

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 1066 (Delegate McIntosh, *et al.*)
 Appropriations

Higher Education - Morgan State University - Coordination and Governance

This bill changes the legal status of Morgan State University (MSU) from a State agency to a public corporation and an independent unit of State government. The bill also broadens MSU's procurement authority.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: Higher education expenditures would increase by an estimated \$55,700 in FY 2005 to provide for an additional position at MSU to oversee additional contracts. Beginning in FY 2006, increased revenues from grants and indirect cost recoveries could offset the additional expenditures. Future year expenditures reflect annualization, regular salary increases, and inflation.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Higher Ed Rev.	\$0	-	-	-	-
Higher Ed Exp.	55,700	69,600	73,400	77,400	81,800
Net Effect	(\$55,700)	(\$69,600)	(\$73,400)	(\$77,400)	(\$81,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill expands the powers of MSU to include the acquisition of property, the management of public improvement projects, the borrowing of money for any corporate purpose, and the ability to sue or be sued. The Board of Regents of MSU is authorized to establish, invest in, finance, and operate business entities when the board finds that doing so would further the goals of MSU and is related to its mission. The board must submit an annual report on the business entities that are established.

The bill generally exempts MSU from State law governing procurement, information technology, and telecommunications. However, the bill requires Board of Public Works' approval of contracts for services or capital improvements exceeding \$500,000. Subject to review and approval by the Board of Public Works and the General Assembly's Administrative, Executive, and Legislative Review Committee, the Board of Regents of MSU is required to establish procurement policies and procedures that promote the purposes of State procurement law. MSU is also required to purchase supplies and services, to the maximum extent practicable, from State Use Industries, Blind Industries and Services, and sheltered workshops. Additionally, MSU must participate in the Small Business Preference Program.

Finally, the Board of Regents of MSU is required to develop an information technology plan for MSU that is functionally compatible with the State information technology plan.

Current Law: MSU is considered a State agency and is subject to the majority of the State's procurement laws.

The Department of General Services (DGS) must make a recommendation for MSU architectural and engineering services that cost more than \$100,000 and must make the procurement for MSU architectural and engineering services that cost less than \$100,000. For design projects that exceed \$100,000 in contract value and all improvement projects that exceed \$500,000 in contract value, MSU must submit periodic status reports to DGS. Additional procedures apply when a public improvement project is financed in whole or in part with State general funds or through the State's annual capital budget.

Background: The bill aligns MSU autonomy and procurement laws with those of the University System of Maryland (USM). USM was granted many of these powers through Chapter 515 of 1999, commonly referred to as the Larson Bill.

St. Mary's College of Maryland and MSU are the only public four-year institutions of higher education in Maryland that are not members of USM. Although it has considerable autonomy due to past arrangements with the State, St. Mary's College of Maryland is not a public corporation.

State Fiscal Effect: Higher education expenditures could increase by an estimated \$55,704 in fiscal 2005, which accounts for the bill's July 1, 2004 effective date and a 90-day start-up delay. The estimate reflects the cost of hiring one assistant general councilor to review additional procurement bids and contracts that would be processed by MSU. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$49,142
Operating Expenses	<u>6,562</u>
Total FY 2005 State Expenditures	\$55,704

Future year expenditures reflect: (1) a full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

MSU advises that the increased contracting authority provided in the bill could result in increased grant revenues and indirect cost recoveries for the university beginning in fiscal 2006. MSU estimates that these revenues would at least offset, and possibly surpass, any increase in higher education expenditures.

Although the bill removes MSU from the Board of Public Works' traditional authority over procurements, board involvement with MSU procurement transactions would still be required in two ways. First, the board would be required to review and approve the procurement policies and procedures to be developed by MSU. Second, the board would continue to approve all contracts that exceed \$500,000 for services or capital improvements. The bill, therefore, is not expected to have a significant impact on MSU procurement expenditures.

Additional Information

Prior Introductions: None.

Cross File: SB 430 (Senator Conway, *et al.*) – Education, Health, and Environmental Affairs.

Information Source(s): Morgan State University, Maryland Higher Education Commission, Department of Legislative Services

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ncs/jr

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