

R13M00
Morgan State University

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$79,890	\$81,603	\$88,552	\$6,950	8.5%
Deficiencies and Reductions	0	0	-184	-184	
Adjusted General Fund	\$79,890	\$81,603	\$88,369	\$6,766	8.3%
Special Funds	4,308	4,532	2,143	-2,389	-52.7%
Adjusted Special Fund	\$4,308	\$4,532	\$2,143	-\$2,389	-52.7%
Other Unrestricted Funds	86,769	93,771	98,535	4,764	5.1%
Adjusted Other Unrestricted Fund	\$86,769	\$93,771	\$98,535	\$4,764	5.1%
Total Unrestricted Funds	170,966	179,906	189,230	9,324	5.2%
Deficiencies and Reductions	0	0	-184	-184	
Adjusted Total Unrestricted Funds	\$170,966	\$179,906	\$189,047	\$9,141	5.1%
Restricted Funds	44,142	48,539	50,643	2,104	4.3%
Adjusted Restricted Fund	\$44,142	\$48,539	\$50,643	\$2,104	4.3%
Adjusted Grand Total	\$215,109	\$228,445	\$239,690	\$11,245	4.9%

- General funds increase by \$6.8 million, or 8.3%, in fiscal 2017 after accounting for the across-the-board health insurance reduction in fiscal 2017.
- The Higher Education Investment Fund (HEIF) declines \$2.4 million, or 52.7%, related to the downward revision in the estimated revenues and rather than distributing the HEIF reduction across all the higher education institutions, Morgan State University's (MSU) appropriation was reduced by \$2.0 million. This was offset by a corresponding increase in general funds.
- Overall, State funds grow \$4.4 million or 5.1%, over fiscal 2017. The fiscal 2017 allowance also includes funding for increments budgeted in the Department of Budget and Management totaling \$2.0 million. If this is taken into account, State funds increase by \$6.4 million, or 7.4%.

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

For further information contact: Sara J. Baker

Phone: (410) 946-5530

Personnel Data

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>
Regular Positions	1,118.00	1,129.00	1,129.00	0.00
Contractual FTESs	<u>483.00</u>	<u>494.00</u>	<u>494.00</u>	<u>0.00</u>
Total Personnel	1,601.00	1,623.00	1,623.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	54.64	4.84%
Positions and Percentage Vacant as of 12/31/15	77.00	7.00%

- The fiscal 2017 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

Enrollment: Undergraduate enrollment increased 0.3% to 6,319 in fall 2015. Since fall 2013 when the number of first-time, full-time students fell 14.6%, enrollment of these students has since rebounded, growing 12.6% in fall 2015.

Student Performance: The second-year retention rate for the 2013 cohort reached its highest level of 75.3%. Since the third-year rate mirrors the second-year rate trend, it is expected that the rate of the 2013 cohort will increase. After improving to 34.9%, the highest level since the 2001 cohort, the six-year graduation rate declined to 33.7%.

Expenditure Per Degree: After reaching a high of \$104,609 in fiscal 2010, the cost per degree fell by \$24,675 to \$79,934 in fiscal 2012. However, the cost per degree continues to exceed that of its peers by \$21,920 in fiscal 2012.

Research Expenditures and Earned Doctorates: From fiscal 2012 to 2014, federal research and development expenditures declined 8.2% to \$14.1 million. In calendar 2014, the number of earned doctorates increased to 37, mainly due the number of engineering doctorates increasing from 4 in calendar 2013 to 11 in calendar 2014.

Issues

Status of Undergraduate Nursing Program: MSU admitted its first class of 32 students in the undergraduate nursing program in spring 2009; however, the program was not accredited due to the low first-time pass rate of graduates taking the nursing exam for registered nurses.

Meeting College Expenses: In fiscal 2015, there was a shift in the portion of institutional aid going toward need-based aid, which increases from 23.7% to 49.3%. While spending on need-based aid increased by \$3.3 million, spending on scholarships declined \$1.9 million. In fiscal 2014, 82.0% of students graduated with debt, on average \$35,568, above the national and State average for public four-year institutions of \$27,022 and \$26,413, respectively.

Transfer Incentive Program: In an effort to attract more community college transfer students, in fall 2014 MSU established a new scholarship – the Transfer Incentive Program – which provides \$2,000 per semester for up to five semesters for a total of \$10,000.

Recommended Actions

1. Add language to restrict funding for need-based aid.

Updates

Faculty Workload: Annual language in the *Joint Chairmen’s Report* (JCR) requires MSU to submit a report on the instructional workload of not only tenured and tenure-track faculty but also that for full- and part-time nontenured/nontenure-track faculty, which includes adjuncts, instructors, and lecturers. The average course units taught by tenured and tenure-track faculty declined from 7.2 units in fiscal 2014 to 6.7 units in fiscal 2015.

Status of Implementing Sexual Misconduct Policy: Language in the 2015 JCR required MSU to submit a report on the status of implementing its sexual misconduct policy including if MSU has an amnesty policy and, if so, how it is implemented; how it will implement a climate survey; and a list of all Memoranda of Understanding applicable to the issue of sexual misconduct.

R13M00
Morgan State University

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 the goals of MSU 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 socioeconomic 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 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 2015 Undergraduate Enrollment Headcount

Male	2,926
Female	3,393
Total	6,319 (77.5% In-state)

Fall 2015 Graduate Enrollment Headcount

Male	570
Female	836
Total	1,406

Fall 2015 New Students Headcount

First-time	1,168
Transfers/Others	422
Graduate	274
Total	1,864

Campus (Main Campus)

Acres	143
Buildings	45
Average Age	32 years
Oldest	Carnegie Hall (1919)

Programs

Bachelor’s	45
Master’s	37
Doctoral	16

Degrees Awarded (2014-2015)

Bachelor’s	933
Master’s	234
Doctoral	58
Total Degrees	1,225

Proposed Fiscal 2017 In-state Tuition and Fees*

Undergraduate Tuition	\$5,105
Mandatory Fees	\$2,699

% Graduated with Debt	82%
Average Debt	\$35,568

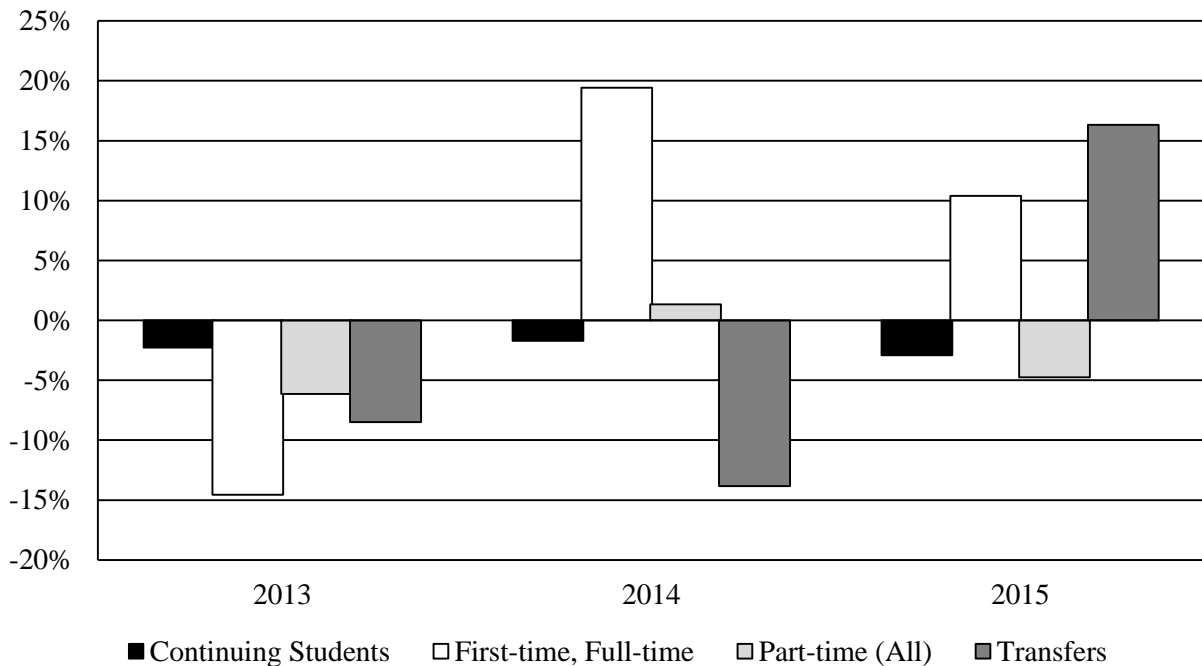
*Contingent on Board of Regents approval.

Performance Measures

1. Enrollment

Overall, undergraduate enrollment increased 0.3% to 6,319 in fall 2015. Since fall 2013 when the number of first-time, full-time (FT/FT) students fell 14.6%, enrollment of this group has since rebounded, growing 10.4% in fall 2015, as shown in **Exhibit 1**. However, the number of continuing students has steadily declined since fall 2013 indicating retention efforts implemented in 2010 that at first appeared to be successful may need to be reevaluated to determine what improvements can be made to increase the number of returning students. The number of transfer students grew 16.3% in fall 2015 after declining 13.8% in fall 2014. **The President should comment on why programs implemented in 2010 have not appeared to be successful given the steady decline of continuing students.**

Exhibit 1
Change in Undergraduate Enrollment
Fall 2013-2015

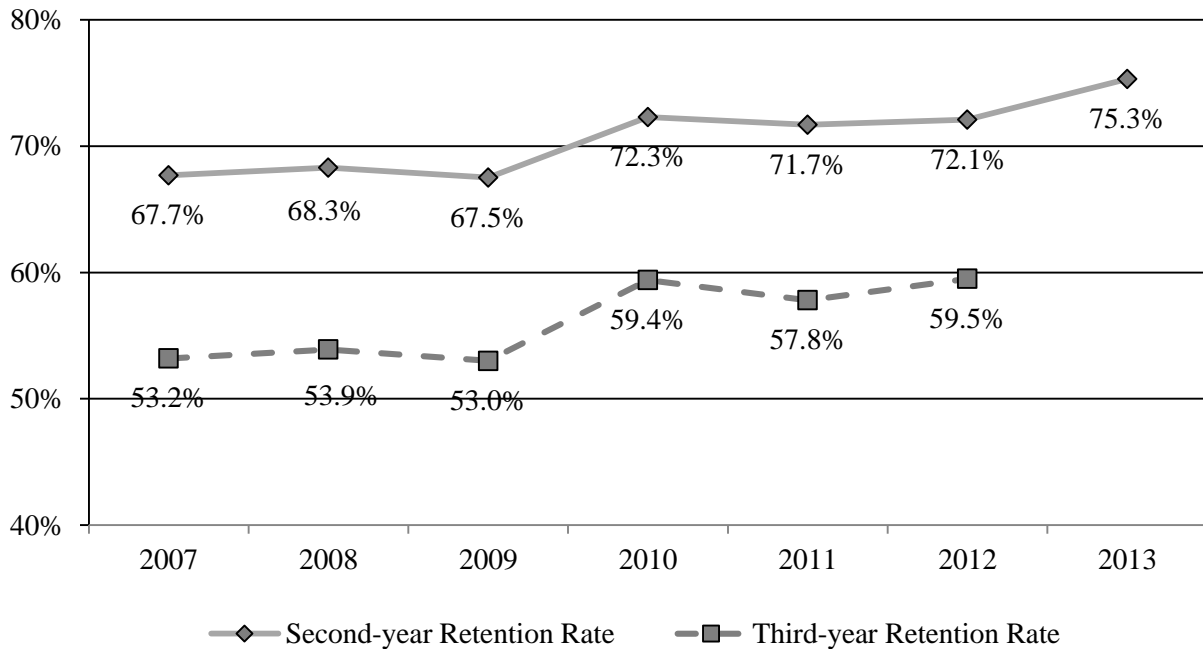


Source: Morgan State University

2. Student Performance

Student persistence, or retention, provides a measure of student progress and an indication of an institution’s performance; the higher the retention rate, the more likely students will persist and graduate. As shown in **Exhibit 2**, after remaining stable for the past two cohorts, the second-year retention rate for the 2013 cohort reached its highest level of 75.3%. Since the third-year rate mirrors the second-year rate trend, it is expected that the rate of the 2013 cohort will increase. Overall, since the 2007 cohort, the second- and third-year rates increased by 7.6 and 6.3 percentage points, respectively. The 2010 cohort shows the most improvement with the second- and third-year rates improving by 4.8 and 6.4 percentage points, respectively. MSU attributes this to a variety of new initiatives implemented in fall 2010, such as block scheduling and a financial literacy campaign.

Exhibit 2
Second- and Third-year Retention Rates
First-time, Full-time Students
2007-2013 Cohorts



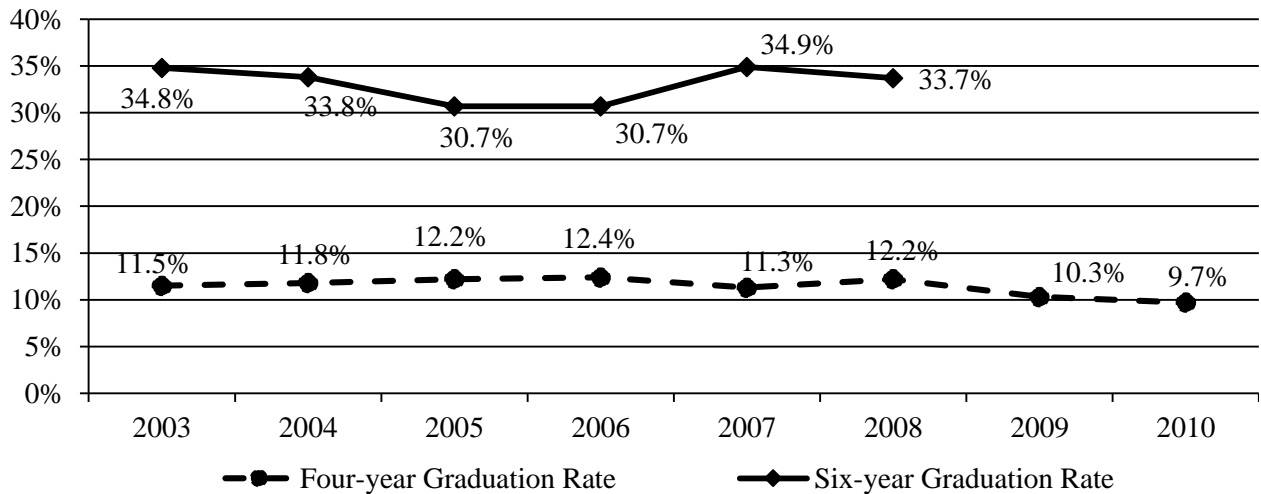
Note: Percentages represent first-time, full-time students who remained enrolled at the same institution in the subsequent fall semesters.

Source: Maryland Higher Education Commission, *Retention and Graduation Rates at Maryland Four-year Institutions*, September 2015

Completion rates are greatly influenced by time – the longer it takes a student to graduate, the more likely (s)he will dropout as other priorities compete with classes. Longer completion times translate into increased costs, not only for the student, but the institution and State as well. According to *College Measures*, the total cost of attrition for all FT/FT students not returning for a second year at MSU is \$4.0 million, or \$13,255, per full-time equivalent student (FTES) in fiscal 2012. For those who graduate, the average time to degree for the 2009 FT/FT cohort, according to the MSU *Annual Faculty Workload* report is 9.3 semesters, a little under five years. However, graduation rates remain low.

Graduation rates are, in part, another measure of student persistence and efficiency – as more students graduate, it “frees up” more room, allowing an institution to enroll more students. **Exhibit 3** shows the four- and six-year graduation rates for FT/FT students, which include those who transferred and graduated from another Maryland institution. After steadily improving to 12.4% with the 2006 cohort, the four-year graduation rate declined to 9.7% with the 2010 cohort. However, as shown in the previous exhibit, there was a significant improvement in the retention rates of the 2010 cohort, implying while MSU was successful in retaining students, more work needs to be done to help students be successful and graduate. After improving to 34.9%, the highest level since the 2001 cohort, the six-year graduation rate declined to 33.7%. **The President should comment on why efforts to retain students have shown to be successful but have not led to improvement in the number of students graduating.**

Exhibit 3
Graduation Rate of First-time, Full-time Undergraduate Students
2003-2010 Cohorts

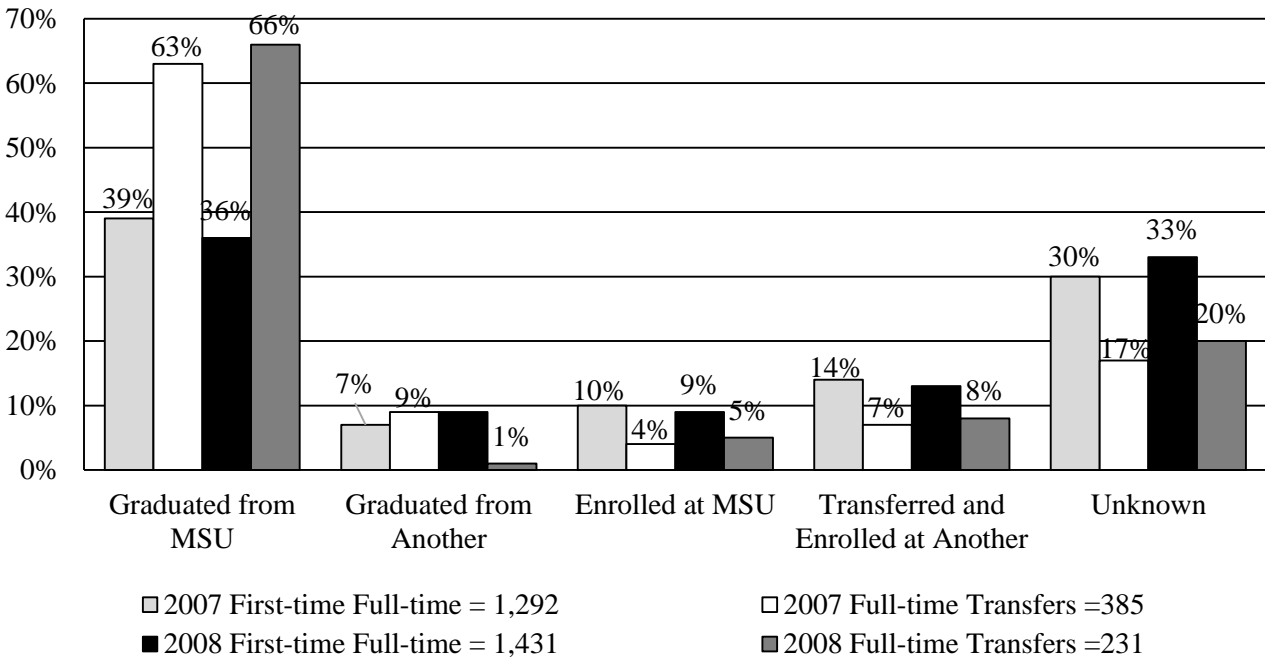


Note: Percentages include first-time, full-time students who persisted at and graduated from the institution they initially enrolled in and those who transferred and graduated from any Maryland public or private four-year institution.

Source: Maryland Higher Education Commission, *Retention and Graduation Rates at Maryland Four-year Institutions*, September 2015

The traditional retention and graduations rates only measure the progress of FT/FT cohorts who are students enrolled at the institution at the start of the academic year, are continuously enrolled as a full-time student, and those who may transfer and graduate at another Maryland institution. These measures do not account for students who enroll in multiple institutions, particularly out-of-state, stop out, or whose enrollment status changes throughout their college career *e.g.*, full- to part-time and back again. In addition, the traditional measures do not include the progress of transfer students who account for an increasing portion of the student population. The Student Achievement Measures is a voluntary reporting system, which provides a more comprehensive picture of a student’s progression to completion by tracking the progress of a student throughout their college career. As shown in **Exhibit 4**, within six years of enrolling at MSU, transfer students graduate at a significantly higher rate than FT/FT students, 66% compared to 36% for the 2008 cohort. While the graduation rate of transfers increased to 66%, the FT/FT rate declined to 36% for the 2008 cohort. In addition both the FT/FT and transfers students whose status is unknown increased 3 percentage points to 33% and 20%, respectively.

Exhibit 4
Status of First-time, Full-time and Full-time Transfers
Seeking a Bachelor’s Degree within Six Years
Fall 2007 and 2008 Cohort



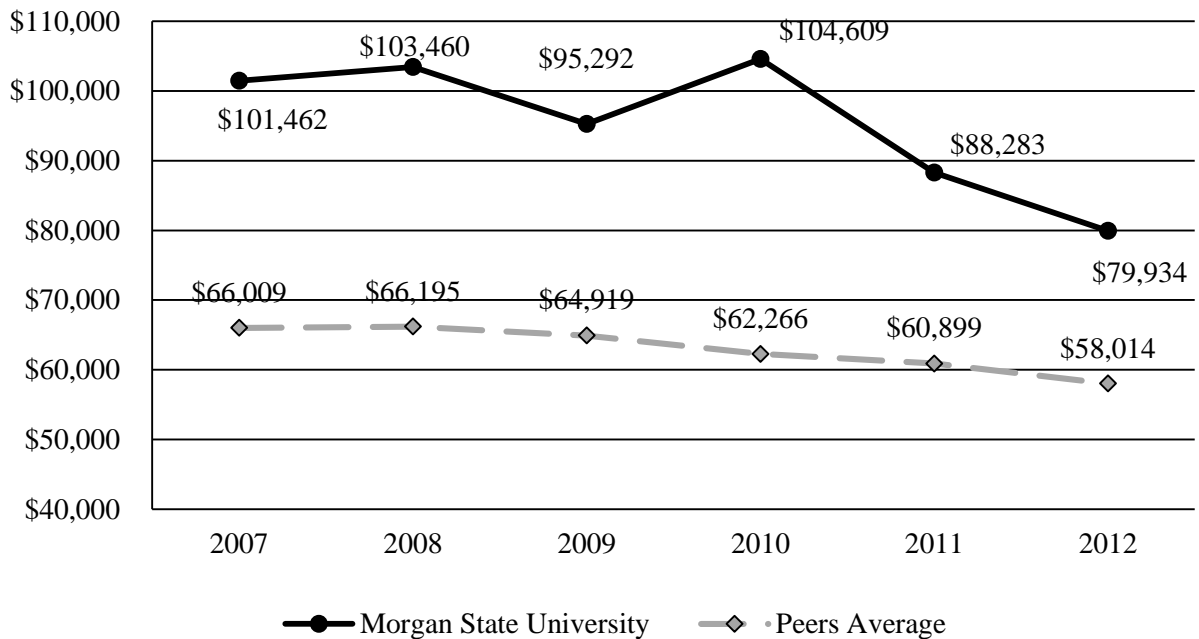
MSU: Morgan State University

Source: Student Achievement Measures

3. Expenditure Per Degree

Education and related (E&R) expenditures per degree measures the cost of producing a degree, showing if an institution is becoming more or less productive over time in using its resources to produce degrees. Therefore, the lower the expenditures, the more efficient an institution is in producing degrees. Since spending per degree would be similar among those institutions that have comparable spending and enrollment patterns, MSU E&R expenditures are compared to the average of its funding peers. After reaching a high of \$104,609 in fiscal 2010, as shown in **Exhibit 5**, the cost per degree fell by \$24,675 to \$79,934 in fiscal 2012. However, the cost per degree at MSU continues to exceed that of its peers by \$21,920 in fiscal 2012.

Exhibit 5
Education and Related Expenditures Per All Degree Completed
Fiscal 2007-2012



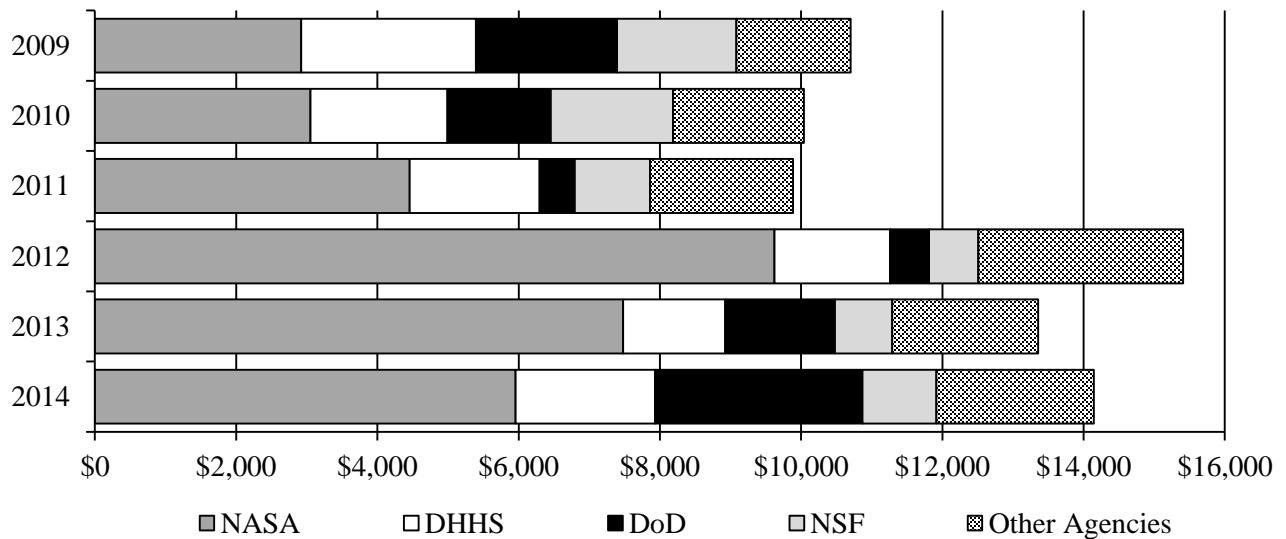
Note: Education and related expenditures includes direct spending on instruction, student services, the education share of spending on academic and institutional support, and operations and maintenance. Includes baccalaureate and graduate degrees. All dollar amounts are reported in 2012 dollars (Higher Education Price Index adjusted).

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

4. Research Expenditures and Earned Doctorates

A goal of the MSU strategic plan is to enhance its status as a doctoral research university with an objective of increasing grants and contract funding. This not only serves to measure productivity but the capacity to pursue research that attracts and retains faculty. In fiscal 2012, MSU reached its highest level of federal research and development (R&D) expenditures of \$15.4 million mainly due to a five-year grant from the National Aeronautics and Space Administration (NASA), as shown in **Exhibit 6**. However, since then, expenditures related to NASA R&D fell by \$3.7 million, 38.1%, in fiscal 2014. Expenditures related to the Department of Defense more than quadrupled, increasing from \$0.6 million in fiscal 2012 to \$2.9 million in fiscal 2014. Overall, between fiscal 2012 and 2014, federal R&D expenditures declined 8.2% to \$14.1 million in fiscal 2014. In terms of total R&D expenditures, which totaled \$15.7 million in fiscal 2014, MSU ranked 284 out of 632 institutions, according to the National Science Foundation (NSF).

Exhibit 6
Federal Research and Development Expenditures
Fiscal 2009-2014
(\$ in Thousands)

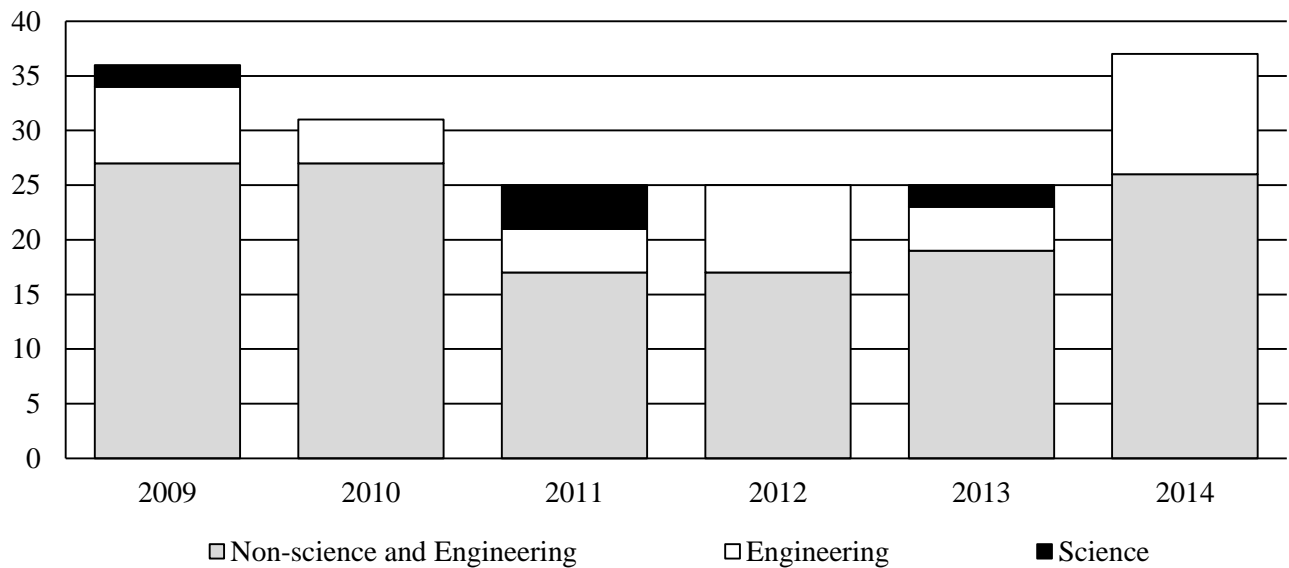


DHHS: Department of Health and Human Services
 DoD: Department of Defense
 NASA: National Aeronautics and Space Administration
 NSF: National Science Foundation

Source: National Science Foundation; National Center for Science and Engineering Statistics; Higher Education Research and Development Survey

Another component of the MSU research goal is to award at least 20 research doctorates annually. After declining from 36 doctorates in 2009, the number of earned research doctorates remained stable at 25 from 2011 to 2013, as shown in **Exhibit 7**. In calendar 2014, the number of doctorate degrees increased to 37, mainly due to the number of engineering doctorates increasing from 4 in calendar 2013 to 11 in calendar 2014. According to NSF, MSU ranked 234 out of 422 institutions in the number of earned research doctorates.

Exhibit 7
Earned Research Doctorate Degrees
Calendar 2009-2014



Note: A research doctorate is a doctoral degree that (1) requires completion of an original intellectual contribution in the form of a dissertation or an equivalent culminating project (*e.g.*, musical composition); and (2) is not primarily intended as a degree for the practice of a profession. The most common research doctorate degree is the PhD.

Source: National Science Foundation, National Center for Science and Engineering Statistics, *Survey of Earned Doctorates*

Fiscal 2016 Actions

Cost Containment

Cost containment measures in fiscal 2016 resulted in a 2%, or \$2.3 million, reduction in the MSU appropriation. This was met by eliminating 20 vacant positions (\$1.0 million); delaying equipment purchases, library enhancements, and faculty development activities (\$0.5 million); residual

income from privatized housing (\$0.4 million); utilities savings (\$0.3 million); and reducing printing of student recruitment brochures (\$75,000).

Proposed Budget

As shown in **Exhibit 8**, the general fund allowance for fiscal 2017 is 8.3%, or \$6.8 million, higher in than fiscal 2016 after adjusting for the across-the-board employee health insurance reduction based on a revised estimate of the amount of funding needed in fiscal 2017. The Higher Education Investment Fund (HEIF) decreases 52.7%, or \$2.4 million, in fiscal 2017. This decline is related to a timing issue. When the Department of Budget and Management (DBM) began developing the budget for higher education, the forecast for the HEIF was \$68.3 million. However, the December revenue forecast reduced projected attainment by \$2.0 million. Instead of distributing the reduction across all the higher education institutions, DBM reduced the MSU HEIF appropriation by \$2.0 million and provided a corresponding increase in general funds. Overall, State funds grow 5.1%, or \$4.4 million, to \$90.5 million. However, when including \$2.0 million for salary increments that are included in the DBM budget, the growth in State funds is 7.4%, or \$6.4 million. Other unrestricted funds grow 5.1%, or \$4.8 million, primarily due to tuition and fees increasing \$4.2 million.

Exhibit 8
Proposed Budget
Morgan State University
(\$ in Thousands)

	FY 15	FY 16	FY 17	FY 16-17	% Change
	<u>Actual</u>	<u>Adjusted</u>	<u>Adjusted</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$79,890	\$81,603	\$88,552		
Across-the-board Reduction	0	0	-184	0	
Total General Funds	\$79,890	\$81,603	\$88,369	\$6,766	8.3%
Higher Education Investment Fund	\$4,308	\$4,532	\$2,143	-\$2,389	-52.7%
Total State Funds	84,198	86,135	90,512	4,377	5.1%
Other Unrestricted Funds	86,769	93,771	98,535	4,764	5.1%
Total Unrestricted Funds	170,966	179,906	189,047	9,141	5.1%
Restricted Funds	44,142	48,539	50,643	2,104	4.3%
Total Funds	\$215,109	\$228,445	\$239,690	\$11,245	4.9%

Note: Fiscal 2017 general funds are adjusted to reflect across-the-board reduction. Numbers may not sum to total due to rounding.

Source: Governor's Budget Books, Fiscal 2017; Department of Legislative Services

The fiscal 2017 allowance includes \$0.2 million to replace revenues equivalent to a 1.0% increase in the resident undergraduate tuition rate and \$1.4 million to increase the amount spent on need-based aid. It also includes a 2.0% increase in resident undergraduate tuition. The allowance provides funds for a 2.5% salary increment, which totals \$2.5 million with the general funds portion of \$2.0 million included in the DBM budget. **However, the State average for salary increments is 2.4%; therefore, the Department of Legislative Services (DLS) recommends reducing the MSU increment by \$71,622 to reflect the State’s average. This action will be taken up in the DBM budget analysis since that is where the increment is budgeted.** The remaining \$0.5 million for the salary increment is to be funded from non-State supported funds *i.e.*, auxiliary and restricted funds.

Current Service Costs

MSU estimates its State-supported current service costs (CSC) to increase \$8.1 million, as shown in **Exhibit 9**. These costs are typically funded with unrestricted revenues (*e.g.*, general funds, the HEIF, and tuition and fee revenues). Personnel expenditures account for 35.9% of total CSC increase. Total unrestricted revenues increase \$9.1 million, as previously shown in Exhibit 8, which includes \$4.8 million in other unrestricted revenues and \$4.4 million in State funds. Therefore, the allowance provides enough funds to cover the increase in CSC and provides \$1.0 million for enhancements.

Exhibit 9
Increase in Current Services Costs
Fiscal 2017

	<u>Amount</u>
Health and Retirement Benefits	\$2,894,675
Information Technology Upgrades	2,600,000
New Facilities	1,000,000
Facilities Renewal	500,000
Library	450,000
Lillie Carroll Jackson Museum Operations	400,000
Physical Plan Maintenance	400,000
Total Current Services Cost	\$8,244,675
Across-the-board Adjustment	
Health Insurance	-\$183,701
Total Current Services Cost	\$8,060,974

Note: Morgan State University estimated current services costs (CSC) to increase \$10.0 million. However, \$0.6 million of recruitment and library improvements and the \$1.4 million of general funds for need-based aid are better categorized as enhancements are deducted from the CSC.

Source: Morgan State University

Current Unrestricted Fund Expenditures

Budget changes by program area in the allowance are shown in **Exhibit 10**. This data includes unrestricted funds only, the majority of which consist of general funds, the HEIF, and tuition and fee revenues. In fiscal 2016, education and general (E&G) expenditures increased 8.8%, or \$12.5 million. Expenditures on academic support increased \$3.0 million, or 15.8%, of which \$1.6 million is related to personnel costs, \$1.2 million to purchase equipment for the New School of Business, and \$0.3 million for library enhancements. Spending increases in instruction (\$2.8 million) and student services (\$0.8 million) are primarily related to personnel costs, while 120.8% growth in public service is due to the opening of the Lille Carroll Jackson Museum. Operations and maintenance of plant increased \$1.5 million, 9.3%, due to reduced spending on maintenance in fiscal 2015 to meet budget reductions (\$0.7 million), facilities renewal (\$0.4 million), fuel and utilities (\$0.2 million), and personnel costs (\$0.2 million). The \$1.8 million decrease in auxiliary spending is mainly due to a \$1.0 million write off of bad debt and has deferred maintenance spending for dormitories.

In fiscal 2017, E&G expenditures grow 5.7%, or \$8.7 million, after adjusting for the \$0.2 million reduction for health insurance. When including \$2.0 million for salary increments, spending grows 7.0%, or \$10.8 million. Spending on operations and maintenance of plant grows 14.4%, or \$2.6 million, which is partially due to \$1.4 million in enhancement funds to be used for financial aid being budgeted in this program area and which will be reallocated to the appropriate program area of scholarships and fellowships, \$0.4 million for the New School of Business, and \$0.3 million in personnel costs. Expenditures on institutional support grows 6.8%, or \$2.2 million; of which \$0.7 million is related to personnel expenditures. Instruction expenditures increase \$1.7 million of which \$0.7 million is due to personnel costs. Growth of 116.0% in research is related to all contractual health benefit costs being budgeted in this program area which will be reallocated to the appropriate programs.

In fiscal 2015, despite two rounds of cost containment measures totaling \$2.7 million, MSU transferred \$6.6 million to its fund balance, bringing the total to \$69.7 million. MSU is not planning on transferring funds in fiscal 2016 or 2017.

Expenditures Per Full-time Equivalent Student

Between fiscal 2012 and 2017, expenditures per FTES are projected to increase 30.3%, from \$16,264 to \$21,195, respectively, partly due to enrollment declining 6.8%, as shown in **Exhibit 11**. The highest increase occurred in fiscal 2013, when cost per FTES grew 10.5%, \$1,706, which can be partly attributed to a 4.1% decline in enrollment. While expenditures only slightly increased between fiscal 2014 and 2015 by 0.8%, or \$143 per FTES, spending on instruction and institutional support increased a total of \$648, which was offset by a decline in expenditures in operations and maintenance of plant (\$405), student services (\$84), and academic support (\$15). Overall, expenditures on student services increased \$25 per FTES between fiscal 2012 and 2015, while that on institutional support increased by \$975 per FTES, raising concerns about the quality and adequacy of services provided to the students. **The President should comment on institutional budgeting priorities that fund institutional support over that of student support and services.**

Exhibit 10
Budget Changes for Unrestricted Funds by Program
Fiscal 2015-2017
(\$ in Thousands)

	<u>2015</u>	<u>Adjusted Working 2016</u>	<u>% Change 2015-16</u>	<u>Adjusted 2017</u>	<u>\$ Change 2016-17</u>	<u>% Change 2016-17</u>
Expenditures						
Instruction	\$50,947	\$53,818	5.6%	\$55,481	\$1,663	3.1%
Research	988	904	-8.6%	1,952	1,048	116.0%
Public Service	265	584	120.8%	569	-15	-2.6%
Academic Support	18,888	21,874	15.8%	22,820	946	4.3%
Student Services	6,131	6,919	12.9%	7,024	105	1.5%
Institutional Support	32,422	32,583	0.5%	34,815	2,232	6.8%
Operation and Maintenance of Plant	16,894	18,470	9.3%	21,127	2,657	14.4%
Scholarships and Fellowships	14,533	16,658	14.6%	17,018	359,878	2.2%
Cost Containment/ Across-the-board Reduction				-184		
Funds Specific to HBCUs		1,722		1,656		
Subtotal Education and General	\$141,067	\$153,533	8.8%	\$162,279	\$8,746	5.7%
Auxiliary Enterprises	\$29,899	\$28,094	-6.0%	\$28,423	\$329	1.2%
Total	\$170,966	\$181,627	6.2%	\$190,702	\$9,075	5.0%
Revenues						
Tuition and Fees	\$56,219	\$56,296	0.1%	\$60,470	\$4,174	7.4%
General Funds	79,890	81,603	2.1%	88,552	6,950	8.5%
HEIF	4,308	4,532	5.2%	2,143	-2,389	-52.7%
Other Unrestricted Funds	5,260	7,237	37.6%	7,577	340	4.7%
Subtotal	\$145,676	\$149,667	2.7%	\$158,742	\$9,075	6.1%
Auxiliary Enterprises	\$31,891	\$31,960	0.2%	\$31,960	0	0.0%
Transfers (to) from Fund Balance	-6,601	0		0		
Total	\$170,966	\$181,627	6.2%	\$190,702	\$9,075	5.0%

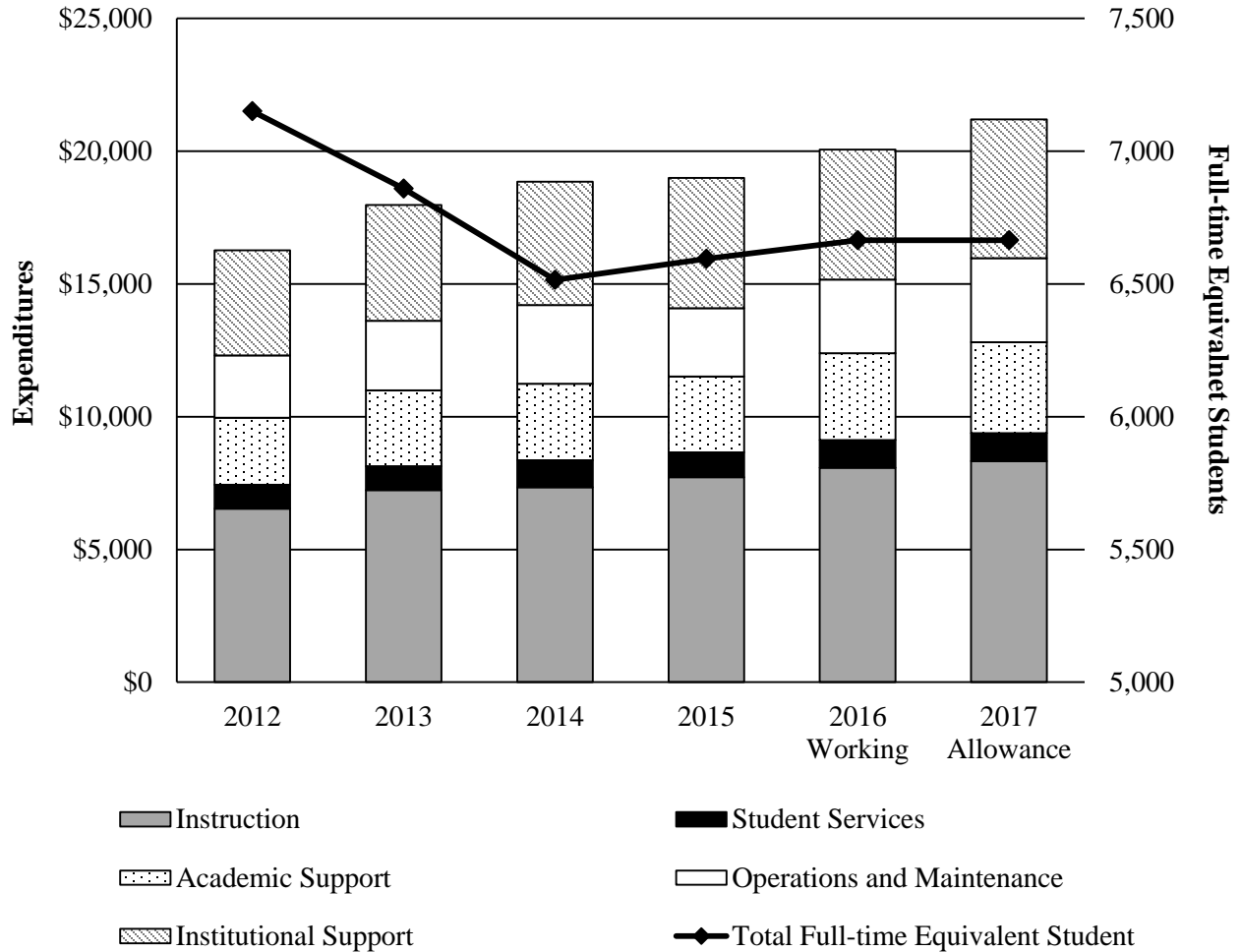
HBCU: Historically Black Colleges and Universities

HEIF: Higher Education Investment Fund

Note: Fiscal 2017 general funds are adjusted by \$0.2 million to reflect the across-the-board reduction.

Source: Governor's Budget Books, Fiscal 2017; Department of Legislative Services

**Exhibit 11
Unrestricted Fund Expenditures Per Full-time Equivalent Student
Fiscal 2012-2017**



Note: Does not reflect fiscal 2017 across-the-board reduction or salary increments.

Source: Governor’s Budget Books, Department of Legislative Services

Issues

1. Status of Undergraduate Nursing Program

MSU admitted its first class of 32 students in its undergraduate nursing program in spring 2009. Enrollment quickly grew to 117 students in two years, as shown in **Exhibit 12**, with a corresponding increase in the number of students declaring nursing as a major. In fiscal 2013, MSU began the initial program accreditation process for both the Bachelor of Science and Master of Science (the graduate nursing program admitted its first students fall 2008) programs. While the master’s program was accredited, the undergraduate program was not. This was due to the program’s failure to meet portions of one of the four standards – Standard IV – relating to student outcomes, in particular, the first-time pass rate of students taking the nursing licensure exam for registered nurses (NCLEX-RN). Student performance on the exam fell well below the 80% threshold for the three years of available data.

Exhibit 12
Undergraduate Nursing Enrollment
Fiscal 2009-2016

<u>Year</u>	<u>Nursing Students</u>	<u>Declared Nursing Majors</u>
2009	32	0
2010	81	322
2011	117	606
2012	77	642
2013	39	591
2014	42	428
2015	14	315
2016	17	251

Source: Morgan State University

In response to the denial of accreditation, MSU took a number of steps to improve the first-time pass rates of its students including evaluating the program, identifying points of weakness, and implementing new and best practices to achieve the necessary outcomes for accreditation.

One of the first steps was to right size the cohorts to gain better curricular quality control by reducing the incoming upper division nursing cohort from 50 to 15 students. MSU notes that the high enrollment in the early years of the program were out of alignment with the capacity of the program and a reason for the low passage rate on the NCLEX-RN. In addition, those who declare nursing as a major and do not meet the criteria for admissions to the upper division nursing program are advised early to alternative majors with a majority choosing health education, social work, and nutritional science.

R13M00 – Morgan State University

A new director was brought in who initiated a variety of targeted instructional and curricular changes to the program including:

- integration of NCLEX-RN preparedness into nursing courses;
- consistent and appropriate student academic performance feedback;
- establishment of student study skills sessions;
- establishing a pre-Nursing Academy to begin in summer 2016;
- analyses of student outcomes to inform revisions to admissions policy;
- hiring new faculty; and
- hiring an NCLEX-RN coach for both one-on-one and group support for senior nursing and graduate nursing students.

These changes appear to be successful with smaller cohorts, increased student engagement, predictable student performance outcomes, and an upward trend in the NCLEX-RN first-time pass rates. While the first-time pass rates remain low, increasing from 41.8% to 50.0%, the rate reflects test takers regardless of when the student graduated. When examining the performance of the students in the May 2015 cohort who opted to participate in the tutoring/coaching/mentoring initiative, the first-time pass rate was 90.0%. This is in stark contrast to those in the May 2015 cohort who did not participate whose first-time pass rate was 0.0%.

While the undergraduate program is not accredited, the Maryland Board of Nursing (MBON) determines if a pre-licensure program can operate in the State. MSU currently has approval to operate its undergraduate program in the State, but MBON did place the program on a warning status in spring 2014. A corrective action plan was submitted and approved by the board in May 2014. Therefore, the program is still approved to admit students and provide eligibility to sit for the State's licensing exam. However, the result for students graduating from an unaccredited program is that it limits their choices in schools if they decide to obtain a graduate degree. Since MSU does offer an accredited graduate program in nursing, it does provide a pathway for those students seeking a graduate degree.

MSU plans to submit an application for accreditation of the program in February 2016, which will be followed by a site visit in November 2017 and a decision by January 2018. MSU noted that the accreditation process allows for intermediate points of assessment to determine if accreditation should move forward as programs have the option of withdrawing applications up to the point of an accreditation decision being made.

2. Meeting College Expenses

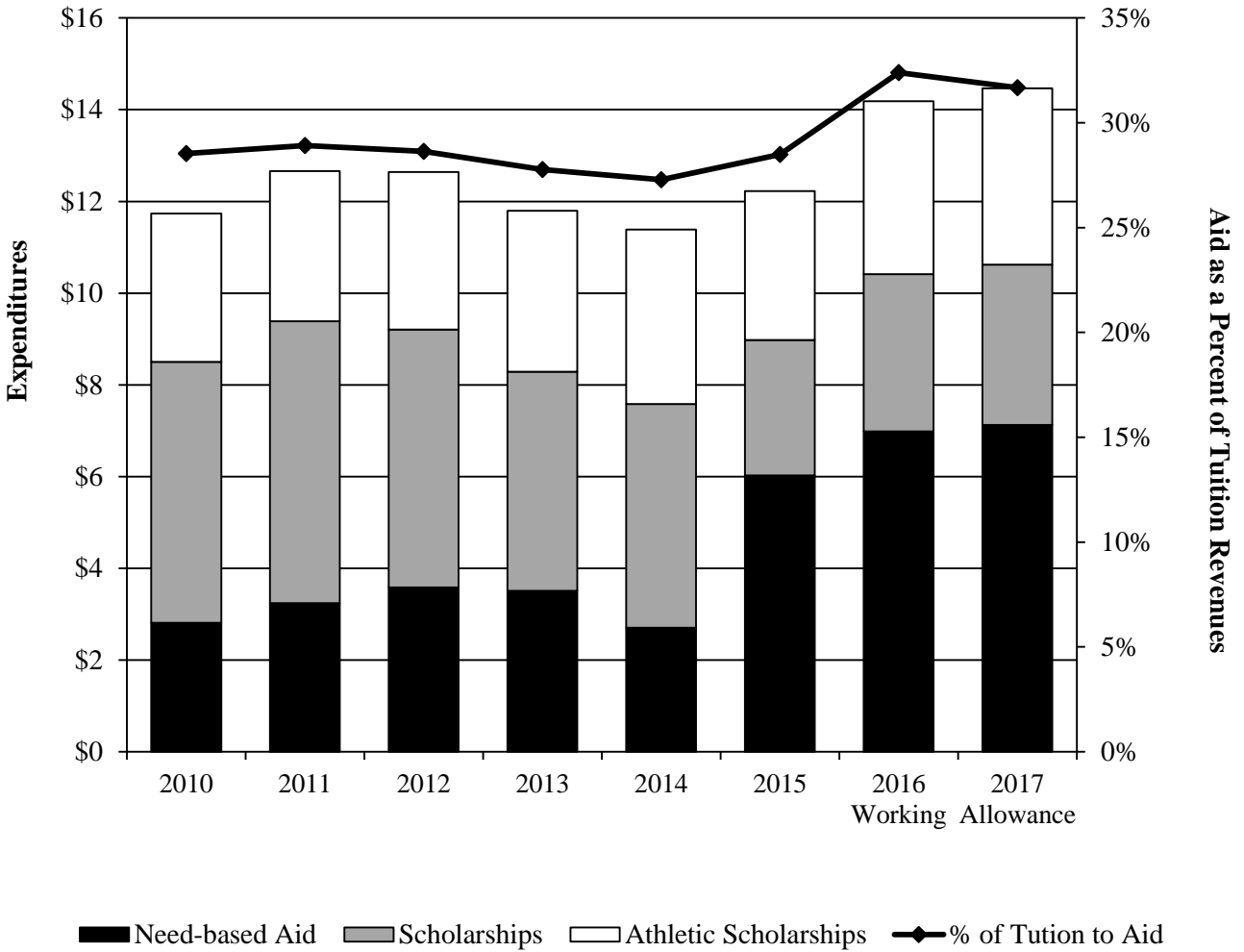
As the cost of college continues to increase, students and families are relying on a variety of financial aid to pay for college with more students taking out loans. When accounting for the average amount of federal, State, and institutional aid awarded to all MSU students, the average net price for a FT/FT Maryland undergraduate student at MSU was \$14,654 in fiscal 2014 compared to the list price of \$22,980 (based on tuition, mandatory fee, books and supplies, other expenses, and the weighted average of room and board) according to the National Center for Education Statistics' College Navigator. This amounts to a 36.2% reduction in the net cost of attendance. For those with a family income up to \$30,000, the average net price was \$13,138 in fiscal 2014.

In fiscal 2015, 57% of MSU undergraduate students receive Pell awards, which are given to those who otherwise could not afford college and have an expected family contribution (EFC) of less than a specific amount, which was \$5,730 in fiscal 2015. EFC is an indicator of the amount a family is able to contribute to pay for a student's college education; the lower the EFC, the greater the financial aid.

Total spending on institutional aid declined 10.1%, or \$1.3 million, from fiscal 2011 to 2014, as shown in **Exhibit 13**, due to a decrease in scholarships. During this time period, there was also a \$0.5 million decline in need-based aid although this was offset by a similar increase in athletic scholarships. In fiscal 2014, total spending on aid decreased \$0.4 million compared to fiscal 2013 with \$0.8 million less being spent on need-based aid. A fiscal 2014 supplemental budget provided \$738,000 specifically to increase expenditures on need-based aid above the amount spent in fiscal 2013. MSU stated that it did not use the funds to increase expenditures on need-based aid but instead used the funds to increase expenditures on other aid programs targeting needy students and used \$0.3 million to cover other operating expenditures. In fiscal 2015, total spending on institutional aid increased by \$0.8 million. However, there was a shift in the portion of aid going toward need-based aid, which grew from 23.7% to 49.3%. Spending on need-based aid increased \$3.3 million while spending on scholarships declined \$1.9 million. In fiscal 2017, total expenditures on institutional aid increase by \$0.3 million with need-based aid accounting for \$0.1 million. The fiscal 2017 allowance provides \$1.4 million in enhancement funds specifically to increase the amount spent on need-based aid. **To ensure these funds are used as intended, DLS recommends restricting \$1.4 million of the MSU general fund appropriation to be used to increase spending on institutional need-based aid awards over that spent in fiscal 2016.**

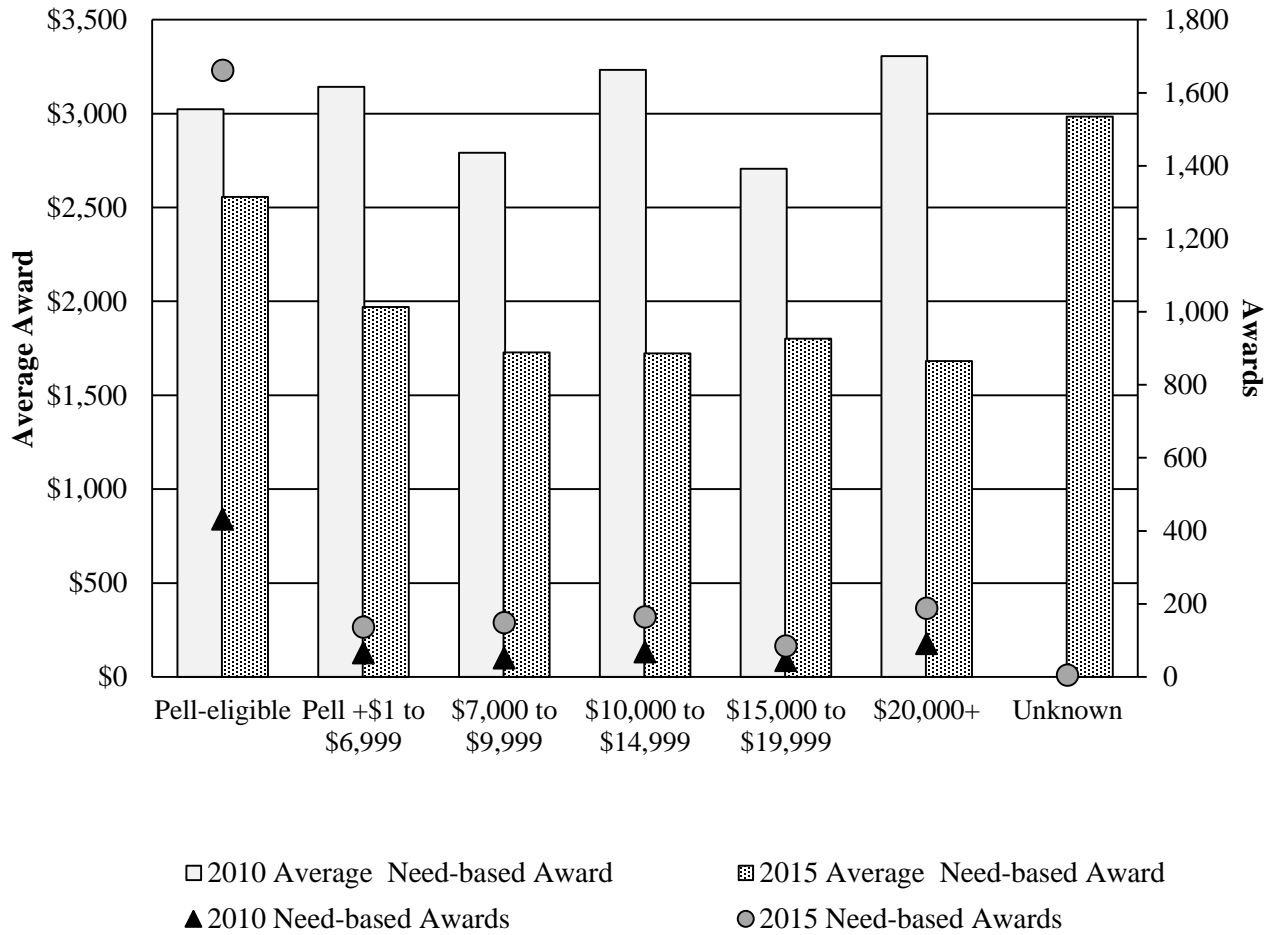
In looking at how MSU has distributed need-based aid, while the average amount awarded declined in fiscal 2015 compared to fiscal 2010, the total number of awards more than doubled, as shown in **Exhibit 14**. For example, the average award for Pell-eligible students declined by \$468 from fiscal 2010 to 2015, but an additional 1,230 awards were made in fiscal 2015. Overall, the portion of awards going toward Pell-eligible students increased from 57.3% to 69.7% from fiscal 2010 to 2015.

Exhibit 13
Institutional Aid: Total Aid and Aid as a
Percentage of Undergraduate Tuition Revenues
Fiscal 2010-2017
(\$ in Millions)



Source: Maryland Higher Education Commission; Morgan State University; Department of Legislative Services

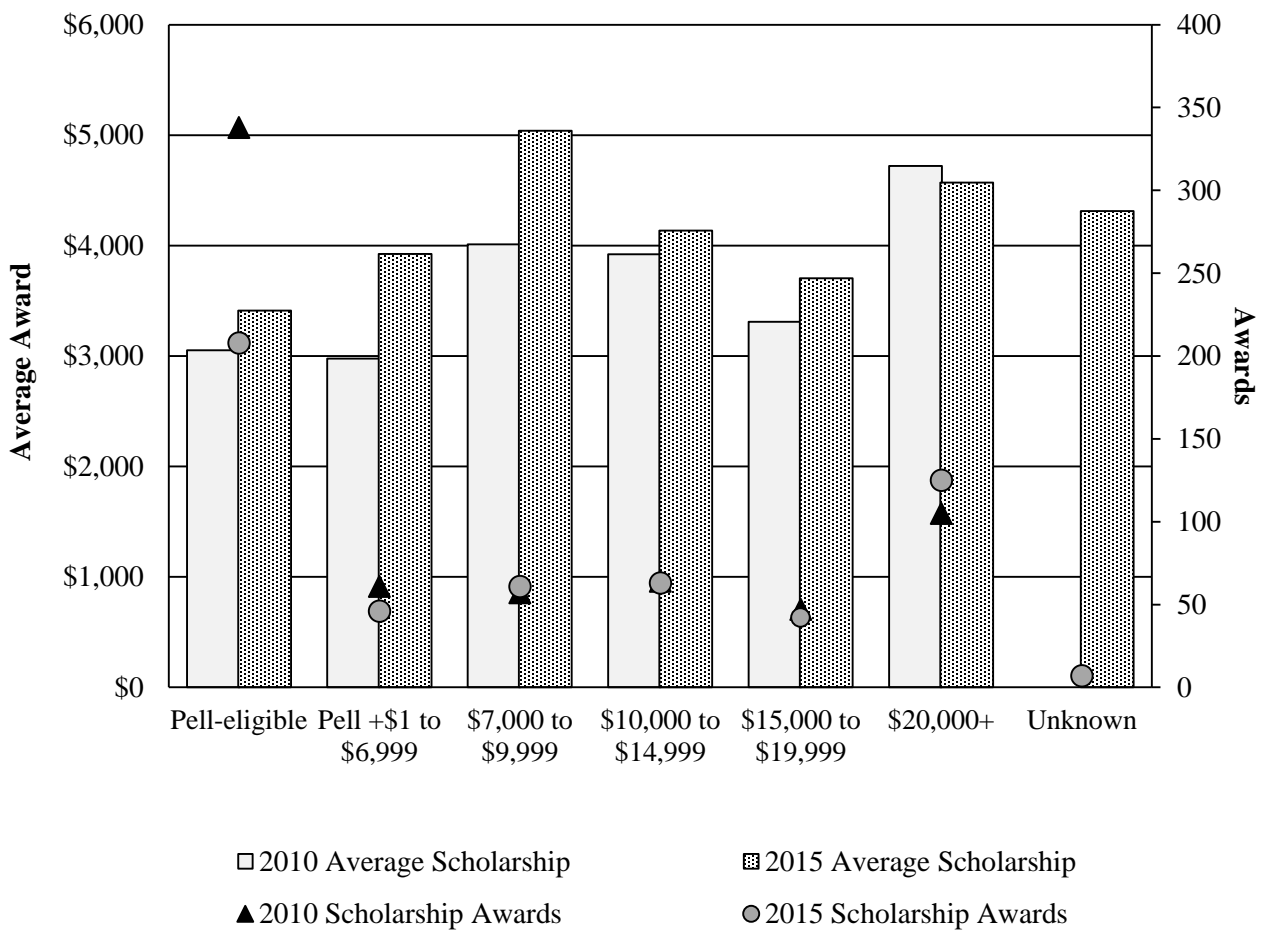
Exhibit 14
Comparison of Number and Average Amount of Need-based Aid Received
Per Recipient
Fiscal 2010 and 2015



Source: Maryland Higher Education Commission; Morgan State University

Conversely, in the same time period, the average amount of a scholarship award increased and the total number of awards declined, as shown in **Exhibit 15**. This primarily reflects a shift in fiscal 2015 when expenditures on scholarships declined by \$1.9 million while need-based aid increased by \$3.3 million. Those with an EFC of \$7,000 to \$9,999 received the highest increase in their average awards of \$1,031, while the portion of awards going to Pell-eligible students declined from 50.1% in fiscal 2010 to 37.7% in fiscal 2015.

Exhibit 15
Comparison of Number and Average Amount of Scholarships Received
Per Recipient
Fiscal 2010 and 2015

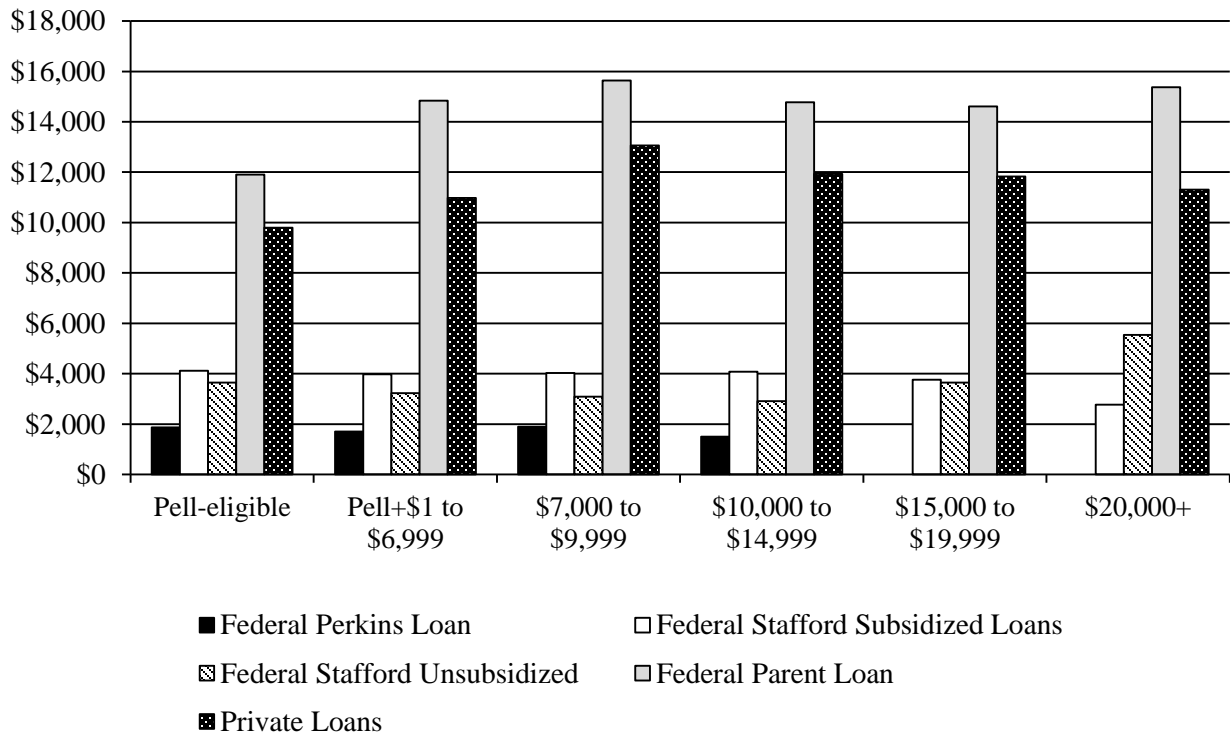


Source: Maryland Higher Education Commission; Morgan State University

While students with the greatest financial need typically receive Pell grants and institutional aid, it is not enough to cover the cost of college. As shown in **Exhibit 16**, students in all EFC categories take out various types of loans to finance their education. There are three types of loans:

- federal subsidized loans, which are based on financial need with the government paying the interest while the student is enrolled in school (Perkins and Stafford loans);
- federal unsubsidized loans, which are generally for those who do not demonstrate financial need with the interest added to the balance of the loan while the student is enrolled in school (Stafford and Parent loans); and
- private loans.

Exhibit 16
Mean Loan Amount by Type and Expected Family Contribution
Fiscal 2015



Source: Morgan State University

In fiscal 2015, of the 3,907 Pell-eligible students, 91.3% and 97.6% used subsidized and unsubsidized loans, respectively, to help pay for their college education with average loans of \$4,120 and \$3,653. However, 3.0% of the Pell-eligible students took out private loans and, on average, borrowed \$9,795. In general, the federal parent loans were the highest average loans taken out for those in all EFC categories, with those with an EFC of \$7,000 to \$9,999 taking out the highest average loan of \$15,643.

According to College Insight, the percentage of students graduating with debt from MSU increased from 68% to 82% between fiscal 2011 and 2014. This is higher than the national average of 61% and the State average of 56% for public four-year institutions in fiscal 2014. While the average debt of a graduate decreased 1.3% during this time from \$36,045 to \$35,568, it is still above the national and State average of public four-year institution of \$27,022 and \$26,413, respectively, in fiscal 2014. This level of indebtedness and the high percentage of Pell-eligible students who took out unsubsidized loans compared to subsidized loans raise concerns about the financial guidance that MSU provides to its students. **The President should comment on what efforts are being taken to educate and help guide students in making financial decisions regarding on how to pay for college.**

3. Transfer Incentive Program

In an effort to attract more community college transfer students, in fall 2014 MSU established a new scholarship – the Transfer Incentive Program. The scholarship is available to students from any state who have earned an associate’s degree and enroll in selected majors: actuarial science, chemistry, construction management, economics, engineering, physics, English, finance, history, mathematics, philosophy, physics, and theater. The scholarship provides \$2,000 per semester for up to five semesters for a total of \$10,000. In order to maintain the scholarship students must:

- maintain a semester and cumulative 2.5 grade point average (GPA);
- remained enrolled in the selected major;
- be enrolled as a full-time student each semester;
- complete a minimum of 15 credits per semester; and
- follow the degree plan provided by the department chair or academic advisor.

In the first year, fiscal 2015, seven transfer students received an average annual award of \$3,429, and all returned the following academic year. Academically, these students had an average GPA of 3.22 compared to 2.39 for continuing undergraduate students. In fiscal 2016, nine students received a scholarship with an average annual award of \$4,000. Four students in each year were Pell-eligible.

Recommended Actions

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

, provided that \$1,443,344 of this appropriation made for the purpose of increasing expenditures on institutional need-based financial aid above the level provided in fiscal 2016 may be expended only for that purpose. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

Explanation: This language restricts \$1.4 million of the general fund appropriation provided in the fiscal 2017 allowance to increase expenditures on institutional need-based aid to be expended only for that purpose in order to ensure that expenditures on need-based aid in fiscal 2017, at a minimum, exceed that spent in fiscal 2016 by \$1.4 million.

Updates

1. Faculty Workload

Annual language in the *Joint Chairmen's Report* (JCR) requires MSU to submit a report on the instructional workload of tenured and tenure-track faculty. While previous reports focused on tenured/tenure-track faculty, DLS requested data be included on full- and part-time nontenured/nontenure track faculty, which includes adjuncts, instructors, and lecturers that institutions have increasingly relied on over the years. As shown in **Exhibit 17**, these faculty comprised 58.5% of the faculty in fiscal 2014 and slightly declined to 57.0% of instructional faculty in fiscal 2015.

Exhibit 17 Instructional Faculty by Type Fiscal 2014-2015

	2014		2015	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Tenured/Tenure-track	291	41.5%	311	43.0%
Full-time Nontenured/Nontenure-track	170	24.2%	138	19.1%
Part-time Nontenured/Nontenure-track	241	34.3%	274	37.9%
Total	702		723	

Source: Morgan State University

The average units taught by tenured faculty dropped from 7.4 units to 7.0 units between fiscal 2011 and 2013 due to the addition of 13 faculty members, as shown in **Exhibit 18**. However, despite the addition of 2 faculty members in fiscal 2014, the average course units taught increased to 7.2 units in fiscal 2014 before declining to 6.7 units in fiscal 2015. When including all types of instructional faculty, the number of course units increased to 7.0 units. As a comparison, this is lower than the average of 7.2 units at the University of Maryland Baltimore County and above the 5.4 units at the University of Maryland, College Park.

Exhibit 18
Average Course Units Taught by Full-time Equivalent Tenured/Tenure-track
and Full-time Nontenured/Nontenure-track Instructional Faculty
Fiscal 2011-2015

	<u>2011</u> <u>Tenure</u>	<u>2012</u> <u>Tenure</u>	<u>2013</u> <u>Tenure</u>	<u>2014</u>		<u>2015</u>	
				<u>Tenure</u>	<u>All</u>	<u>Tenure</u>	<u>All</u>
MSU	7.4	7.3	7.0	7.2	7.2	6.7	7.0
UMCP	5.9	5.6	5.5	5.5	5.6	5.3	5.4
UMBC	6.6	6.8	6.6	6.5	6.9	7.1	7.2

MSU: Morgan State University
UMBC: University of Maryland Baltimore County
UMCP: University of Maryland, College Park

Note: Data on all categories of instructional faculty was not reported prior to fiscal 2013.

Source: Morgan State University; University System of Maryland

2. Status of Implementing Sexual Misconduct Policy

Language in the 2015 JCR required MSU to submit a report on the status of implementing its sexual misconduct policy including: if MSU has an amnesty policy and, if so, how it is implemented; how it will implement a climate survey; and a list of all Memoranda of Understanding (MOU) applicable to the issue of sexual misconduct. MSU submitted a report on July 16, 2015 in which it detailed its amnesty policy and how it is implemented; discussed conducting a climate survey in March 2016 using a predeveloped campus climate survey and considering incentives or marketing programs to increase student participation; and showed that it has established an MOU with the Baltimore City Police Department and is finalizing two MOUs with community organizations.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Other Unrestricted Fund</u>	<u>Total Unrestricted Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Fiscal 2015							
Legislative Appropriation	\$81,803	\$4,308	\$0	\$91,017	\$177,129	\$46,571	\$223,700
Deficiency Appropriation	0	0	0	0	0	0	0
Cost Containment	-2,699	0	0	0	-2,699	0	-2,699
Budget Amendments	785	0	0	0	785	0	785
Reversions and Cancellations	0	0	0	-4,248	-4,248	-2,429	-6,677
Actual Expenditures	\$79,890	\$4,308	\$0	\$86,769	\$170,966	\$44,142	\$215,109
Fiscal 2016							
Legislative Appropriation	\$80,033	\$4,532	\$0	\$93,771	\$178,336	\$48,539	\$226,875
Budget Amendments	1,570	0	0	0	1,570	0	1,570
Working Appropriation	\$81,603	\$4,532	\$0	\$93,771	\$179,906	\$48,539	\$228,445

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The fiscal 2015 legislative appropriation for MSU was reduced by \$8.6 million. General funds decreased by \$1.9 million, which included \$2.7 million in cost containment measures. A variety of strategies to meet this reduction included reducing a number of positions, delaying purchases, reducing expenses related to equipment purchases and marketing, and using utility savings. A budget amendment added \$0.8 million related to a 2% cost-of-living adjustment. Cancellations of unrestricted funds amounted to \$4.2 million due to equipment, utilities, and bookstore sales being less than anticipated and a delay in the hiring of faculty.

Cancellation of restricted funds totaled \$2.4 million due to research expenditures being lower than anticipated.

Fiscal 2016

To date in fiscal 2016, the MSU legislative appropriation has increased by \$1.6 million in general funds by budget amendment to restore the 2% pay reduction

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

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,118.00	1,129.00	1,129.00	0.00	0%
02 Contractual	483.00	494.00	494.00	0.00	0%
Total Positions	1,601.00	1,623.00	1,623.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 104,363,495	\$ 109,266,268	\$ 111,714,055	\$ 2,447,787	2.2%
02 Technical and Spec. Fees	25,355,299	28,313,415	29,207,845	894,430	3.2%
03 Communication	958,662	1,112,401	1,116,880	4,479	0.4%
04 Travel	3,552,374	3,710,524	3,633,648	-76,876	-2.1%
06 Fuel and Utilities	7,342,989	7,459,757	7,664,193	204,436	2.7%
07 Motor Vehicles	340,539	929,058	946,935	17,877	1.9%
08 Contractual Services	20,193,271	21,273,061	25,287,835	4,014,774	18.9%
09 Supplies and Materials	6,132,379	6,220,011	7,104,513	884,502	14.2%
11 Equipment – Additional	3,172,850	6,240,232	7,506,830	1,266,598	20.3%
12 Grants, Subsidies, and Contributions	34,231,671	36,658,015	38,016,582	1,358,567	3.7%
13 Fixed Charges	6,842,550	5,410,999	5,449,658	38,659	0.7%
14 Land and Structures	2,622,533	1,851,111	2,224,282	373,171	20.2%
Total Objects	\$ 215,108,612	\$ 228,444,852	\$ 239,873,256	\$ 11,428,404	5.0%
Funds					
40 Unrestricted Fund	\$ 170,966,399	\$ 179,905,902	\$ 189,230,398	\$ 9,324,496	5.2%
43 Restricted Fund	44,142,213	48,538,950	50,642,858	2,103,908	4.3%
Total Funds	\$ 215,108,612	\$ 228,444,852	\$ 239,873,256	\$ 11,428,404	5.0%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Fiscal Summary
Morgan State University**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 Instruction	\$ 51,029,722	\$ 53,947,500	\$ 55,610,314	\$ 1,662,814	3.1%
02 Research	27,063,255	31,038,225	33,190,439	2,152,214	6.9%
03 Public Service	264,654	584,426	569,391	-15,035	-2.6%
04 Academic Support	19,068,755	21,987,561	22,933,850	946,289	4.3%
05 Student Services	6,243,131	7,078,708	7,183,467	104,759	1.5%
06 Institutional Support	32,545,543	32,691,245	34,922,999	2,231,754	6.8%
07 Operation and Maintenance of Plant	16,895,546	18,491,541	21,148,188	2,656,647	14.4%
08 Auxiliary Enterprise	29,943,767	28,150,626	28,479,710	329,084	1.2%
17 Scholarships and Fellowships	32,054,239	34,475,020	35,834,898	1,359,878	3.9%
Total Expenditures	\$ 215,108,612	\$ 228,444,852	\$ 239,873,256	\$ 11,428,404	5.0%
Unrestricted Fund	\$ 170,966,399	\$ 179,905,902	\$ 189,230,398	\$ 9,324,496	5.2%
Restricted Fund	44,142,213	48,538,950	50,642,858	2,103,908	4.3%
Total Appropriations	\$ 215,108,612	\$ 228,444,852	\$ 239,873,256	\$ 11,428,404	5.0%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.