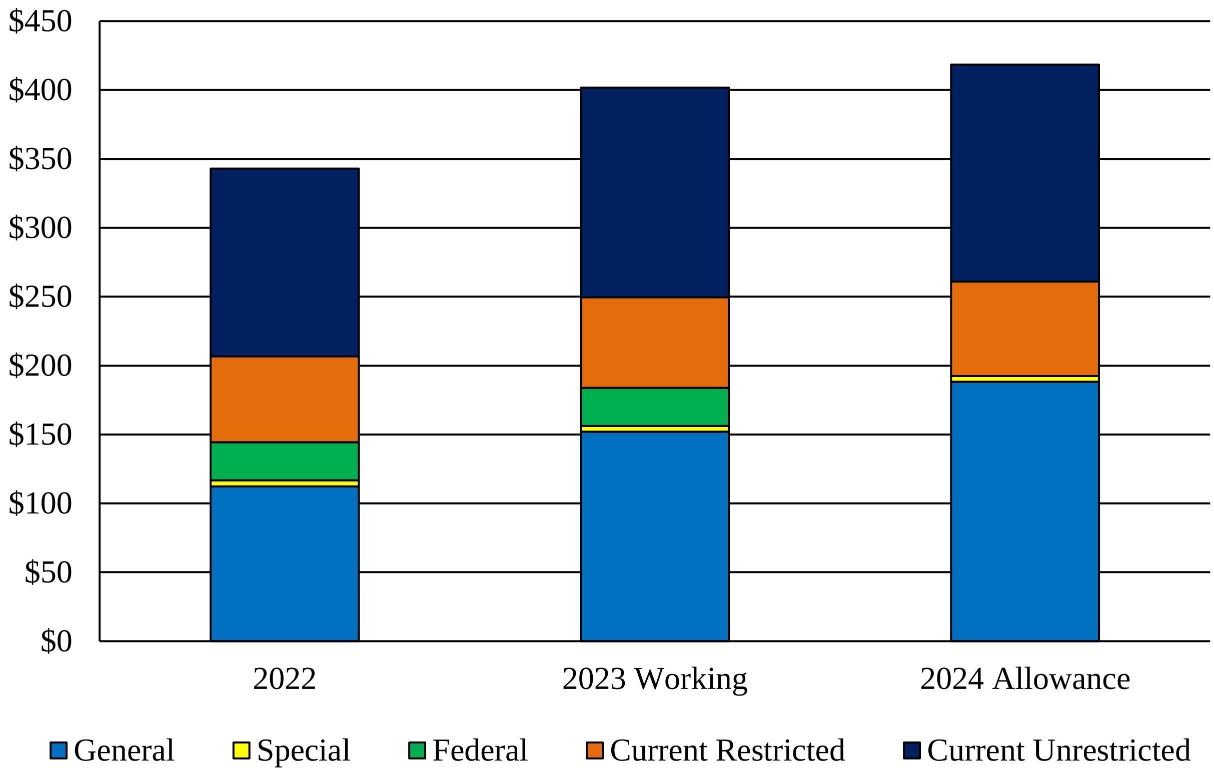
R13M00
Morgan State University

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 2024 Budget Increases $16.6 Million, or 4.1%, to $418.4 Million
($ in Millions)



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). The fiscal 2023 working appropriation excludes $66.0 million in special funds from the Dedicated Purpose Account for pay-as-you-go capital funds. The fiscal 2024 allowance accounts for salary enhancements that are budgeted in the Statewide Account within DBM.

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- The fiscal 2023 working appropriation of MSU includes $27.8 million in direct federal support from the American Rescue Plan Act (ARPA) of 2021.

- The fiscal 2024 budget includes a proposed deficiency of $8.0 million across higher education institutions, of which the MSU share is $273,839, to replace general funds with Higher Education Investment Funds (HEIF) due to available balance and a statewide deficiency, of which MSU's share is $4.5 million, for the 4.5% cost-of-living adjustment (COLA) provided in November 2022.

- The fiscal 2024 allowance for MSU includes $26.4 million for the second year of funding under Chapter 41 of 2021, the Historically Black Colleges and Universities (HBCU) settlement.

Key Observations

- ***Enrollment:*** Fall 2022 undergraduate enrollment increased by 575 students compared to fall 2021. Out-of-state enrollment gains continued in fall 2022, growing by 465 students compared to fall 2021.

- ***Four-year Graduation Rates:*** Four-year graduation rates have held steady at 21.8% for the 2017 cohort.

- ***Six-year Graduation Rates Decline:*** Six-year graduation rates fell, for the first time since the 2009 cohort, to 47.1%, a 0.8 percentage point decrease from the 2014 cohort. Despite the decline, the six-year graduate rate in the 2015 cohort was the second highest rate since the 2007 cohort.

Operating Budget Recommended Actions

1. Restrict funds until corrective actions are approved by the Office of Legislative Audits.

2. Adopt narrative requesting a report on the National Center for the Elimination of Educational Disparities.

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 2022 Undergraduate Enrollment Headcount		**Fall 2022 Graduate Enrollment Headcount**	
Male	2,883	Male	600
Female	4,726	Female	892
Total	**7,609**	**Total**	**1,492**
Fall 2022 New Students Headcount		**Campus (Main Campus)**	
First-time	2,203	Acres	186.4
Transfers/Others	415	Buildings	55
Graduate	358	Average Age	28
Total	**2,976**	Oldest	1919: Carnegie Hall
Programs		**Degrees Awarded (2021-2022)**	
Bachelor's	64	Bachelor's	964
Master's	49	Master's	259
Doctoral	29	Doctoral	70
		Total Degrees	**1293**
Proposed Fiscal 2024 In-state Tuition and Fees*			
Undergraduate Tuition	$5,586		
Mandatory Fees	$2,582		

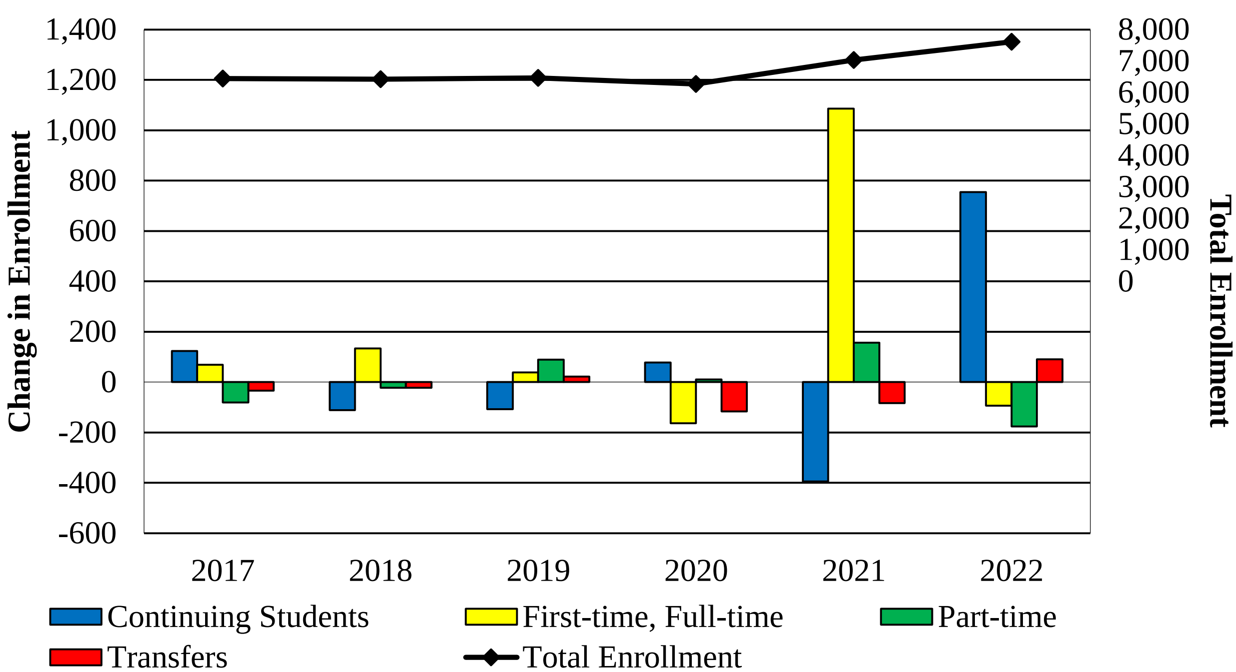
*Contingent on Board of Regents approval.

Performance Analysis: Managing for Results

1. Undergraduate Fall Headcount

As shown in **Exhibit 1**, in fall 2022, undergraduate enrollment increased by 8.2%, or 575 students. This increase was primarily due to a 20.3%, or 754 students, growth in the continuing student population. For the first time since fall 2018, the part-time student population decreased, declining by 22.7%, or 176 fewer students than fall 2021. The transfer student population reversed the declining trend and increased by 35.7%, or 90 students. First-time, full-time (FT/FT) enrollment decreased 4.1% to 2,195 students in fall 2022 after a 90.3% increase in fall 2021 yet remains higher than pre-2021 enrollment totals. MSU attributed the higher FT/FT student population in recent years to 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 HBCUs participating institutions; waiving application fees; and implementing test-optional admissions.

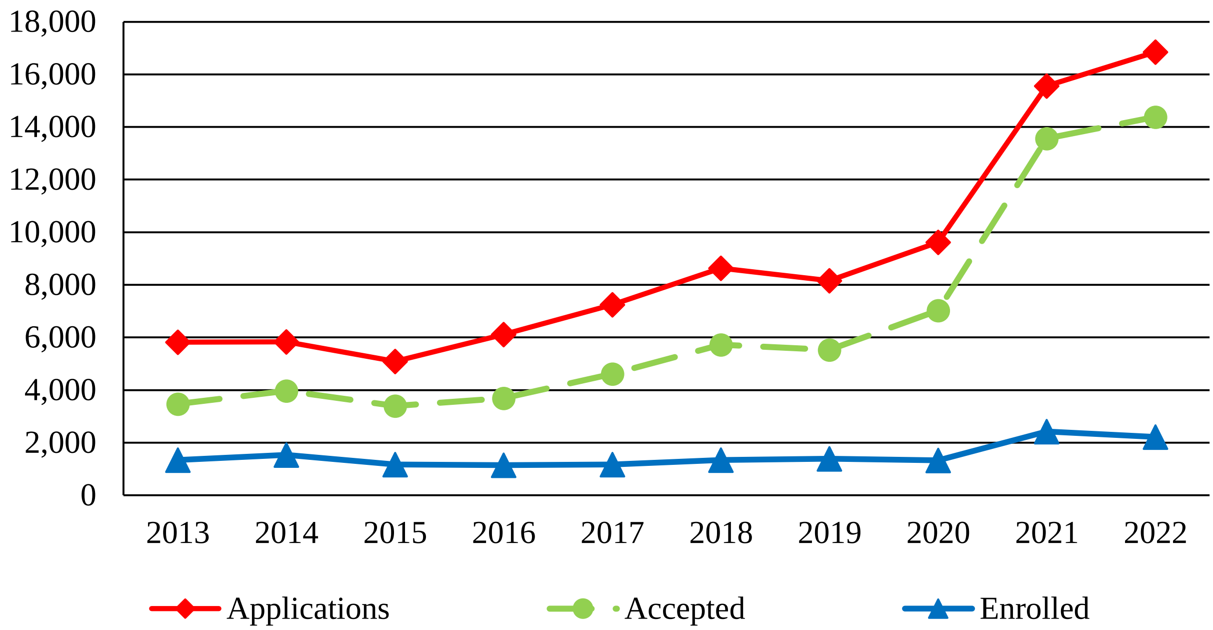
Exhibit 1
Change in Undergraduate Enrollment by Category and Total Headcount
Fall 2017-2022



Source: Morgan State University

As shown in **Exhibit 2**, the number of first-time undergraduate applications for fall 2022 increased by 7.6%, or 1,281, over fall 2021 and represented the largest application total ever for MSU for first-time undergraduate students. There has been a 106.5% increase in applications since fall 2019. While the average acceptance rate for fall 2012 to 2020 was 65%, the acceptance rate for fall 2021 was 85%, 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 enrolled in fall 2022 (totaling 2,219) represented the smallest yield rate, 15.4%, achieved over this period. However, it still resulted in higher enrollments than any recent year except fall 2021. **The President should discuss the retention strategies in place to ensure that recent large cohorts academically persist at the university and what has led to the recent increase in the acceptance rate.**

Exhibit 2
Undergraduate Applications, Accepted, and Enrolled
Fiscal 2013-2022

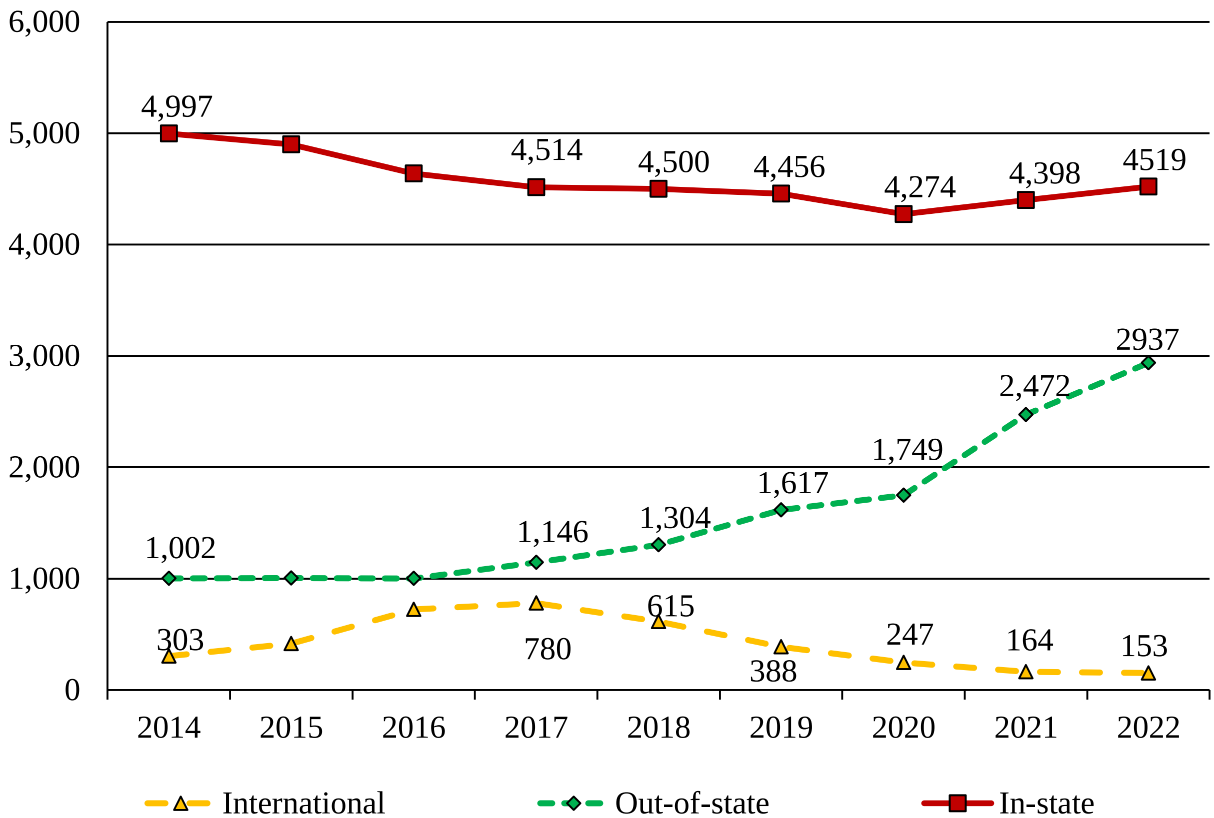


Source: Morgan State University

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 additional increase in fall 2022 (2.8%, or 121 students). The international student population had represented the majority of the enrollment increases from fall 2014 through 2017, until the total international student enrollment reached

780 students, or 12.1%, of the total undergraduate enrollment in fall 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 has led to decreased enrollment in this student population since that time. Since 2017, the international student enrollment has decreased 80.4%. Out-of-state enrollment has experienced the greatest increase in the undergraduate student population from fall 2016 through 2022, increasing from 17.8% to 38.6%. 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 2014-2022



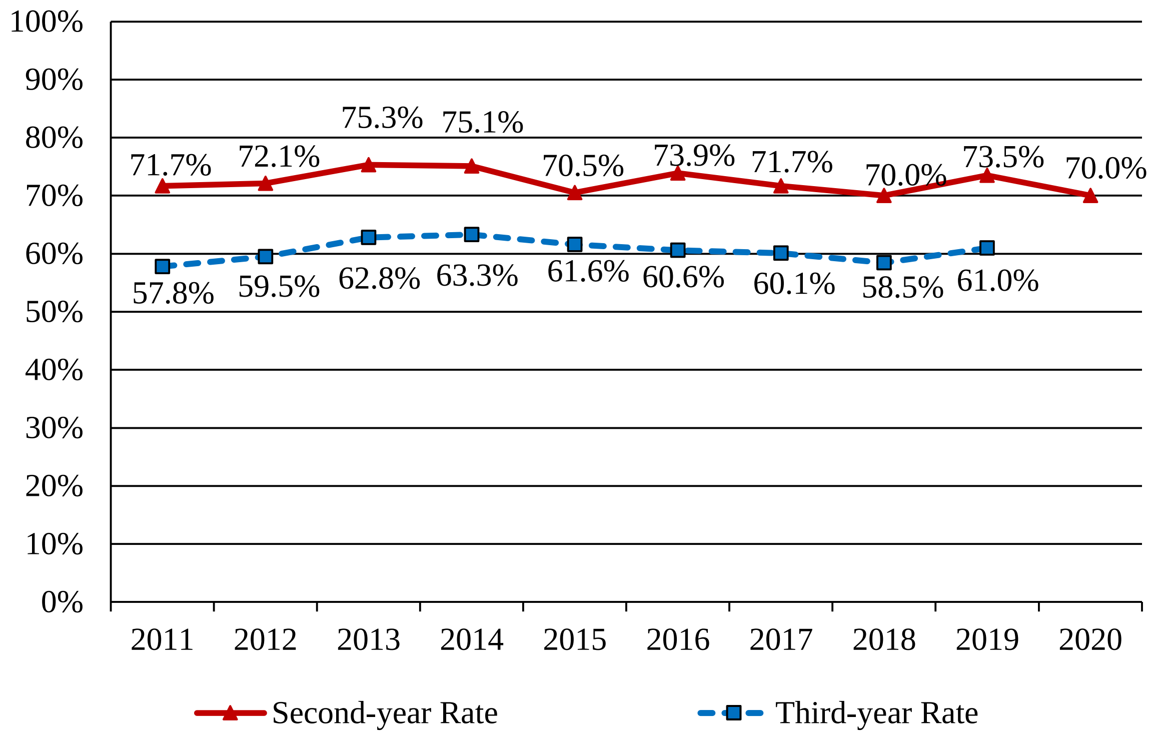
Source: Morgan State University

Out-of-state enrollment has increased as a share of the undergraduate student population from fall 2016 to 2022, increasing from 15.7% to 38.6%. 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. **The President should discuss the growing out-of-state student population as MSU's in-state student population is expected to decrease to 55% in fiscal 2023 and 2024.**

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, as shown in **Exhibit 4**, the second-year retention rate has not fallen below 70.0% in any recent year. However, the 2018 and 2020 cohorts had retention rates of 70%. The 2013 cohort achieved the highest second-year retention rate of 75.3%. Third-year retention has reversed its steady decline since the 2014 cohort, growing to 61.0% for the 2019 cohort.

Exhibit 4
Second-year Retention Rates for First-time, Full-time Students
2011-2020 Cohorts



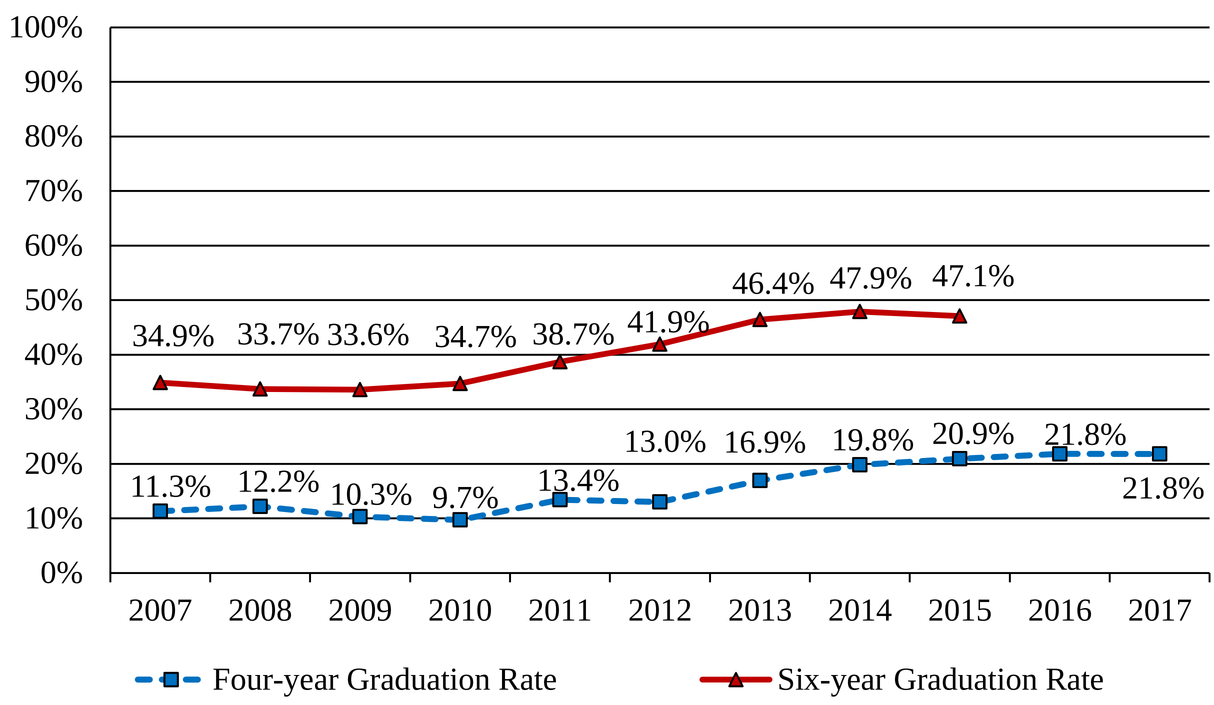
Source: Maryland Higher Education Commission

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 5** 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 more than doubled to 21.8% with the 2016 cohort and held steady at that level with the 2017 cohort. The six-year graduation rate declined for the first time since 2010 to 47.1%, a 0.9 percentage point decrease. Despite the decline, this level was the second highest rate during this period.

Exhibit 5

Graduation Rate of First-time, Full-time Students

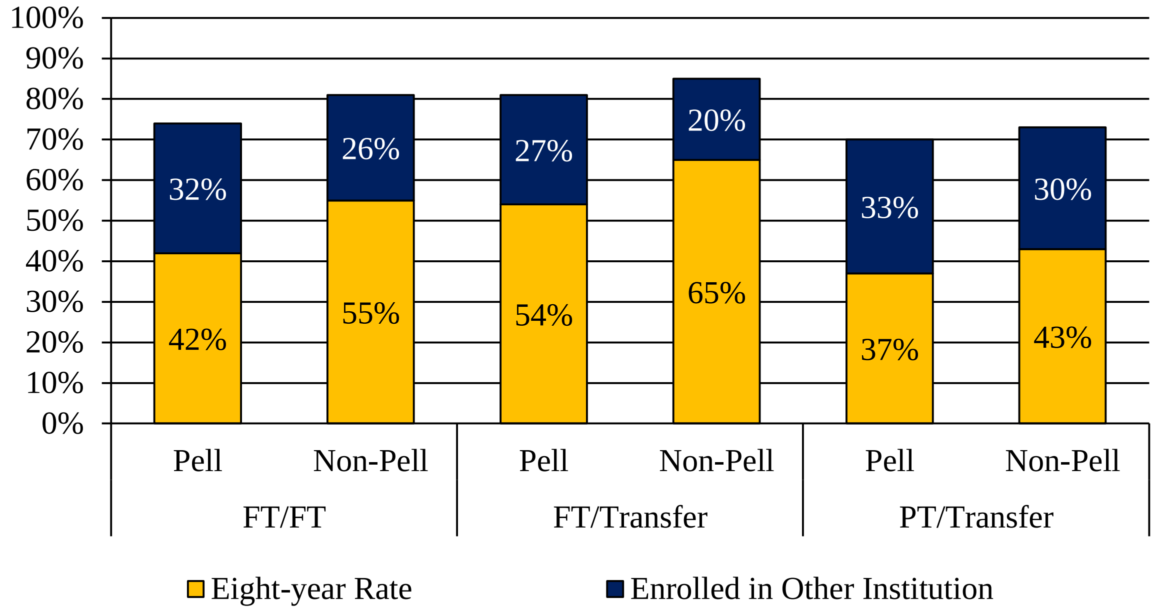
2007-2017 Cohorts



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 6**, non-Pell- and Pell-eligible full-time transfer students had the highest eight-year graduation rate of 65%. FT/FT non-Pell-eligible students had the second highest rate (55%). Part-time transfer students had the lowest rate with 37% Pell-eligible students and 43% for non-Pell eligible students.

Exhibit 6
Eight-year Graduation Rates for Students Entering in Academic Year 2013-2014



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

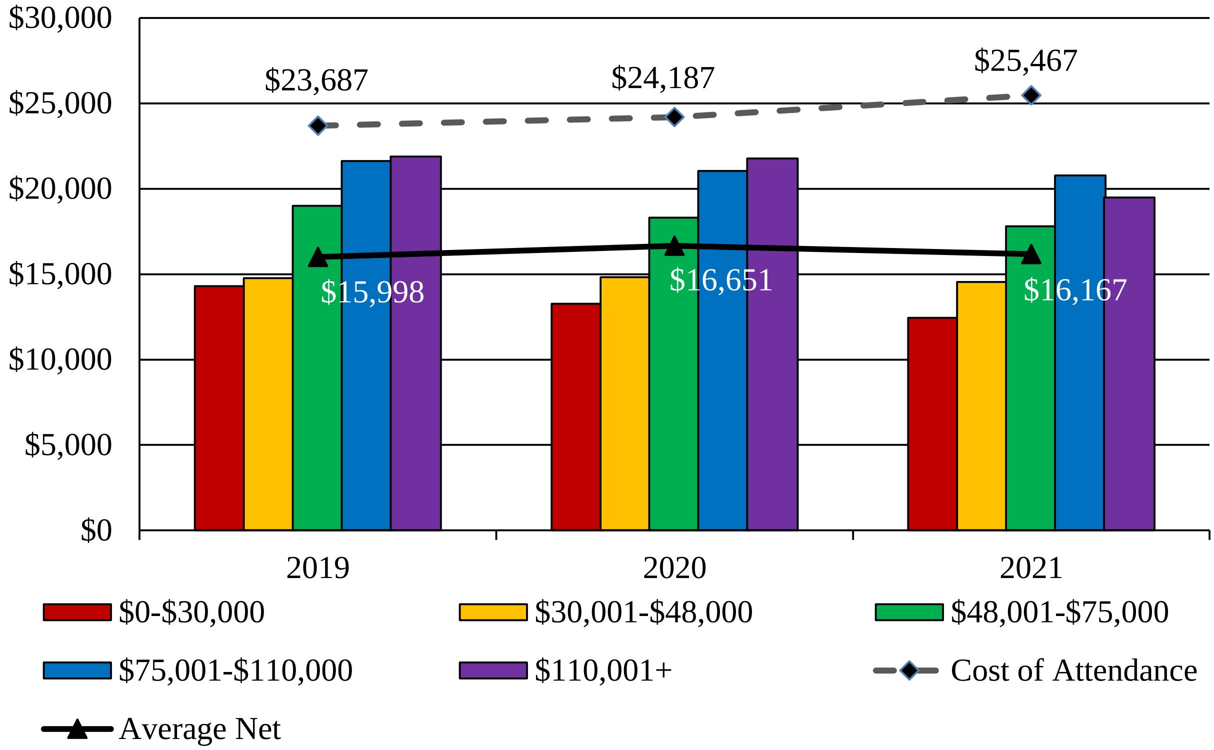
Source: National Center for Education Statistics; College Navigator

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 7**, in fiscal 2021, the average net price was $16,167, or 36.5%, less than the published 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 6.2%, or $827, from $13,266 in fiscal 2020 to $12,439 in fiscal 2021. The average net price decreased in all Expected Family Contribution categories.

Exhibit 7
Estimated Cost of Attendance versus Average Net Price
Fiscal 2019-2021



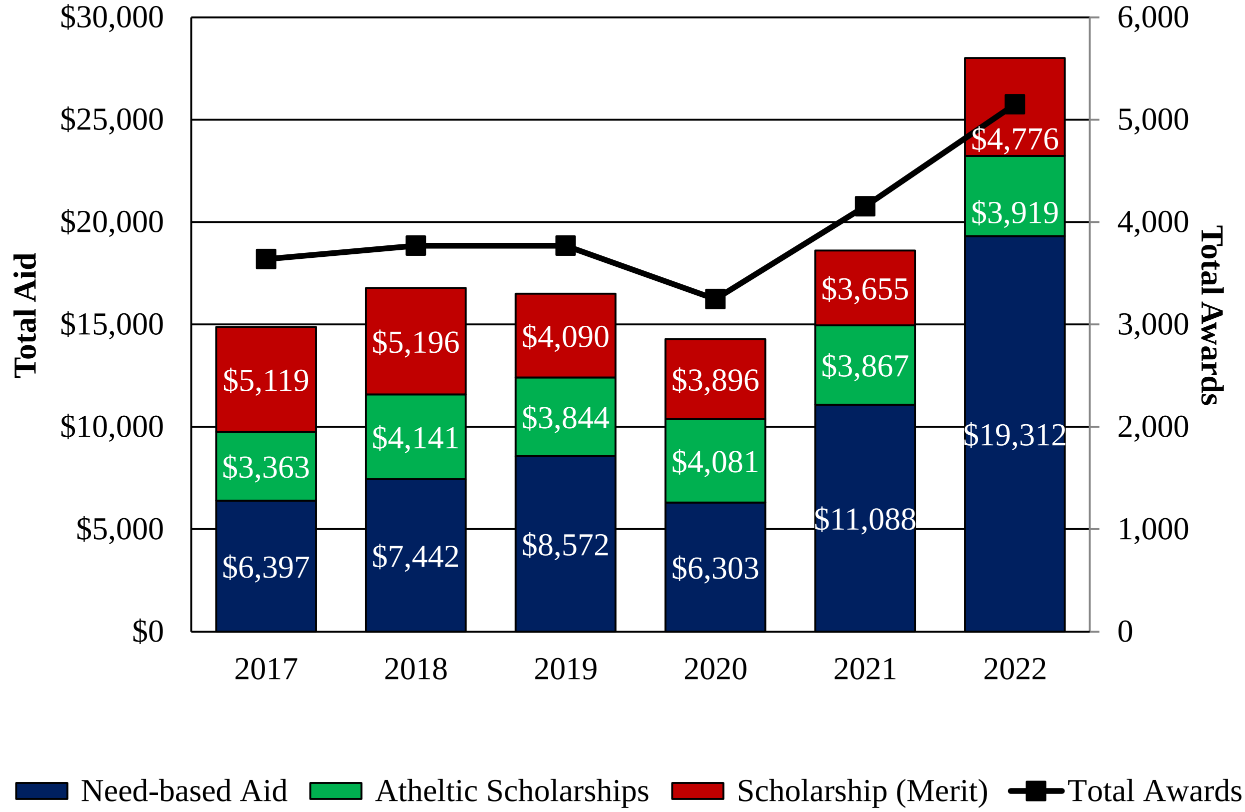
Note: The total cost of attendance includes tuition, mandatory fees, books and supplies, and the weighted average for room, board, and other expenses. Average net price is calculated by subtracting the average amount of federal, State, and institutional aid awarded to Morgan students from the total cost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

Source: National Center for Education Statistics, College Navigator

Institutional Aid

As shown in **Exhibit 8**, total expenditures on institutional aid increased 88.2%, or $13.1 million, from fiscal 2017 to 2022, with need-based aid accounting for $12.2 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 2022, need-based aid awards, totaling 4,178, represented 81.1% of all awards; while merit scholarships and athletic scholarships represented 14.3% and 4.6%, 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 8
Institutional Aid Expenditures and Total Awards by Category
Fiscal 2017-2022
($ in Thousands)



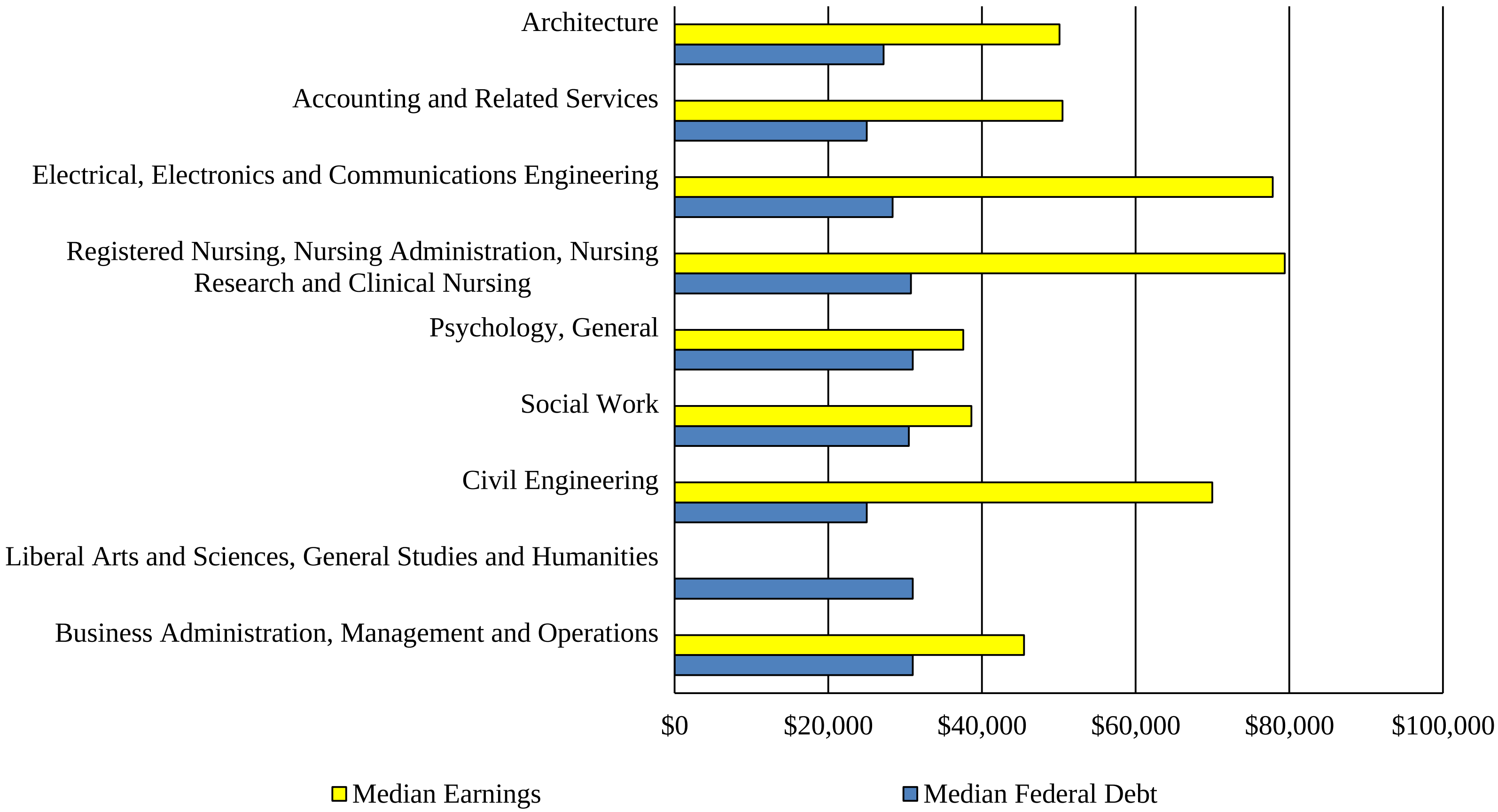
Source: Morgan State University

Student Federal Debt

In an effort to give students a better picture of outcomes at the program rather than the institutional level, the U.S. Department of Education's College Scorecard reports the median debt (excluding private and Parent PLUS loans) and median earnings two years after graduation, as reported by the institutions. This information helps students consider the amount of federal debt they may incur and their ability to repay the loan after graduating, since repayments are based on salaries. **Exhibit 9** contains a combination the fields of study with the highest earnings and the largest fields of study at MSU. Among this group, graduates from the civil engineering program have the lowest federal debt, totaling $25,000, while also attaining a median salary, $69,960. The highest median federal debt is $31,000, affecting business administration, liberal arts, and psychology graduates.

Exhibit 9

Undergraduate Programs by Median Federal Debt and Median Earnings



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

Fiscal 2023 Working Budget

Education and General Expenditures

Since tuition and fee revenue in the allowance is 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 2022 and 2023, when institutions know their fall enrollment, provides a more accurate picture of funding priorities.

In fiscal 2023, spending on research has increased by $11.4 million, or 247.2%, compared to fiscal 2022, as shown in **Exhibit 10.** The next largest increase in spending by program area was in operation and maintenance of plant, which grew by 30.0%, or $7.9 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 by $5.7 million, or 21.6%, as the result of the conversion of contractual employees to full-time status, increased contractual services, and COLAs. Institutional Support increased by $8.8 million, or 17.3%, as the result of the conversion of contractual employees to full-time status, COLAs, and increased utilization of contractual services. Auxiliary enterprises decrease by 1.3% or $0.7 million.

Exhibit 10
Budget Changes for Unrestricted Funds by Program
Fiscal 2022-2023
($ in Thousands)

	2022 Actual	2023 Adjusted Working	2022-2023 $ Change	2022-2023 % Change
Expenditures				
Instruction	$57,019	$68,741	$11,722	20.6%
Research	4,616	16,024	11,409	247.2%
Public Service	211	243	32	15.2%
Academic Support	26,277	31,940	5,663	21.6%
Student Services	8,636	9,804	1,167	13.5%
Institutional Support	50,526	59,278	8,752	17.3%
Operation and Maintenance of Plant	26,223	34,077	7,854	30.0%
Scholarships and Fellowships	26,490	31,171	4,680	17.7%
General Salary Increase		4,521	4,521	
E&G Total	**$199,998**	**$255,798**	**$55,800**	**27.9%**
Auxiliary Enterprises	$53,293	$52,581	-$712	-1.3%
Total Expenditures	**$253,291**	**$308,379**	**$55,088**	**21.7%**
Revenues				

	2022 Actual	2023 Adjusted Working	2022-2023 $ Change	2022-2023 % Change
Tuition and Fees	$77,237	$89,462	$12,225	15.8%
State Funds[1]	116,846	156,161	39,315	33.6%
Other	9,242	10,125	883	9.6%
Total E&G Revenues	**$203,326**	**$255,748**	**$52,423**	**25.8%**
Auxiliary Enterprises	$50,900	$52,581	$1,681	3.3%
Transfer (to)/from Fund Balance and to Plant Funds	-935		935	-100.0%
Available Unrestricted Revenues	**$253,291**	**$308,329**	**$55,038**	**21.7%**

E&G: Education and General

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

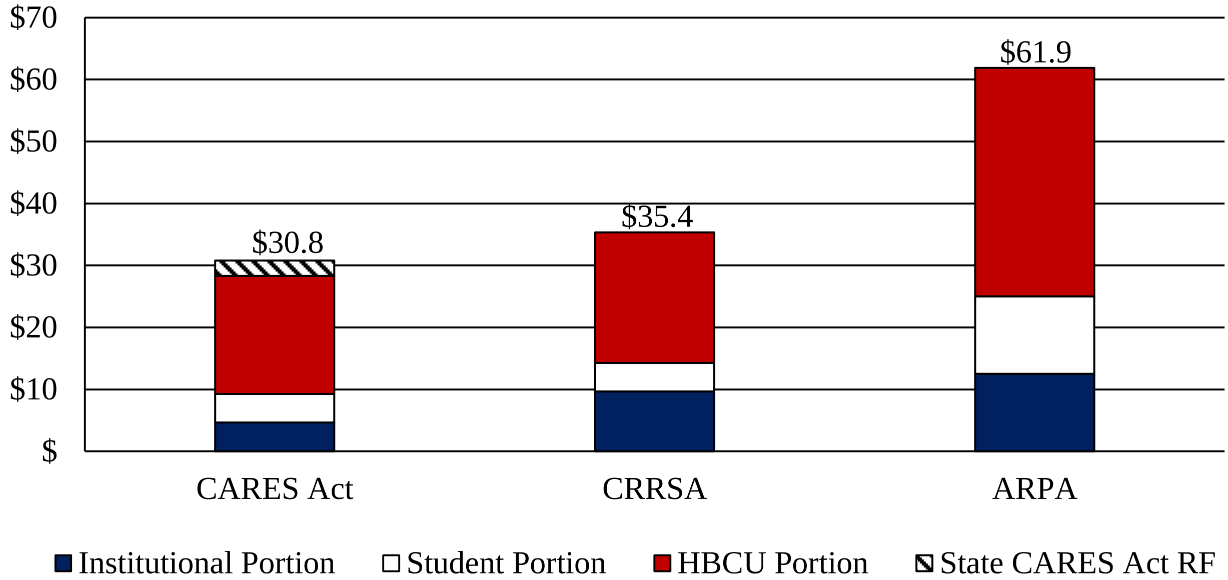
Source: Governor's Fiscal 2024 Budget Books; Department of Legislative Services

According to MSU, through the first half of the fiscal year, tuition and fee revenue has 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 Higher Education Emergency Relief Funds (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 Act of 2020; the Coronavirus Response and Relief Supplemental Appropriations Act of 2020; and the ARPA. As shown in **Exhibit 11**, 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 11
Summary of Federal HEERF Packages and Other Temporary Federal Aid
Fiscal 2020-2023
($ in Millions)

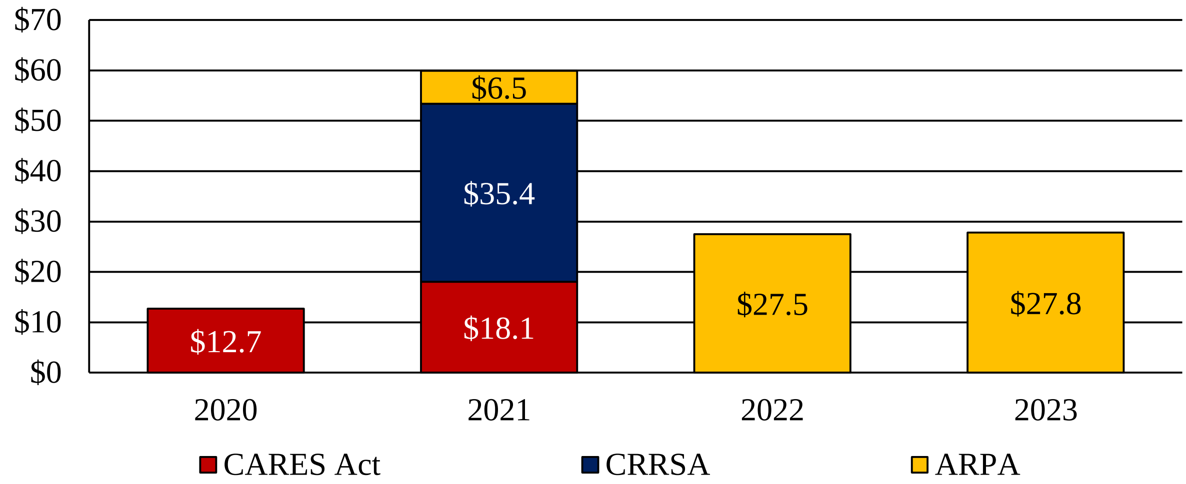


ARPA: American Rescue Plan
CARES: Coronavirus Aid, Relief, and Economic Security
CRRSA: Coronavirus Response and Relief Supplemental Appropriations Act
HBCU: Historically Black Colleges and Universities
HEERF: Higher Education Emergency Relief Fund
RF: reimbursable funds

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

The fiscal 2023 working appropriation for MSU includes $27.8 million in restricted funds from the HEERF III ARPA funds that must be expended by June 30, 2023. This HEERF funding will primarily be used for air quality improvements in campus buildings ($20.0 million), increased firewall protections for remote learning ($4.0 million), and emergency financial aid ($3.0 million). The distribution of HEERF spending by fiscal year is shown in **Exhibit 12**.

Exhibit 12
Distribution of HEERF Spending
Fiscal 2020-2023
($ in Millions)



ARPA: American Rescue Plan Act
CARES: Coronavirus Aid, Relief, and Economic Security
CRRSA: 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

Proposed Deficiency Appropriations

The fiscal 2023 adjusted working appropriation includes two proposed deficiency appropriations impacting MSU, which include:

- MSU's share of a statewide deficiency for the 4.5% COLA provided in November 2022 ($4.5 million); and

- MSU's share of an $8 million deficiency across higher education institutions to replace general funds with the HEIF due to available fund balance ($273,839).

Fiscal 2024 Proposed Budget

As shown in **Exhibit 13**, State support in the fiscal 2024 adjusted allowance increases by $36.4 million, or 23.3%, excluding pay-as-you-go (PAYGO) capital funding from the Dedicated Purpose Account, which is excluded from this analysis.

Exhibit 13
Proposed Budget
Morgan State University
Fiscal 2022-2024
($ in Thousands)

	2022 Actual	2023 Adjusted	2024 Adjusted	2023-2024 Change	% Change Prior Year
General Funds	$112,300	$132,666	$154,326	$21,660	16.3%
Chapter 41 Funds		15,113	26,387		
Deficiency – HEIF Swap		-274			
Deficiency – 4.5% COLA		4,521			
Statewide Personnel Adjustments			7,598		
Total General Funds	**$112,300**	**$152,026**	**$188,311**	**$36,284**	**23.9%**
HEIF	$4,547	$3,861	$4,238	$377	
Deficiency – HEIF Swap		274			
Total State Operating Support	**$116,846**	**$156,161**	**$192,548**	**$36,387**	**23.3%**
Other Unrestricted	$136,445	$152,168	$157,307		
Federal Stimulus – Restricted	27,523	27,825			
Other Restricted	62,228	65,626	68,519		
Total	**$280,814**	**$336,154**	**$349,855**	**$13,701**	**4.1%**

COLA: cost-of-living adjustment
HEIF: Higher Education Investment Fund

Note: Numbers may not sum to total due to rounding. Federal Stimulus includes American Recovery Plan Act funds. The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). The fiscal 2023 working appropriation excludes $66.0 million in special funds from the Dedicated Purpose Account for pay-as-you-go capital funds. The fiscal 2024 allowance accounts for salary enhancements that are budgeted in the Statewide Account within DBM.

Source: Governor's Budget Books, Fiscal 2024; Department of Legislative Services

Proposed Increases

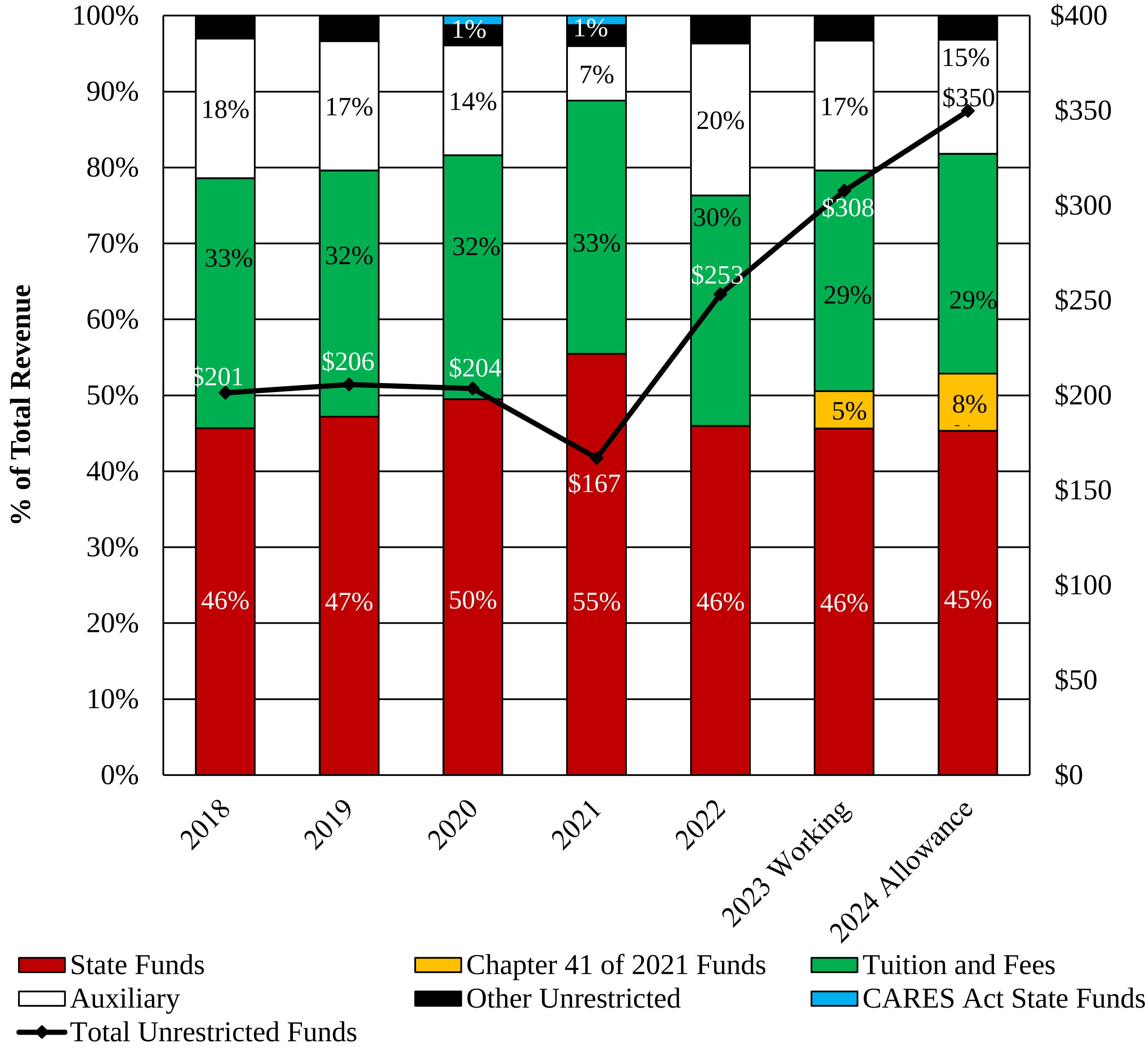
State funding, when excluding Chapter 41 funds and PAYGO, increases by $25.1 million in the fiscal 2024 allowance compared to fiscal 2023. Major changes in funding are expected to support:

- annualization of November 2022 COLA and fiscal 2024 COLA and increments ($10.4 million);
- operating funds for the new Health and Human Services Building, which will finish capital construction in fiscal 2024 ($5.8 million);
- National Center for the Elimination of Educational Disparities ($3.7 million), which launched in September 2022 to address education disparities for Black, Latinx, and low-income children in public schools;
- Center for Education and Research in Microelectronics (also known as CHIPS) ($3.1 million) mission to produce African American engineers, physicists, and computer scientists for the semiconductor industry through a co-op based program leading to a master's degree in microelectronic engineering and a Ph.D. in materials for microelectronics; and
- employee and retiree health insurance ($1.8 million).

Revenue Sources

In the fiscal 2024 allowance, State funds (general funds, the HEIF, and Chapter 41 funds) and tuition and fee revenue comprise 45% and 29% of MSU's State-supported revenues, respectively, as shown in **Exhibit 14**. The fiscal 2023 and 2024 budgets anticipate auxiliary revenue remaining level at $52.6 million. MSU anticipates over $349.9 million in unrestricted revenues in fiscal 2024. Should this total be met, it would be the largest unrestricted revenue total received by the university in history.

Exhibit 14
Unrestricted Revenues by Fund Sources
Fiscal 2018-2024 Allowance
($ in Millions)



CARES: Coronavirus Aid, Relief, and Economic Security

Note: The fiscal 2023 working excludes pay-as-you-go funding budgeted within the Dedicated Purpose Account. Transfers to fund/plant balance excluded from percentage of other unrestricted totals. However, total unrestricted funds do include these figures.

Source: Governor's 2018-2024 Budget Books; Department of Legislative Services

Personnel Data

	FY 22 Actual	FY 23 Working	FY 24 Allowance	FY 23-24 Change
Regular Positions	1,472.00	1,666.00	1,666.00	0.00
Contractual FTEs	338.00	345.00	345.00	0.00
Total Personnel	**1,810.00**	**2,011.00**	**2,011.00**	**0.00**

Vacancy Data: Regular

Turnover and Necessary Vacancies, Excluding New Positions	65.47	3.93%
Positions and Percentage Vacant as of 12/31/22	175.00	10.44%
Vacancies Above Turnover	109.53	

- MSU continues to have a high vacancy rate, which can be partially attributed to the creation of 192 new positions in fiscal 2023. These new positions include new and contractual converted positions due to increased enrollment, the University Conversion Initiative and increased staffing in critical areas such as plant, information technology, academic support, and faculty (92 positions), HBCU settlement funded positions (75 positions), and new research center positions, (25 positions).

The President should comment on the new positions and the progress being made to fill them.

Issues

1. Maryland College of Osteopathic Medicine at MSU

In calendar 2019, MSU was approached by Salud Education, LLC (Salud) to develop and build the first Osteopathic College of Medicine at a HBCU. An osteopathic school awards Doctors of Osteopathic Medicine. It has a more holistic style of medical training, focusing on the musculoskeletal system and environmental factors in health. The more common medical school is an allopathic school, which awards a Doctor of Medicine or M.D. In January 2020, the MSU Board of Regents (BOR) authorized President Dr. David K. Wilson to explore the prospect of bringing a new privately funded, for-profit medical school to the campus through a strategic partnership with Salud. In November 2022, the MSU BOR approved a 35-year ground lease agreement with the Maryland College of Osteopathic Medicine (MDCOM) for Morgan's Montebello Complex. The lease includes two options to extend for 10 years each.

For a new degree granting institution to operate in Maryland, it must gain approval from Maryland Higher Education Commission (MHEC). The institution submits a stage one application showing the need for its proposed programs and adequate finances to establish and maintain a higher education institution. Once the application is submitted, it is distributed to other higher education institutions for review during a 30-day comment period. After it is approved, the institution can move on to stage two, which entails a comprehensive review of the proposed institution by MHEC. MDCOM has submitted its stage one application for initial approval as an in-state degree-granting institution to MHEC and received approval. MDCOM cited Maryland's growing need for primary care physicians due to a growing population and aging physician population as the need for the institution. Investors and tuition and fees will serve as its financial resources. MDCOM can now move to stage two of MHEC's approval process. The first class is expected to enter fall 2024 with a size of 90 students with the expectation to grow to 180 by year three.

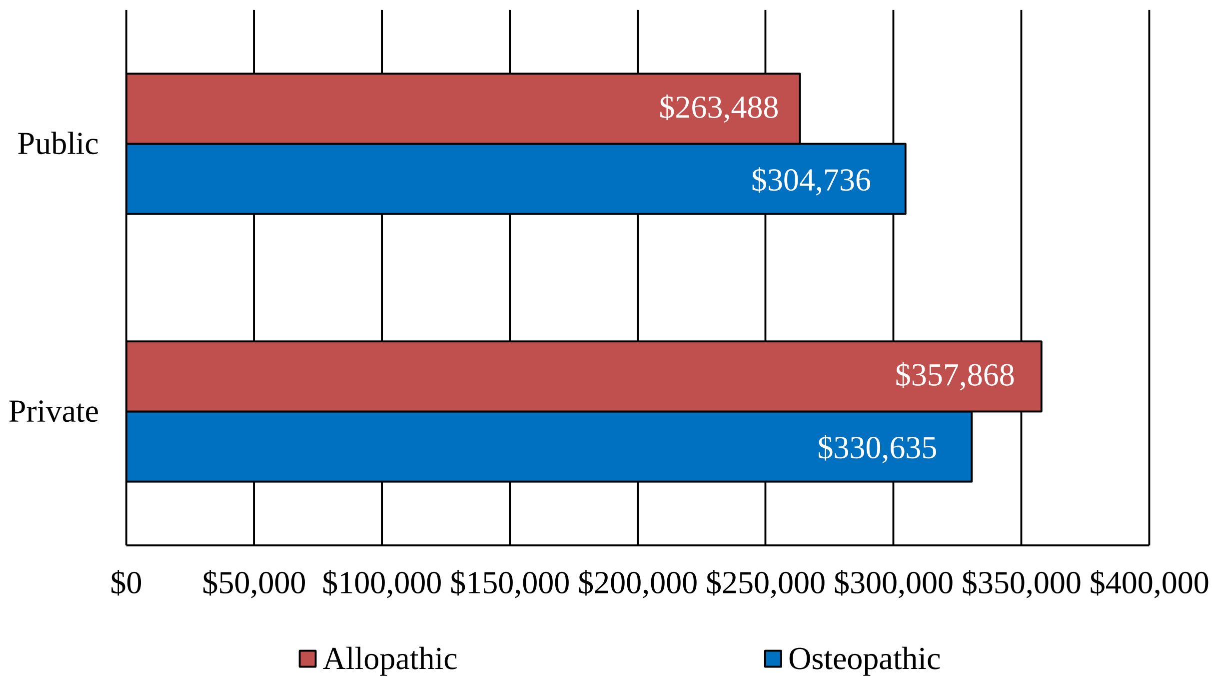
Return of For-profit Medical Schools

If approved, MDCOM will be a private for-profit institution on MSU's campus. Until recently, for-profit medical schools were absent in the United States. After the Flexner Report in 1910 maligned for-profit medical schools, they largely disappeared. In 1996, an anti-trust suit against the American Bar Association forced it to accredit for-profit law schools. The first for-profit medical school opened in 2007, the Rocky Vista University College of Osteopathic Medicine in Colorado. Since that time, five additional for-profit medical schools have opened. The Liaison Committee on Medical Education, the allopathic medical school accrediting institution, reversed its prohibition on accrediting for-profit schools in 2013. The for-profit status matters because it raises whether a school's motivation will be students or maximizing profit.

Student Debt

MDCOM expects to charge $55,000 in tuition and fees per year for its four-year program, $220,000 in total. The $220,000 total is not the full four-year cost of attendance because it does not include room and board, books and supplies, or any other additional personal costs. Recent data released by the American Association of Colleges of Osteopathic Medicine (AACOM) and the Association of American Medical Colleges (AAMC) shows the expected four-year cost of attendance for medical schools. **Exhibit 15** shows that private medical schools continue to outpace public institutions.

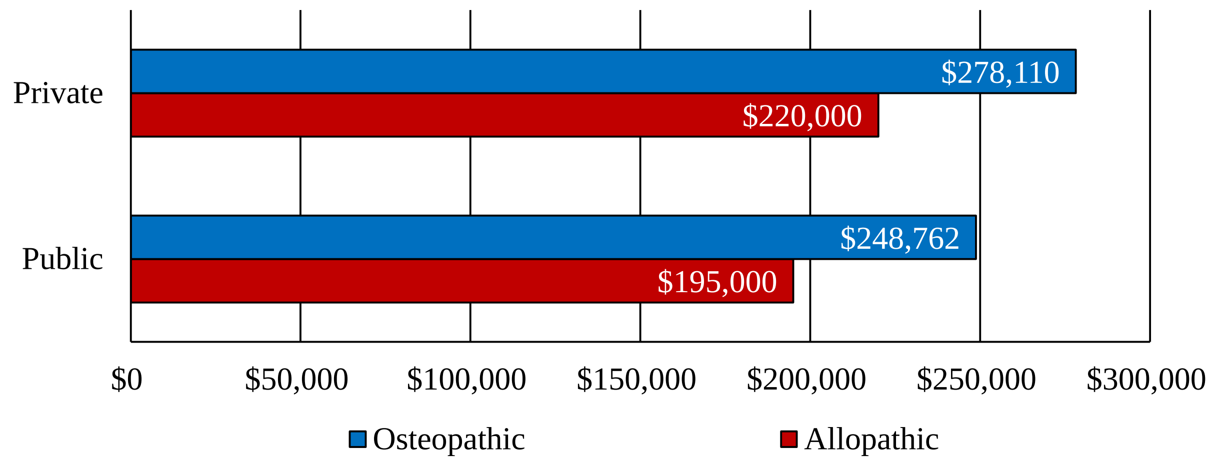
Exhibit 15
Four-year Median Cost of U.S. Medical Schools
Academic 2021-2022



Source: Association of American Medical Colleges, *Medical Student Education: Debt, Costs, Loan Repayment Fact Card for the Class of 2021;* American Association of Colleges of Osteopathic Medicine, *2021-2022 Osteopathic Medical College Cost of Attendance; Department of Legislative Services*

In 2019, the American Medical Association (AMA) released a study, "For-Profit Medical Schools or Colleges." AMA found that in 2018 to 2019 academic year, the median annual tuition and fees for nonprofit allopathic schools were $38,202 at public schools and $61,533 at private schools. The median debt for nonprofit public allopathic schools was $190,000 and $210,000 for private allopathic schools. The mean debt for public osteopathic schools was $222,972, and $261,133 for private osteopathic schools. The study noted that student debt for the newer for-profit medical schools was not yet available. However, at the oldest for-profit school, Rocky Visa University College of Osteopathic Medicine, the four-year estimated costs were $215,748, and the typical graduate has $294,018 in debt. Current data shows that private osteopathic graduates continue to have higher levels of debt. AACOM and AAMC collect data on medical student debt, in addition to cost of attendance. **Exhibit 16** shows that in fiscal 2021 to 2022, graduates of private osteopathic schools had the highest amount of student debt at $278,110.

Exhibit 16
Median Debt of U.S. Medical College Graduates
Fiscal 2021-2022



Source: Association of American Medical Colleges, *Medical Student Education: Debt, Costs, Loan Repayment Fact Card for the Class of 2021;* American Association of Colleges of Osteopathic Medicine (AACOM), *AACOM 2020-2021 Graduating Seniors Survey Summary Report;* Department of Legislative Services

The level of debt is concerning because Black students carry higher levels of student debt than others. If MDCOM's racial demographics are like other HBCU medical schools, the Black student population could account for around 60%. Brookings Institution reports that four years after graduation, the average Black college graduate owes $52,726 compared to the average White college graduate with $28,006. In calendar 2019, 74.7% of student loans held by Black graduates exceeded the original loan amount. The Education Data Initiative states that Black medical students have higher rates of student debt at 91% and a higher median debt of $230,000 than other racial groups.

MDCOM will not achieve accreditation until the first cohort graduates. Federal loans will be available to MDCOM students once accreditation is granted. Until that time, students will have to use private student loans to fund their education. Students cannot consolidate private student loans into a direct consolidation loan, a step needed for public service loan forgiveness. Some loans require payments when in school and can have variable rates, often higher than federal student loans. While MDCOM is not part of MSU, MSU will have three members on its board. **MSU should address what efforts, if any, will be taken not to burden students with higher than necessary student debt, particularly students who will enroll before accreditation.**

2. Audit Findings

In September 2022, the Office of Legislative Audits (OLA) released a fiscal compliance audit of MSU for the period beginning January 4, 2017, through April 30, 2021. The audit had 10 findings; a full list can be found in **Appendix 2**. This audit disclosed a number of procedures and processes that required corrective measures to improve financial and operational controls and to ensure adherence to existing State or MSU policies. The report produced findings that covered four different functional areas of operations.

Of the 10 findings, 4 findings were repeat findings from the fiscal compliance audit that was conducted from July 1, 2013, through January 3, 2017. The repeat findings include the areas of student accounts receivable and contracts and disbursements.

Student Accounts Receivable

Finding 1: MSU did not adequately monitor the vendor responsible for disbursing student refunds to ensure the refunds were properly issued and unissued refunds were returned. To address this finding, OLA recommended that MSU:

- perform independent reviews to ensure the vendor properly issued refunds to students and returned any amount not disbursed (repeat finding);
- establish an independent review process to ensure that returned refunds are properly credited to student accounts and correct the recording discrepancies noted in this finding; and
- redacted cybersecurity-related recommendation.

Finding 2: MSU did not independently verify the propriety of adjustments to student room and board charges, certain of which were not processed in accordance with MSU policy. OLA recommended that MSU:

- ensure that adjustments to student room and board charges are properly supported and subject to an effective independent supervisory review for propriety after being recorded in MSU's automated records (repeat finding);

- ensure that justification for any deviation from its policy is documented and approved by supervisory personnel; and

- review the adjustments and take appropriate action as necessary.

Finding 3: Reviews of changes to student residency status were either not documented or not independent; and certain changes were not subject to review because system output reports used for this purpose were incomplete. OLA recommended that MSU ensure that independent documented supervisory reviews of student residency changes are performed using output reports that include all changes made (repeat finding).

Contracts and Disbursements

Finding 7: MSU did not procure certain goods and services in accordance with its policies and procedures and did not ensure related goods and services were received and amounts invoiced were proper. To address this finding, OLA recommended that MSU:

- competitively procure and execute contracts in accordance with its policies and procedures (repeat finding);

- obtain the Board of Public Work's approval as required, including retroactive approval for the security guards mentioned in the audit;

- comply with the Department of Information Technology master contracts and MSU Intergovernmental Cooperative Purchasing Agreement requirements;

- verify that all good and services have been received (repeat finding);

- obtain adequate support and ensure amounts invoiced and paid are proper and consistent with the related contract;

- fully document its use of all emergency procurements; and

- determine if any amounts were improperly paid and recover any such amounts.

MSU agreed with the recommendations, apart from three, and planned to have addressed all of the findings by the end of December 2022. Of the three disputed recommendations, one response was cybersecurity related and redacted. MSU disagreed with Finding 3 being identified as a repeat finding and maintains that no services had been improperly paid in reference to the final recommendation for Finding 7. **The President of MSU should comment on what actions have been taken to address the findings of the September 2022 audit report. The President should also specifically comment on what actions have been taken with regard to the audit's repeat findings and repeat recommendations. Due to the number of repeat audit**

findings contained in MSU's most recent fiscal compliance audit issued by OLA, the Department of Legislative Services (DLS) recommends adding budget bill language restricting funds in MSU until OLA submits a report indicating that corrective action has been taken to satisfactorily address the repeat findings contained in its audit report.

Operating Budget Recommended Actions

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

   , provided that since Morgan State University (MSU) has had four or more repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), $500,000 of this agency's administrative appropriation may not be expended unless:

   (1) MSU has taken corrective action with respect to all repeat audit findings on or before November 1, 2023; and

   (2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days from the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2024.

   Explanation: The Joint Audit and Evaluation Committee has requested that budget bill language be added for each unit of State government that has four or more repeat audit findings in its most recent fiscal compliance audit. Each agency is to have a portion of its administrative budget withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit a report to the budget committees on the status of repeat findings.

Information Request	Author	Due Date
Status of corrective actions related to the most recent fiscal compliance audit	OLA	45 days before the release of funds

2. Adopt the following narrative:

   Report on the National Center for Elimination of Educational Disparities: Morgan State University (MSU) is launching a new center that will focus on altering the educational outcomes for Black, Latinx, and low-income children in public schools. The fiscal 2024 budget includes funding for this center. The committees request that MSU submit a report on the strategic goals of the center, its research plans, and how that research will be practiced to support the center's goals.

Information Request	Author	Due Date
Report on the Center for the Elimination of Educational Disparities	MSU	August 1, 2023

Appendix 1
2022 *Joint Chairmen's Report* Responses from Agency

The 2022 *Joint Chairmen's Report* (JCR) requested that MSU prepare two reports. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Instructional Faculty Workload Report:*** 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 135% of expected course totals with an average course unit of 10. Full-time contractual faculty taught 116% of expected course totals with an average course unit of 9.3.

- ***Report on Meeting 2% Target:*** MSU was required to provide an annual facilities renewal report on the total replacement value of its State facilities; the amount of spending toward the 2% target; and expenditures on renewal of State facilities broken down by source of funds, including institutional and general obligation bond funds. The report was requested to ensure MSU was targeting State facilities over 10 years old. This report has not been submitted.

Appendix 2
Audit Findings

Audit Period for Last Audit:	January 4, 2017 – April 30, 2021
Issue Date:	September 2022
Number of Findings:	10
Number of Repeat Findings:	4
% of Repeat Findings:	40%
Rating: (if applicable)	

Finding 1: **MSU did not adequately monitor the vendor responsible for disbursing student refunds to ensure the refunds were properly issued and unissued refunds were returned**.

Finding 2: **MSU did not independently verify the propriety of adjustments to student room and board charges, certain of which were not processed in accordance with the MSU policy.**

Finding 3: **Reviews of changes to student residency status were either not documented or not independent; and certain changes were not subject to review because system output reports used for this purpose were incomplete.**

Finding 4: MSU did not adequately review deferred payment plan agreements to ensure they were proper.

Finding 5: MSU did not periodically ensure that all eligible delinquent accounts were referred to the State's Central Collection Unit within the required time period.

Finding 6: MSU did not conduct comprehensive reviews of honors scholarship awards to ensure the awards were proper and did not take required action when students did not maintain their eligibility. As a result, certain awards were overstated or issued to ineligible students.

Finding 7: **MSU did not procure certain goods and services in accordance with its policies and procedures and did not ensure related goods and services were received and amounts invoiced were proper.**

Finding 8: Redacted cybersecurity-related finding.

Finding 9: Redacted cybersecurity-related finding.

Finding 10: Redacted cybersecurity-related finding.

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

Appendix 3
Fiscal Summary
Morgan State University

Program/Unit	FY 22 Actual	FY 23 Wrk Approp	FY 24 Allowance	Change	FY 23 - FY 24 % Change
01 Instruction	$ 57,078,250	$ 68,874,472	$ 74,639,831	$ 5,765,359	8.4%
02 Research	60,576,637	76,690,985	69,170,803	-7,520,182	-9.8%
03 Public Service	210,949	243,118	261,832	18,714	7.7%
04 Academic Support	26,330,936	32,055,250	37,406,421	5,351,171	16.7%
05 Student Services	8,783,361	9,963,202	10,381,485	418,283	4.2%
06 Institutional Support	50,533,619	59,349,731	62,277,717	2,927,986	4.9%
07 Operation and Maintenance of Plant	26,222,544	100,117,926	39,645,582	-60,472,344	-60.4%
08 Auxiliary Enterprise	53,301,105	52,638,474	53,464,498	826,024	1.6%
17 Scholarships and Fellowships	60,004,549	63,345,705	63,528,704	182,999	0.3%
Total Expenditures	**$343,041,950**	**$463,278,863**	**$410,776,873**	**-$52,501,990**	**-11.3%**
Unrestricted Fund	$253,291,012	$303,808,321	$342,257,473	$38,449,152	12.7%
Restricted Fund	89,750,938	159,470,542	68,519,400	-90,951,142	-57.0%
Total Appropriations	**$343,041,950**	**$463,278,863**	**$410,776,873**	**-$52,501,990**	**-11.3%**

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include salary adjustments budgeted within the Department of Budget and Management.