 to 2005). Graduation rates have hovered around 40% for each cohort entering since 1992. The graduation rate for the most recent cohort is the highest for any cohort in the period shown.

Exhibit 14
Six-year Graduation Rates for African American Students at MSU
1988-1999 Cohorts



Source: Maryland Higher Education Commission

It is perhaps too early to see the full impact of Access and Success on graduation rates. The data presented in Exhibits 13 and 14 capture only one cohort of students that entered school after the Access and Success dollars become available. However, given the State's investment in Access and Success, improved graduation rates should be expected over the next few years.

The President should comment on the declining second-year retention and stagnant six-year graduation rates in light of the additional funds provided, and plans to increase retention and graduation rates in the future.

To evaluate the impact of Access and Success funds, DLS recommends that the following language be added to MSU budget:

,provided that \$1,500,000 of this appropriation, for the purpose to improve student retention and graduation rates, may not be expended until Morgan State University has prepared and submitted a performance report to the budget committees. For each cohort enrolled beginning fall 2000 through 2006, the report shall include:

- the average number of credit hours completed each year;
- the average grade point average for each year; and
- the percentage of students who dropped out each year who were receiving financial aid from any source (federal, State, institutional), and the average award amount received by those students.

The budget committee shall have 45 days to review and comment on the report.

4. Parity with Respect to Maryland’s HBIs

Issues of State Compliance

On October 13, 2006, the Coalition for Equity and Excellence in Maryland Higher Education filed a lawsuit in the Baltimore circuit court arguing that the State has failed to desegregate its higher education system. The lawsuit seeks to prevent the State from continuing to operate its public system of higher education in violation of Maryland and federal laws which prohibit the following: discrimination based on race in educational opportunities; and the maintenance of a dual system of education based on race. The lawsuit mandates the creation of a public higher education system which ensures that the State’s HBIs are comparable and competitive with the State’s traditionally white institutions (TWIs) in all facets including their operations and programs as outlined in Commitment 9 of the Office for Civil Rights Partnership Agreement.

The case has been moved to the United States District Court because the lawsuit makes specific claims of rights arising under the equal protection guarantee of the U.S. Constitution. The complaint also alleges noncompliance with the OCR partnership agreement between the State and the United States Department of Education, Office for Civil Rights which ran from December 2000 through December 31, 2005.

Although MSU did not file the lawsuit, the lawsuit alleges State approval of numerous academic programs and institution missions at TWIs that duplicate the mission and programs of MSU, including approval of the joint Master of Business Administration program at Towson and the University of Baltimore (UB) in 2005, and UB’s expansion to a four-year institution in 2006.

After UB became a public institution in 1975, it only enrolled students in the upper division and professional programs. However, starting fall 2007, UB will admit its first freshman class as a public institution. MSU contested the approval of a four-year degree at UB claiming the change would make MSU’s mission obsolete.

Comparable and Competitive

Comparability and competitiveness among TWIs and HBIs continues to be an issue. Developing indicators to measure parity among HBIs and TWIs is a complex task. Before the OCR agreement expired in December 2005, MHEC convened two committees to review the progress made toward the nine commitments in the agreement. Committee II reviewed Commitment 9 and attempted to assess if HBIs were made comparable to TWIs since the OCR agreement. In the Committee II report, MSU was shown to compare favorably in some areas with respect to TWIs in particular the University of Maryland Baltimore County. These areas included but were not limited to, the percentage of part-time undergraduate students, general funds per FTES, and academic space per FTES. However, there were other areas that MSU did not compare favorably and performed below the average for TWIs, such as the average SAT score, diversity index, and retention and graduation rates.

Despite the data used to assess Commitment 9, there are still mixed opinions about what indicators should be used to determine if HBIs are comparable and competitive to TWIs. In a letter submitted to OCR this past summer, MHEC concluded that Maryland had satisfied all nine commitments in the OCR agreement. However, the letter goes on to propose that MHEC will undertake the development of measurable indicators on areas required to achieve parity among TWIs and HBIs. MHEC will develop benchmarks and submit annual reports to highlight progress on this issue. **The President should comment on possible indicators to determine parity among MSU and TWIs.**

5. Personnel

MSU is adding 13 new contractual full-time equivalents in the fiscal 2008 allowance. The new contractual positions are in academic support. As of December 2006, MSU has 80 vacancies, of which 10 are State-supported, and a vacancy rate of 7.73%.

Exhibit 15 shows how the composition of MSU personnel (filled regular positions only) has changed from fiscal 2005 to 2007. From fiscal 2005 to 2006, the total number of filled positions decreased by 13 positions. Total filled positions in fiscal 2007 exceeded the fiscal 2005 level by 37 and is attributed to the significant increase in academic support (45%). The majority of personnel in fiscal 2007 are allocated to instruction and institutional support. **The President should comment on the significant growth in filled positions for academic support in fiscal 2007.**

Exhibit 15
Personnel by Budget Program
Filled Regular Positions
Morgan State University
Fiscal 2005-2007

<u>Budget Program</u>	2005		2006		2007	
	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>	<u>FTEs</u>	<u>%FTEs</u>
Instruction	369.5	40.1%	355.0	39.1%	369.0	38.5%
Research	83.0	9.0%	66.0	7.3%	71.0	7.4%
Academic Support	66.0	7.2%	82.0	9.0%	96.0	10.0%
Student Services	62.0	6.7%	61.0	6.7%	66.0	6.9%
Institutional Support	191.5	20.8%	196.0	21.6%	204.0	21.3%
Operations and Maintenance of Plant	91.0	9.9%	88.0	9.7%	84.0	8.8%
Auxiliary Enterprises	58.0	6.3%	60.0	6.6%	68.0	7.1%
Total	921.0	100.0%	908.0	100.0%	958.0	100.0%

Note: Data are for filled regular positions only.

FTES: Full-time equivalent positions

Source: Morgan State University

Recommended Actions

1. Add the following language to the unrestricted fund appropriation:

provided that \$1,500,000 of this appropriation, for the purpose of improving student retention and graduation rates, may not be expended until Morgan State University has prepared and submitted a performance report to the budget committees. For each cohort enrolled beginning fall 2000 through 2006, the report shall include:

- the average number of credit hours completed each year;
- the average grade point average for each year; and
- the percentage of students who dropped out each year who were receiving financial aid from any source (federal, State, institutional) and the average award amount received by those students.

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 performance report on Access and Success funds that have been used in the past to improve retention and graduation rates.

Information Request	Author	Due Date
Access and Success accountability report	MSU	August 1, 2007

2. Add the following language to the unrestricted fund appropriation:

Provided that \$1,104,505 in unrestricted funds may not be expended for any program or purpose except that the funds may be transferred to fund balance.

Explanation: The language requires Morgan State University (MSU) to transfer \$1,104,505 into the fund balance. MSU stated it would annually transfer 1% of its State supported budget each year. The fiscal 2008 allowance indicates MSU is not planning to contribute to the fund balance. The transfer is fulfilling MSU's annual commitment and a proactive measure considering the State's structural budget deficit.

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3. Add the following language to the unrestricted fund appropriation:

Provided that the unrestricted fund appropriation herein for Morgan State University is reduced by \$1,085,646.

Explanation: The language reduces Morgan State University's (MSU) unrestricted fund appropriation by \$1,085,646. This would reduce funds available for enhancements by approximately one-third and would leave MSU \$2,171,293 for enhancements.

4. Adopt the following narrative:

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 may 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 1, 2007

5. Adopt the following narrative:

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 (MHEC) 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 MHEC	MSU	With request and allowance

Updates

1. Communication Problems

Recently, MSU encountered problems during the process of upgrading its data and telephone networks. Currently, the university is simultaneously undertaking a number of inter-related technology projects within a short time frame. As a result, there have been both scheduled and unscheduled phone outages. Most recently, the voice mail system died after malfunctioning for weeks before the winter break. The failing phone system has made communication with administrative staff difficult for students and parents. Due to the failure of the voice mail system, phones either ring or have a busy signal.

MSU attributes some of the problems to the short time frame for the projects and the simultaneous undertaking of multiple projects with different contractors. The university believes that it could not wait to complete one project before starting another because improvements were long overdue. A majority of the technology upgrades appear to be on track, but there are still some issues that need to be worked out. However, the phone system, which the university reported would be fixed before students returned from winter break, continues to malfunction. There are delays and unscheduled service interruptions, which is attributed to the upgrade. MSU provided students an update on the upgrades and hopes to have the problems resolved soon.

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 2006					
Legislative Appropriation	\$51,321	\$74,393	\$125,714	\$45,265	\$170,979
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	548	60	608		608
Reversions and Cancellations	0	-4,083	-4,083	-6,779	-10,862
Actual Expenditures	\$51,869	\$70,370	\$122,239	\$38,486	\$160,725
Fiscal 2007					
Legislative Appropriation	\$61,819	\$73,989	\$135,807	\$46,378	\$182,185
Budget Amendments	1,096	0	1,096	0	1,096
Working Appropriation	\$62,915	\$73,989	\$136,903	\$46,378	\$183,282

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

Fiscal 2006

MSU's general funds increased \$547,852 to cover costs associated with the fiscal 2006 general salary increase. Other unrestricted funds increased by \$60,000 through a budget amendment that provided travel funds for Morgan State University Choir's performance with the Czech National Symphony Orchestra in Prague. Other increases include:

- \$220,230 in sales and services of educational activities;
- \$800,092 in indirect recovery cost; and
- \$711,658 from a fund balance transfer.

Unrestricted funds cancellations and reversions reflect a decline in enrollment which resulted in a:

- \$3,998,594 decrease in tuition and fees;
- \$1,393,487 decrease in sales and services of auxiliary enterprises; and
- \$422,422 decrease in other revenue sources.

Restricted funds decreased \$6.8 million due to the cancellation of:

- \$2,252,054 in federal Pell grants due to unattained enrollment; and
- \$4,526,967 in unattained sponsored research grants and contracts.

Fiscal 2007

A budget amendment increased general funds by \$1,096,172 to cover costs associated with the fiscal 2007 general salary increase.

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

<u>Object/Fund</u>	<u>FY06 Actual</u>	<u>FY07 Working Appropriation</u>	<u>FY08 Allowance</u>	<u>FY07-FY08 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1025.00	1035.00	1035.00	0	0%
02 Contractual	453.00	442.00	455.00	13.00	2.9%
Total Positions	1478.00	1477.00	1490.00	13.00	0.9%
Objects					
01 Salaries and Wages	\$ 67,857,567	\$ 77,498,363	\$ 77,651,114	\$ 152,751	0.2%
02 Technical and Spec. Fees	26,864,220	24,121,849	27,940,724	3,818,875	15.8%
03 Communication	1,196,121	1,367,619	1,378,498	10,879	0.8%
04 Travel	2,327,100	2,250,671	2,414,200	163,529	7.3%
06 Fuel and Utilities	6,210,344	5,196,772	7,864,774	2,668,002	51.3%
07 Motor Vehicles	304,057	245,760	266,242	20,482	8.3%
08 Contractual Services	16,711,120	16,911,270	17,747,144	835,874	4.9%
09 Supplies and Materials	5,509,690	8,843,279	7,479,494	-1,363,785	-15.4%
11 Equip – Additional	2,915,017	7,125,242	7,593,204	467,962	6.6%
12 Grants, Subsidies, and Contributions	23,498,420	29,794,824	31,176,311	1,381,487	4.6%
13 Fixed Charges	5,537,477	6,261,506	6,101,980	-159,526	-2.5%
14 Land and Structures	1,793,756	3,664,464	3,848,196	183,732	5.0%
Total Objects	\$ 160,724,889	\$ 183,281,619	\$ 191,461,881	\$ 8,180,262	4.5%
Funds					
40 Unrestricted Fund	\$ 122,238,970	\$ 136,903,474	\$ 145,039,497	\$ 8,136,023	5.9%
43 Restricted Fund	38,485,919	46,378,145	46,422,384	44,239	0.1%
Total Funds	\$ 160,724,889	\$ 183,281,619	\$ 191,461,881	\$ 8,180,262	4.5%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.

**Fiscal Summary
Morgan State University**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY07 Wrk Approp</u>	<u>FY08 Allowance</u>	<u>Change</u>	<u>FY07-FY08 % Change</u>
01 Instruction	\$ 37,362,841	\$ 40,526,837	\$ 41,721,180	\$ 1,194,343	2.9%
02 Research	29,638,270	36,874,897	35,289,156	-1,585,741	-4.3%
03 Public Service	164,252	196,020	200,762	4,742	2.4%
04 Academic Support	11,662,015	14,155,509	15,527,882	1,372,373	9.7%
05 Student Services	5,592,225	5,589,775	5,925,394	335,619	6.0%
06 Institutional Support	19,972,187	21,222,253	21,928,174	705,921	3.3%
07 Operation and Maintenance of Plant	14,007,280	15,338,717	18,436,129	3,097,412	20.2%
08 Auxiliary Enterprise	22,118,598	24,282,149	26,126,375	1,844,226	7.6%
17 Scholarships and Fellowships	20,207,221	25,095,462	26,306,829	1,211,367	4.8%
Total Expenditures	\$ 160,724,889	\$ 183,281,619	\$ 191,461,881	\$ 8,180,262	4.5%
Unrestricted Fund	\$ 122,238,970	\$ 136,903,474	\$ 145,039,497	\$ 8,136,023	5.9%
Restricted Fund	38,485,919	46,378,145	46,422,384	44,239	0.1%
Total Appropriations	\$ 160,724,889	\$ 183,281,619	\$ 191,461,881	\$ 8,180,262	4.5%

Note: The fiscal 2007 appropriation does not include deficiencies, and the fiscal 2008 allowance does not reflect contingent reductions.