

R13M00
Morgan State University

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Funds	\$81,603	\$91,060	\$91,601	\$541	0.6%
Adjustments	0	0	-227	-227	
Adjusted General Fund	\$81,603	\$91,060	\$91,375	\$314	0.3%
Special Funds	4,532	2,143	2,235	92	4.3%
Adjusted Special Fund	\$4,532	\$2,143	\$2,235	\$92	4.3%
Other Unrestricted Funds	92,876	98,535	101,343	2,808	2.8%
Adjusted Other Unrestricted Fund	\$92,876	\$98,535	\$101,343	\$2,808	2.8%
Total Unrestricted Funds	179,011	191,738	195,179	3,441	1.8%
Adjustments	0	0	-227	-227	
Adjusted Total Unrestricted Funds	\$179,011	\$191,738	\$194,952	\$3,214	1.7%
Restricted Funds	48,240	50,643	53,519	2,876	5.7%
Adjusted Restricted Fund	\$48,240	\$50,643	\$53,519	\$2,876	5.7%
Adjusted Grand Total	\$227,251	\$242,381	\$248,471	\$6,090	2.5%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- General funds increase by \$0.3 million, or 0.3%, in fiscal 2018 after accounting for the across-the-board pension contingent reduction. However, when including an anticipated transfer of \$1.3 million of Office for Civil Rights enhancement funds from the Maryland Higher Education Commission in fiscal 2018, general funds grow 1.8%, or \$1.65 million.
- The Higher Education Investment Fund increases 4.3%, or \$91,701, in fiscal 2018. Overall, State funds grow 1.9%, or \$1.75 million, over fiscal 2017.

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 16 Actual</u>	<u>FY 17 Working</u>	<u>FY 18 Allowance</u>	<u>FY 17-18 Change</u>
Regular Positions	1,129.00	1,117.00	1,117.00	0.00
Contractual FTEs	<u>492.00</u>	<u>502.00</u>	<u>502.00</u>	<u>0.00</u>
Total Personnel	1,621.00	1,619.00	1,619.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	54.84	4.91%
Positions and Percentage Vacant as of 12/31/16	63.00	5.64%

- The fiscal 2018 allowance does not provide any new regular positions. However, Morgan State University (MSU) has personnel autonomy and may create new positions during the fiscal year. In fiscal 2017 year-to-date, there are 12.0 fewer regular positions than in the original appropriation

Analysis in Brief

Major Trends

Enrollment: Total undergraduate enrollment grew 0.7%, or 43 students, in fall 2016. After declining 6.7%, or 287 students, from fall 2013 to 2015, the number of continuing students increased 3.6%, or 142 students, in fall 2016.

Student Performance: Overall, since the 2010 cohort, the second-year retention rate has exceeded 70.0% with the 2013 cohort attaining the highest rate of 75.1%. The six-year graduation rate declined from 34.9% with the 2007 cohort to 33.6% with the 2009 cohort.

Research Expenditures and Earned Doctorates: Between fiscal 2012 and 2015, research and development expenditures related to the Department of Defense awards increased from \$0.5 million to \$3.0 million. However, in fiscal 2015, total expenditures decreased 9.5% to \$12.8 million. The increase in the number of earned research doctorates from 2013 to 2015 is primarily related to the number of non-science degrees increasing from 19 to 30 degrees.

Issues

Meeting College Expenses: In fiscal 2017, total expenditures on institutional financial aid increased 11.5%, or 1.5 million, due to enhancement funds that were provided specifically to increase need-based aid expenditures above that spent in fiscal 2016. In fiscal 2018, there is no increase in spending on institutional aid. In 2014, 82.0% of students graduated with an average debt of \$35,568, above the national and State averages for public four-year institutions of \$27,022 and \$26,413, respectively.

Recommended Actions

	<u>Funds</u>
1. Reduce current unrestricted (general) funds	\$ 43,344
Total Reductions	\$ 43,344

Updates

Faculty Workload: Annual language in the Joint Chairmen’s Report (JCR) required 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 include adjuncts, instructors, and lecturers. The number of course units taught by tenured/tenure-track faculty increased from 6.7 units in fiscal 2015 to 7.0 units in fiscal 2016.

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Strategy to Enhance Funding Guideline Attainment: Language in the JCR required MSU to submit a report on a multi-year strategy to enhance the university’s funding guideline attainment. MSU requested that its funding guideline attainment goal be increased from the eightieth to the one-hundredth-and-twenty-fifth percentile and identified \$100 million in additional funding needs for the next five years.

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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 2016 Undergraduate Enrollment Headcount

Male	2,944
Female	3,418
Total	6,362

Fall 2016 Graduate Enrollment Headcount

Male	667
Female	660
Total	1,327

Fall 2016 New Students Headcount

First-time	1,141
Transfers/Others	487
Graduate	288
Total	1,916

Campus (Main Campus)

Acres	143
Buildings	38
Average Age	32 years
Oldest	Carnegie Hall – 1919

Programs

Bachelor’s	45
Master’s	37
Doctoral	15

Degrees Awarded (2015-2016)

Bachelor’s	902
Master’s	253
Doctoral	48
Total Degrees	1,203

Proposed Fiscal 2018 In-state Tuition and Fees*

Undergraduate Tuition	\$5,264
Mandatory Fees	\$2,501

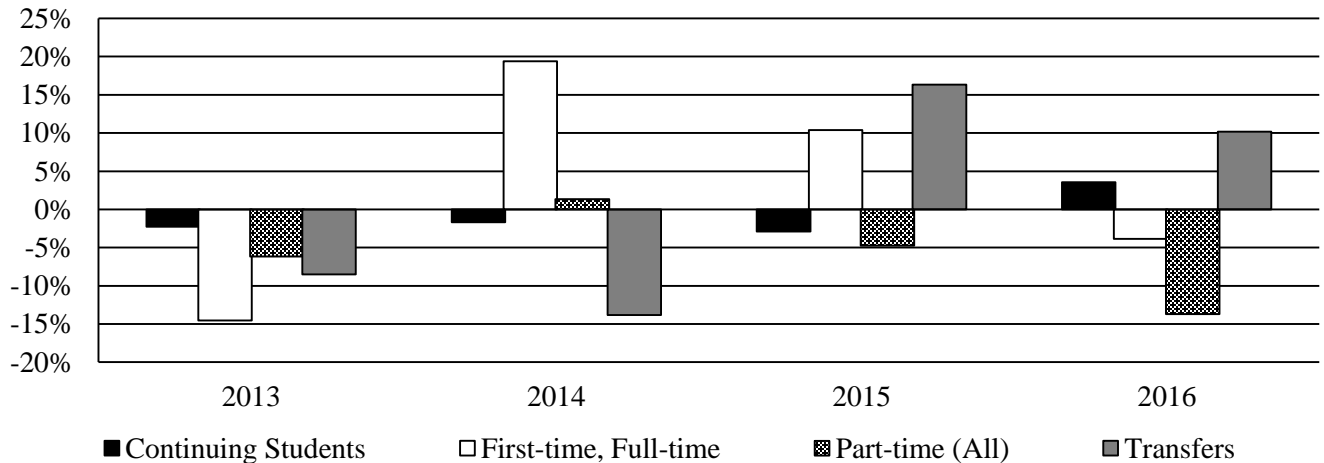
*Contingent on Board of Regents approval.

Performance Analysis

1. Enrollment

Total undergraduate enrollment grew 0.7%, or 43 students, in fall 2016. After declining 6.7%, or 287 students, from fall 2013 to 2015, the number of continuing students increased 3.6%, or 142 students in fall 2016, as shown in **Exhibit 1**, indicating programs to improve student retention are proving to be successful. The number of transfer students also increased 10.2%, or 45 students. After a 31.8% increase in the number of first-time, full-time (FT/FT) students in fall 2014 and 2015 combined, MSU experienced a 3.9% decline in their numbers in fall 2016.

Exhibit 1
Percentage Change Undergraduate Headcount Enrollment
Fall 2013-2016



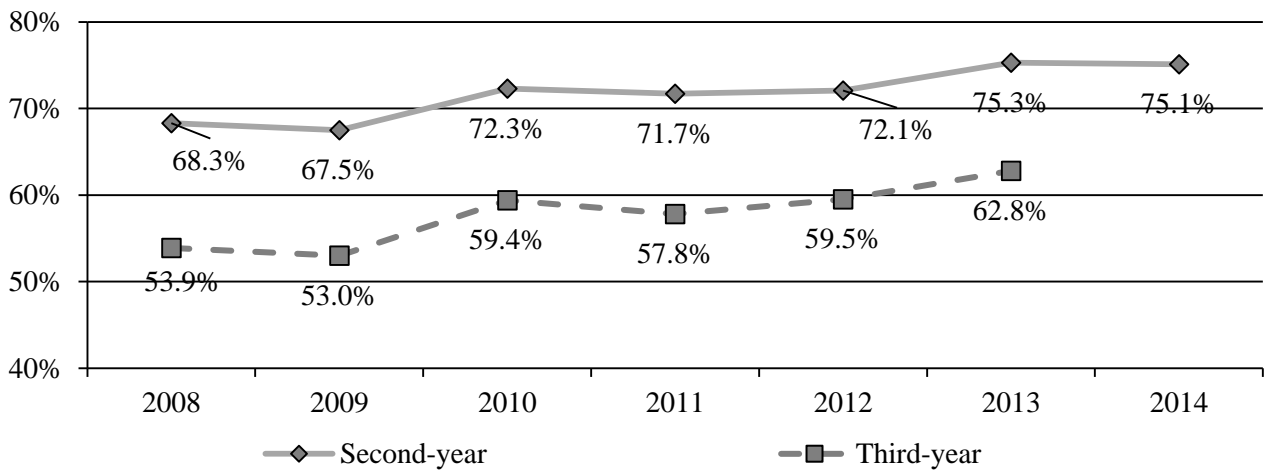
Source: Morgan State University

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 students are most likely to drop out during their first year, the second-year retention rate provides an indication if retention strategies are working or if further investigation is needed to identify areas of improvement. Overall, beginning with the 2010 cohort, the second-year retention rate has exceeded 70.0%, as shown in **Exhibit 2**, with the 2013 cohort attaining the highest rate of 75.3%. The rate slightly decreased to 75.1% with the 2014 cohort. Since the 2011 cohort, the third-year retention

rate improved 5.0 percentage points from 57.8% to 62.8% with the 2014 cohort, the highest level since at least the 1994 cohort.

Exhibit 2
Second- and Third-year Retention Rates
First-time, Full-time 2008-2014 Cohorts



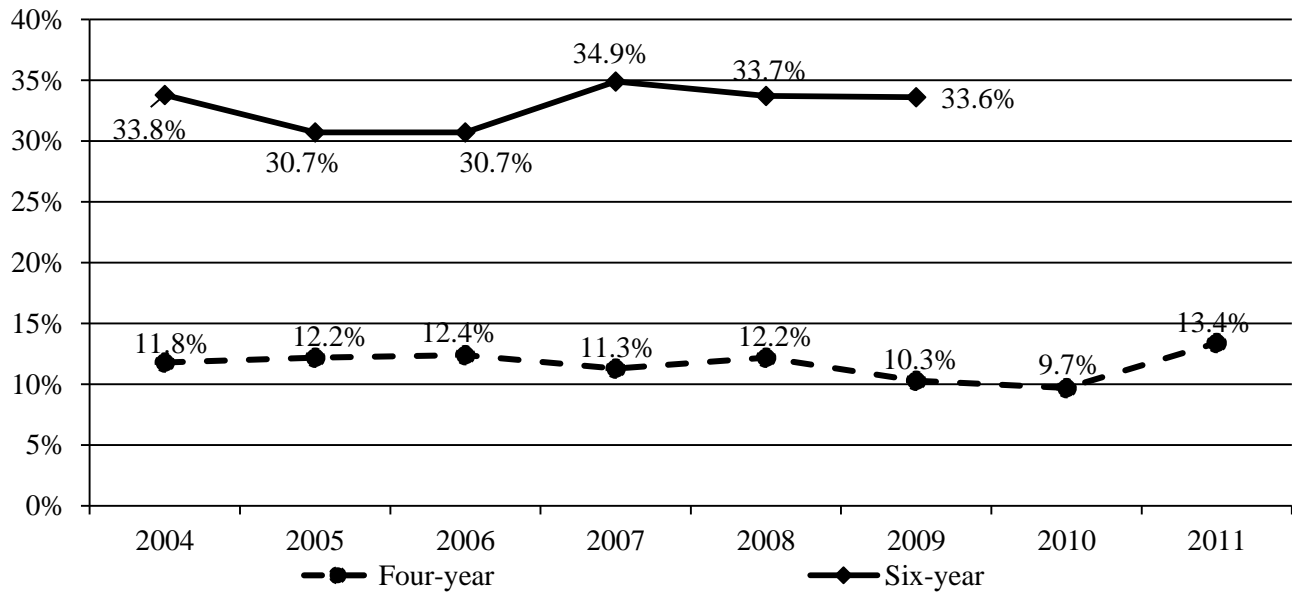
Note: Percentages represent first-time, full-time students who remained enrolled at the same institution in the subsequent fall semesters.

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

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 the MSU Annual Faculty Workload report, the average number of semesters to graduate for those entering in 2010 was 9.5 semesters (a little under five years), up from 9.3 semesters for 2009. However, the graduation rate remains 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 includes those who transferred and graduated from another Maryland institution. After falling to its lowest point of 9.7% with the 2010 cohort, the four-year graduation rate spiked to the highest level of 13.4% with the 2011 cohort. Interestingly, as shown in Exhibit 2, while there was a significant improvement in the retention rate of the 2010 cohort students, this did not translate into an increase in the four-year graduation rate. Also of interest, while the retention rate of the 2011 cohort declined, this cohort achieved the highest four-year graduation rate. The six-year graduation rate for the past two cohorts declined from 34.9% for the 2007 cohort to 33.6% for the 2009 cohort, a decline of 1.2 percentage points.

**Exhibit 3
Graduation Rates of First-time, Full-time Undergraduate Students
2004-2011 Cohorts**

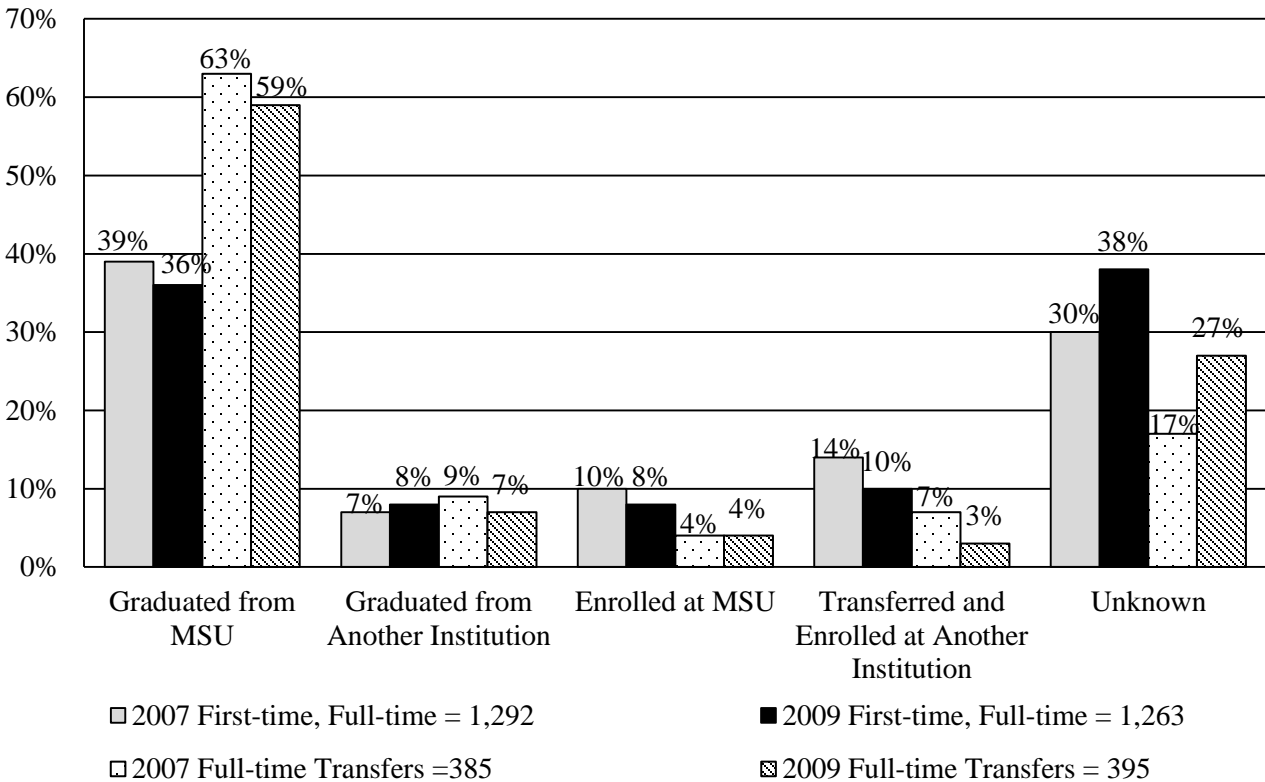


Note: Percentages include first-time, full-time students who persisted at and graduated from the institution that they initially enrolled in and those who transferred and graduated from any Maryland public or private four-year institution.

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

Traditional retention and graduation rates only measure the progress of FT/FT cohorts that include students who are enrolled at the institution at the start of the academic year, are continuously enrolled as full-time students, and may transfer and graduate at another Maryland institution. These measures do not account for students who enroll in multiple institutions, particularly out-of-state students, those students who stopped 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, 59% compared to 36% for the 2009 cohorts. However, the graduation rates of the 2009 cohorts of transfers and FT/FT students declined 4 and 3 percentage points, respectively, from that of the 2007 cohort. Furthermore, the status is not known for 38% of the 2009 FT/FT students, exceeding the graduation rate of 36%. The number of transfer students whose status is unknown increased by 10 percentage points from the 2007 cohort (17%) to the 2009 cohort (27%).

Exhibit 4
Status of First-time, Full-time Transfers Seeking a Bachelor’s Degree within
Six Years
Fall 2007 and 2009 Cohorts



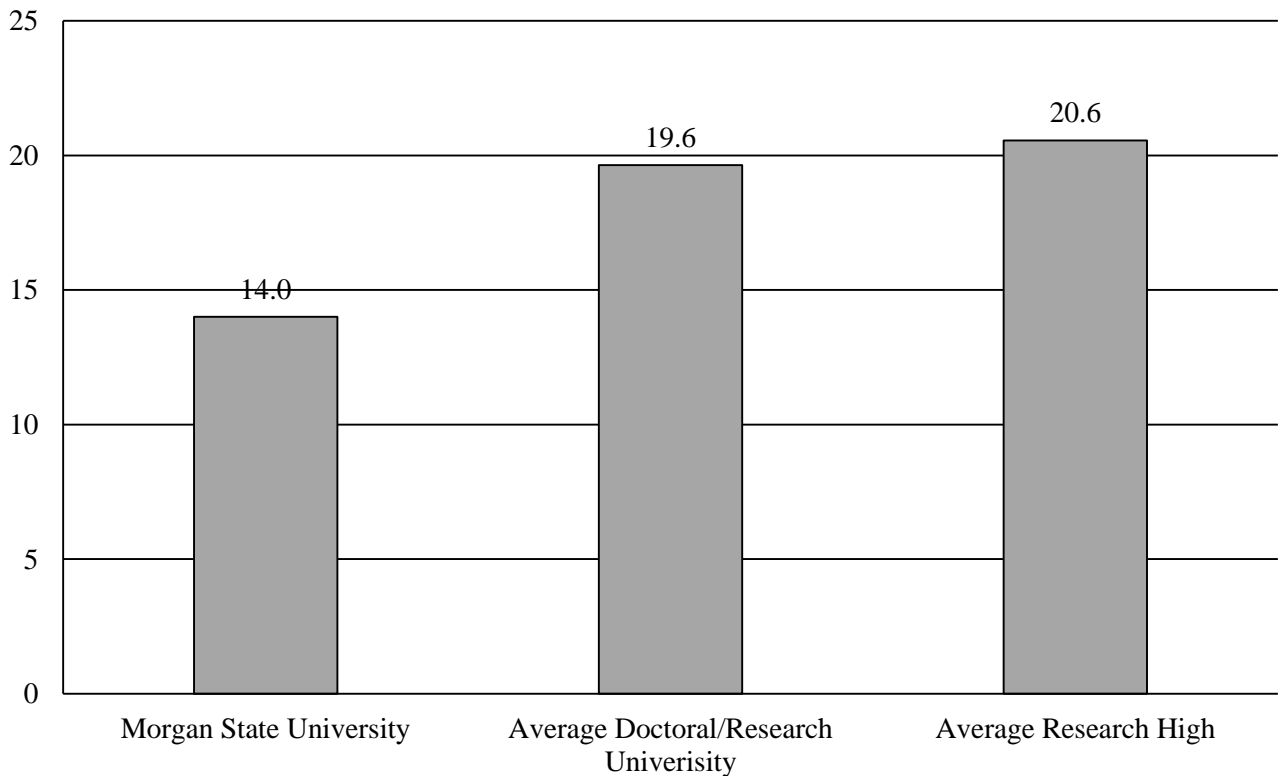
MSU: Morgan State University

Note: First-time, full-time cohort includes full-time students who transferred into MSU.

Source: Student Achievement Measures

Ultimately, how well an institution meets its academic mission is measured by the number of undergraduate degrees awarded. The number of undergraduate degrees awarded per 100 full-time equivalent students (FTES) shows how effectively institutions turn degree-seeking students into degree holders. **Exhibit 5** compares the three-year average of MSU’s ratio to an average of its funding peers, by Carnegie classification: 5 with the classification of doctoral/research university (DRU) and 15 with the classification of research high (RH). Depending on the institution, the optimal value is 25.0 but would be higher for those who mainly offer upper-division programs or have a relatively high number of transfer students. Overall, MSU’s ratio at 14.0 degrees is below the average of institutions in either classification: 19.6 degrees for DRU and 20.6 for RH institutions.

Exhibit 5
Comparison of Three-year Average of Undergraduate Degrees per 100 Undergraduate Full-time Equivalent Students to Funding Peers Academic 2011-2013

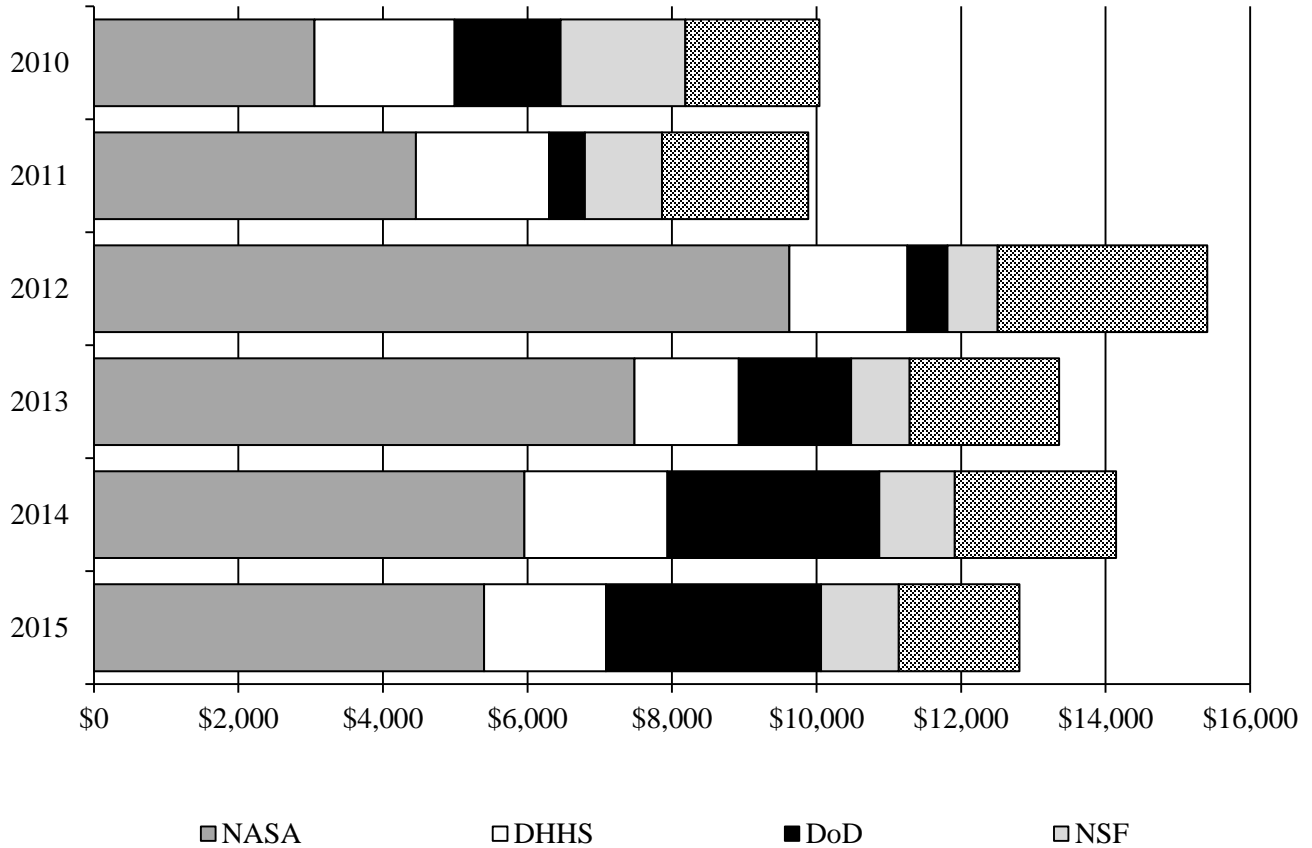


Source: Chronicle of Higher Education, College Completion

3. 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 also the capacity to pursue research that attracts and retains faculty. As shown in **Exhibit 6**, federal research and development (R&D) expenditures in fiscal 2012 increased 55.9%, primarily due to a five-year grant from the National Aeronautics and Space Administration (NASA). However, since fiscal 2012, NASA expenditures fell 43.9%, from \$9.6 million to \$5.4 million in fiscal 2015. During this time period, Department of Defense-related expenditures significantly increased from \$0.5 million to \$3.0 million. In fiscal 2015, total expenditures decreased 9.5% to \$12.8 million. In terms of total federal R&D expenditures in fiscal 2015, MSU ranked 298 out of 905 institutions according to the National Science Foundation (NSF).

Exhibit 6
Research and Development Expenditures
Fiscal 2010-2015
(\$ in Thousands)

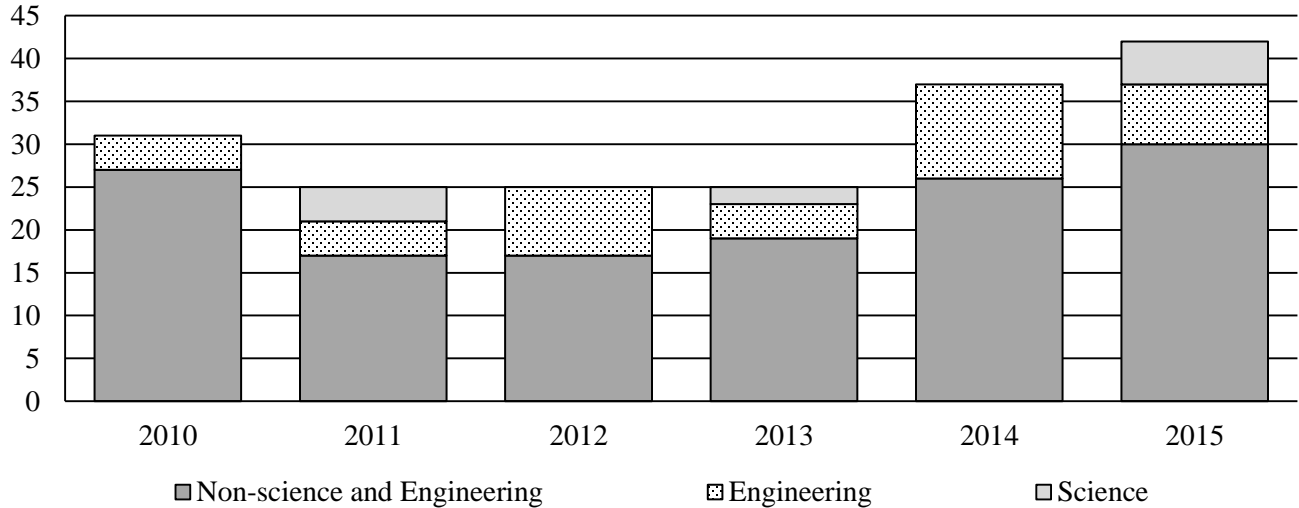


DHHS: Department of Health and Human Services
 DoD: Department of Defense
 NASA: National Aeronautics and Space Administration
 NSF: National Science Foundation

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. From 2011 to 2013, the number of research doctorates remained flat at 25; as shown in **Exhibit 7**, the number of degrees increased to 42 in calendar 2015. The increase in degrees from calendar 2013 to 2015 is primarily related to the number of non-science degrees increasing from 19 to 30 degrees. According to NSF, MSU ranked 220 out of 428 institutions in the number of earned doctorates in calendar 2015.

**Exhibit 7
Number of Earned Research Doctorate Degrees
Calendar 2010-2015**



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 Center for Science and Engineering Statistics, *Survey of Earned Doctorates*

Fiscal 2017 Actions

Cost Containment

The November 2016 Board of Public Works action resulted in a 1%, or \$1 million, reduction in MSU’s fiscal 2017 appropriation. This was met by eliminating 7 vacant staff and faculty positions, totaling \$975,000 and \$29,000 in energy cost savings.

Proposed Budget

As shown in **Exhibit 8**, the general fund allowance for fiscal 2018 is 1.8%, or \$1.7 million, higher than fiscal 2017 after adjusting for an anticipated transfer of funds from the Maryland Higher Education Commission and the across-the-board contingent pension reduction in fiscal 2018. The Higher Education Investment Fund (HEIF) increases by 4.3%, or \$91,701, in fiscal 2017. Overall, State funds grow 1.9%, or \$1.7 million, to \$95.0 million. Other unrestricted funds grow 2.8%, or \$2.8 million, primarily due to tuition and fee revenues increasing \$2.2 million.

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

	FY 2016	FY 2017	FY 2018	FY 2017-18	% Change
	<u>Actual</u>	<u>Adjusted</u>	<u>Adjusted</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$81,603	\$89,404	\$91,601		
Transfer from MHEC	0	1,656	1,341		
Across-the-board Reduction	0	0	-227		
Total General Funds	81,603	91,060	92,716	1,655	1.8%
Higher Education Investment Fund	4,532	2,143	2,235	92	4.3%
Total State Funds	86,135	93,203	94,950	1,747	1.9%
Other Unrestricted Funds	92,876	98,535	101,343	2,808	2.8%
Total Unrestricted Funds	179,011	191,738	196,293	4,555	2.4%
Restricted Funds	48,240	50,643	53,519	2,876	5.7%
Total Funds	\$227,251	\$242,381	\$249,811	\$7,430	3.1%

MHEC: Maryland Higher Education Commission

Note: Fiscal 2017 general funds are adjusted to reflect the transfer of Office for Civil Rights (OCR) enhancement funds from MHEC. Fiscal 2018 general funds are adjusted to reflect the anticipated transfer of OCR enhancement funds from MHEC and an across-the-board reduction.

Source: Department of Legislative Services; Governor’s Budget Books, Fiscal 2018

The fiscal 2018 allowance includes \$0.7 million in general funds to hold resident undergraduate tuition rate increases to 2.0%. Also included is \$1.0 million mandated in Chapter 713 of 2016 to enhance MSU’s Office of Technology Transfer and increase its capacity to transfer technology to the marketplace. The fiscal 2018 budget bill includes a \$54.5 million (all funds) across-the-board contingent reduction for a supplemental pension payment. Annual payments are mandated for fiscal 2017 through 2020 if the Unassigned General Fund balance exceeds a certain amount at the close of the fiscal year. MSU’s share of this reduction is \$0.2 million in general funds. This action is tied to a provision in the Budget Reconciliation and Financing Act of 2017.

Budget changes by program area in the allowance are shown in **Exhibit 9**. This data includes unrestricted funds only, the majority of which consist of general funds, the HEIF, and tuition and fee revenues. Education and general (E&G) expenditures increase 10.9%, or \$16.0 million, in fiscal 2017. Public service grows at the highest rate of 57.6%, or \$0.2 million, which is related to the opening of the Lillie Carrol Jackson museum. Expenditures on operations and maintenance of plant grow 19.4%,

Exhibit 9
Morgan State University Budget Changes for Unrestricted Funds by Program
Fiscal 2016-2018
(\$ in Thousands)

	<u>FY 2016</u>	<u>Adjusted Working FY 2017</u>	<u>% Change FY 16-17</u>	<u>Adjusted 2018</u>	<u>\$ Change FY 17-18</u>	<u>% Change FY 17-18</u>
Expenditures						
Instruction	\$51,836	\$55,294	6.7%	\$56,619	\$1,325	2.4%
Research	998	1,063	6.6%	1,161	97	9.2%
Public Service	361	569	57.6%	577	7	1.3%
Academic Support	20,234	21,312	5.3%	21,807	495	2.3%
Student Services	7,019	7,125	1.5%	7,288	164	2.3%
Institutional Support	34,792	39,956	14.8%	40,273	317	0.8%
Operation and Maintenance of Plant	16,367	19,535	19.4%	20,078	543	2.8%
Scholarships and Fellowships	15,663	18,461	17.9%	18,461	0	0.0%
Across-the-board Reductions				-227		
Funds Specific to HBCUs				1,341		
Subtotal Education and General	\$147,269	\$163,315	10.9%	\$167,378	\$4,063	2.5%
Auxiliary Enterprises	\$31,742	\$28,423	-10.5%	\$28,915	\$492	1.7%
Total	\$179,011	\$191,738	7.1%	\$196,293	\$4,555	2.4%
Revenues						
Tuition and Fees	\$59,071	\$60,470	2.4%	\$62,663	\$2,193	3.6%
General Funds	81,603	91,060	11.6%	92,716	1,655	1.8%
Higher Education Investment Fund	4,532	2,143	-52.7%	2,235	92	4.3%
Other Unrestricted Funds	5,702	5,745	0.7%	5,487	-258	-4.5%
Subtotal	\$150,908	\$159,418	5.6%	\$163,100	\$4	2.3%
Auxiliary Enterprises	\$32,107	\$32,320	0.7%	\$33,193	\$873	2.7%
Transfers (to) from Fund Balance	-4,004	0		0		
Total	\$179,011	\$191,738	7.1%	\$196,293	\$4,555	2.4%

HBCU: Historically Black Colleges and Universities

Note: Fiscal 2018 general funds adjusted by \$0.2 million to reflect across-the-board reductions and by \$1.3 million for the anticipated transfer of Office for Civil Rights enhancement funds from the Maryland Higher Education Commission.

Source: Department of Legislative Services; Governor's Budget Books, Fiscal 2018

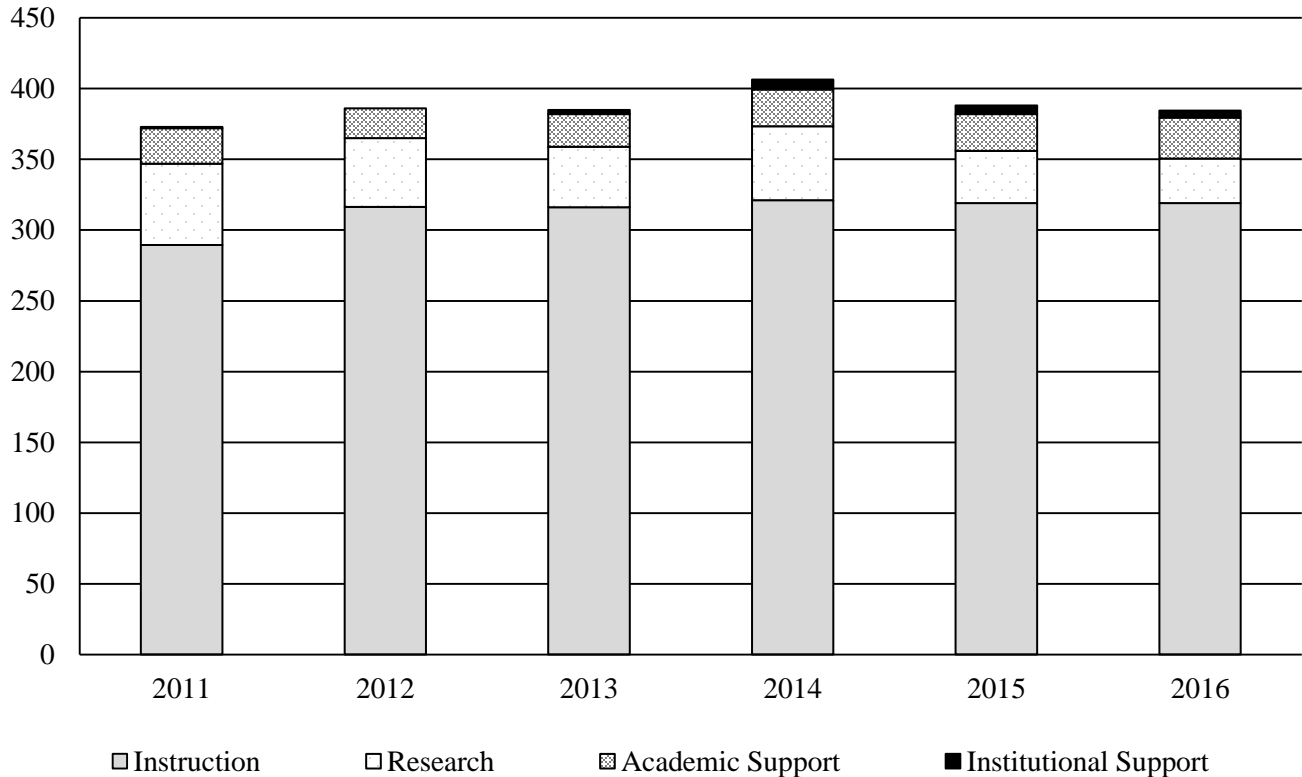
or \$3.2 million, due to personnel costs (\$1.3 million), encumbrances (\$1.0 million), and utilities (\$0.9 million). Spending on institutional support increases by 14.8%, or \$5.2 million, and is related to personnel costs (\$2.5 million), Office for Civil Rights enhancement funds (\$1.7 million), and a lease purchase associate with upgrading the network (\$1.0 million). Instruction grows 6.7%, or \$3.5 million, due to personnel costs (\$2.4 million) and 11 new faculty positions (\$1.1 million). The 10.5%, or \$3.3 million, decline in auxiliary spending is primarily related to various one-time deferred maintenance projects completed in fiscal 2016, including roof replacement, renovation of resident halls, and construction of a new space for student food service. In fiscal 2018, E&G expenditures grow 2.5%, or \$4.1 million, with increases in all program areas, primarily related to increased personnel costs. It should be noted that MSU is not increasing expenditures on scholarships and fellowships in fiscal 2018, despite an increase in tuition and enrollment.

In fiscal 2017 and 2018, E&G expenditures exceed revenues by \$3.9 million and \$4.3 million, respectively. In order to cover this shortfall, MSU will have to use all of its surplus auxiliary revenues. Since auxiliary enterprises are self-supporting, they typically generate a profit, which is generally transferred to the fund balance to be used to fund future projects, such as renovations and construction of auxiliary-related facilities. In times when E&G revenues may not cover academic expenses, institutions will use excess auxiliary revenues to help offset the shortfalls. Using all available unrestricted funds to cover E&G expenses and not increasing spending on scholarships raises concerns about MSU's financial situation and if MSU has taken efforts to identify not only operational but academic efficiencies that will help students graduate in a timely manner. **The President should comment if MSU has undertaken efforts to identify administrative and academic efficiencies and, if so, what actions have or will be taken to not only achieve cost savings but reduce the cost of a degree.**

Personnel Trends

Over the past five years, the total number of filled positions increased 2.1% (21.5 full-time equivalents (FTE)). As shown in **Exhibit 10**, faculty increased from 373.0 FTEs in 2011 to 406.5 FTEs in 2014 and subsequently declined to 384.5 FTEs in 2016. During this time, there was a 2.0 FTE decline in instructional faculty. It should be noted that in fiscal 2014, MSU received \$2.2 million in enhancement funds to convert positions and add faculty. MSU stated that in September 2013, it converted 15.0 contractual staff positions to regular positions and identified 30.0 faculty positions that were either new or were to be converted. Between 2013 and 2016, the number of filled instructional faculty positions increased by only 3.0 FTEs from 316.2 to 319.2, respectively. **The President should comment on why the number of filled positions only increased by 3.0 FTEs when MSU was provided with the funds to hire an additional 30.0 instructional faculty.**

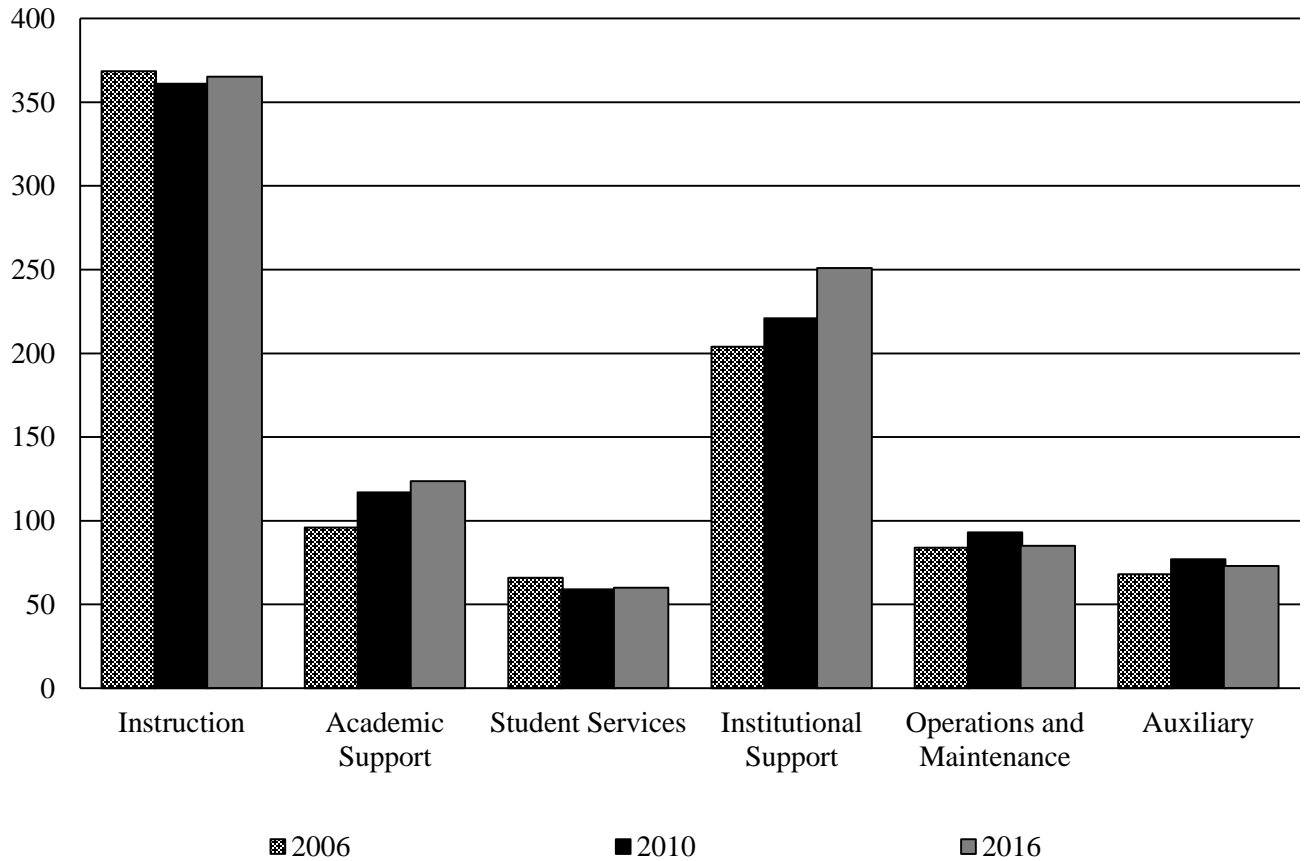
**Exhibit 10
Total Filled Faculty Positions by Program Area
October 2011-2016**



Source: Morgan State University

Exhibit 11 shows changes in the number of filled positions by program area, excluding research and public service, before (2006), during (2010), and after the most recent recession (2016). During the recession, the number of positions in instruction and student services declined by 2.0% and 10.6%, respectively, while academic support increased 21.9% (21 FTEs) and institutional support grew by 8.3% (17 FTEs). In 2016, the number of filled faculty positions is almost equivalent to 2006, while over the same time period, institutional support, which includes positions related to management of the institution, increased 21.3% (47 FTEs). Since 2010, the number of filled positions in operations and maintenance of plant and auxiliary declined 8.6% and 5.2%, respectively, despite an enrollment growth of 13.8%. The decline in operations and maintenance of plant raises concerns about MSU maintaining its facilities, particularly with the opening of two new facilities. **The President should comment on the institution’s priorities in filling positions and in particular, the personnel decline associated with operations and maintenance of plant between fiscal 2010 and 2016 despite the opening of new facilities.**

Exhibit 11
Filled Positions by Program Area
October 2006, 2010, and 2016

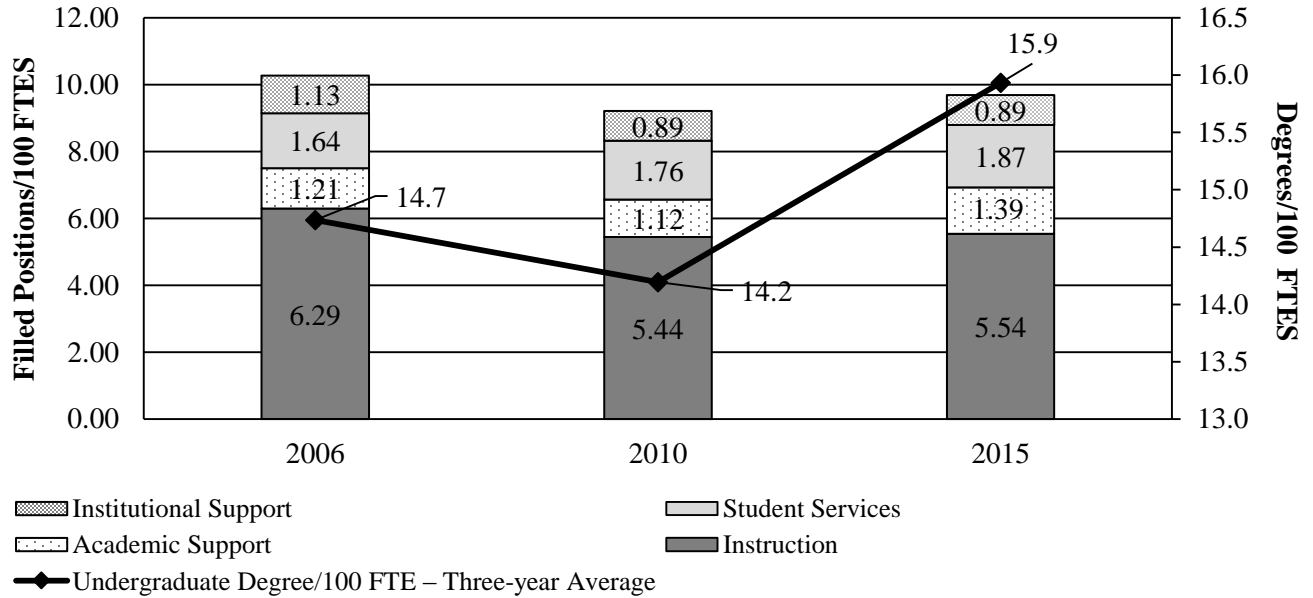


Source: Morgan State University

Exhibit 12 considers the impact academic-related positions have on an institution’s performance by comparing the number of filled positions on a per 100 undergraduate FTES basis to the three-year average of the number of undergraduate degrees awarded per 100 undergraduate FTES. Positions in all academic-related areas declined from 10.3 FTEs in 2006 to 9.2 FTEs in 2010, which is expected due to low rate of growth in positions compared to 8.0% enrollment growth. During this time period, faculty per FTES declined from 6.3 FTEs to 5.4 FTEs, which appears to have impacted MSU’s degree completions, which declined from 14.7 degrees per 100 undergraduate FTES in 2006 to 14.2 degrees in 2010. In 2015, academic positions per FTES increased in all program areas except institutional support, which remained unchanged. This is due to the growth in filled positions of 6.0% exceeding enrollment growth of 5.3% between 2010 and 2015. The significant improvement in degrees

awarded per FTE in fiscal 2015 suggests that factors beyond the modest growth in staffing contributed to the improvement.

Exhibit 12
Academic-related Positions per 100 Undergraduate Full-time Equivalents
Compared to Undergraduate Degrees Awarded Per FTES
Fiscal 2006, 2010, and 2015



FTE: full-time equivalent
 FTES: full-time equivalent student

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

Issues

1. 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 \$15,407 in fiscal 2016 compared to the list price of \$23,949 (based on tuition, mandatory fees, 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 35.7% reduction in the net cost of attendance. For those with a family income of up to \$30,000, the average net price was \$13,209 in fiscal 2016.

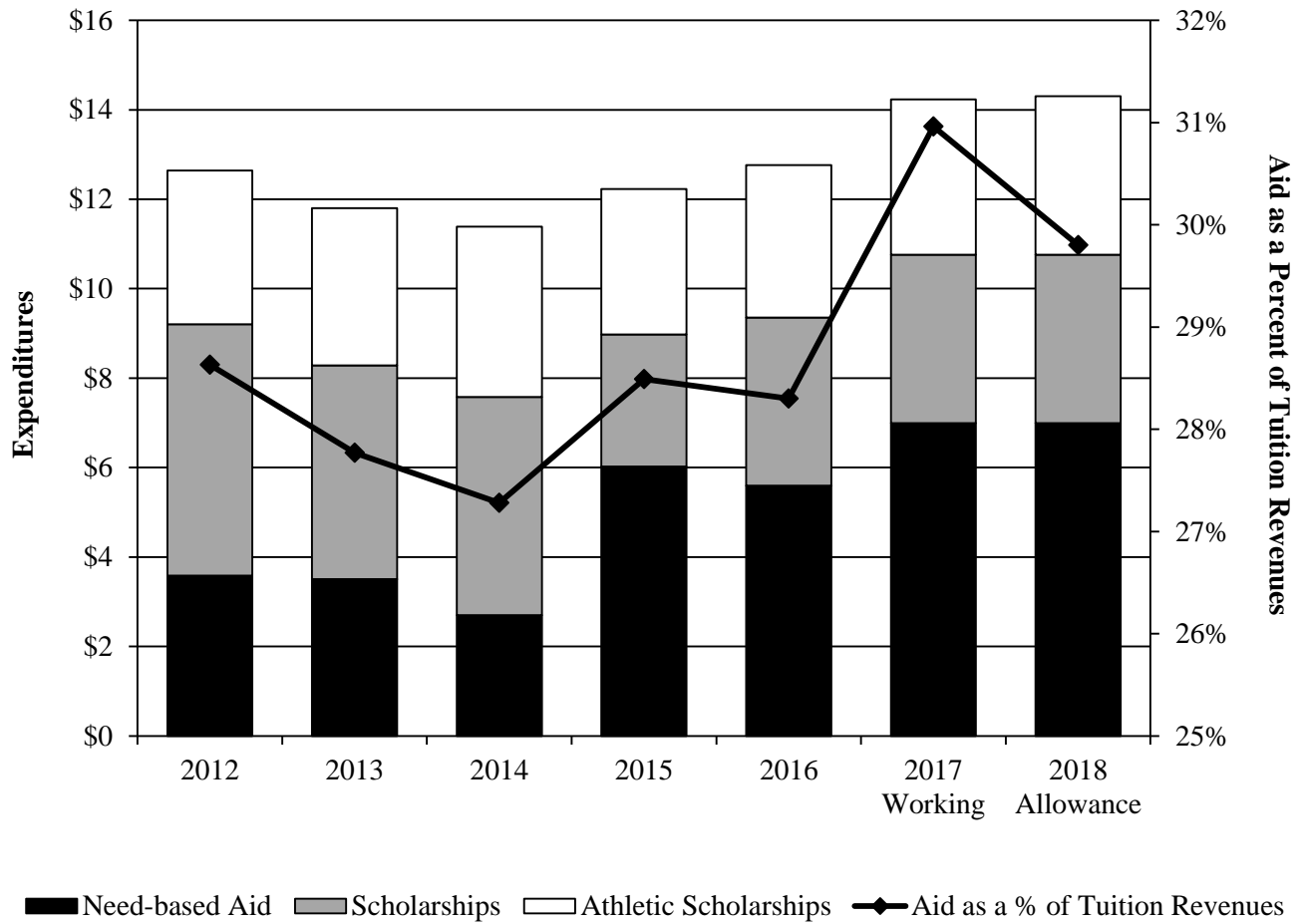
In fiscal 2016, 59.1% of MSU's undergraduate students received Pell awards, which are given to those who otherwise could not afford college and have an expected family contribution (EFC) of less than a specific amount, which was \$5,815 in fiscal 2016. EFC is an indicator of the amount that a family is able to contribute for a student's college education: the lower the EFC, the greater the financial aid.

Total spending on institutional financial aid declined by \$1.3 million from fiscal 2012 to 2014, as shown in **Exhibit 13**. In fiscal 2014, spending on need-based aid declined by \$0.8 million despite a fiscal 2014 supplemental budget that provided \$738,000, specifically to increase expenditures on need-based aid above the amount spent in fiscal 2013. MSU stated it did not use the funds on need-based aid but rather to increase expenditures on other aid programs targeting needy students and used \$0.3 million to cover other operating expenditures. In fiscal 2015 and 2016, there was a shift in the portion of institutional aid going to need-based aid, with spending on need-based aid increasing \$2.9 million while scholarships and athletic scholarships decreased by \$1.5 million. In fiscal 2017, total expenditures increased 11.5%, or \$1.5 million, due to enhancement funds that were provided specifically to increase need-based aid expenditures above that spent in fiscal 2016. Restrictive language was added to the appropriation of \$1,443,344 to ensure the funds were used as intended. However, according to MSU, \$43,344 of the appropriation was used to fund athletic scholarships. In fiscal 2018, there is no increase in spending on need-based or institutional aid.

Since MSU did not use the \$43,344 for its intended purpose of increasing need-based aid expenditures, the Department of Legislative Services (DLS) recommends reducing MSU's general fund appropriation by the amount spent on athletic scholarships.

The President should comment on why the additional funds provided in fiscal 2017 to increase expenditures on need-based aid were not used for its intended purpose and why spending on need-based aid and scholarships does not increase in fiscal 2018, despite an increase in tuition and continued enrollment growth.

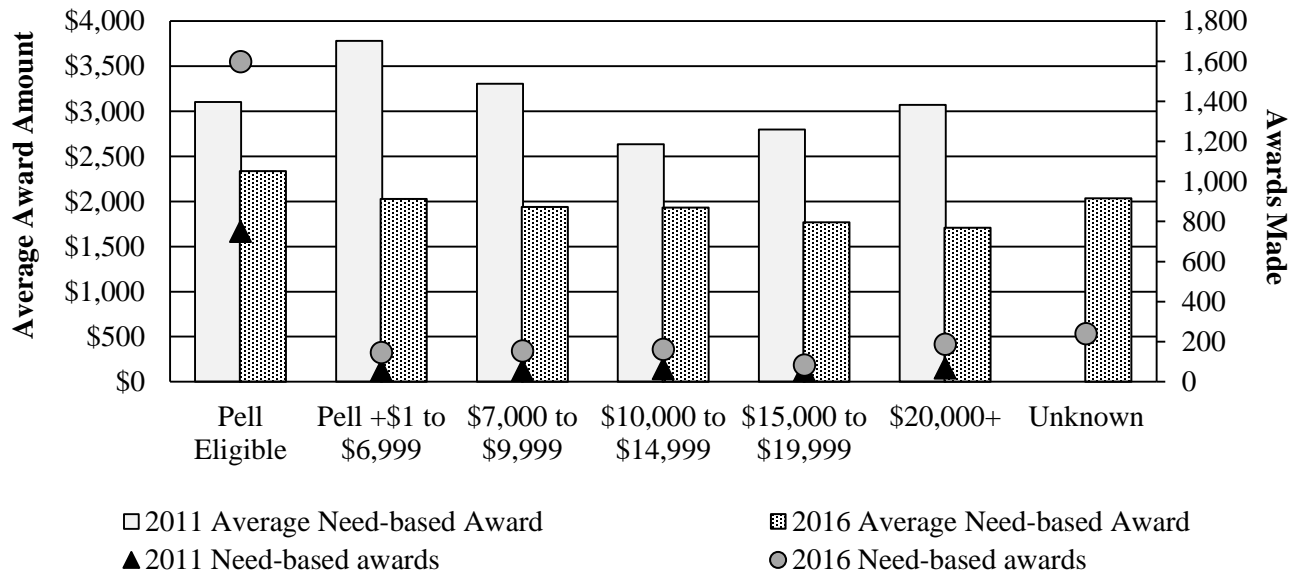
Exhibit 13
Institutional Aid: Total Aid and Aid as a Percentage of Undergraduate Tuition Revenues
Fiscal 2012-2018
(\$ in Millions)



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

Exhibit 14 compares how MSU has distributed need-based aid between fiscal 2011 and 2016. While the total number of awards more than doubled during the time period, the average amount of the award decreased, on average, by 36.7%. For example, while an additional 849 awards were made to Pell-eligible students, the average award decreased by \$768. However, the portion of awards going to Pell-eligible students declined from 71.7% in fiscal 2011 to 68.6% in fiscal 2016. In addition, in fiscal 2016, 240 students whose EFC was unknown (those who did not file a Free Application for Federal Student Aid, also known as FAFSA) received the second highest average award of \$2,036, while in fiscal 2011, no need-based aid was awarded to these students.

Exhibit 14
Comparison of Number and Average Amount of Need-based
Aid Received Per Recipient
Fiscal 2011 and 2016



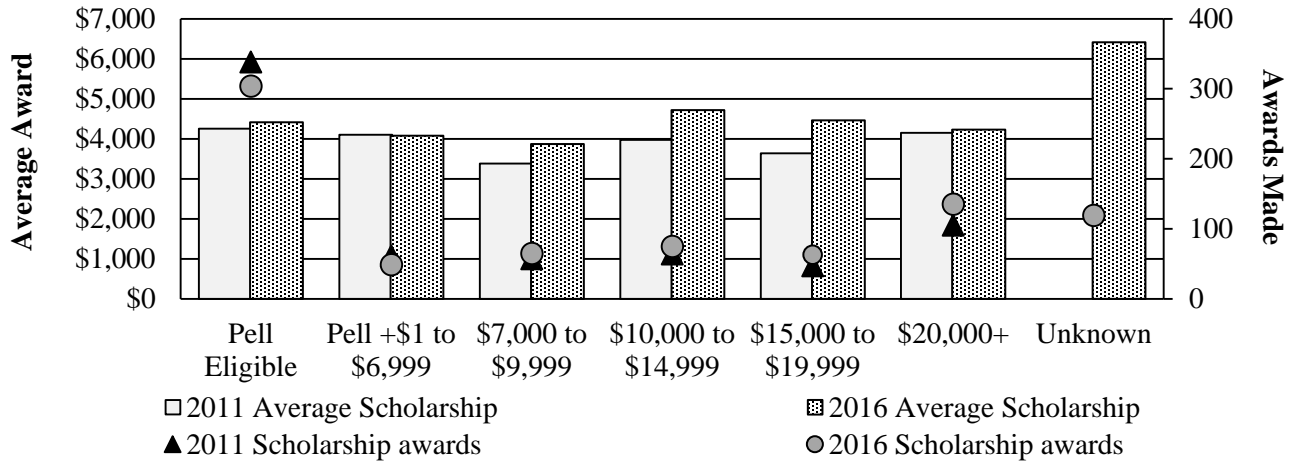
Source: Morgan State University

Conversely, in the same time period, the average amount of scholarship awards increased across all EFC categories except for those with an EFC of Pell +\$1 to \$6,999, as shown in **Exhibit 15**. While the number of awards increased 20.5%, or 138, fewer awards went towards those with the lowest EFC. Students whose EFC was unknown received the highest average award of \$6,412. The portion of awards going to Pell-eligible students declined from 50.1% in fiscal 2011 to 37.5% in fiscal 2016.

While students with the greatest financial need typically receive Pell and institutional aid, it is not enough to cover the cost of attending 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:

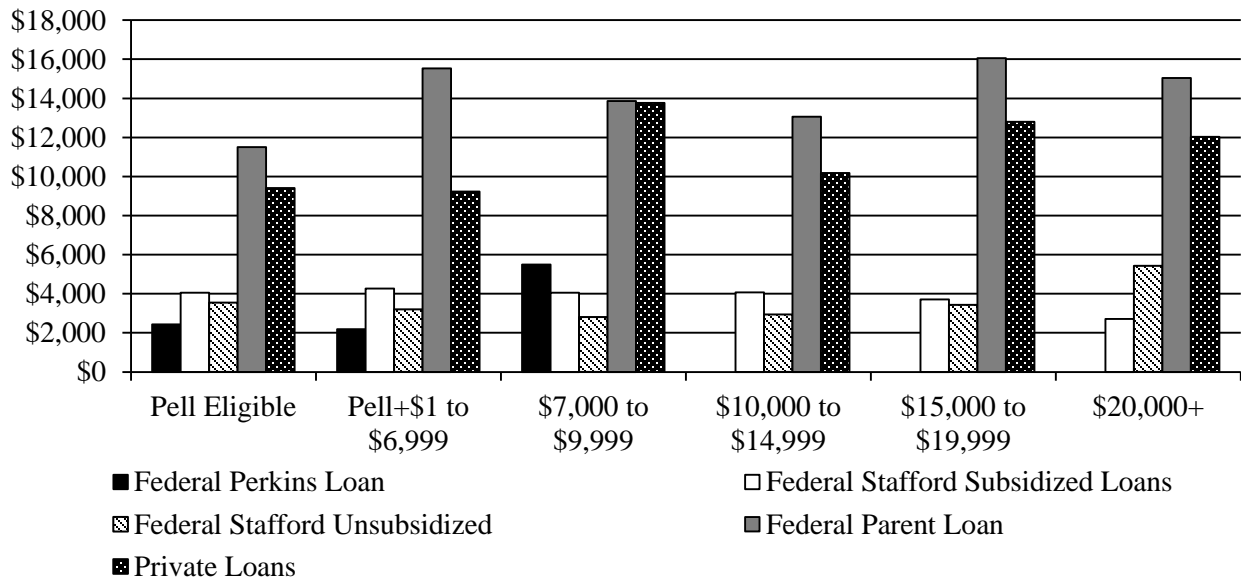
- federal subsidized loans. These are based on financial need, with the government paying the interest while the student is enrolled in school (Perkins and Stafford loans);
- federal unsubsidized loans. These are generally for those who do not demonstrate financial need with interest added to the balance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

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



Source: Maryland Higher Education Commission; Morgan State University

Exhibit 16
Mean Loan Amount by Type and Expected Family Contribution
Fiscal 2016



Source: Morgan State University

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In fiscal 2016, of the 3,759 Pell-eligible students, 83.5% and 89.7% used subsidized and unsubsidized loans, respectively, to help pay for their college education with average loans of \$4,049 and \$3,549. However, 3.0% of the Pell-eligible students took out private loans and, on average, borrowed \$9,409. 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 \$15,000 to \$19,999 taking out the highest average loan of \$16,065.

According to College Insight, the percentage of students graduating with debt from MSU increased from 68.0% to 82.0% between fiscal 2009 and 2014. This is higher than the national average of 61.0% and the State average of 56.0% for public four-year institutions. While the average debt of a graduate decreased 1.3% from \$36,045 to \$35,568 between fiscal 2009 and 2014, it is still above the national and State averages for public four-year institutions of \$27,022 and \$26,413, respectively. This level of indebtedness and the high percentage of Pell-eligible students who took out unsubsidized federal loans compared to subsidized loans raises concerns about the financial guidance that MSU provides to its students. **The President should comment on efforts to educate and guide students in making financial decisions regarding how to pay for college.**

Recommended Actions

	<u>Amount Reduction</u>
1. Reduce the current unrestricted (general) fund appropriation by the amount not spent on institutional need-based financial aid, as required by restrictive language in the fiscal 2017 budget.	\$ 43,344 UF
Total Unrestricted Fund Reductions	\$ 43,344

Updates

1. Faculty Workload

Annual language in the *Joint Chairmen’s Report* (JCR) required MSU to submit a report on the instructional workload of tenured and tenure-track faculty. While previous reports focus on tenured/tenure-track faculty, DLS requested data be included on full- and part-time nontenured/nontenure-track faculty, which include adjuncts, instructors, and lecturers that institutions have increasingly relied on over the years. As shown in **Exhibit 17**, these faculty comprised 61.9% of the faculty in fiscal 2016, an increase from 57.0% in fiscal 2015.

Exhibit 17
Instructional Faculty by Type
Fiscal 2014-2016

	2014		2015		2016	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Tenured/Tenure Track	291	41.5%	311	43.0%	298	38.1%
Full-time Nontenured/Nontenure Track	170	24.2%	138	19.1%	149	19.0%
Part-time Nontenured/Nontenure Track	241	34.3%	274	37.9%	336	42.9%
Total	702		723		783	

Source: Morgan State University

The average units taught by tenured/tenure-track faculty dropped from 7.2 units to 6.7 units between fiscal 2014 and 2015 with the addition of 20 faculty members, as shown in **Exhibit 18**. In fiscal 2016, the number of course units taught increased to 7.0 units with a decrease of 13 faculty members. When including full-time nontenured/nontenure-track faculty, the number of course units increases from 7.0 units in fiscal 2015 to 7.5 units in fiscal 2016, reflecting the increase in nontenured/nontenure-track faculty. As a comparison, the numbers of course units taught by all instructional faculty at the University of Maryland Baltimore County and the University of Maryland, College Park are 7.0 units and 5.5 units, respectively.

Exhibit 18
Average Course Units Taught by Full-time Equivalent Tenured/Tenure-track and
Full-time Nontenured/Nontenure-track Instructional Faculty
Fiscal 2011-2016

	2011	2012	2013	2014		2015		2016	
	<u>Tenure</u>	<u>Tenure</u>	<u>Tenure</u>	<u>Tenure</u>	<u>All</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	7.0	7.5
UMCP	5.9	5.6	5.5	5.5	5.6	5.3	5.4	5.4	5.5
UMBC	6.6	6.8	6.6	6.5	6.9	7.1	7.2	6.6	7.0

MSU: Morgan State University

UMBC: University of Maryland Baltimore County

UMCP: University of Maryland, College Park

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

Source: Morgan State University; University System of Maryland

2. Strategy to Enhance Funding Guideline Attainment

Language in the 2016 JCR required MSU to submit a report on a multi-year strategy to enhance the university’s funding guideline attainment. MSU submitted a final report on December 1, 2016, requesting that its funding guideline attainment goal be increased from the eightieth to the one-hundred-and-twenty-fifth percentile. MSU wants to increase the six-year graduation rate from 33% with the 2010 cohort to 50% by 2025, which may require significant additional resources from the State. MSU identified \$100 million in additional funding needs for the next five years to fund issues related to student preparation, socioeconomic status, program development, online program development, and deferred maintenance.

Appendix 1
Current and Prior Year Budgets
Morgan State University
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Other</u> <u>Unrestricted</u> <u>Fund</u>	<u>Total</u> <u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016							
Legislative Appropriation	\$80,033	\$4,532	\$0	\$93,771	\$178,336	\$48,539	\$226,875
Deficiency Appropriation	0	0	0	0	0	0	0
Budget Amendments	1,570	0	0	4,900	6,470	0	6,470
Reversions and Cancellations	0	0	0	-5,795	-5,795	-299	-6,093
Actual Expenditures	\$81,603	\$4,532	\$0	\$92,876	\$179,011	\$48,240	\$227,251
Fiscal 2017							
Legislative Appropriation	\$88,369	\$2,143	\$0	\$98,535	\$189,047	\$50,643	\$239,690
Cost Containment	-1,004	0	0	0	-1,004	0	-1,004
Budget Amendments	3,696	0	0	0	3,696	0	3,696
Working Appropriation	\$91,060	\$2,143	\$0	\$98,535	\$191,738	\$50,643	\$242,381

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

For fiscal 2016, the general fund appropriation for Morgan State University (MSU) increased by \$1.6 million by a budget amendment related to restoring a 2% pay reduction. Other unrestricted funds decreased by \$0.8 million. A budget amendment added \$4.9 million, including a \$3.3 million transfer from the fund balance to purchase equipment and fund facility renewal projects, and \$1.6 million in tuition and fee revenues, primarily related to a 100 full-time equivalent student (FTES) increase in out-of-state students offsetting a decline in resident students, resulting in an overall enrollment increase of 30 FTES.

The cancellation of unrestricted funds amounted to \$5.8 million due to expenses being less than anticipated. The cancellation of restricted funds totaled \$0.3 million due expenditures being less than anticipated.

Fiscal 2017

To date, in fiscal 2017, the general fund appropriation for MSU increased \$2.7 million. Budget amendments added \$3.7 million including \$2.0 million related to salary increments and \$1.7 million of Office for Civil Rights enhancement funds from the Maryland Higher Education Commission. This increase was partially offset by \$1.0 million in cost containment measures.

**Appendix 2
Object/Fund Difference Report
Morgan State University**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,129.00	1,117.00	1,117.00	0.00	0%
02 Contractual	492.00	502.00	502.00	0.00	0%
Total Positions	1,621.00	1,619.00	1,619.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 108,262,160	\$ 112,566,128	\$ 116,012,699	\$ 3,446,571	3.1%
02 Technical and Spec. Fees	27,578,151	29,357,845	29,819,426	461,581	1.6%
03 Communication	876,754	1,115,880	1,124,130	8,250	0.7%
04 Travel	3,968,652	3,536,148	3,920,079	383,931	10.9%
06 Fuel and Utilities	6,528,633	7,668,472	7,469,206	-199,266	-2.6%
07 Motor Vehicles	555,479	912,656	962,504	49,848	5.5%
08 Contractual Services	23,431,908	25,528,576	27,022,524	1,493,948	5.9%
09 Supplies and Materials	7,224,962	7,710,106	7,921,388	211,282	2.7%
11 Equipment – Additional	3,888,928	5,271,075	5,411,612	140,537	2.7%
12 Grants, Subsidies, and Contributions	34,467,288	39,459,926	39,688,953	229,027	0.6%
13 Fixed Charges	6,421,661	7,030,010	7,060,065	30,055	0.4%
14 Land and Structures	4,046,826	2,224,282	2,284,859	60,577	2.7%
Total Objects	\$ 227,251,402	\$ 242,381,104	\$ 248,697,445	\$ 6,316,341	2.6%
Funds					
40 Unrestricted Fund	\$ 179,011,038	\$ 191,738,246	\$ 195,178,820	\$ 3,440,574	1.8%
43 Restricted Fund	48,240,364	50,642,858	53,518,625	2,875,767	5.7%
Total Funds	\$ 227,251,402	\$ 242,381,104	\$ 248,697,445	\$ 6,316,341	2.6%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 3
Fiscal Summary
Morgan State University**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Instruction	\$ 51,956,044	\$ 55,423,276	\$ 56,752,161	\$ 1,328,885	2.4%
02 Research	31,865,669	32,301,620	35,260,875	2,959,255	9.2%
03 Public Service	361,321	569,391	576,658	7,267	1.3%
04 Academic Support	20,372,417	21,425,380	21,922,481	497,101	2.3%
05 Student Services	7,152,594	7,283,895	7,451,437	167,542	2.3%
06 Institutional Support	34,892,798	40,063,794	40,383,693	319,899	0.8%
07 Operation and Maintenance of Plant	16,370,879	19,555,796	20,099,519	543,723	2.8%
08 Auxiliary Enterprise	31,776,411	28,479,710	28,972,379	492,669	1.7%
17 Scholarships and Fellowships	32,503,269	37,278,242	37,278,242	0	0%
Total Expenditures	\$ 227,251,402	\$ 242,381,104	\$ 248,697,445	\$ 6,316,341	2.6%
Unrestricted Fund	\$ 179,011,038	\$ 191,738,246	\$ 195,178,820	\$ 3,440,574	1.8%
Restricted Fund	48,240,364	50,642,858	53,518,625	2,875,767	5.7%
Total Appropriations	\$ 227,251,402	\$ 242,381,104	\$ 248,697,445	\$ 6,316,341	2.6%

Note: Does not include targeted reversions, deficiencies, and contingent reductions.