

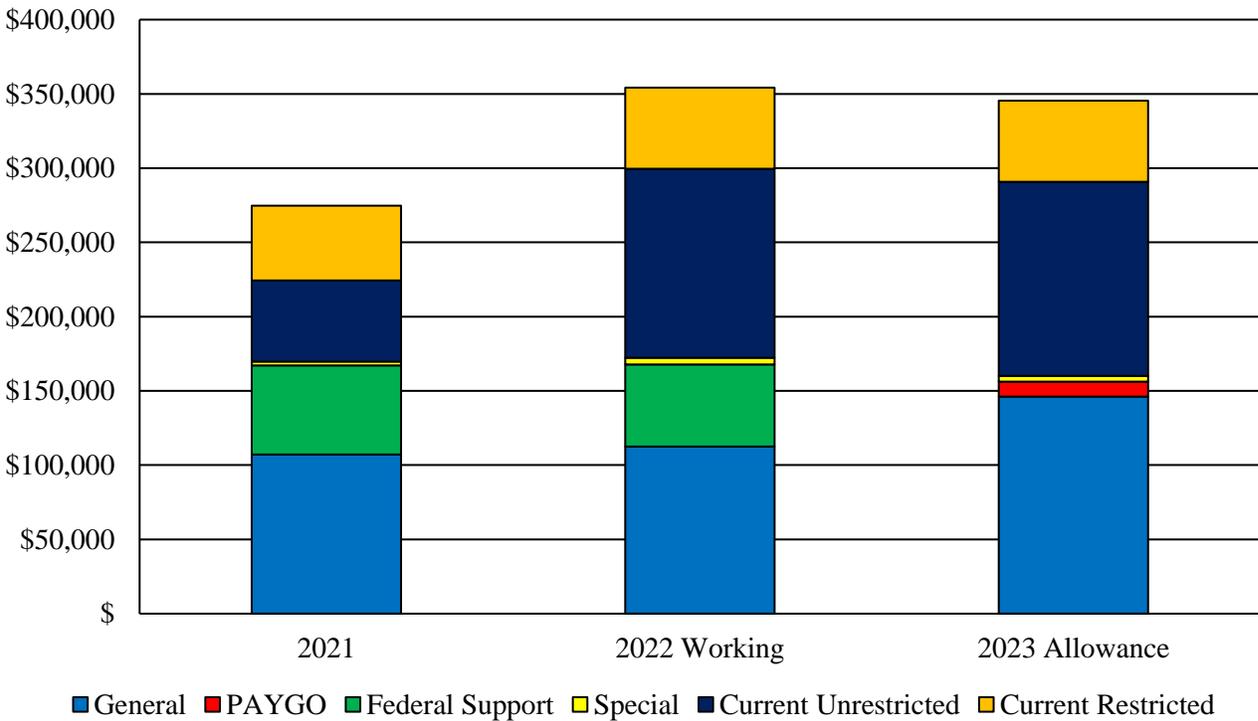
R13M00
Morgan State University

Executive Summary

Morgan State University (MSU), designated as Maryland’s public urban university, is responsible for addressing the needs of 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.

Operating Budget Summary

**Fiscal 2023 Budget Decreases \$8.9 Million, or 2.5%, to \$345.3 Million
(\$ in Thousands)**



PAYGO: pay-as-you go

Note: The fiscal 2022 appropriation includes general salary and merit increases as well as a one-time bonus, which are budgeted with the Department of Budget and Management Statewide Expenses Program. The fiscal 2023 allowance includes annualization of the fiscal 2022 general salary and merit increases as well as fiscal 2023 general salary and merit increases which are budgeted within the DBM Statewide Expenses Program. The fiscal 2023 allowance includes PAYGO funding budgeted within the Dedicated Purpose Account.

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- The fiscal 2022 working budget of MSU includes a total of \$55.3 million in direct federal support from various COVID-19-related stimulus legislation; there is no direct federal support from stimulus legislation in the fiscal 2023 allowance. When excluding these federal funds, the fiscal 2023 allowance of MSU increases by \$46.4 million compared to the fiscal 2022 working budget.
- The fiscal 2023 allowance includes \$10 million of general fund pay-as-you-go (PAYGO) funding budgeted within the Dedicated Purpose Account (DPA). When excluding the general fund PAYGO, fiscal 2023 State funding for MSU increases \$33.0 million, or 28.2%, over the fiscal 2022 adjusted working budget.
- The fiscal 2023 allowance for MSU includes the first year of funding under Chapter 41 of 2021 (\$15.1 million). In addition, it includes \$1.5 million, as mandated in Chapter 356 of 2021, to establish a Center of Data Analytics and Sports Gaming.

Key Observations

- ***Enrollment:*** Fall 2021 undergraduate enrollment increased by 764 students compared to fall 2020. Out-of-state enrollment gains continued in fall 2021, growing by 732 students compared to fall 2020. International undergraduate enrollment continued its downward trend.
- ***Student Performance:*** Four- and six-year graduation rates set institutional record highs for the second consecutive year.
- ***Revenue Loss:*** MSU experienced a budget shortfall of \$62.0 million in fiscal 2021 and \$7.3 through the first half of fiscal 2022. The university has utilized Higher Education Emergency Relief Funding (HEERF) to offset budget shortfalls caused by the pandemic; the university has \$42.1 million HEERF funding budgeted in fiscal 2022 that remains unspent.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

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Morgan State University

Operating Budget Analysis

Program Description

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 the extra support of the institution. MSU offers a comprehensive range of academic programs, awarding baccalaureate degrees emphasizing the arts and sciences, and specialized master’s and doctoral degrees.

Carnegie Classification: Doctoral Universities: High Research Activity

Fall 2021 Undergraduate Enrollment Headcount

Male	2,696
Female	4,338
Total	7,034

Fall 2021 Graduate Enrollment Headcount

Male	571
Female	864
Total	1,435

Fall 2021 New Students Headcount

First-time	2,326
Transfers/Others	325
Graduate	395
Total	3,046

Campus (Main Campus)

Acres	186.4
Buildings	55
Average Age	28
Oldest	1919: Carnegie Hall

Programs

Bachelor’s	50
Master’s	40
Doctoral	17

Degrees Awarded (2020-2021)

Bachelor’s	1,138
Master’s	264
Doctoral	71
Total Degrees	1,473

Proposed Fiscal 2023 In-state Tuition and Fees*

Undergraduate Tuition	\$5,696
Mandatory Fees	\$2,632

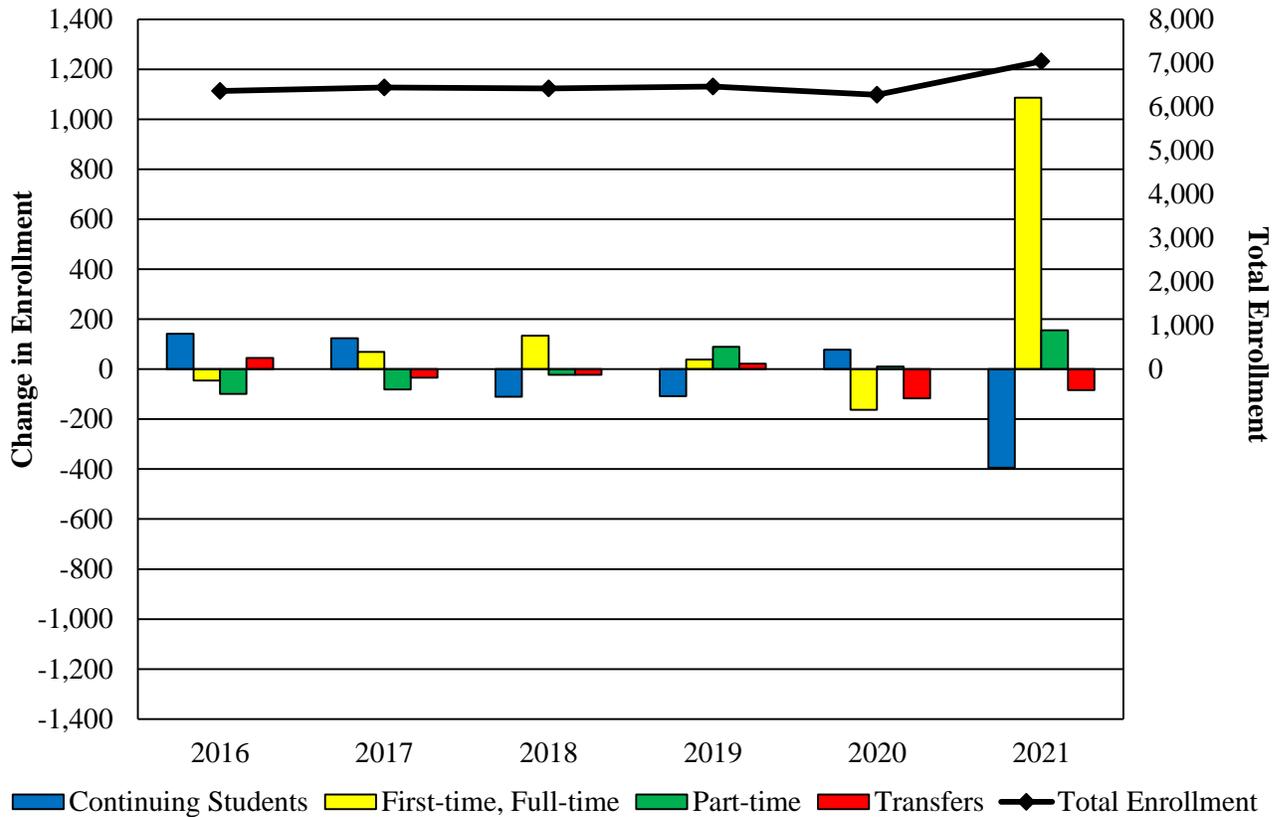
*Contingent on Board of Regents approval.

Performance Analysis

1. Undergraduate Fall Headcount

In fall 2021, undergraduate enrollment spiked at the university, increasing by 12.2%, or 764 students, as shown in **Exhibit 1**. This increase was primarily due to a 90.3%, or 1,086 students, growth in the first-time, full-time (FT/FT) student population. MSU attributed this large increase in the FT/FT student population as the result of a variety of factors including partnerships with entities such as EAB, a consulting firm designed to enhance enrollment; the utilization of the Common Black Application, which allows a potential student to complete an admissions application and apply to the 66 Historically Black College and University participating institutions; waiving application fees; and implementing test-optional admissions. The part-time student population also increased, growing by 25.2%, or 156 students, over fall 2020. MSU attributed the growth in the part-time student population to student enrollment decisions related to the ongoing COVID-19 pandemic. Partially offsetting these increases were decreases in the transfer and continuing student populations, which experienced declines of 25.0%, or 84 students, and 9.6%, or 394 students, respectively. The decline in the transfer students continues a trend that began in fall 2020; while the decline in continuing students, which fell by 394 students in fall 2021, was attributed to the impact that the pandemic has had on the mental health of this student population as well as an on-campus housing shortage again caused by the pandemic.

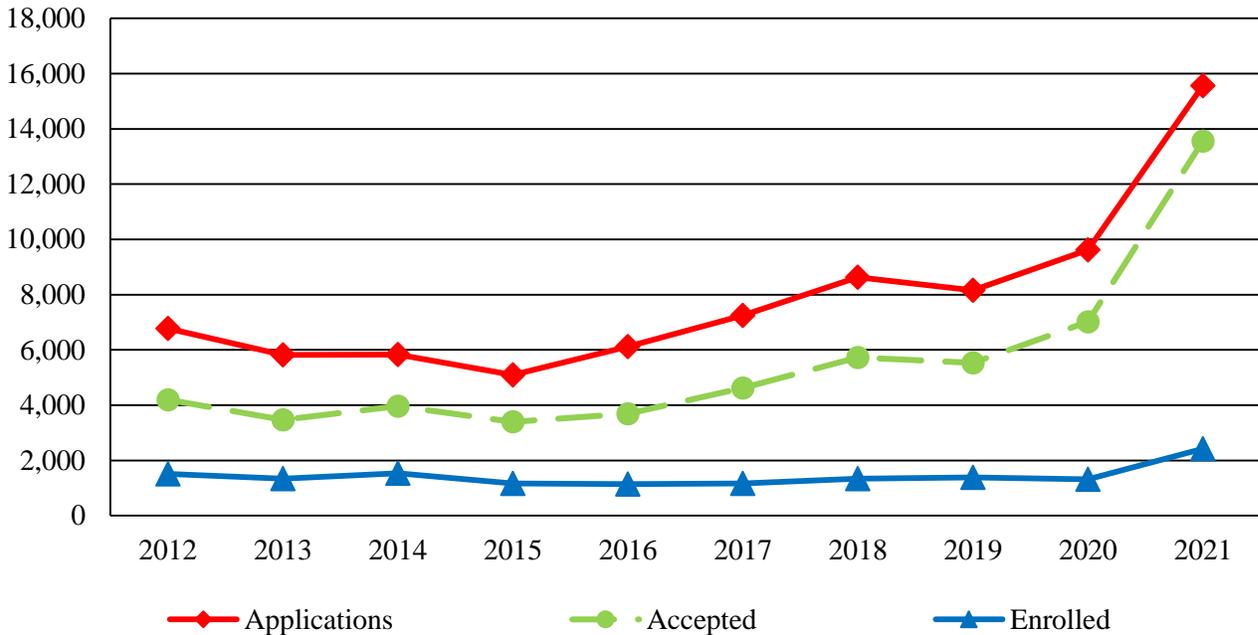
**Exhibit 1
Change in Undergraduate Enrollment by Category and Total Headcount
Fall 2016-2021**



Source: Morgan State University

In looking at the first-time undergraduate applications, as shown in **Exhibit 2**, the number of applications for fall 2021 increased by 61.7%, or 5,941, over fall 2020 and represented the largest application total ever for MSU for first-time undergraduate students. While the average acceptance rate for fall 2012 through 2020 was 65%, the acceptance rate for 2021 was 87%, illustrating that MSU accepted a much larger portion of the applicant pool than it had in previous years. Despite the increased acceptance rate, the number of students who actually enrolled in fall 2021 – totaling 2,426 – represented the smallest yield rate, 17.9%, achieved over this period. Even with the low yield rate, the number that enrolled was the highest in any recent year. **The President should discuss the retention strategies in place to ensure that this cohort academically persists at the university, identifying if there are enough resources at the university to handle such a large cohort of first-year students.**

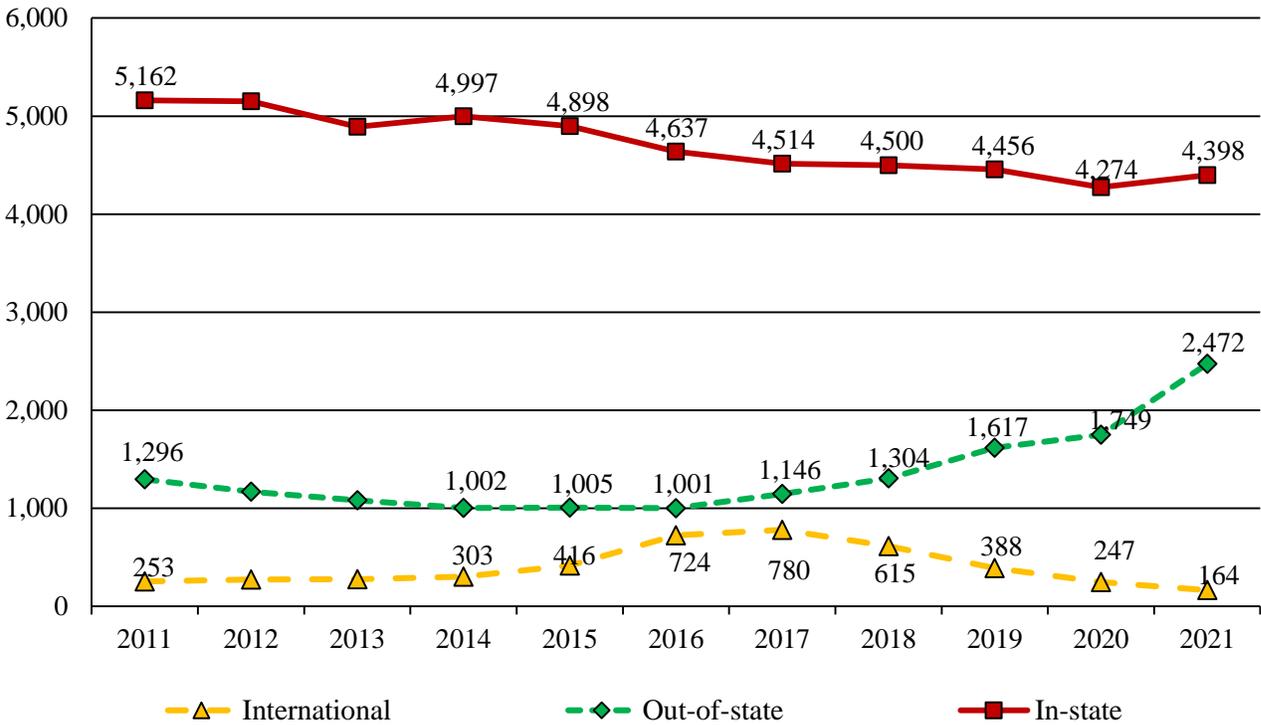
**Exhibit 2
Undergraduate Applications, Accepted, and Enrolled
Fall 2012-2021**



Source: Morgan State University

From fall 2015 through 2017, MSU relied heavily on international students to offset losses and counter flat enrollment for in-state and out-of-state students. As shown in **Exhibit 3**, a steady decrease of enrollment from in-state students began in fall 2014 and continued through fall 2020. This six-year trend reversed in fall 2021 with an increase of 2.9%, or 124 students. The international student population had represented the majority of the enrollment increases from 2014 through 2017, reaching 780 students, or 12.1%, of the total undergraduate enrollment in 2017. However, immigration restrictions that were put in place under the President Donald J. Trump Administration as well as the impact of the COVID-19 pandemic have led to the decreased enrollment in this student population since that time. Out-of-state enrollment has experienced the greatest increase in the undergraduate student population from 2016 through 2021, increasing from 17.8% to 35.1%. MSU attributed this growth in the out-of-state student population to the hiring of a regional recruitment officer based in the Midwest and the implementation of financial aid optimization strategies to provide students with merit and need-based institutional financial assistance as part of these aid packages.

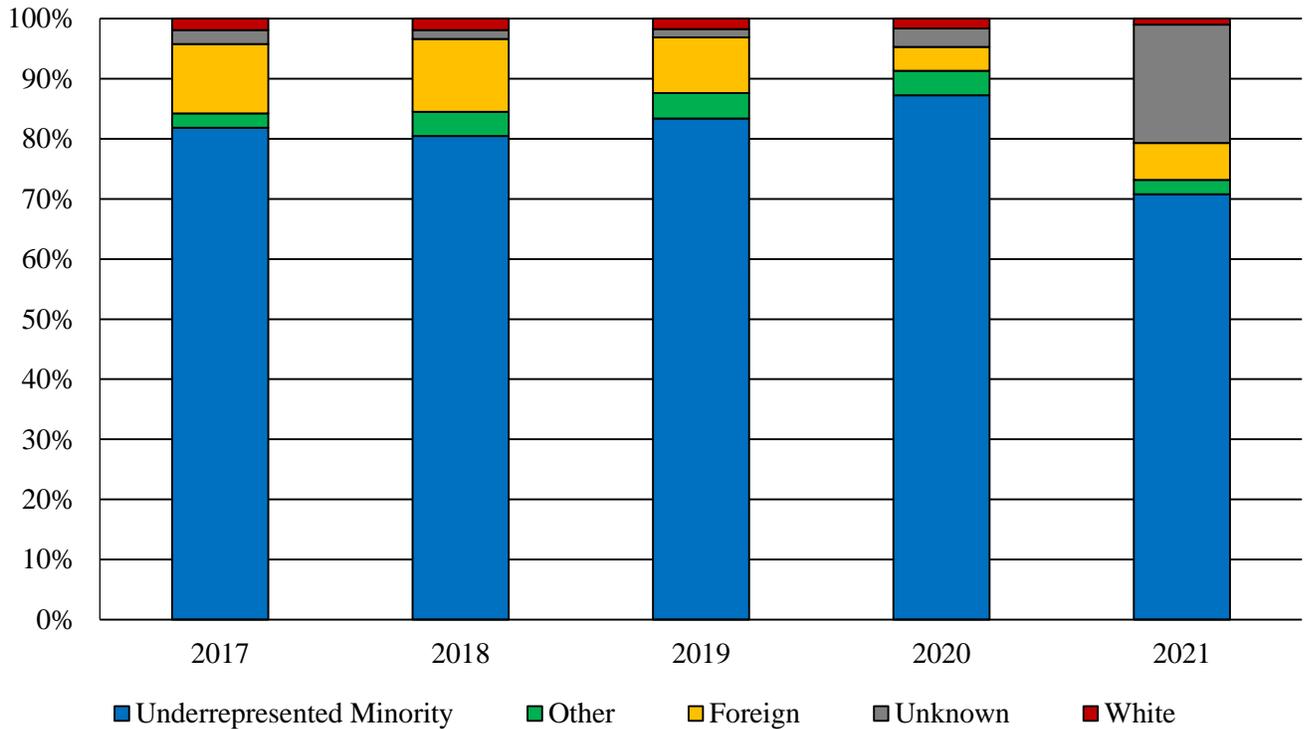
**Exhibit 3
Enrollment Trends by Location
Fall 2011-2021**



Source: Morgan State University

The ethnic composition of the undergraduate student population at MSU has remained fairly stable from 2017 through 2021, as shown in **Exhibit 4**. On average, underrepresented minorities represented 83% of the undergraduate student population at MSU, from fall 2017 through 2020. In fall 2021, undergraduate enrollment for underrepresented minorities decreased to 71%; however, in that same year, there was a substantial increase in the enrollment in the unknown category. The large increase in the unknown category for fall 2021 was attributed to students not being required to provide race/ethnicity data and more individuals choosing the unknown race/ethnicity option for the fall 2021 dataset, which may impact year-to-year comparisons.

Exhibit 4
Undergraduate Enrollment Headcount by Ethnicity
Fall 2017-2021



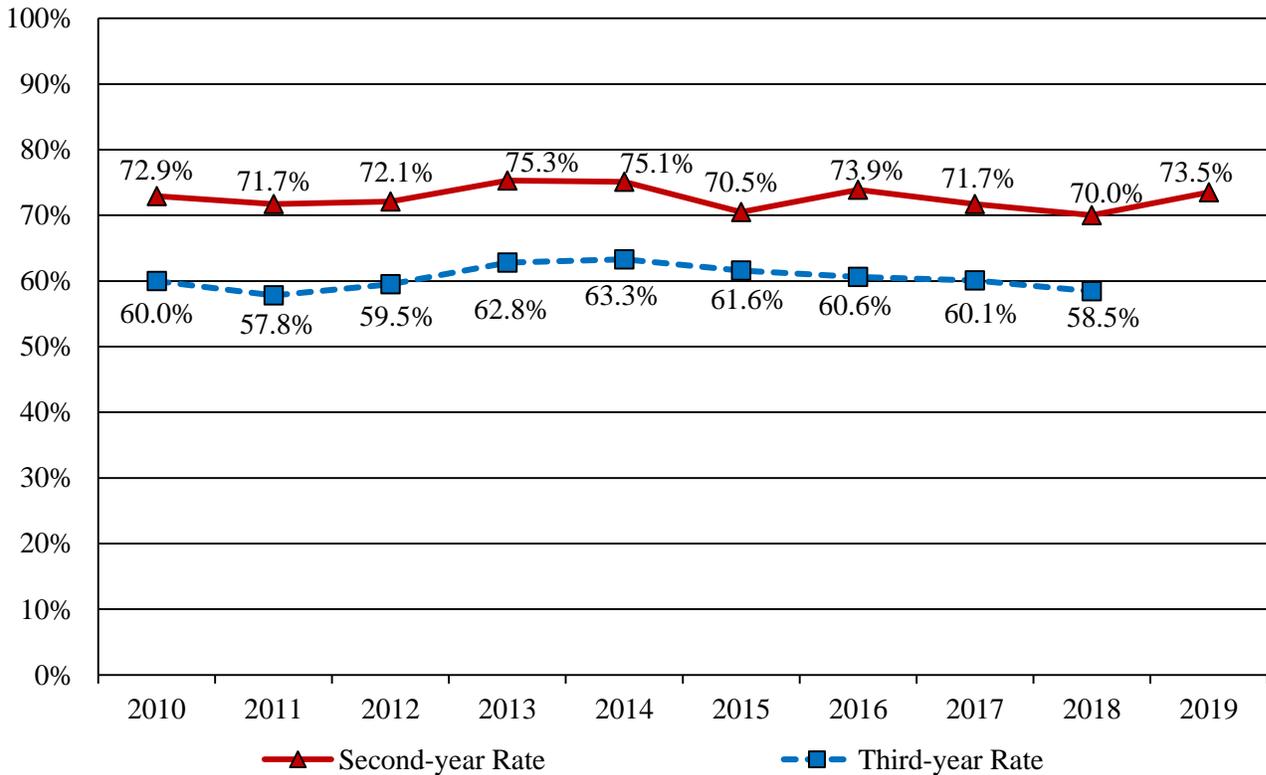
Note: Underrepresented Minority includes African American/Black, Hispanic, American Indian, and Native American. Other includes Asian and multiple races.

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 that 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 not fallen below 70.0%, as shown in **Exhibit 5**. The 2013 cohort achieved the highest second-year retention rate of 75.3%. Third-year retention has continued its steady decline since the 2014 cohort, falling to 58.5% for the 2018 cohort.

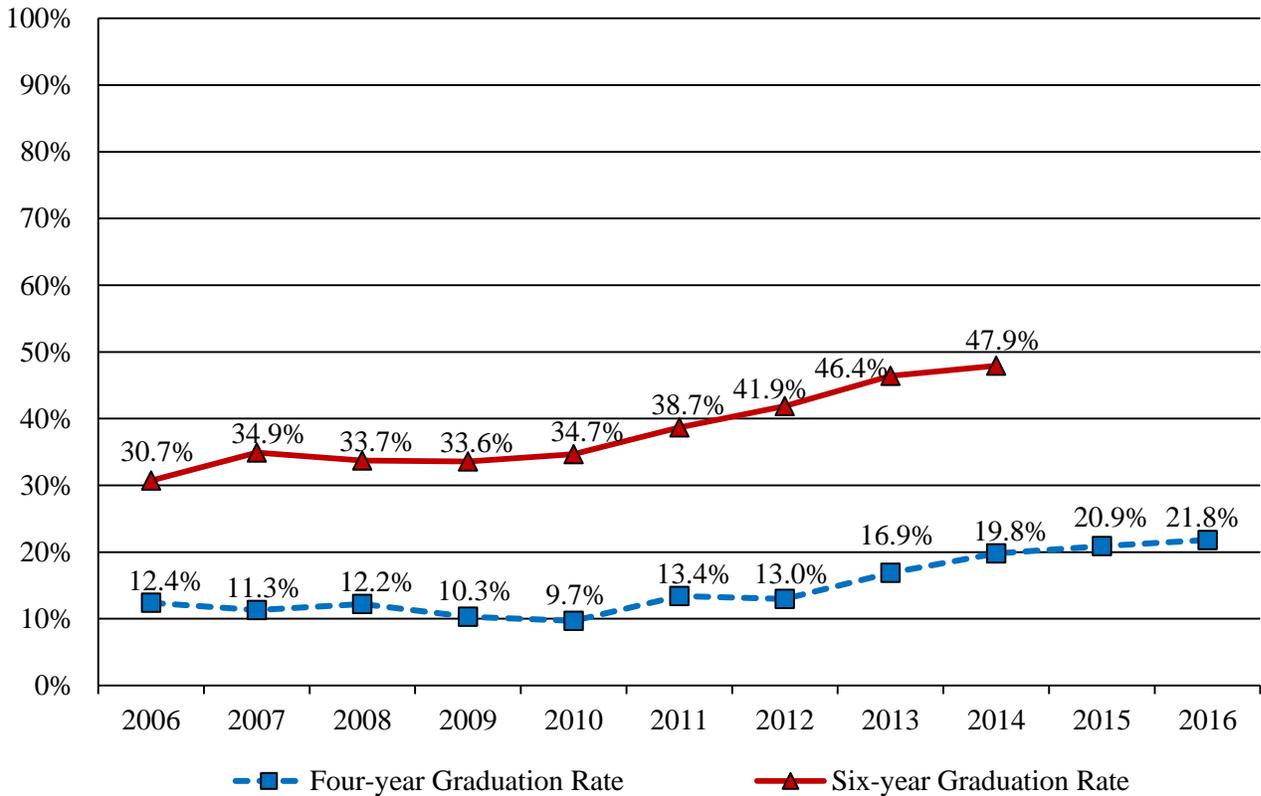
Exhibit 5
Second- and Third-year Retention Rates for First-time, Full-time Students
2010-2019 Cohorts



Source: Maryland Higher Education Commission

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 6** shows the four- and six-year graduation rates for FT/FT students, which include those who transferred and graduated from another Maryland institution. Overall, after falling to its lowest point of 9.7% with the 2010 cohort, the four-year graduation rate has more than doubled to 21.8% with the 2016 cohort. The six-year graduation rate has also steadily increased with the 2014 cohort reaching 47.9%, the highest level in more than a decade.

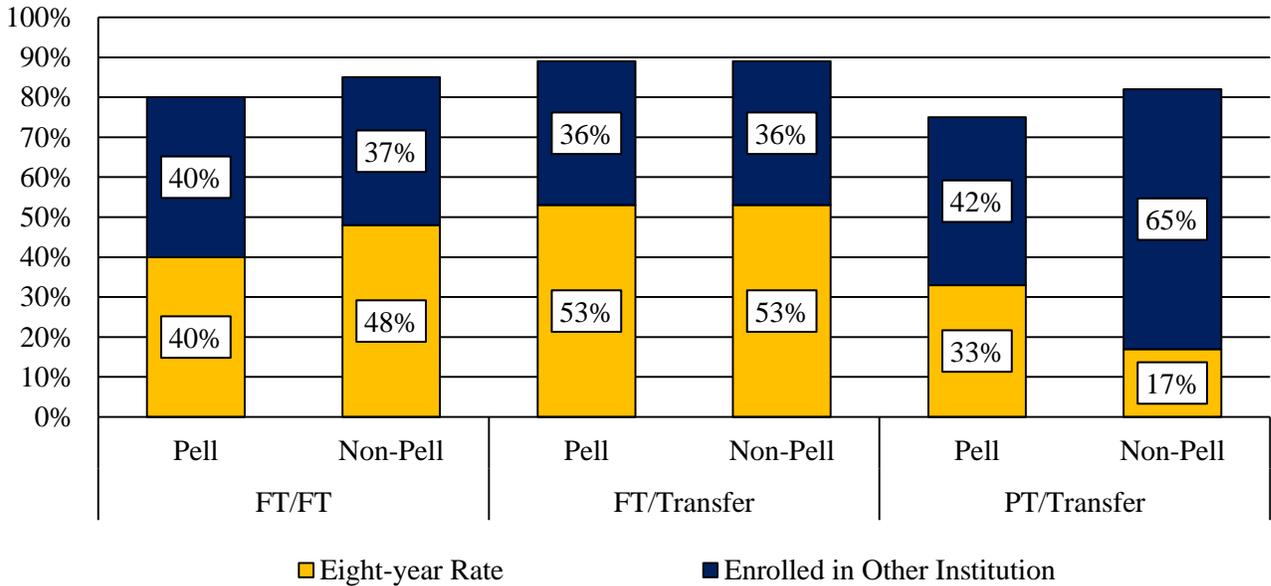
Exhibit 6
Graduation Rate of First-time, Full-time Students
2006-2016 Cohorts



Source: Maryland Higher Education Commission

Traditionally, graduation measures only capture the outcomes of the traditional FT/FT students who are increasingly comprising a smaller portion of the student population. In order to have a more inclusive graduation rate that captures the progress of nontraditional students, the Integrated Postsecondary Data System reports on the outcomes of first-time, transfers, and part-time transfer students by Pell and non-Pell recipients. As shown in **Exhibit 7**, both Pell- and Non-Pell-eligible full-time transfer students had the highest eight-year graduation rate of 53%. FT/FT non-Pell-eligible students had the second highest rate, followed by FT/FT Pell-eligible students at 48% and 40%, respectively. Part-time transfer students represented the only category where Pell-eligible students graduate at a higher rate than non-Pell eligible, at a rate of 33% to 17% for non-Pell-eligible.

**Exhibit 7
Eight-year Graduation Rates for
Students Entering in Academic Year 2012-2013**



FT: full time
 FT/FT: first time, full time
 PT: part time

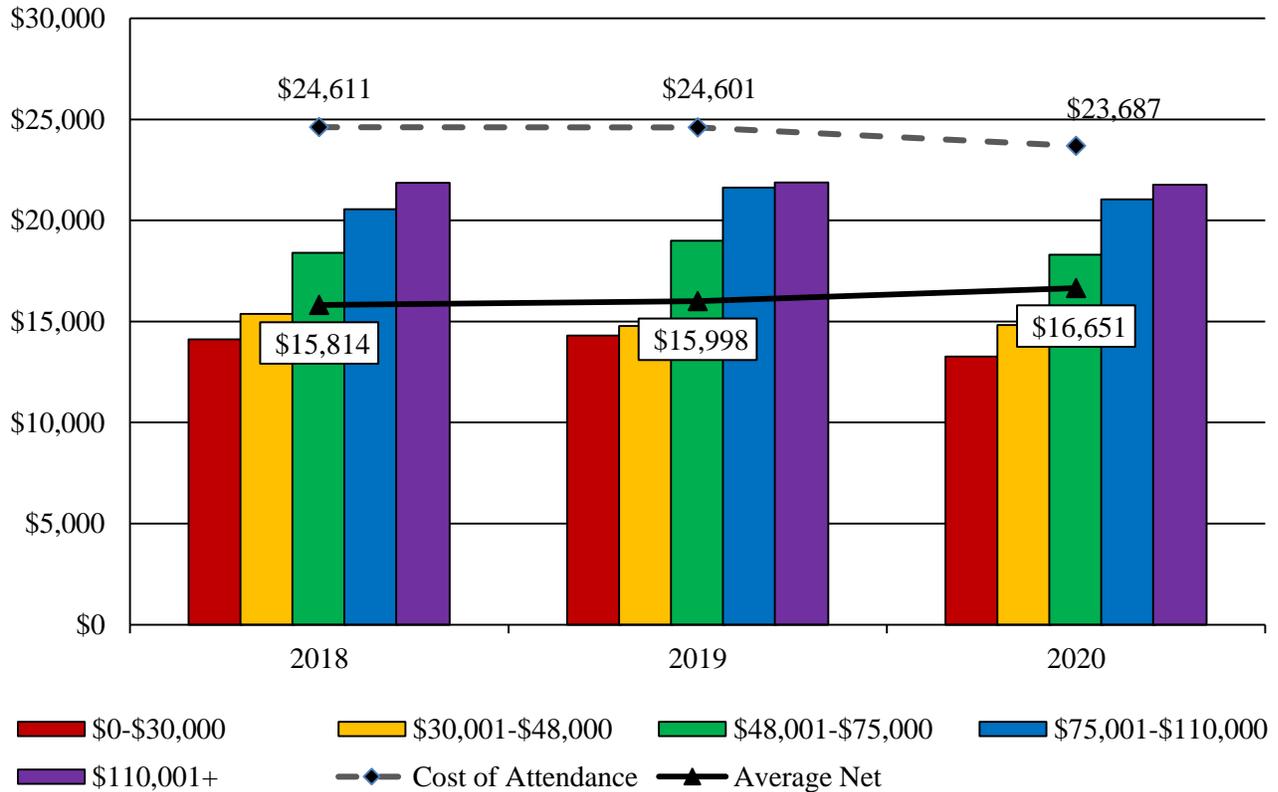
Source: National Center for Education Statistics; College Navigator

3. Affordability and Accessibility

Cost of Attendance

When considering the affordability of college, students and families tend to focus on the published cost of attendance (COA) or sticker price. COA is the total cost of attending college for one year including tuition and fees, room and board, books, supplies, and other expenses. However, the focus should be on the average net price, which is the cost to the student after accounting for the average amount of federal, State, and institutional aid awarded to all undergraduate MSU students. As shown in **Exhibit 8**, in fiscal 2020, the average net price was \$16,651, or 29.7%, less than the public COA for a FT/FT student. The average cost to a student varies by income level. Those with a lower family income receive more financial aid, thereby lowering the average price for attending college. The average net price for a family with an income between \$0 and \$30,000 decreased 7.2%, or \$1,031, from \$14,297 in fiscal 2019 to \$13,266 in fiscal 2020. Apart from the \$30,000 to \$48,000 Expected Family Contribution (EFC) category that increased by 0.4%, or \$53, the average net price decreased in all other EFC categories.

**Exhibit 8
Estimated Cost of Attendance versus Average Net Price
Fiscal 2018-2020**



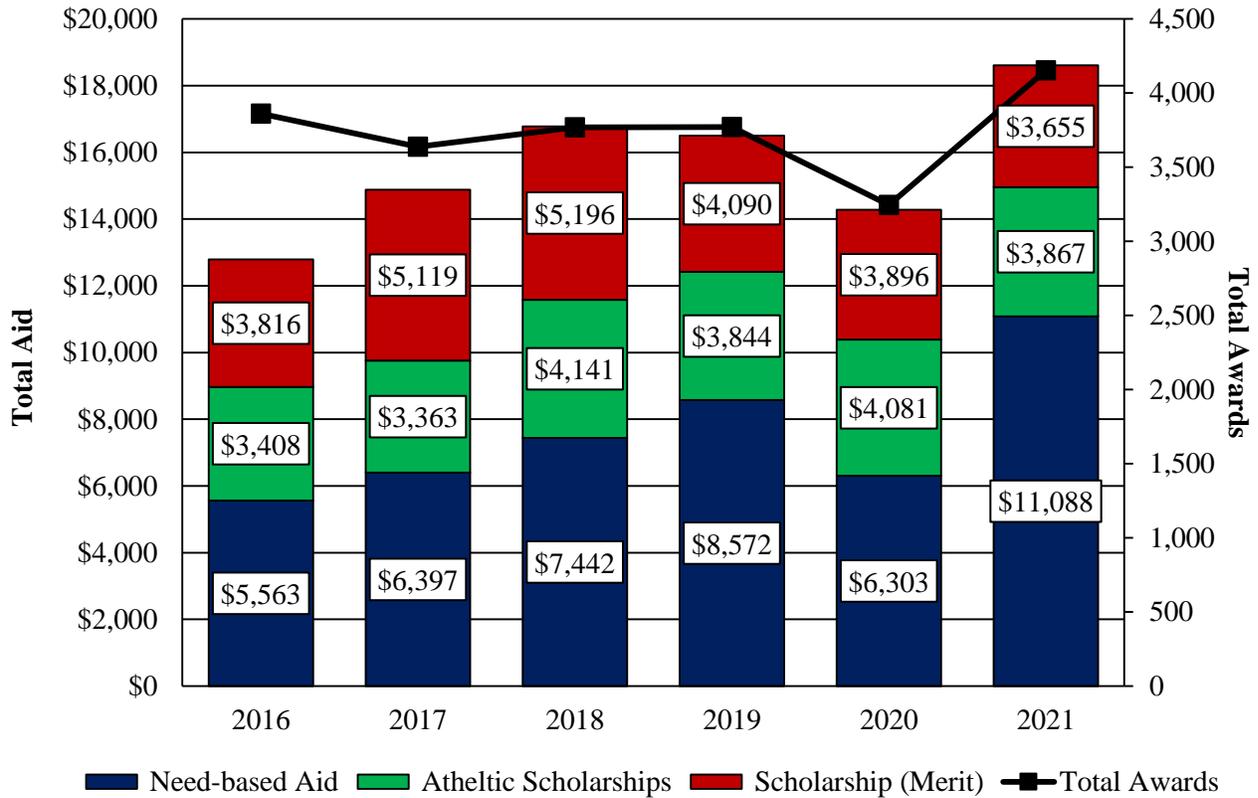
Note: The total cost of attendance includes tuition; mandatory fees; books and supplies; and the weighted average for room, board, and other expenses. Average net price is calculated by subtracting the average amount of federal, State, and institutional aid awarded to Morgan State University students from the total cost of attendance.

Source: National Center for Education Statistics; College Navigator

Institutional Aid

Total expenditures on institutional aid increased 45.5%, or \$5.8 million, from fiscal 2016 to 2021, as shown in **Exhibit 9**, with need-based aid accounting for \$5.5 million of the increase. MSU attributed this growth in need-based aid to moving to a new financial aid optimization model. Given the high percentage of MSU students that are Pell-eligible and first-generation, much of this funding has gone to students with demonstrated financial need. In fiscal 2021, need-based aid awards, totaling 3,385, represented 81.5% of all awards; while merit scholarships and athletic scholarships represented 12.1% and 6.4%, respectively, of that amount. It should be noted that the decrease in institutional aid provided in fiscal 2020 was a result of the COVID-19 pandemic and the corresponding decline in enrollment, which has since rebounded at the university.

Exhibit 9
Institutional Aid Expenditures and Total Awards by Category
Fiscal 2016-2021
(\$ in Thousands)

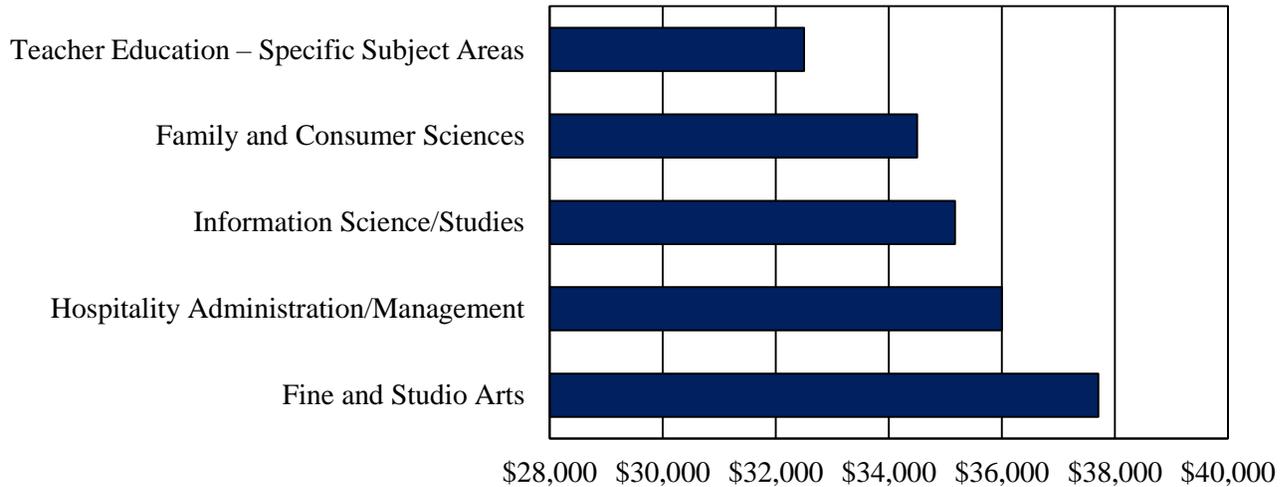


Source: Maryland Higher Education Commission; Morgan State University

Student Debt

Recently, the U.S. Department of Education’s College Scorecard started reporting the median debt (excluding private and Parent PLUS loans) for 2017 and 2018 graduates by field of study. This is an effort to give students a better picture of outcomes at the program level rather than at the institutional level. The median debt of MSU students ranged from \$27,250 for architecture majors to \$37,707 for fine and studio arts majors, as shown in **Exhibit 10**.

Exhibit 10
Undergraduate Programs with the Highest Median Debt After Graduation
Spring 2017 and 2018



Source: U.S. Department of Education, College Scorecard

Fiscal 2022 Working Budget

Since tuition and fee revenues in the allowance are based on enrollment projections, increases and decreases in enrollment have a significant effect on an institution’s revenues. Therefore, looking at the changes of expenditures by program area between fiscal 2021 and 2022, when institutions know their fall enrollment, provides a more accurate picture of funding priorities.

In fiscal 2022, spending on research has increased by \$33.2 million compared to fiscal 2021, as shown in **Exhibit 11**. However, the increase is overstated, as fiscal 2021 expenditures were reported as negative. Spending in fiscal 2022 relates primarily to the Center for Urban Health Equity (\$3.0 million) and Cybersecurity (\$2.0 million), with additional increases associated with projects that had their funding reduced during fiscal 2021 as a result of the pandemic. **The President should comment on why unrestricted fund expenditures were negative on Research in fiscal 2021.** The next largest increase in spending by program area was in operation and maintenance of plant, which grew by 59.8%, or \$11.1 million. The increase reflects the conversion of contractual employees to full-time status as well as reopening the campus to full operations. Academic support increased \$3.8 million, or 16.8%, as the result of the conversion of contractual employees to full-time status, increased contractual services, and cost-of-living adjustments (COLA). Institutional Support increased by \$6.3 million, or 14.5%, as the result of the conversion of contractual employees to full-time status, COLAs, and increased utilization of contractual services. Auxiliary enterprises are also expected to grow

substantially, increasing by 74.9%, or \$17.1 million. MSU attributed this growth to contractual services not utilized during the previous fiscal year as a result of the pandemic (\$5.3 million); bad debt (\$4.2 million); new contractual position conversions, cost-of-living enhancements, and contractual employment costs (\$3.3 million); athletics travel and deferred maintenance expenses (\$1.2 million); and other miscellaneous costs (\$3.1 million).

Exhibit 11
Budget Changes for Unrestricted Funds by Program
Fiscal 2021-2022
(\$ in Thousands)

	<u>2021</u> <u>Actual</u>	<u>2022 Adjusted</u> <u>Working</u>	<u>2021-2022</u> <u>\$ Change</u>	<u>2021-2022</u> <u>% Change</u>
Expenditures				
Instruction	\$57,437	\$57,236	-\$201	-0.3%
Research	-26,105	7,079	33,184	N/A
Public Service	301	524	223	74.0%
Academic Support	22,537	26,312	3,775	16.8%
Student Services	7,972	9,770	1,798	22.6%
Institutional Support	43,546	49,874	6,328	14.5%
Operation and Maintenance of Plant	18,721	29,907	11,186	59.8%
Scholarships and Fellowships	19,645	19,629	-16	-0.1%
General Salary Increase		3,975	3,975	
E&G Total	\$144,054	\$204,306	\$60,252	41.8%
Auxiliary Enterprises	\$22,865	\$39,995	\$17,130	74.9%
Total Expenditures	\$166,919	\$244,301	\$77,382	46.4%
Revenues				
Tuition and Fees	\$65,987	\$75,132	\$9,145	13.9%
State Funds ¹	112,324	117,030	4,706	4.2%
Other	5,487	8,624	3,137	57.2%
Total E&G Revenues	\$183,798	\$200,786	\$16,988	9.2%
Auxiliary Enterprises	\$14,232	\$43,515	\$29,283	205.8%
Transfer to Fund Balance	-31,111		31,111	-100.0%
Available Unrestricted Revenues	\$166,919	\$244,301	\$77,382	46.4%

E&G: Education and General

¹ State funds include general funds and Higher Education Investment Funds.

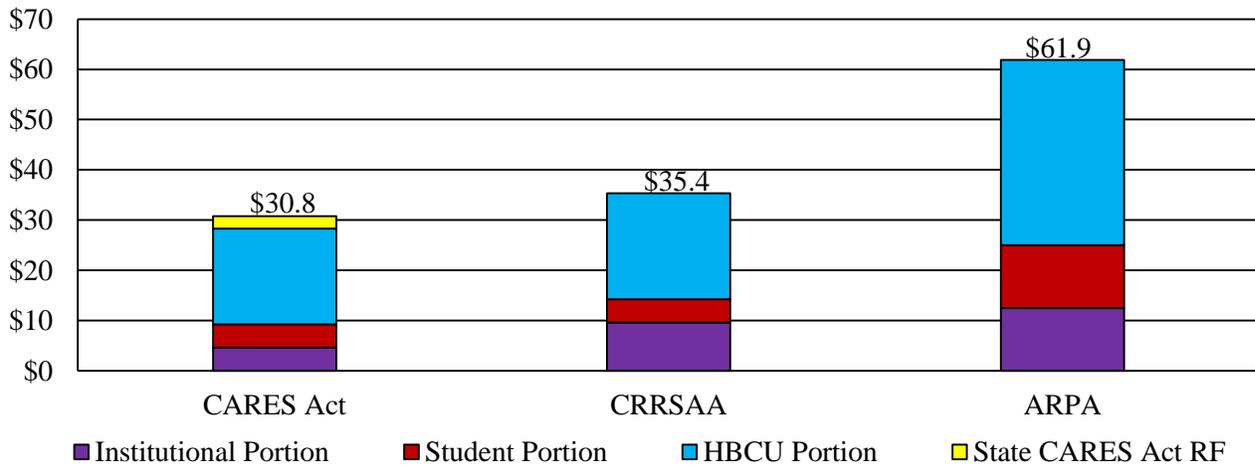
Source: Governor’s Fiscal 2023 Budget Books; Department of Legislative Services

According to MSU, through the first half of the fiscal year, tuition and fee revenues have been roughly in line with budgeted projections, which can be attributed to the increased enrollment totals. Similarly, auxiliary enterprises have been in line with budgeted projections as the result of the increased enrollment and full residential housing; utilization of food services by students, faculty, and staff; and other user fees.

Federal Stimulus Funds

As a result of the COVID-19 pandemic, the federal government passed a series of HEERF packages to help institutions of higher education with pandemic related expenses, to offset pandemic related losses, and to provide students with emergency financial assistance payments. These federal packages included the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020; the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) of 2020; and the American Rescue Plan Act (ARPA) of 2021. As shown in **Exhibit 12**, MSU received over \$128.0 million dollars in federal stimulus funds; of that total, \$26.8 million was required to go directly to students in the form of emergency financial aid through these HEERF stimulus packages.

Exhibit 12
Summary of Federal HEERF Packages and Other Temporary Federal Aid
Fiscal 2020-2022
(\$ in Millions)



ARPA: American Rescue Plan
 CARES: Coronavirus Aid, Relief, and Economic Security
 CRRSAA: Coronavirus Response and Relief Supplemental Appropriations Act
 HBCU: Historically Black Colleges and Universities
 HEERF: Higher Education Emergency Relief Fund
 RF: reimbursable funds

Source: U.S. Department of Education; Department of Legislative Services

Fiscal Impact of COVID-19

Fiscal 2021

In fall 2020 (fiscal 2021), MSU moved to a remote-only instruction model, except for research and laboratory programs, and also froze tuition and fee rates at the 2020 level, resulting in a substantial loss in auxiliary revenues when compared to budgeted expectations. As show in **Exhibit 13**, MSU documented a total operating shortfall of \$52.8 million when also including additional expenses associated with providing student subsidies (housing subsidies and reimbursements/refunds), the remote learning structure, campus safety enhancements and other losses. When the Board of Public Works (BPW) reduction in fiscal 2021 is included, MSU documented an overall budget shortfall of \$62.0 million.

Exhibit 13 Impact of COVID-19 on Fiscal 2021

Revenue Losses/Additional Expenditures	
Auxiliary Revenue	-\$25,137,755
Student Subsidies	-15,227,968
Distance Learning Expenditures	-9,862,637
Campus Safety/Operational Expenditures	-2,541,686
Other Losses	-29,289
Pandemic-related Shortfall	-\$52,799,335
Board of Public Works Reduction	\$-9,221,969
Total Shortfall	-\$62,021,304
Actions to Cover Shortfall	
Direct Federal Support	\$52,799,335
Operational Reductions/Savings	9,221,969
Total Federal Support/Institutional Savings	\$62,021,304
Total Remaining Deficit	\$0

Source: Morgan State University; Department of Legislative Services

To address this budget shortfall, MSU utilized direct federal support through the various HEERF subsidies provided by the federal stimulus packages, totaling \$52.8 million in fiscal 2021, to eliminate the budget shortfall. Additionally, MSU utilized \$4.7 million from the federal stimulus packages, not identified above, to provide emergency financial aid payments directly to students.

MSU was also forced to reduce operational expenditures due to the fiscal 2021 BPW reduction. MSU postponed facility security enhancements and reduced spending on contractual services, grant funding, and technical and special fees. When these operational savings were included with the direct federal support, MSU was able to eliminate the budget shortfall caused by the COVID-19 pandemic as well as the mandated BPW operational reduction. Despite these hardships, MSU was still able to transfer \$31.1 million to their fund balance substantially as a result of lost income revenue through the HEERF funding.

Fiscal 2022

For the start of the 2021-2022 academic year (fiscal 2022), MSU reopened its campus to provide a fully in-person learning and living environment. All students, faculty, and staff were required to have either been fully vaccinated against COVID-19 (with fully vaccinated meaning having received their primary series of COVID-19 vaccines) or obtain a medical or religious exemption. All students, faculty, staff, and/or visitors, regardless of vaccination status, were required to properly wear a mask or appropriate face covering while indoors on campus. Fully vaccinated students and employees were not required to participate in routine COVID-19 testing, while unvaccinated students and employees who were accessing campus were required to participate in COVID-19 testing two times per week.

MSU has identified that continued distance learning expenditures have totaled \$3.2 million through the first half of fiscal 2022, representing the largest portion of the COVID-19 pandemic-related expenses. In total, MSU has experienced a pandemic-related shortfall of \$7.3 million through the first half of fiscal 2022, as shown in **Exhibit 14**.

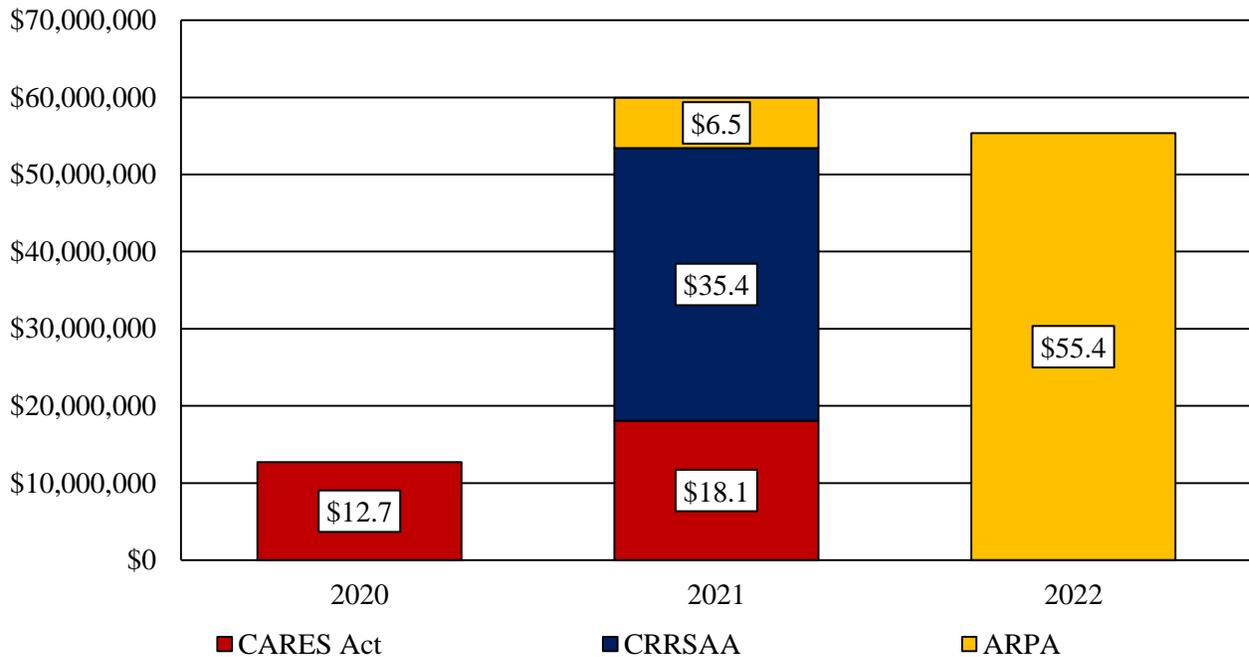
Exhibit 14 Impact of COVID-19 on Fiscal 2022 Through December 31, 2021

Revenue Losses/Additional Expenditures	
Distance Learning Expenditures	-\$3,185,325
Student Subsidies	-3,032,641
Campus Safety/Operations Expenditures	-409,037
Auxiliary Revenue	-314,363
Other Losses	-390,818
Pandemic-related Shortfall	-\$7,332,184
Actions to Cover Shortfall	
Direct Federal Support	\$7,332,184
Total Remaining Deficit	\$0

Source: Morgan State University; Department of Legislative Services

To address this shortfall, MSU will utilize a portion of its ARPA funding to offset the deficit. After including an additional \$5.9 million in ARPA funding that will be provided directly to students in the form of emergency financial aid assistance, MSU indicated that it will have \$42.1 million of what is currently budgeted in direct federal stimulus funding in fiscal 2022 remaining to utilize on pandemic-related expenditures. MSU has indicated that the remaining funds will be spent on several infrastructure projects to improve air quality, remediate mold, and other quality of health-related physical structure enhancements. The distribution of HEERF spending by fiscal year is shown in Exhibit 15.

Exhibit 15
Distribution of HEERF Spending
Fiscal 2020-2022
(\$ in Millions)



ARPA: American Rescue Plan Act
 CARES: Coronavirus Aid, Relief, and Economic Security
 CRRSAA: Coronavirus Response and Relief Supplemental Appropriations Act
 HEERF: Higher Education Emergency Relief Fund

Note: CARES Act includes State CARES Act Reimbursable Funds.

Source: U.S. Department of Education; Department of Legislative Services

The President should comment on the how the institution plans to specifically spend the remaining HEERF funds and how the university is planning to return to an operational structure in fiscal 2023 without the assistance of federal emergency relief funding should pandemic-related expenditures/impacts continue into the 2022-2023 academic year. Additionally, as of the fiscal 2023 allowance, the MSU fund balance exceeds \$126.7 million. The President should comment on how these funds could be spent to address additional pandemic-related expenses.

Fiscal 2022 Working Budget

Actions Affecting Fiscal 2022 Budget

The fiscal 2022 adjusted working budget includes a 1% COLA totaling \$0.5 million, increments totaling \$1.3 million, and \$1,500 one-time bonuses totaling for employees totaling \$2.1 million, which are part of statewide employee compensation adjustments and will be discussed further in the Department of Budget and Management – Personnel analysis. Additionally, a proposed deficiency appropriation would swap \$1.6 million in general funds with Higher Education Investment Fund (HEIF) special funds as part of a larger fund swap totaling \$45.5 million across the public four-year higher education institutions due to higher estimated revenues for fiscal 2022 and substantial fund balance from excess revenues attained in fiscal 2021.

Fiscal 2023 Proposed Budget

As shown in **Exhibit 16**, State support in the fiscal 2023 adjusted allowance increases by \$33.0 million, or 28.2%, excluding general fund PAYGO budgeted in the DPA from the total.

Exhibit 16
Proposed Budget
Morgan State University
(\$ in Thousands)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2022-2023</u>	<u>% Change</u>
	<u>Adjusted</u>	<u>Adjusted</u>	<u>Adjusted</u>	<u>Change</u>	<u>Prior Year</u>
General Funds	\$107,103	\$110,065	\$120,548	\$10,484	9.5%
General Salary Increase		531	4,771		
Merit Increase		1,328	5,747		
One-time Bonus		2,115			
Deficiency – HEIF Swap		-1,557			
Chapter 41 of 2021 Funds			15,113		
Total General Funds	\$107,103	\$112,483	\$146,179	\$33,696	30.0%
HEIF	\$2,761	\$2,990	\$3,861	\$871	29.1%
Deficiency – HEIF Swap		1,557			
CARES Act – State Support	2,460	0	0		
Total State Funds	\$112,324	\$117,030	\$150,040	\$33,011	28.2%
Total State PAYGO			\$10,000	\$10,000	
Other Unrestricted Funds	\$85,706	\$127,272	\$130,668	\$3,397	2.7%
Transfer to Fund Balance	-31,111	0	0		
Net Unrestricted Funds (Excluding PAYGO)	\$166,919	\$244,301	\$280,708	\$36,407	14.9%
Restricted Funds	\$50,255	\$54,626	\$54,626		0.0%
Direct Federal Support	57,500	55,348	0		
Total Restricted Funds	\$107,754	\$109,974	\$54,626	-55,348	-50.3%
Total Funds	\$274,673	\$354,275	\$345,334	-\$8,941	-2.5%
Total Funds (Excluding PAYGO)	\$274,673	\$354,275	\$335,334	-\$18,941	-5.3%

CARES: Coronavirus Aid, Relief, and Economic Security

HEIF: Higher Education Investment Fund

PAYGO: pay-as-you-go

Note: Numbers may not sum to total due to rounding. Direct Federal Support includes CARES Act, Coronavirus Response and Relief Supplemental Appropriations Act, and American Recovery Plan Act funds. The fiscal 2022 and 2023 personnel adjustments are budgeted within the Department of Budget and Management Statewide Expenses. The fiscal 2023 PAYGO funding is budgeted within the Dedicated Purpose Account. Net Unrestricted Funds excludes PAYGO but includes all other State funds.

Source: Governor’s Budget Books, Fiscal 2023; Department of Legislative Services

Proposed Increases

State funding, when excluding Chapter 41 funds, PAYGO, and personnel adjustments, increases by \$11.4 million in the fiscal 2023 allowance compared to fiscal 2022. Major changes in funding are expected to support:

- the Center for Equitable Artificial Intelligence (\$3.1 million);
- the Urban Interdisciplinary Center for Crime Reduction (\$2.0 million);
- public safety enhancements, including fencing and lighting (\$2.0 million);
- the Center for Data Analytics and Sports Gaming (\$1.5 million);
- adjunct faculty and teaching assistants (\$1.0 million);
- operating and maintenance of Tyler Hall (\$1.0 million); and
- financial aid programs (\$1.0 million).

The President should comment on the strategic goals for the Center for Equitable Artificial Intelligence as well as the Urban Interdisciplinary Center for Crime Reduction.

In addition, MSU is to receive \$10.0 million in general fund PAYGO for deferred maintenance projects as part of a larger planned initiative across the State and other public four-year institutions. These funds are budgeted within the DPA. This funding is in addition to \$10.0 million in general obligation (GO) bond funding that the university is scheduled to receive in the fiscal 2023 capital budget bill. As of November 2021, MSU has identified a backlog of deferred maintenance projects for State-owned facilities that totals \$197.7 million. Should MSU receive the GO bonds scheduled for funding in the fiscal 2023 capital budget bill, MSU will have received \$40.0 million in GO bonds for deferred maintenance projects from fiscal 2020 through fiscal 2023. MSU is also scheduled to receive an additional \$20.0 million in GO bonds through fiscal 2027 in the *2022 Capital Improvement Plan*.

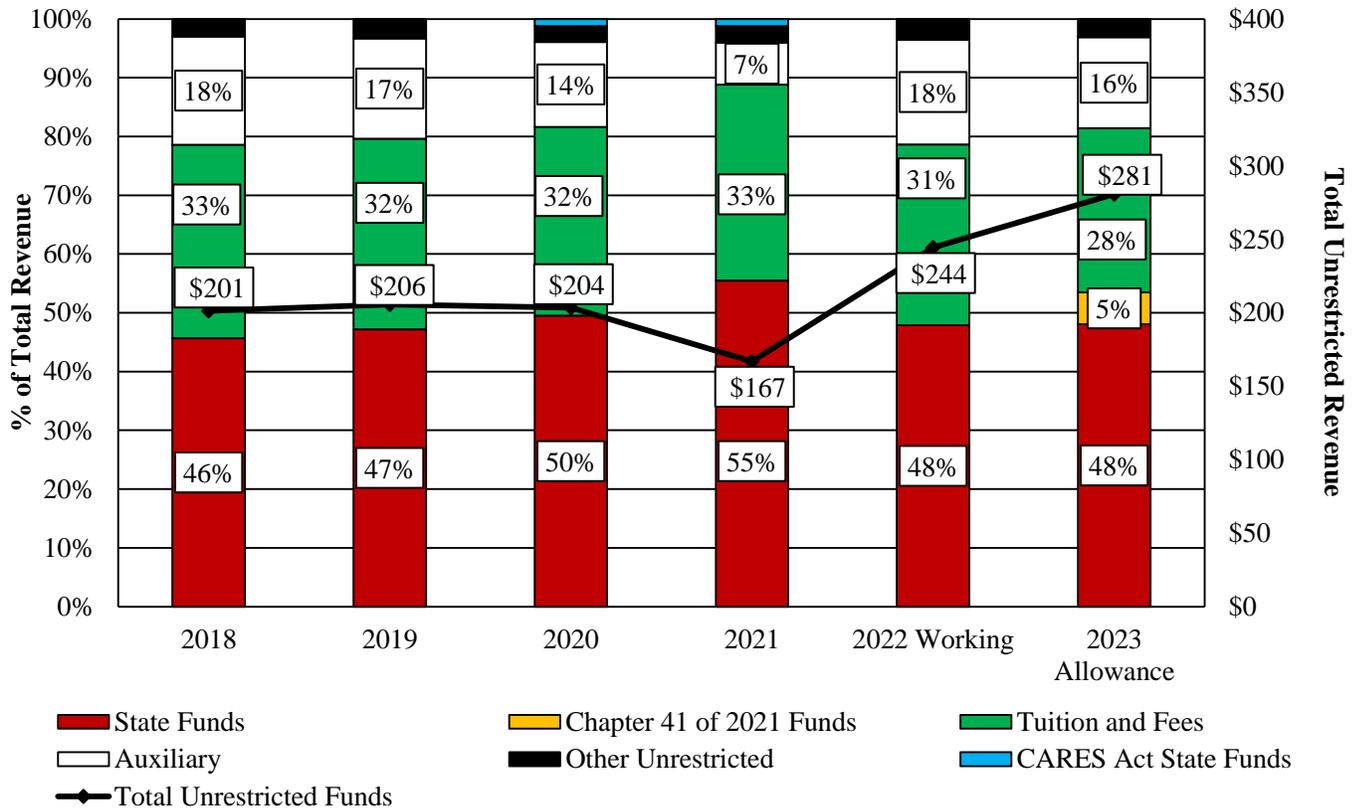
The President should comment on if the institution has the capacity to adequately manage an additional \$10.0 million in deferred maintenance spending in fiscal 2023.

Revenue Sources

In the fiscal 2023 allowance, State funds (general funds, the HEIF, and Chapter 41 funds) and tuition and fee revenues comprise 53% and 28% of MSU's State-supported revenues, respectively, as shown in **Exhibit 17**. After remaining fairly stable between fiscal 2018 through 2020, unrestricted revenues decreased 4.2%, or \$8.7 million, when excluding transfers to fund balance in the fiscal 2021 budget. Most of this decline was from auxiliary revenues, which decreased to \$15.7 million below the fiscal 2020 total as a result of the COVID-19 pandemic, which was partially offset by an increase in State funding of \$7.6 million. Additional losses in tuition and

fees and other sources made up the remainder of the decline in fiscal 2021. The fiscal 2022 and 2023 budgets anticipate auxiliary revenue rebounding to levels even higher than experienced prior to the pandemic. MSU anticipates over \$280.7 million in unrestricted revenues in fiscal 2023; should this total be met, it would be the largest unrestricted revenue total received by the university in history. **The President should comment on the university’s anticipated auxiliary revenue projections, identifying if those projections are realistic given the continued impact the COVID-19 pandemic has had on auxiliary services.**

Exhibit 17
Unrestricted Revenues by Fund Source, Excluding Transfers to Fund Balance
Fiscal 2018-2023 Allowance
(\$ in Millions)



CARES: Coronavirus Aid, Relief, and Economic Security

Note: The fiscal 2022 appropriation includes general salary and merit increases as well as a one-time bonus, which are budgeted with the Department of Budget and Management Statewide Expenses Program. The fiscal 2023 allowance includes annualization of the fiscal 2022 general salary and merit increases as well as fiscal 2023 general salary and merit increases which are budgeted within the Department of Budget and Management Statewide Expenses Program. The fiscal 2023 allowance includes pay-as-you-go funding budgeted within the Dedicated Purpose Account. Transfers to fund/plant balance excluded from percentage of other unrestricted totals.

Source: Governor’s 2018-2023 Budget Books; Department of Legislative Services

Personnel Data

	<u>FY 21</u> <u>Actual</u>	<u>FY 22</u> <u>Working</u>	<u>FY 23</u> <u>Allowance</u>	<u>FY 22-23</u> <u>Change</u>
Regular Positions	1,262.00	1,314.00	1,314.00	0.00
Contractual FTEs	<u>348.00</u>	<u>348.00</u>	<u>362.00</u>	<u>14.00</u>
Total Personnel	1,610.00	1,662.00	1,676.00	14.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	47.83	3.64%
Positions and Percentage Vacant as of 12/31/21	120.00	9.13%
Vacancies Above Turnover	72.17	5.30%

- As a result of the COVID-19 pandemic, the university’s vacancy rate has increased due to employee retirements and voluntary separations.

The President should comment on the high vacancy rate, identifying how the institution plans to bring this total in line with the expected rate.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
2021 Joint Chairmen’s Report Responses from Agency

The 2021 *Joint Chairmen’s Report* (JCR) requested that MSU prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on the Center for Urban Health Equity:*** MSU had funds restricted pending the receipt of a report to the budget committees documenting the strategic goals of the for Urban Health Equity and how additional funding streams would be leveraged to fund the center. MSU provided a report that identified how the center would provide community-centered applied health equity research that would illuminate structural inequities to inform policy and programmatic decision making as well as how research by the center would be utilized to educate and disseminate knowledge. The report also identified the specific aims, by year, for the first three years of the center as well as provided a budget summary that identified funding streams for the center and clarified that no additional costs needed to be charged to the budget by the university.
- ***Report on Instructional Faculty Workload:*** MSU was asked to submit a report on annual workload for tenured and tenure-track faculty as well as full- and part-time nontenured and nontenure track faculty, including adjunct faculty, instructors, and lecturers. Tenure and tenure-track faculty taught 106% of expected course totals with an average course unit of 7.7. Full-time contractual faculty taught 103% of expected course totals with an average course unit of 8.0. Departmental chairs continued to far exceed their expected course totals taught, reaching 166% with an average course unit of 6.7.

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

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,262.00	1,314.00	1,314.00	0.00	0%
02 Contractual	348.00	348.00	362.00	14.00	4.0%
Total Positions	1,610.00	1,662.00	1,676.00	14.00	0.8%
Objects					
01 Salaries and Wages	\$ 135,081,973	\$ 145,491,619	\$ 148,059,861	\$ 2,568,242	1.8%
02 Technical and Special Fees	25,275,092	25,768,964	27,635,980	1,867,016	7.2%
03 Communication	796,830	852,654	852,504	-150	0%
04 Travel	769,019	4,176,808	4,235,256	58,448	1.4%
06 Fuel and Utilities	4,848,933	6,986,645	7,021,645	35,000	0.5%
07 Motor Vehicles	549,439	620,681	620,681	0	0%
08 Contractual Services	29,583,420	89,448,657	50,487,374	-38,961,283	-43.6%
09 Supplies and Materials	9,060,073	6,739,291	8,610,901	1,871,610	27.8%
11 Equipment – Additional	2,124,679	7,030,604	7,228,604	198,000	2.8%
12 Grants, Subsidies, and Contributions	45,999,836	40,839,297	42,719,297	1,880,000	4.6%
13 Fixed Charges	15,554,019	12,203,211	14,203,211	2,000,000	16.4%
14 Land and Structures	5,029,828	10,141,057	13,141,057	3,000,000	29.6%
Total Objects	\$ 274,673,141	\$ 350,299,488	\$ 324,816,371	-\$ 25,483,117	-7.3%
Funds					
40 Unrestricted Fund	\$ 166,918,796	\$ 240,325,956	\$ 270,190,675	\$ 29,864,719	12.4%
43 Restricted Fund	107,754,345	109,973,532	54,625,696	-55,347,836	-50.3%
Total Funds	\$ 274,673,141	\$ 350,299,488	\$ 324,816,371	-\$ 25,483,117	-7.3%

Note: The fiscal 2022 working appropriation does not include deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

**Appendix 3
Fiscal Summary
Morgan State University**

<u>Program/Unit</u>	<u>FY 21 Actual</u>	<u>FY 22 Work Approp</u>	<u>FY 23 Allowance</u>	<u>Change</u>	<u>FY 22 - FY 23 % Change</u>
01 Instruction	\$ 57,462,428	\$ 57,369,715	\$ 74,217,582	\$ 16,847,867	29.4%
02 Research	58,735,382	97,626,416	48,856,164	-48,770,252	-50.0%
03 Public Service	301,249	524,285	523,713	-572	-0.1%
04 Academic Support	22,545,282	26,426,906	26,382,329	-44,577	-0.2%
05 Student Services	8,005,487	9,929,106	9,906,760	-22,346	-0.2%
06 Institutional Support	43,557,774	49,996,365	53,772,597	3,776,232	7.6%
07 Operation and Maintenance of Plant	20,720,734	29,928,289	31,656,340	1,728,051	5.8%
08 Auxiliary Enterprise	22,865,272	40,052,701	40,055,181	2,480	0%
17 Scholarships and Fellowships	40,479,533	38,445,705	39,445,705	1,000,000	2.6%
Total Expenditures	\$ 274,673,141	\$ 350,299,488	\$ 324,816,371	-\$ 25,483,117	-7.3%
Unrestricted Fund	\$ 166,918,796	\$ 240,325,956	\$ 270,190,675	\$ 29,864,719	12.4%
Restricted Fund	107,754,345	109,973,532	54,625,696	-55,347,836	-50.3%
Total Appropriations	\$ 274,673,141	\$ 350,299,488	\$ 324,816,371	-\$ 25,483,117	-7.3%

Note: The fiscal 2022 working appropriation does not include deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.