R13M00
Morgan State University

Operating Budget Data

($ in Thousands)

	FY 11 Actual	**FY 12 Working**	**FY 13 Allowance**	**FY 12-13 Change**	**% Change Prior Year**
General Funds	$70,229	$69,379	$70,844	$1,465	2.1%
Contingent & Back of Bill Reductions	0	0	-41	-41	
Adjusted General Fund	**$70,229**	**$69,379**	**$70,803**	**$1,424**	**2.1%**
Special Funds	2,717	3,623	3,207	-416	-11.5%
Contingent & Back of Bill Reductions	0	0	41	41	
Adjusted Special Fund	**$2,717**	**$3,623**	**$3,248**	**-$375**	**-10.4%**
Other Unrestricted Funds	77,483	88,422	92,823	4,401	5.0%
Adjusted Other Unrestricted Fund	**$77,483**	**$88,422**	**$92,823**	**$4,401**	**5.0%**
Total Unrestricted Funds	150,429	161,424	166,874	5,450	3.4%
Adjusted Total Unrestricted Funds	**$150,429**	**$161,424**	**$166,874**	**$5,450**	**3.4%**
Restricted Funds	45,035	54,394	56,419	2,025	3.7%
Adjusted Restricted Fund	**$45,035**	**$54,394**	**$56,419**	**$2,025**	**3.7%**
Adjusted Grand Total	**$195,465**	**$215,818**	**$223,292**	**$7,475**	**3.5%**

- General funds for Morgan State University (MSU) increase $1.4 million, or 2.1%, in the fiscal 2013 allowance after adjusting for the $40,949 that is contingent on enactment of the Budget Reconciliation and Financing Act of 2012, which would be replaced by the same from the Higher Education Investment Fund (HEIF). HEIF declines $0.4 million, or 10.4%, due to use of the fund balance in fiscal 2012. Overall, State funds increase $1.0 million.

- Other unrestricted funds increase $4.4 million, or 5.0%, and restricted funds grow $2.0 million, or 3.7%, in the fiscal 2013 allowance.

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

For further information contact: Sara J. Baker Phone: (410) 946-5530

Personnel Data

	FY 11 Actual	FY 12 Working	FY 13 Allowance	FY 12-13 Change
Regular Positions	1,111.00	1,107.00	1,107.00	0.00
Contractual FTEs	520.00	512.00	528.00	16.00
Total Personnel	**1,631.00**	**1,619.00**	**1,635.00**	**16.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions		40.52	3.66%	
Positions and Percentage Vacant as of 12/31/11		94.50	8.53%	

- The fiscal 2013 allowance does not provide any new regular positions; however, MSU has personnel autonomy and may create new positions during the fiscal year.

Analysis in Brief

Major Trends

Second- and Third-year Retention Rates Stabilize after Rebounding: After reaching a low point of 61.0 and 48.5% in second- and third-year retention rates, respectively, rates have since rebounded with the second-year rate growing 6.5 percentage points and the third-year rate increasing 5.4 percentage points.

Four- and Six-year Graduation Rates Continue to Decline: MSU's four-year graduation rate has fallen to 11.0% over the past three years. This corresponds with a decline in the retention rates. The trend in the six-year rate mirrors that of the four-year rate, dropping eight percentage points from fiscal 2006 to 2009.

Undergraduate Degree Production Falls: While the ratio of undergraduate degrees per 100 undergraduate full-time equivalent students (FTES) for MSU's peers remained relatively constant, MSU's ratio noticeably drops from 15.3 to 12.9 degrees per 100 FTES in fiscal 2010.

Education and Related Expenditures Per Degree Decline: After increasing for the past four years, spending per degree dropped to $90,774 in fiscal 2009, but MSU's expenditures per degree still surpassed those of its funding peers by $24,459.

Issues

Affordability: Fifty percent of MSU's students receive Pell awards and, as such, MSU directs a majority of its institutional aid to those students. However, there has only been a slight increase in expenditures on institutional aid over the past four years. In addition, to cover the cost of college, Pell eligible students took out on average $9,276 in private loans in fiscal 2011.

Growing the Future, Leading the World – MSU's Strategic Plan: MSU's 10-year strategic plan was approved at the August 2011 Board of Regents meeting. The plan includes goals and objectives designed to elevate MSU from its current Carnegie classification of Doctoral/Research University to Research University/H (high research activity).

Joint Electrical Engineering Program: In October 2011, MSU and Harford Community College (HCC) signed a memorandum of understanding establishing a joint undergraduate electrical engineering program. This agreement allows students who graduate from HCC with an associate's degree in engineering to seamlessly transfer to MSU to complete the final two years of the bachelor's program at HCC.

Recommended Actions

1. Add language reducing Morgan State University's general funds.
2. Adopt narrative requesting a report on institutional aid by the expected family contribution.
3. Adopt narrative requesting loan data by the expected family contribution.
4. Adopt narrative requesting a faculty workload report.

Updates

Funding of Intercollegiate Athletic Program: Language in the 2011 *Joint Chairmen's Report* required MSU to submit a report on the amount of general funds expended in fiscal 2011 on intercollegiate athletics, including institutional scholarships to student athletes on the basis of athletic ability. MSU reported that no general funds were used to support its athletic program or expended on scholarships for student athletes.

Instructional Workload Report: For the 2010-2011 academic year, the average teaching load was 21.72 credit hours, equivalent to an average of seven courses per year.

Operating Budget Analysis

Program Description

Morgan State University (MSU), designated as Maryland's public urban university, is responsible for addressing the needs of the citizens, schools, and organizations within the Baltimore metropolitan area through academic, research, and service programs. One of MSU's goals is to promote economic development by meeting critical workforce needs by offering programs in professional fields such as engineering, business, teacher education, architecture, and social work.

Based on various socio-economic and academic measures, MSU enrolls and educates a diverse student body, including those among the best prepared and those who might not obtain a baccalaureate degree without the extra support of the institution. MSU offers a comprehensive range of academic programs, awarding baccalaureate degrees emphasizing the arts and sciences and specialized master's and doctoral degrees.

Carnegie Classification: DRU: Doctoral/Research University

Fall 2011 Undergraduate Enrollment Headcount	
Male	2,915
Female	3,796
Total	**6,711**
Fall 2011 New Students Headcount	
First-time	1,088
Transfers/Others	537
Graduate	271
Total	**1,896**
Programs	
Bachelor's	44
Master's	35
Doctoral	15
Proposed Fiscal 2013 In-State Tuition and Fees*	
Undergraduate Tuition	$4,676
Mandatory Fees	$2,406

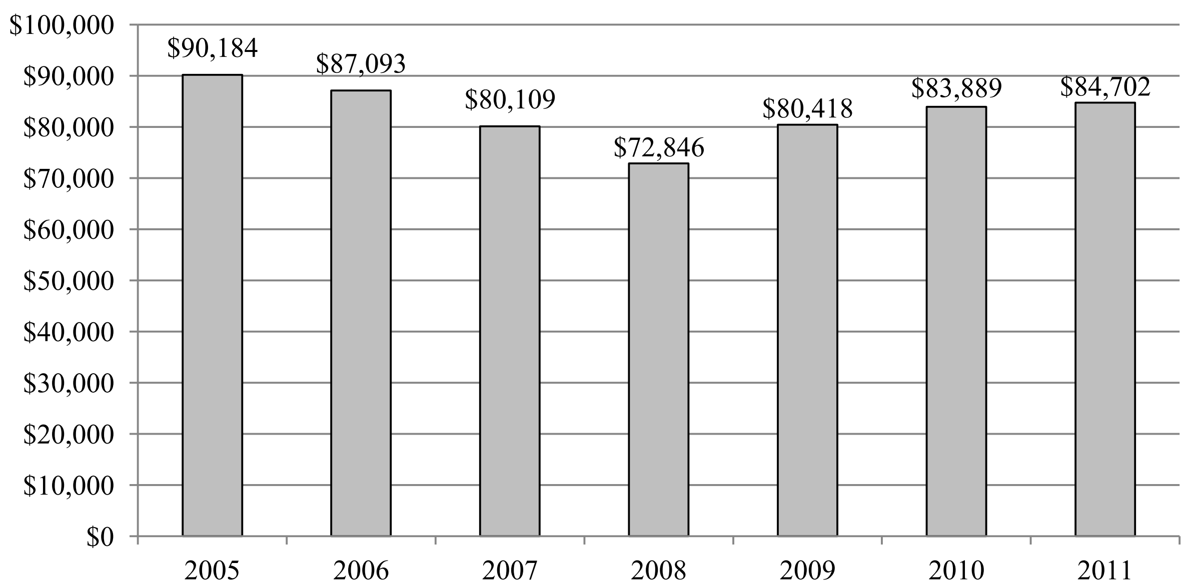
Fall 2011 Graduate Enrollment Headcount	
Male	463
Female	844
Total	**1,307**
Campus (Main Campus)	
Acres	176
Buildings	45
Average Age	30 years
Oldest	Carnegie Hall – 1919
Degrees Awarded (2010-2011)	
Bachelor's	812
Master's	206
Doctoral	32
Total Degrees	**1,050**

*Contingent upon the Board of Regents approval.

Performance Analysis: Managing for Results

A goal in MSU's strategic plan is to enhance its status as a doctoral research university with an objective of increasing grants and contracts funding. Research and development (R&D) expenditures per full-time faculty not only track the progress toward the goal but also measure productivity. As shown in **Exhibit 1**, R&D expenditures grew 1.0% in fiscal 2011.

Exhibit 1
Research and Development Expenditures Per Full-time Faculty
Fiscal 2005-2011

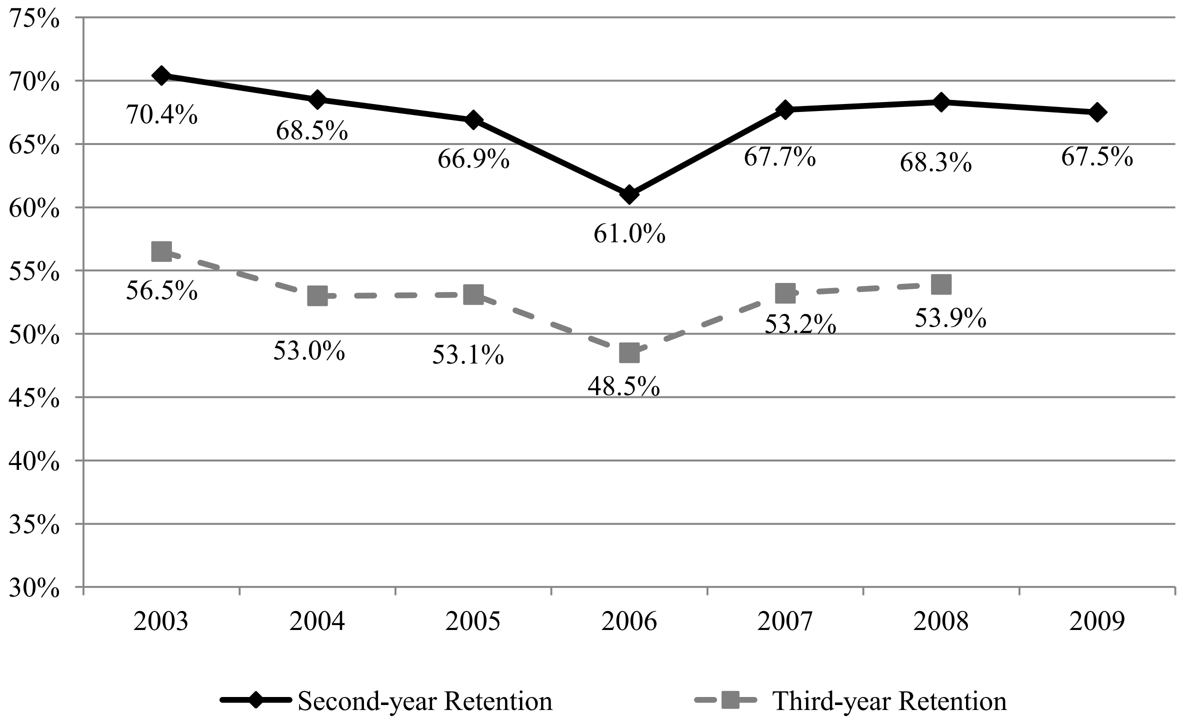


Source: Morgan State University

Second- and Third-year Retention Rates Stabilize after Rebounding

Student persistence, or retention, provides a measure of student success and an indication of an institution's performance; the higher the retention rate, the more likely students will persist and graduate. Since reaching a low point of 61.0 and 48.5% in the second- and third–year retention rate, respectively, rates have since risen, as illustrated in **Exhibit 2**. Overall, since the 2006 cohort, the second-year rate has grown 6.5 percentage points while the third-rate has increased by 5.4 percentage points. While MSU has made progress in retaining students since the 2006 cohort, over a quarter of the students do not return for their second year.

Exhibit 2
Second- and Third-year Retention Rates
2003-2009 Cohorts

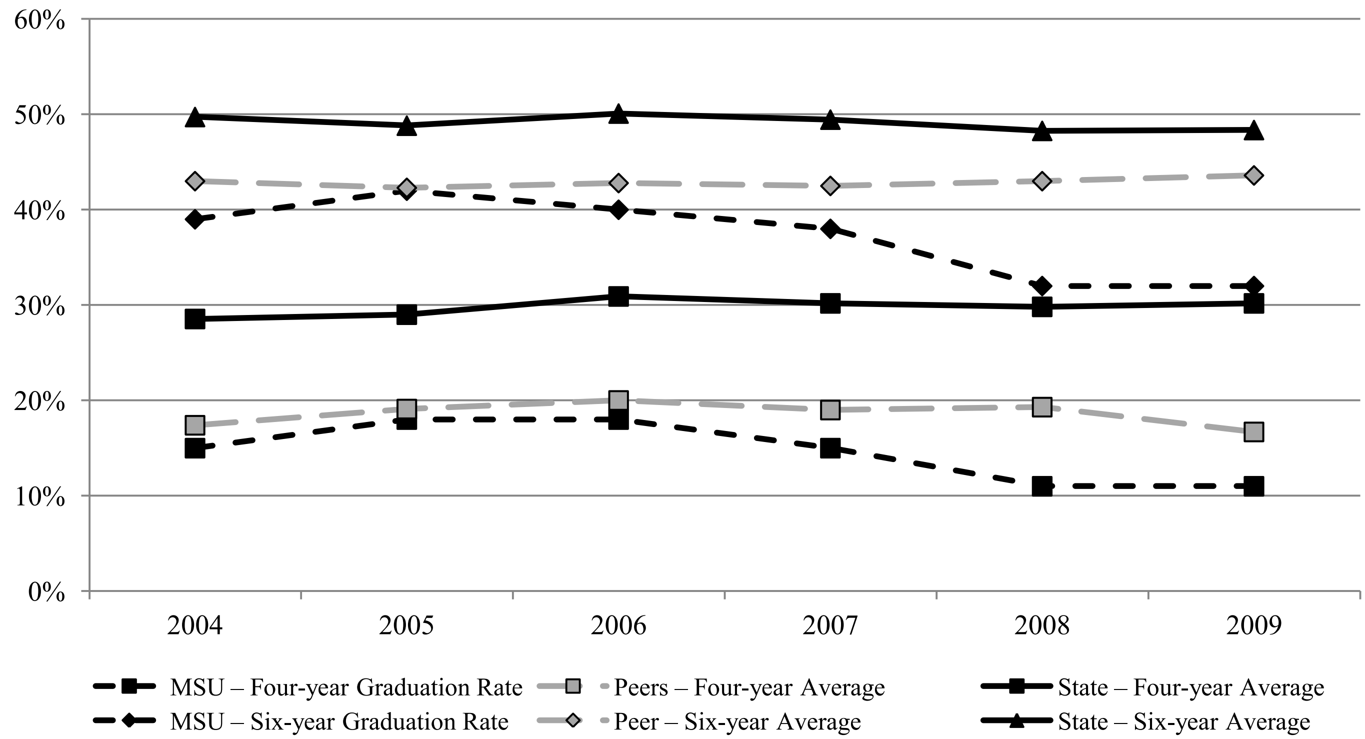


Source: Maryland Higher Education Commission

Four- and Six-year Graduation Rates Continues to Decline

Exhibit 3 compares the four- and six-year graduation rates of MSU to the average of its peer institutions and the State's four-year public institutions. Peers are institutions that are similar to MSU on a variety of characteristics and are used as a basis to assess MSU's performance and provide a funding standard. While MSU's four-year rate was slightly below the average of its peers until fiscal 2006, it has fallen to 11.0% in fiscal 2009, which is 5.7 percentage points below its peers' average. This also illustrates the correlation with retention rates, as the drop in the four-year rate, beginning in fiscal 2007, corresponds to the decline in the retention rates, as shown in Exhibit 2. The trend in the six-year rate mirrors that of the four-year rate, dropping 8.0 percentage points from 40.0% in fiscal 2006 to 32.0% in fiscal 2009. Meanwhile, the six-year rate of MSU's peers averaged 42.9% over the five-year period. Overall, MSU's rate falls below the State four- and six-year average by 19.2 and 16.4 percentage points, respectively, in fiscal 2009.

Exhibit 3
Four- and Six-year Graduation Rates
Fiscal 2004-2009



MSU: Morgan State University

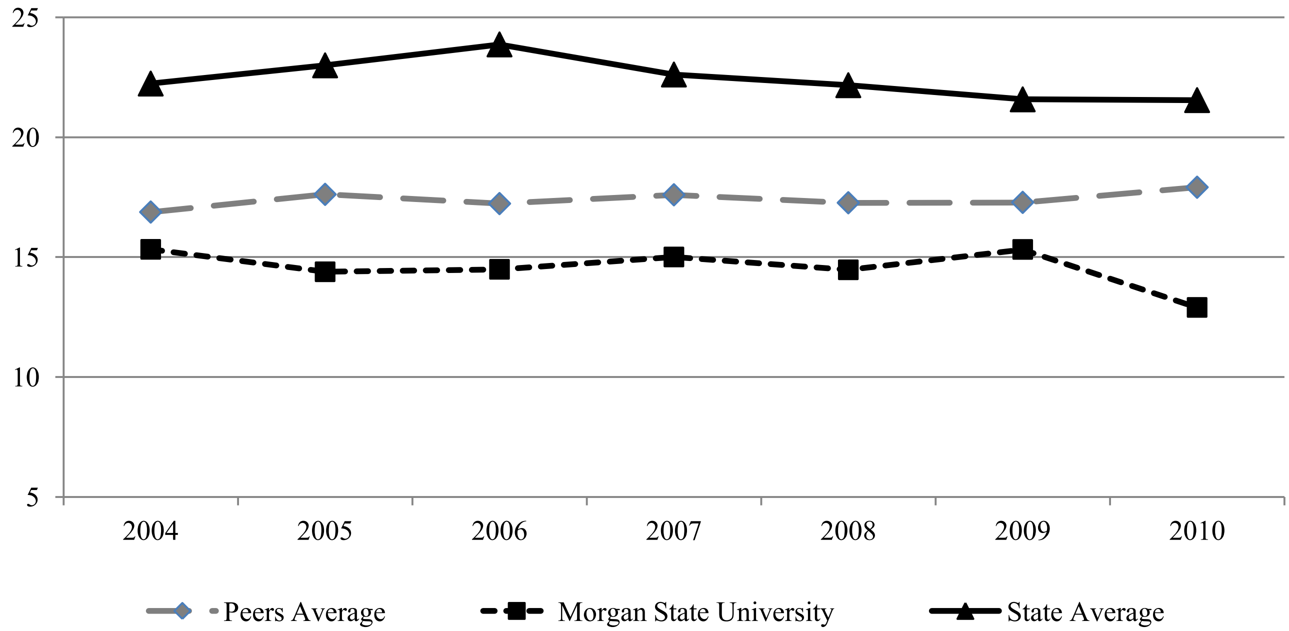
Source: Integrated Postsecondary Education Data System; Department of Legislative Services

The President should comment on factors affecting undergraduate students completing their degrees and what steps MSU is taking to reverse the downward trend in its graduation rate and to improve student success.

Undergraduate Degree Production Falls

Ultimately, how well an institution meets its mission is measured by the number of undergraduate degrees awarded. Trends in the number of degrees awarded per 100 undergraduate full-time equivalent students (FTES) shows if an institution is being more or less productive in graduating students than other institutions**.** **Exhibit 4** compares MSU's degrees per 100 FTES to the average of its funding peers and the State's four-year public institutions. While the ratio of its peers remained relatively stable, MSU's ratio noticeably drops from 15.3 to 12.9 degrees per 100 FTES in fiscal 2010. This appears to be related to a decline in degrees awarded which coincides with growth in enrollment.

Exhibit 4
Undergraduate Degree Per 100 Full-time Equivalent Students
Fiscal 2004-2010



Source: Integrated Postsecondary Education Data System; Department of Legislative Services

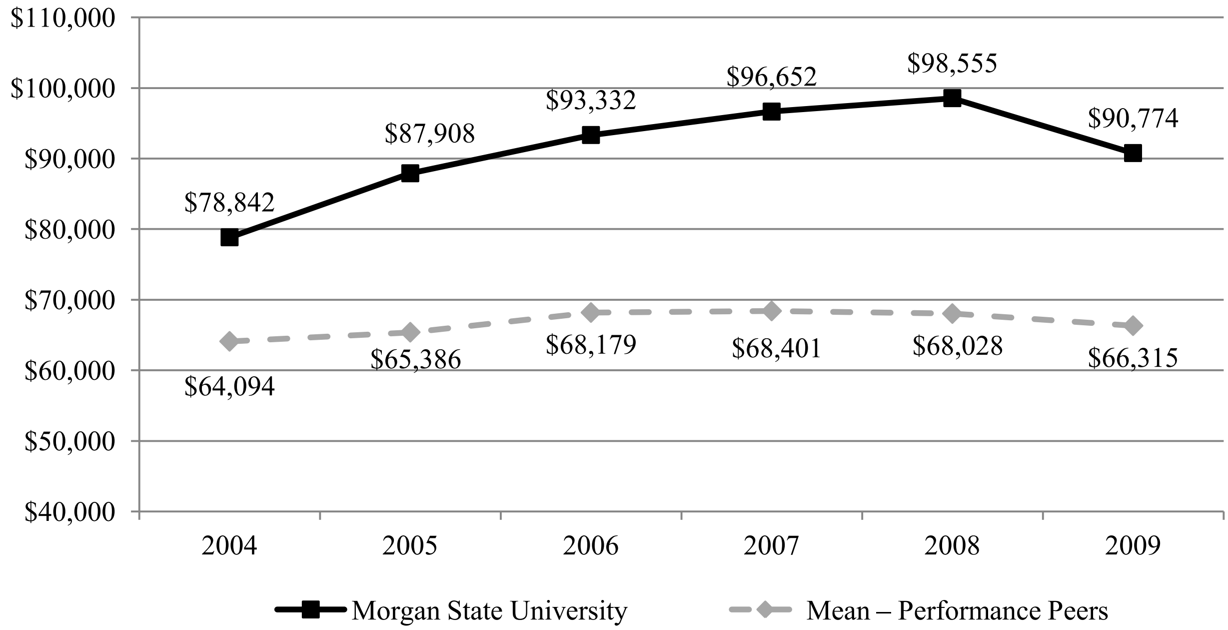
Education and Related Expenditures Per Degree Decline

Another performance measure showing if an institution is becoming more or less productive in using its resources to produce degrees is education and related (E&R) expenditures per undergraduate and graduate degrees. Since spending per degree would be similar among those institutions that have comparable spending and enrollment patterns, MSU's E&R expenditures are compared to the mean of its funding peers. As shown in **Exhibit 5,** after increasing for the past four years, MSU's spending per degree dropped 7.9% in fiscal 2009, implying resources are being used more efficiently. However, MSU expenditures per degree still surpassed those of its funding peers by $24,459.

Fiscal 2012 Actions

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 full-time equivalents as of January 1, 2012. MSU's share of the reduction was 4 positions with a corresponding $0.1 million reduction in general funds.

Exhibit 5
Educational and Related Expenditures Per Degree Completed
Academic Years 2004-2009



Note: Education and related expenditures include direct spending on instruction and student services, and education share of spending on academic and institutional support, and operations and maintenance. All dollar amounts are reported in 2009 dollars.

Source: Delta Project, Trends in College Spending Online; Department of Legislative Services

Proposed Budget

The general fund allowance for fiscal 2013 is 2.1%, or $1.4 million higher than in fiscal 2012 after adjusting for the contingent reduction of $40,949 related to replacing general funds with Higher Education Investment Fund (HEIF), as shown in **Exhibit 6**. When accounting for a 10.4%, or $0.4 million, decline in the HEIF due to the use of fund balance in fiscal 2012, the overall growth in State funds is 1.4%, or $1.0 million.

Exhibit 6
Governor's Proposed Budget
Morgan State University
($ in Thousands)

	FY 2011 Actual	FY 2012 Working	FY 2013 Adjusted	FY 2012-13 Change	% Change Prior Year
General Funds	$70,229	$69,379	$70,803	$1,424	2.1%
Higher Education Investment Fund	$2,717	3,623	3,248	-375	-10.4%
Total State Funds	72,946	73,002	74,051	1,049	1.4%
Other Unrestricted Funds	77,483	88,422	92,823	4,401	5.0%
Total Unrestricted Funds	150,429	161,424	166,874	5,450	3.4%
Restricted Funds	45,035	54,394	56,419	2,025	3.7%
Total Funds	**$195,465**	**$215,818**	**$223,292**	**$7,475**	**3.5%**

Note: Fiscal 2013 general funds and the Higher Education Investment Fund (HEIF) are adjusted by $40,949 to reflect a decrease in general funds, which is offset by a corresponding increase in HEIF contingent upon legislation. Numbers may not sum to total due to rounding.

Source: Governor's Budget Books, Fiscal 2013

Other unrestricted funds grow 5.0%, $4.4 million, over fiscal 2012 largely due to tuition and fee revenues increasing 7.9%, or $4.1 million. MSU attributes this jump in revenues to preparing the fiscal 2013 budget based on the fiscal 2012 legislative appropriation, which does not reflect $2.8 million of additional revenues due to enrollment growth. MSU indicates it will be processing a budget amendment to increase tuition and fee revenues.

The fiscal 2013 allowance includes $0.4 million to replace revenues equivalent to a 2% increase in resident tuition rates. For a third consecutive year, the Governor's allowance assumes a 3% increase in resident tuition rates. The allowance also provides funds for a half year 2% cost-of-living adjustment (COLA), which is included in the Department of Budget and Management's budget. The COLA totals $0.8 million of which the general fund portion is $0.7 million. The remaining $0.1 million is to be funded from other current unrestricted revenues.

Overall, the fiscal 2013 allowance provides $0.9 million to fund enhancements, as shown in **Exhibit 7**. New State funds, totaling $2.4 million, include $0.7 million related to the one-time $750 bonus that was added to MSU's base appropriation and $0.7 million to fund the State portion of the COLA. **It appears that the one-time $750 bonus, totaling $0.7 million, was not deducted from the fiscal 2013 allowance as it was for other State agencies. Since this was a one-time, temporary increase to salaries in fiscal 2012, it is not a cost that will be incurred in fiscal 2013. Therefore, the Department of Legislative Services recommends MSU's fiscal 2013 general fund appropriation be reduced by $710,073, the amount of the one-time bonus**.

Exhibit 7
MSU State-supported Revenues and Current Services Costs
Fiscal 2013

		$ Amount
Expenditures		
Current Services Cost Increase		$4,752,028
Employee Cost-of-living Adjustment (COLA)		842,325
Total Expenditures		**$5,594,353**
Revenues		
General Funds and HEIF		
New General Funds and HEIF	$1,048,867	
One-time Bonus Included Base	710,073	
COLA Funds Received through the DBM Budget	687,337	
Total New State Funds		2,446,277
New Tuition and Fee Revenues		4,102,798
Other Unrestricted Revenues[1]		-51,364
Revenues Less Increase in Current Services Costs		**$6,497,711**
Funds Available (Revenues Less Expenditures)		**$903,358**

DBM: Department of Budget and Management
HEIF: Higher Education Investment Fund
MSU: Morgan State University

[1]This does not include auxiliary or restricted revenues.

Note: MSU estimated current services costs to increase $10.4 million. However, MSU estimates an increase in undergraduate and graduate financial aid of $0.9 million, of which $0.5 million is attributed to 3% growth in undergraduate aid. The remaining $0.4 million, along with $2.5 million for 15 faculty and staff, $2.0 million for merit increases, $0.3 million for recruitment brochures, and $0.5 million for online technology are better categorized as enhancement funding and, therefore, deducted for MSU's cost of current services.

Source: Governor's Budget Books, Fiscal 2013; Morgan State University

Tuition and fee revenues increase $4.1 million, a conservative estimate that does not reflect additional revenues in fiscal 2012. In total, MSU will have $6.5 million in new revenue. The difference of $0.9 million is available for MSU to use for enhancements.

Expenditures for Scholarships and Fellowships Increase

Budget changes by program in the allowance are shown in **Exhibit 8**. This data includes unrestricted funds only, the majority of which consist of general funds and tuition and fee revenues. In fiscal 2013, expenditures on scholarships and fellowships are expected to increase at the highest rate of 12.8%, or $1.9 million. Instruction, which is the largest component of the budget, grows 4.8%, or $2.2 million, due to increases in fringe benefits and a decrease in turnover. Expenditures on academic support increase 5.3%, or $0.9 million, and are attributable to fringe benefit costs and appropriately accounting for a lease payment that was initially attributed as an expense under institutional support. Spending on operation and maintenance of plant grows by $0.7 million, or 3.8%, due to an increase in contractual employees and utilities.

It should be noted that in fiscal 2011, $11.7 million was transferred to the fund balance which MSU attributes to savings from effective use of energy management systems and a hiring freeze, as well as paying off some lease purchases. In fiscal 2010, $11.1 million was transferred to the fund balance. These two transfers resulted in MSU more than doubling the amount in its fund balance from $17.5 million in fiscal 2009 to $38.1 million in fiscal 2011. MSU stated that these temporary increases in fund balance will assist in addressing the negative outlook that MSU has on its bond rating since fiscal 2006. It should be noted that no fund balance transfers are budgeted in fiscal 2012 or 2013.

The President should comment on how MSU was able to transfer $22.8 million to the fund balance in a two-year period and the planned use of these funds.

Exhibit 8

MSU Budget Changes for Unrestricted Funds by Program

Fiscal 2011-2013

($ in Thousands)

	2011	Working 2012	% Change 2011-12	Adjusted 2013	$ Change 2012-13	% Change 2012-13
Expenditures						
Instruction	$43,132	$45,613	5.8%	$47,814	$2,202	4.8%
Research	871	843	-3.2%	903	59	7.0%
Public Service	134	244	81.8%	248	4	1.8%
Academic Support	16,026	17,653	10.1%	18,591	939	5.3%
Student Services	5,771	6,570	13.8%	6,615	45	0.7%
Institutional Support	27,816	29,563	6.3%	28,953	-610	-2.1%
Operation and Maintenance of Plant	16,623	17,985	8.2%	18,673	688	3.8%
Scholarships and Fellowships	14,021	14,676	4.7%	16,561	1,885	12.8%
Subtotal Education and General	**$124,394**	**$133,147**	**7.0%**	**$138,358**	**$5,211**	**3.9%**
Auxiliary Enterprises	26,035	28,277	8.6%	28,516	239	0.8%
Total	**$150,429**	**$161,424**	**7.3%**	**$166,874**	**$5,450**	**3.4%**
Funds Specific to HBIs	1,387	1,450	4.5%	1,518	68	4.7%
Adjusted Total	**$151,817**	**$162,874**	**7.3%**	**$168,392**	**$5,518**	**3.4%**
Revenues						
Tuition and Fees	53,720	51,665	-3.8%	55,768	4,103	7.9%
General Funds	70,229	69,379	-1.2%	70,803	1,424	2.1%
Higher Education Investment Fund	2,717	3,623	33.3%	3,248	-375	-10.4%
Other Unrestricted Funds	4,286	4,718	10.1%	4,665	-53	-1.1%
Subtotal	**$130,952**	**$129,385**	**-1.2%**	**$134,483**	**$5,098**	**3.9%**
Auxiliary Enterprises	31,178	32,039	2.8%	32,391	351	1.1%
Transfers (to) from Fund Balance	-11,701	0		0		
Total	**$150,429**	**$161,424**	7.3%	**$166,874**	**$5,450**	**3.4%**
Funds Specific to HBIs	1,387	1,450	4.5%	1,518	68	4.7%
Adjusted Total	**$151,817**	**$162,874**	**7.3%**	**$168,392**	**$5,518**	**3.4%**

HBI: historically black institution
MSU: Morgan State University

Note: The fiscal 2013 allowance reflects adjustments to general funds and the Higher Education Investment Fund of $40,949. Unrestricted funds only. All programs.

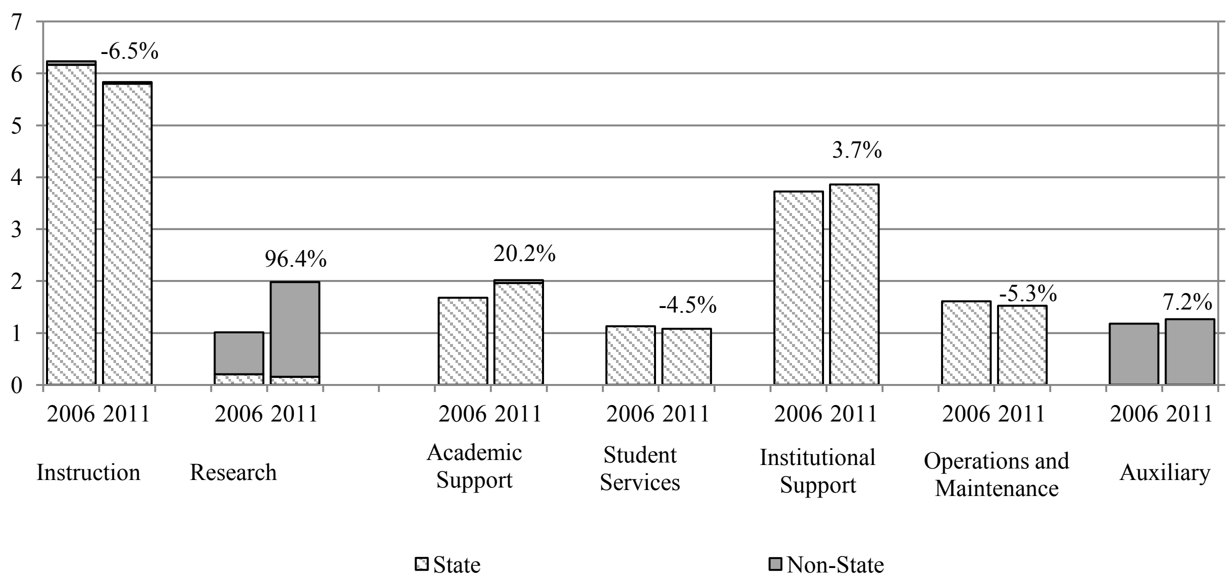
Source: Governor's Budget Books, Fiscal 2013

Continuing Decline in Instruction Positions

Over the past year, the number of filled positions grew 2.5%, or 25.0 FTEs, as of October 2011, even though the fiscal 2012 allowance did not provide any new regular positions. As with the University System of Maryland, MSU has autonomy in creating new positions as needed within existing funds. Most of the growth is due to the addition of 40.9 research positions, which are supported with grants and contract revenues. However, this was offset by a continuing decline in instruction, which lost 19.6 positions or a 5.4% decrease from the previous year.

Exhibit 9 shows the changes in positions by program area relative to enrollment, which grew 12.7% between 2006 and 2011. While the total number of filled positions per 100 FTEs grew 6.0% during this time period, State-supported positions, which include areas that directly impact student success, declined 0.9%. Instruction declined at the highest rate at 6.5%, followed by student services (*e.g.,* admissions and the registrar, counseling, and student health services) at 4.5%. Academic support (*e.g.,* academic administration, libraries, and academic advising) increased 20.2% while institutional support (*e.g.,* executive management, human resources, marketing, and university police), which has the second most positions following instruction, grew 3.7%. Research, comprised mainly of non-State-supported positions, grew at the highest rate of 96.4%.

Exhibit 9
Total State and Non-State Positions Per 100 Full-time Equivalent Students
2006 and 2011



Note: Number of filled positions as of October 2006 and 2011.

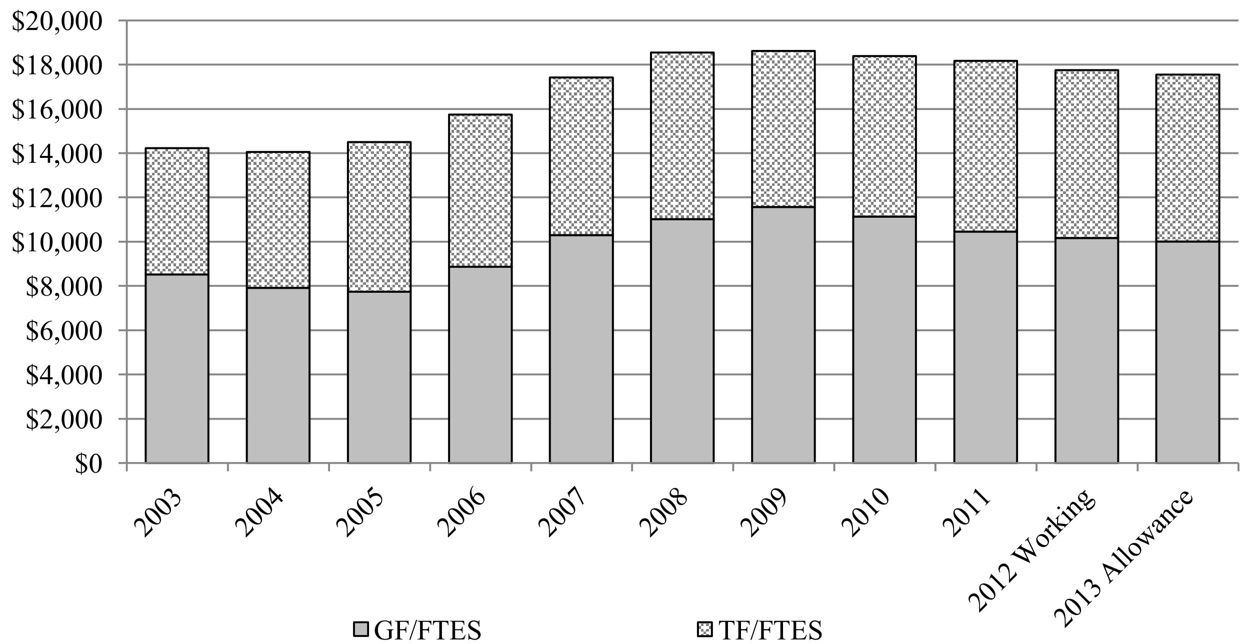
Source: Morgan State University

The President should comment on the continual decline in the number of instructional positions while those in supporting program areas have increased over the past five years.

Revenues Per Full-time Equivalent Student

State funds (general fund and HEIF) per FTES peaked in fiscal 2009 at $11,577 during a period of moderate enrollment growth of 2.4%, as shown in **Exhibit 10**. It has since declined to $10,012 in fiscal 2013, reflecting the impact of the economic recession resulting in State funding remaining relatively flat while enrollment grew at an average rate of 4.1%. Total revenues per FTES decline $807 in fiscal 2012 which is attributable to $2.8 million in tuition and fee revenues not being reflected in the fiscal 2012 appropriation, as previously discussed. If this additional tuition and fee revenue is included for fiscal 2012, total revenues per FTES is $17,753, $417 below fiscal 2011. In fiscal 2013, total revenues per FTES declines $201 due to level State funding coupled with a 3.0% growth in enrollment.

Exhibit 10
MSU State Funds and Tuition and Fee Revenues Per FTES
Fiscal 2003-2013



FTES: full-time equivalent student
MSU: Morgan State University
SF: State funds
TF: tuition and fees

Note: Fiscal 2012 working includes $2.8 million in tuition and fee revenue expected to be added by budget amendment.

Source: Governor's Budget Books, Fiscal 2013

Issues

1. Affordability

Financial aid is an important component to helping many students succeed in earning a degree. Lack of financial support frequently contributes to a student's decision to stop out or drop out of college. Generally, by combining various types of aid – federal, State, and institutional – students are able to effectively lower the cost of college. According to the National Center for Education Statistics' *College Navigator*, the total cost for a Maryland student attending MSU in fiscal 2010 was $19,738 (total cost was based on tuition, mandatory fees, books and supplies, other expenses, and the weighted average of room and board). However, when accounting for the average amount of federal, State, and institutional aid, the average net cost of attendance was $9,961.

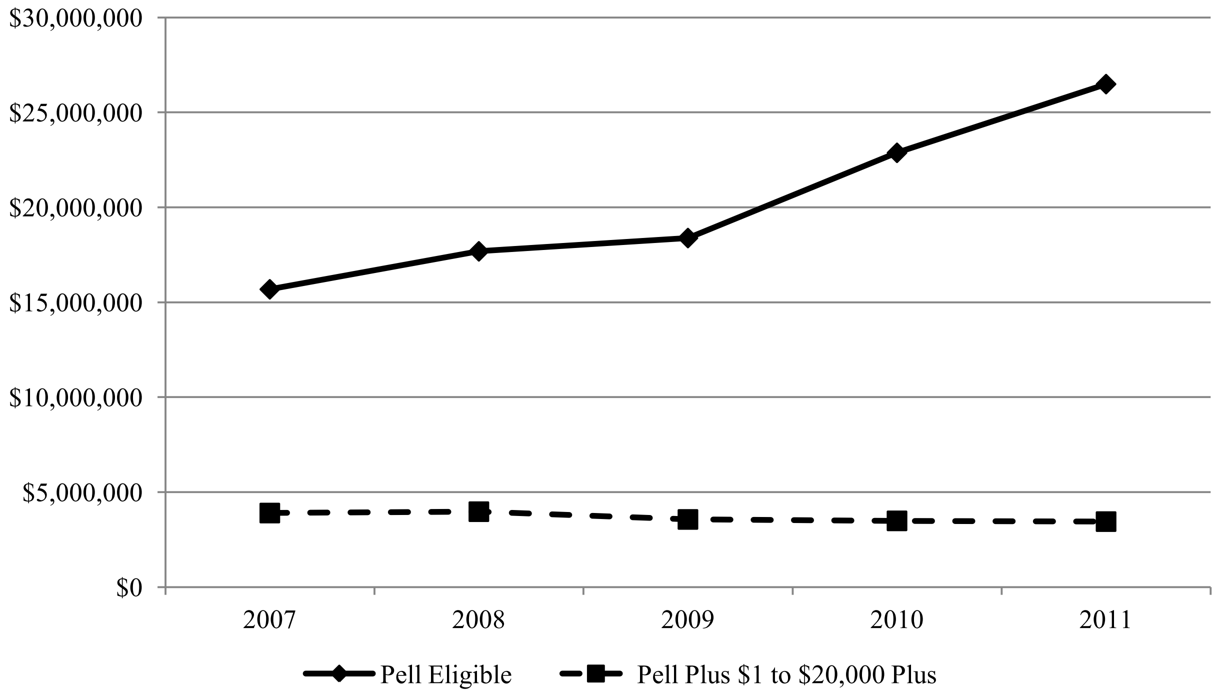
Institutional Aid and Pell Awards

Fifty-six percent of MSU's students receive Pell awards and, as such, MSU directs a majority of its institutional aid to those students. Pell awards are given to students that could not otherwise afford college and have an expected family contribution (EFC) of less than a specified amount, which is $5,273 in 2011. EFC is an indicator of the amount a family is required to contribute to pay for a student's college education; therefore, the lower the EFC, the greater the financial need. As illustrated in **Exhibit 11**, when accounting for the total expenditures on institutional aid and Pell awards, Pell-eligible students receive the most of the financial aid. Fiscal 2010 is the first year the effects of the downturn in the economy impacted students' financial situations, which is evident from the jump of $4.5 million in total aid for Pell-eligible students. However, this also corresponds to an increase in federal Pell grants in which the number of Pell awards increased 18.5%, and the average award amount increased $759. The upward trend in Pell awards continued in fiscal 2011 with the number increasing 16.1%, while the average award increased by $75.

Over the past four years, MSU spent, on average, $12.2 million annually on institutional aid, of which approximately 70% went to Pell-eligible students. However, expenditures on institutional aid between fiscal 2007 and 2011 have been inconsistent; increasing $1.5 million in fiscal 2008, declining $1.3 million between fiscal 2008 and 2010, then increasing $0.9 million in fiscal 2011. According to MSU, it is increasing expenditures on institutional aid, $1.8 million in fiscal 2012 and $0.7 million in fiscal 2013.

Given that over 50.0% of MSU's students are Pell eligible and finances are a primary reason students drop out of college, the President should comment on why, when the total cost of college has been increasing, the amount MSU spends on institutional aid has fluctuated significantly from fiscal 2007 to 2011 and if MSU will continue to increase expenditures on institutional aid.

Exhibit 11
Total Institutional Aid, Athletic Scholarships, and Pell Grants by EFC
Fiscal 2007-2011



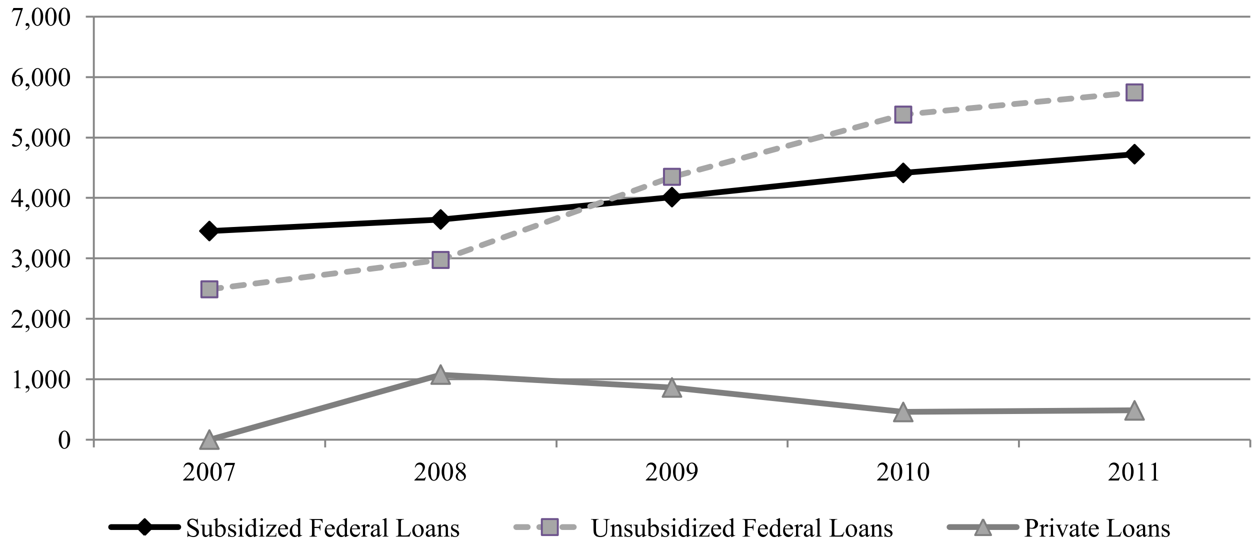
EFC: expected family contribution

Source: Morgan State University

Still Need Loans to Pay for College

In addition to financial aid, students may take out loans to pay for their education. There are three types of loans: federal subsidized (based on financial need; the government pays the interest while the student is enrolled in school); federal unsubsidized (generally for those who do not demonstrate financial need; interest is added to the balance of the loan while the student is enrolled in school); and private sources. As illustrated in **Exhibit 12**, the number of unsubsidized loans jumped 81.0%, or 2,406, between fiscal 2008 and 2010 suggesting the economic downturn started to impact students in fiscal 2009. This may be due to the change in the federal loan limits. In 2008 the annual loan limit for dependent students increased $2,000 and by an additional $1,000 for independent students.

Exhibit 12
Total Number of Loans
Fiscal 2007-2011

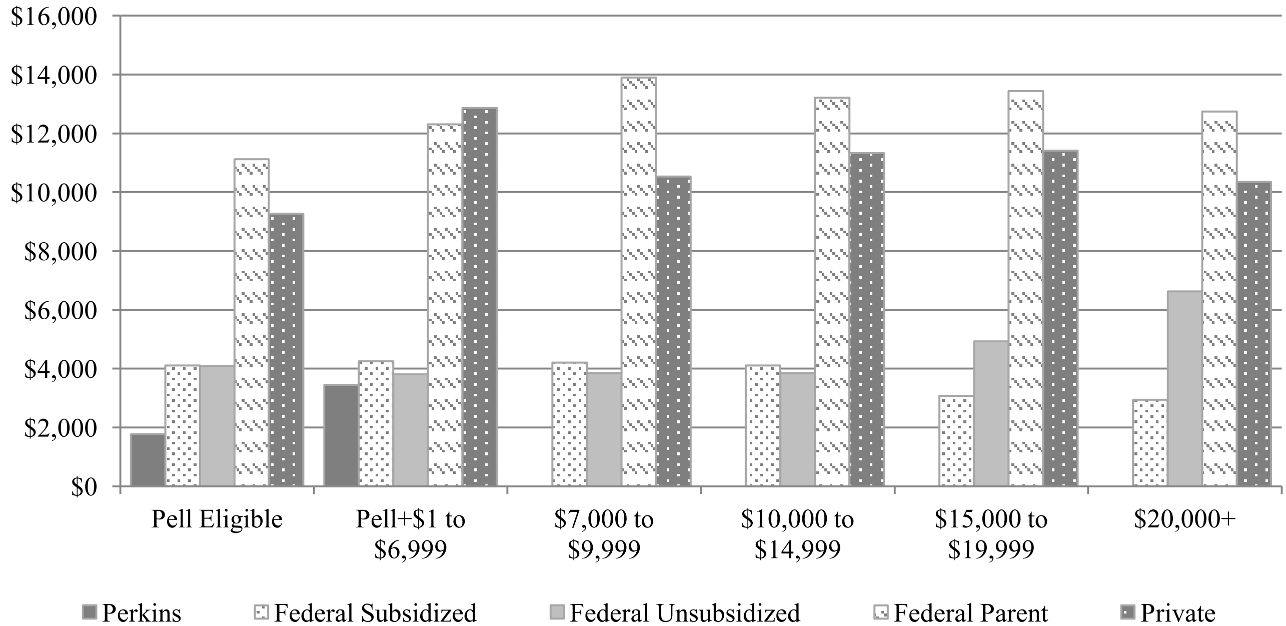


Source: Morgan State University

Over the past four years, the number of subsidized loans taken out by MSU students and their families annually increased, on average, 8.2%. It should be noted in 2009 the Federal Family Educational Loan (FFEL) program was eliminated, and in addition, borrowers were no longer able to consolidate multiple federal loans into one loan. Meanwhile, the number of private loans taken out by students declined 68.8% since fiscal 2008. This trend, coupled with the growth in unsubsidized loans, may indicate, with the continual economic downturn, that families with higher incomes are filing the Free Application for Federal Student Aid (FAFSA) to receive unsubsidized federal loans rather than take out a typically more expensive private loan, as well as the decreased availability of private loans.

While students with the greatest financial need typically receive Pell awards and institutional aid, it is still not enough to cover the costs of college. As shown in **Exhibit 13**, in fiscal 2011, the average amount of federal subsidized and unsubsidized loans taken out by these students was $4,100. Additionally, of the 4,023 Pell-eligible students 240 used the more expensive private loans to finance their education with loans averaging $9,276. Students with an EFC $1 to $6,999 above Pell, who are also financially needy, took out the largest amount of private loans, averaging $12,868. For students in all EFC categories, parents took out federal parent loans, with the highest average loan of $13,903 being taken out by those with an EFC of $7,000 to $9,999.

Exhibit 13
Average Loan by EFC
Fiscal 2011



EFC: expected family contribution

Source: Morgan State University

The President should comment on efforts to help reduce the debt burden of students and why the number of loans from private sources increased from 0 in fiscal 2007 to 1,076 in fiscal 2008.

2. Growing the Future, Leading the World – MSU's Strategic Plan

MSU's 10-year strategic plan, *Growing the Future, Leading the World: The Strategic Plan for Morgan State University, 2011-2021*, was approved at the August 2011 Board of Regents meeting. The plan includes goals and objectives designed to elevate MSU from its current Carnegie classification of Doctoral/Research University to Research University/H (high research activity), the same classification as the University of Maryland Baltimore County. Additionally, new vision and mission statements were crafted reflecting MSU's status as a research university and its role as an urban university.

The plan is based on five broad goals that will guide the development and implementation of programs, services, and budgets over the next 10 years. However, the plan lacks any benchmarks or targets thereby making it difficult to track MSU's progress towards meeting its goals. The five goals and initiatives include:

Goal 1: Enhancing Student Success

- Improving retention and degree completion
- Increasing enrollment
- Recruiting, retaining, and supporting excellent faculty who value diversity
- Enhancing the facilities, technological infrastructure, and administrative operations

Strategies under Goal 1 will help the State reach its goal of having at least 55% of the adult population attain a college degree which will be discussed further in a policy briefing paper.

Goal 2: Enhancing MSU's Status as a Doctoral Research University

- Achieving Carnegie classification of Research University with high research activity
- Implementing living learning communities, integrating curricular and co-curricular initiatives
- Developing policies, guidelines, and organizational structure consistent with the vision of being a premier urban doctoral university
- Supporting research infrastructure and exploring faculty arrangements that enhance overall research capacity

Goal 3: Improving and Sustaining MSU's Infrastructure and Operational Processes

- Conducting a campuswide self assessment and action plan to address immediate and long-term issues related to internal institutional weaknesses
- Engaging in continuous improvement, renovation, and construction of facilities
- Constructing environmentally sustainable and technically advanced academic facilities
- Exploring public/private collaborative relationships with developers, contractors, and other commercial groups and entities

Goal 4: Growing MSU's Resources

- Increasing alumni giving rate
- Launching a multi-year capital campaign coinciding with MSU's 150th year anniversary celebration
- Developing the fund raising capacity for each college and school
- Supporting innovation in business and the commercialization of intellectual property

Goal 5: Engaging with the Community

- Implementing a Morgan Mile Program to serve as a social laboratory
- Integrating research and public service activities into public policies and practices
- Applying research, instruction, and public service to improve the cultural and social quality of life for residents of the surrounding communities
- Establishing collaborative relationships with libraries to promote lifelong learning

At What Cost

In order for MSU to achieve its goals, the plan calls for an increase in State support for operations and capital. MSU estimates that over the 10-year period from fiscal 2012 to 2021, it will need an additional $253.5 million comprised of State funds ($150.0 million) and tuition revenues ($103.5 million) assuming an annual 5.0% increase in tuition. Expenditures include $161.0 million related to faculty and staff; $35.3 million to replace outdated equipment; $29.8 million for financial aid; $24.5 million for facilities renewal; and $2.9 million related to the library. In addition, the plan calls for $908.5 million in new capital projects.

In previous years, MSU's vision was in strengthening its historic mission of providing quality undergraduate education. However, in recent years, the focus shifted to placing more emphasis on research and graduate education, which resulted in MSU's Carnegie classification changing from Masters Comprehensive to Doctoral Research in 2005 (these categories have since been modified). The focus on research and graduate education permeates the plan with a majority of goals and objectives designed to ultimately move MSU up in the Carnegie classifications to Research University/H. While the plan includes enhancing student success as a goal, the priority of this goal is unclear. As previously discussed, over a quarter of students do not return for their second year of college, and the six-year graduation rate has fallen 10.0 percentage points from fiscal 2005 to 32.0% in fiscal 2009.

Overall, if MSU is to fulfill its mission of serving the community and the State, which includes helping the State meet its goal of having at least 55% of the adult population attain a college degree, it will need to focus significant resources and efforts toward undergraduate education. While moving up in the Carnegie classification is a goal to strive for, MSU should not lose sight of its mission to provide an opportunity for those students to earn a degree who might not otherwise attend college.

The President should comment on MSU's goal to move up in the Carnegie classifications and how achieving that goal may impact efforts and resources to improve student success. The President should also address how MSU will track progress toward meeting its goals and objectives given the lack of benchmarks or targets.

3. Joint Electrical Engineering Program

With the implementation of the 2005 Base Realignment and Closure, it was expected there would be an increased demand for electrical engineers due to the relocation of various military agencies. As a result, MSU and Harford Community College (HCC) initiated discussions to develop an articulation agreement that would lead students to earn a Bachelor of Science (B.S.) degree in Electrical Engineering (EE). The agreement was signed in 2009. In March 2011, MSU submitted a program proposal to the Maryland Higher Education Commission, which was approved in October, to offer the last two years of an EE program online or/and face-to-face at HCC. In October 2011, MSU and HCC signed a memorandum of understanding establishing a joint 2+2 EE program. This agreement allows students who graduate from HCC with an associate's degree in engineering to seamlessly transfer to MSU to complete the final two years of the bachelor's program at HCC.

MSU projects enrollment in the joint EE program would increase from 4 in the first year to 83 students by the fifth year. Initially, one tenure-track faculty member would be hired. Once the program was initiated at HCC, an assistant and an associate professor would be required to meet the increased demand for EE courses. In addition, MSU would hire an adjunct faculty member to teach non-electrical engineering upper level courses such as economics and math, along with one full-time administrative assistant, a laboratory technician, and a part-time assessment staff. Furthermore, MSU would lease office space, classroom, and laboratory space from HCC.

In early discussions with HCC, it was envisioned that MSU would offer courses on the HCC campus. Since October 2011, MSU "…proposes to offer an online program at Harford Community College..." that would lead to a B.S. in EE. The primary factor leading to this decision is the development of the Mobile Studio Project, whereby using a combination of hardware and software a student can replicate laboratory equipment on their personal computer. However the articulation agreement stipulates students can complete the B.S. online, face-to-face, or a combination of both. Therefore, MSU will start offering courses at HCC in fall 2012 "…depending on demand and what is in the best interests to both institutions and to the students involved."

The President should comment on MSU's partnership with HCC in offering a joint EE program and the status of offering courses at HCC.

Recommended Actions

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

   <u>, provided that the appropriation herein for Morgan State University shall be reduced by $710,073.</u>

   Explanation: The language reduces Morgan State University's current unrestricted (general fund) fund appropriation by the amount of the one-time $750 bonus received in fiscal 2012 but appeared not to have been deducted from the fiscal 2013 allowance. Since this was a one-time temporary increase to salaries, it is not a cost that will be incurred in fiscal 2013.

2. Adopt the following narrative:

   Institutional Aid by Expected Family Contribution Category: The committees request that Morgan State University (MSU) submit data on undergraduate institutional aid awards. Data should include the number of institutional aid awards and the average award size by the expected family contribution (EFC) for institutional grants, institutional athletic scholarships, and other institutional scholarships, as reported to the Maryland Higher Education Commission for fiscal 2012. Data should also include the number of institutional aid awards and the average award size by EFC for tuition waivers/remissions of fees to employees and dependents for fiscal 2012.

Information Request	**Author**	**Due Date**
Report on institutional aid by EFC category	MSU	December 14, 2012

3. Adopt the following narrative:

   Loan Data by Expected Family Contribution Category: In order to more fully understand all of the types of aid available to students, the committees request that Morgan State University (MSU) submit data on undergraduate loans. Data should include, by the expected family contribution (EFC), the number of loans and average loan size of federally subsidized and unsubsidized loans, as well as loans from private sources, as reported to the Maryland Higher Education Commission for fiscal 2012. Additionally, data should be provided on Pell grants, including the number and average award size by EFC for fiscal 2012.

Information Request	**Author**	**Due Date**
Loan data by EFC category	MSU	December 14, 2012

4. Adopt the following narrative:

Faculty Workload Report: 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 institution. Additional information may be included in the report at MSU's discretion.

Information Request	**Author**	**Due Date**
Annual instructional workload report	MSU	December 1, 2012

Updates

1. Funding of Intercollegiate Athletic Program

Language in the 2011 *Joint Chairmen's Report* (JCR) required MSU to submit a report on the amount of general funds expended in fiscal 2011 on intercollegiate athletics, including institutional scholarships to student athletes on the basis of athletic ability.

MSU reported that no general funds were used to support its athletic program or were expended on scholarships for student athletics. This is further corroborated by the *USA Today*'s National Collegiate Athletic Association (NCAA) College Athletics Finance Database which contains 36 revenue and expense items that each member institution reports to the NCAA. The latest data contained in the database for academic year 2009-2010 (fiscal 2010) shows $4,665 of MSU's athletic revenue was derived from direct institutional support. According to MSU, this revenue category includes State funds, tuition, tuition waivers, and transfers. MSU stated the $4,665 were federal work-study funds to support students employed by the athletic department. Furthermore, according to the *USA Today*'s database, student fees accounted for $7.4 million, or 84%, of MSU's total athletic revenues.

2. Instructional Workload Report

Language in the 2011 JCR required MSU to submit a report on the instructional workload of tenured and tenure-track faculty. For the 2010-2011 academic year, the average instructional workload was 21.72 credit hours (equivalent to an average 7.43 courses per year), down from 22.41 in the previous year. The goal is for the faculty instructional workload to be approximately five to six courses per year.

Appendix 1

Current and Prior Year Budgets

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

Fiscal 2011	General Fund	Special Fund	Federal Fund	Other Unrestricted Fund	Total Unrestricted Fund	Restricted Fund	Total
Legislative Appropriation	$70,229	$0	$0	$86,436	$156,665	$40,172	$196,837
Deficiency Appropriation	0	0	0	0	0	0	0
Budget Amendments	0	2,717	0	0	2,717	7,000	9,717
Reversions and Cancellations	0	0	0	-8,953	-8,953	-2,137	-11,089
Actual Expenditures	**$70,229**	**$2,717**	**$0**	**$77,483**	**$150,429**	**$45,035**	**$195,465**
Fiscal 2012							
Legislative Appropriation	$68,668	$3,623	$0	$88,422	$160,714	$47,753	$208,467
Budget Amendments	710	0	0	0	710	6,641	7,351
Working Appropriation	**$69,379**	**$3,623**	**$0**	**$88,422**	**$161,424**	**$54,394**	**$215,818**

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

Fiscal 2011

For fiscal 2011, special funds for MSU, which include HEIF, increased $2.7 million through a budget amendment as authorized in the fiscal 2011 budget bill.

Cancellations of unrestricted funds amounted to $8.9 million due to:

- $3.2 million of encumbrances;
- $2.8 million of salary savings due to a hiring freeze and filling positions later in the year that were budgeted for a full year;
- $1.3 million less spent on deferred maintenance;
- $0.7 million transfer of fund balance to the general fund;
- $0.6 million in energy savings; and
- $0.3 million in plant funds were used in lieu of unrestricted funds for debt payment.

Restricted funds increased $7.0 million through a budget amendment due to an increase in Pell awards.

Cancellations of restricted funds totaled $2.1 million due to lower than anticipated expenditures on grants and contracts.

Fiscal 2012

For fiscal 2012, general funds increased $0.7 million through a budget amendment related to the $750 employee bonus. Restricted funds increased $6.6 million by a budget amendment due to a $4.4 million award of a NASA Goddard Earth Sciences Technology contract and $2.2 million increase in Pell grant awards.

Appendix 2

MSU Full-time Equivalent Personnel by Budget Program
Fiscal 2006, 2011, and 2012

	FY 2006		FY 2011		FY 2012		Fiscal 2006-2012
Budget Program	**FTEs**	**%FTEs**	**FTEs**	**%FTEs**	**FTEs**	**%FTEs**	**Change of Share**
Instruction	365.0	37.7%	361.0	36.0%	341.4	33.2%	-4.5%
Research	59.0	6.1%	75.0	7.5%	115.9	11.3%	5.2%
Academic Support	98.0	10.1%	117.0	11.7%	117.8	11.5%	1.3%
Student Services	66.0	6.8%	59.0	5.9%	63.0	6.1%	-0.7%
Institutional Support	218.0	22.5%	221.0	22.1%	226.0	22.0%	-0.5%
Operations and Maintenance of Plant	94.0	9.7%	93.0	9.3%	89.0	8.7%	-1.0%
Auxiliary Enterprises	68.0	7.0%	76.0	7.6%	74.0	7.2%	0.2%
Total	**968.0**		**1002.0**		**1027.1**		

FTEs: full-time equivalent positions
MSU: Morgan State University

Notes: Data is for filled regular positions only. All data is self-reported and unaudited. Numbers may not sum to total due to rounding.

Source: Morgan State University

Appendix 3

Audit Findings

Audit Period for Last Audit:	February 1, 2007 to March 23, 2010
Issue Date:	July 2011
Number of Findings:	10
Number of Repeat Findings:	1
% of Repeat Findings:	10%
Rating: (if applicable)	

Finding 1: Independent verifications of scholarship awards were not always performed to ensure awards posted to student accounts were proper, and financial aid posted to student accounts did not always agree to the scholarship records approved by the Athletic Department and Honors Program.

Finding 2: Inadequate internal controls over monitoring the continued eligibility of students awarded Honors and Athletic scholarships.

Finding 3: **MSU had not established adequate internal controls over grant collections and outstanding grants receivables, and delinquent grants were not transferred, as required, to the State's Central Collection Unit (CCU).**

Finding 4: MSU did not use the available security features to establish independent online approval requirement for certain critical transactions and did not ensure employees' ability to perform certain critical system functions were properly restricted.

Finding 5: Independent supervisory review and approval of student residency status determinations for undergraduate and graduate student were either not performed or not documented.

Finding 6: MSU did not always refer delinquent student accounts to CCU timely and did not always prevent students with outstanding balances from registering for and attending classes as required by MSU policy.

Finding 7: Inadequate internal controls over electronic timesheets and overtime resulted in questionable overtime compensation payments to certain employees.

Finding 8: Certain purchases were made without a formal written procurement process, and sole source procurements did not always appear to be justified and were not always adequately supported.

Finding 9: MSU's internal network was not properly secured.

Finding 10: Inadequate controls over passwords, logging, and reporting of security events for a critical database.

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

Object/Fund Difference Report
Morgan State University

Object/Fund	FY 11 Actual	FY 12 Working Appropriation	FY 13 Allowance	FY 12 - FY 13 Amount Change	Percent Change
Positions					
01 Regular	1,111.00	1,107.00	1,107.00	0.00	0%
02 Contractual	520.00	512.00	528.00	16.00	3.1%
Total Positions	**1,631.00**	**1,619.00**	**1,635.00**	**16.00**	**1.0%**
Objects					
01 Salaries and Wages	$ 83,867,245	$ 94,263,577	$ 97,856,932	$ 3,593,355	3.8%
02 Technical and Spec. Fees	27,035,392	29,342,510	30,233,840	891,330	3.0%
03 Communication	1,176,604	1,726,116	1,812,899	86,783	5.0%
04 Travel	2,827,794	3,328,215	3,811,636	483,421	14.5%
06 Fuel and Utilities	7,311,420	6,538,562	6,967,447	428,885	6.6%
07 Motor Vehicles	660,300	542,894	812,346	269,452	49.6%
08 Contractual Services	18,863,742	19,016,354	20,633,322	1,616,968	8.5%
09 Supplies and Materials	7,069,334	9,092,996	8,733,951	-359,045	-3.9%
11 Equipment – Additional	4,933,678	6,922,285	6,567,690	-354,595	-5.1%
12 Grants, Subsidies, and Contributions	35,428,463	38,105,113	39,088,009	982,896	2.6%
13 Fixed Charges	4,864,150	3,609,552	3,990,184	380,632	10.5%
14 Land and Structures	1,426,581	3,329,463	2,784,227	-545,236	-16.4%
Total Objects	**$ 195,464,703**	**$ 215,817,637**	**$ 223,292,483**	**$ 7,474,846**	**3.5%**
Funds					
40 Unrestricted Fund	$ 150,429,270	$ 161,423,960	$ 166,873,735	$ 5,449,775	3.4%
43 Restricted Fund	45,035,433	54,393,677	56,418,748	2,025,071	3.7%
Total Funds	**$ 195,464,703**	**$ 215,817,637**	**$ 223,292,483**	**$ 7,474,846**	**3.5%**

Note: The fiscal 2012 appropriation does not include deficiencies.

Appendix 4

Fiscal Summary
Morgan State University

Program/Unit	FY 11 Actual	FY 12 Wrk Approp	FY 13 Allowance	Change	FY 12 - FY 13 % Change
01 Instruction	$ 43,266,808	$ 45,734,376	$ 47,939,685	$ 2,205,309	4.8%
02 Research	27,206,792	34,800,399	37,936,648	3,136,249	9.0%
03 Public Service	133,933	243,530	247,989	4,459	1.8%
04 Academic Support	16,101,479	17,723,151	18,664,041	940,890	5.3%
05 Student Services	5,897,663	6,803,849	6,855,496	51,647	0.8%
06 Institutional Support	27,922,977	29,702,795	29,096,595	-606,200	-2.0%
07 Operation And Maintenance Of Plant	16,623,141	18,004,951	18,693,536	688,585	3.8%
08 Auxiliary Enterprise	26,091,669	28,330,316	28,570,519	240,203	0.8%
17 Scholarships And Fellowships	32,220,241	34,474,270	35,287,974	813,704	2.4%
Total Expenditures	**$ 195,464,703**	**$ 215,817,637**	**$ 223,292,483**	**$ 7,474,846**	**3.5%**
Unrestricted Fund	$ 150,429,270	$ 161,423,960	$ 166,873,735	$ 5,449,775	3.4%
Restricted Fund	45,035,433	54,393,677	56,418,748	2,025,071	3.7%
Total Appropriations	**$ 195,464,703**	**$ 215,817,637**	**$ 223,292,483**	**$ 7,474,846**	**3.5%**

Note: The fiscal 2012 appropriation does not include deficiencies.