



2010 Legislative Testimony Presented to

The Senate Subcommittee
on Capital Budget

The House Appropriations Subcommittee
on Education and Economic Development



TESTIMONY
Morgan State University
FY 2011 Capital Budget
Earl S. Richardson, President

Thank you for the opportunity to discuss the Governor's FY 2011 Capital Budget allowance and respond to any questions the Committee may have.

The University is very appreciative of the support it has received over the years for capital improvements. Projects that have been authorized within recent history have created a great sense of optimism regarding the increasing role Morgan can play in providing for the higher education needs of Maryland citizens. I want to assure the Committee that the investment in facilities has been leveraged to achieve substantial advancements at the University. The University's growing momentum is evidenced in increasing applications for attendance, increasing enrollment at all degree levels, increasing grant and contract awards, and growing financial contributions from businesses, foundations and the community at large. The greatest benefit of the State's investment is, of course, providing higher education access to Maryland's citizens in areas of demand so that we are prepared to respond to the workforce shortages of today and tomorrow.

Projects in Process

We are extremely excited that construction of the new Center for the Built Environment & Infrastructure Studies (CBEIS) will soon be underway. It will include state-of-the-art research and teaching space for the School of Architecture and Planning, Civil Engineering and Transportation, including the National Transportation Center. Unique to the facility will be a seismic simulator building, the only one of its kind in this region. Used to test building materials against the force of seismic waves, it will aid in the research and training related to the design of structures that can withstand the force of natural and man-made disasters. The facility will certainly be a welcomed addition to our campus. Of the programs to be accommodated in the facility, the undergraduate architecture program is the newest and the fastest growing program. Being the only public supported program within the area to offer this program, enrollment has increased from 7 to 201 students in just the last eight years. In addition, it is one of the most diverse programs with 18 percent of the enrollment being non African-American. Once the facility is completed in the Fall of 2012, our capacity to attract an increasingly diverse student population will be enhanced. As we provide for the needs of high demand unique programs throughout the campus, we will attract a greater number of college-ready students, resulting in improved graduation and retention rates. Further, as enrollments accelerate, Morgan will approach that critical mass of 12,000 –15,000 students, thus yielding the economies enjoyed by larger competing doctoral/research institutions.



Also, we are about to solicit bids for the design of a facility to house our Business School and Hospitality Management Program. In FY 2009, we received initial planning funds and are very anxious to move this project forward given the functional inadequacies of the existing facility and the absence of practicum space for the hospitality program.

Extended Renovation Period

As a result of having been identified as having the worst higher education facilities within the State in 1982, the majority of funding that has been received has been dedicated to the refurbishment versus expansion of campus facilities. Even after an extended 25 plus year renovation period, many of our programs and services are still housed in outdated, deteriorating facilities. For instance, our student support services (admissions, recruitment, financial aid, bursar, comptroller, etc.) are located in a retrofitted hospital on the perimeter of the campus. We were fortunate to secure this surplus property fifteen years ago to move these critical functions from off campus leased space to University controlled space. The hospital was renovated in 1995 using much of the University's fund balance. The hope was that the campus projects would move forward quickly to enable these important functions to be appropriately accommodated in the old library once the new library was completed. Unfortunately, fewer projects are planned. In 1997, the University requested planning funds for renovation of the old library to be provided in 2002. Eventually, it was included in the 2007 CIP for funding in FY 2011. In 2008, it was moved up to 2010. Subsequently, in the FY 2009 and 2010 CIPs, it was deferred until FY 2012 and in the current CIP it has been deferred until FY 2013. Following this schedule, the old library will not be renovated to accommodate front line student services until 2018. This is unfortunate not only because the old library sits in the middle of campus vacant, but also because these functions provide the "front door" services from which potential students and parents make their first impression. Consequently, we will continue to be challenged in our capacity to provide the level of services in a manner that both students and parents expect from a doctoral/research university. A similar example is the need to demolish and replace the Jenkins Behavior Science facility. This facility houses Behavioral and Social Sciences (Psychology, Sociology), Social Work, Nursing, the Honors Program and I.T. The environmental conditions are so compromised it is very difficult to maintain an instructional program within the facility without constant disruption. Although this project has been supported in CIPs as far back as 1991 for design in 1994, in FY 2008 it was removed from the CIP due to other State priorities.

Growing Backlog of Projects

As a result of an extended renovation/replacement period, there is a growing backlog of critical projects currently estimated to cost \$470M. Some of them are listed below:

- **Student Center Renovation** – This project will provide administrative space in support of the graduate programs.
- **Construct Additional Administrative Space** – This project will address the acute and growing shortage of administrative space to accommodate the added personnel being hired in support of growth.
- **Science Space** - This project will address the increasing shortage of space in the science complex (Spencer, Key, Carnegie and Calloway).

- **Technology Transfer Facility** – This project will enable the University to forge relationships with upcoming companies, while at the same time provide faculty and students with valuable opportunities for professional development, internships, assistantships, etc.
- **Construct Health & Human Services Facility** – This project will provide space for Public Health, Nursing, Social Work and Family and Consumer Sciences.
- **New Public Safety/Maintenance Facility** – This project will provide space for Design and Construction Management currently located in Montebello which is to be demolished, Police & Public Safety and Procurement & Property Control which are both located in overcrowded space in the Washington Service Center. It will allow the Physical Plant to meet all of their needs in the Washington Service Center.
- **McMechen Hall Renovation** – Upon completion of the new School of Business Complex, McMechen will be renovated to house Math and Computer Science. These functions are currently located in the Science Complex, which is overcrowded and needs to be renovated.

None of these projects are include in the five year CIP.

At the current rate of project authorizations, it will be at least 2030 before the immediate backlog is addressed. However, in that time period other more routine renovation projects, not yet programmed, will take precedence over these in future years. Therefore, without a provision for acceleration, the backlog will continue to grow and projects required to support continued growth and development may not be considered for decades to come.

State's Demographics Dictate Accelerated Development

Currently, the State's public traditional campuses need to almost double their output of bachelor's degrees awarded to African-Americans from approximately 3,700 to 6,100 per year so that African-Americans graduate from college at the same rate as they graduate from high school. Further, African-Americans comprise 35 percent of Maryland public high school graduates, but only 21 percent of Maryland traditional public college graduates. A concerted effort must be made to increase the capacity of those institutions that have been most productive in the past in the education of minorities. If this does not occur, the State will have to import more talent to fulfill its future workforce needs, not only to fill jobs, but to contribute to the tax base that will have to support the cost of escalating social programs from rising unemployment. Morgan continues to make a significant contribution in the production of African-American graduates in engineering, the sciences and health fields, at all degree levels, and ranks very high within the State and the nation. It is the most likely institution within the State that can make the greatest difference in closing the educational gap, but will require an acceleration of the State's operating and capital investment. The State's return on such targeted investment will be substantial in better assuring its position as one of the wealthiest in the nation. Conversely, postponement of investments will assuredly lead to increasing challenges in maintaining the State's fiscal viability.

Governor's Capital Budget Recommendation

Provided below is a summary of the Governor's capital budget recommendation.

<u>Project</u>	<u>Phase</u>	<u>Request</u>
New CBEIS Facility	2 nd year Constr. & 1 st year equip	\$30,435,000
School of Business	2 nd year Planning	\$ 250,000
Supplement Banneker	Construction	<u>\$ 3,265,000</u>
TOTAL		\$33,950,000

New Center for the Built Environment & Infrastructure Studies

As previously indicated, construction of the Center for Built Environment and Infrastructure Studies (CBEIS) facility will soon be underway. This project will accommodate three complementary disciplines (Architecture, Transportation, and Civil Engineering). Unique to the facility will be the seismic simulator building which will allow researchers to simulate earthquake conditions in an effort to construct buildings that can withstand the impact of man-made and natural disasters.

New School of Business

The recommended amount is intended to provide for the completion of design, but we are concerned that this funding will not be sufficient. Moreover, no additional funding is recommended until FY 2013, thereby potentially delaying this long overdue project. This project is currently out to bid and design is expected to start this summer. Included in this facility is space for the Hospitality Management Program, which has never had dedicated space. This is a growth industry for which there is a substantial need for trained individuals. In terms of the Business Programs, the current facilities are obsolete and inappropriately designed to properly accommodate the Business Programs.

Supplement Banneker

Construction of Banneker is complete and the building is occupied. However, there are insufficient funds to pay for all of the costs associated with this project. There are still outstanding contractual obligations, pending change orders and additional expenses for which the University requires additional funding. The University has exhausted most of its State support fund balance and cannot afford to tax the operating budget further.

Your support of the Governor's FY 2011 Capital Budget allowance is requested. To the extent that these projects can be supported and maintained on schedule, there will be future opportunities to accelerate other needed projects as funding becomes available.

Responses to Issues and Recommended Actions
In the
Department of Legislative Services' Analysis

Banneker Hall Renovation (\$3,300,000)

Recommended Action: Disapprove - Since it is neither the intent of the State to reimburse institutions for shortfalls in project funding due to the diversion of funds to other projects outside the original scope of the project nor compensate institutions for outstanding claims, supplemental funds should not be provided. Furthermore, Morgan State University has other resources to draw upon, specifically the plant fund to pay for those additional costs incurred as a result from mismanagement of projects.

Response:

Again we want to assure the committees that internal control measures were quickly put into place to prevent similar occurrences in the future, although contractor claims will always be a possibility. Also, although some procedures were not adhered to, we are of the opinion that all funds disbursed were utilized toward needed work to complete the projects involved at a fair price.

If the University has to support these added costs, it will be extremely taxing on its financial viability. The plant fund reserves indentified by the analyst as a potential fund source are related to the self support auxiliary enterprise program, not State support operations. The University has worked very hard over many years to put some funds aside in an attempt to maintain housing, student center, dining services, athletic and bookstore facilities in good repair as major refurbishments are required. Still these self support programs require much greater reserves than currently exist. Despite this need, we continue to resist increasing student fees.

Currently, Moody's Investors Service has a negative outlook for Morgan due to its "**low level of financial resources, thin liquidity and thin debt service coverage.**" All of this is related to insufficient reserves when compared to other institutions with an A1 rating. Morgan has worked very hard to obtain and retain its bond rating. Spend down of the fund balance as proposed by the analyst will significantly increase the likelihood of a downgrade after Moody's next review.

Your support of this funding would be appreciated.

New School of Business Complex (\$250,000)

Recommended Action: Approve.

Response:

The University appreciates the analyst's favorable recommendation as we are anxious to initiate design. However, we are concerned that the \$250,000 recommended in this budget will not be sufficient to complete design through and including the development of construction documents. Importantly, the University intends to employ a Construction Manager (CM) for this project and these services need to be procured during design. Additionally, since all new State construction must be LEED Silver, the LEED consultant must also be procured at this time. The anticipated \$4,293,000 (previous appropriation + current recommendation) is not sufficient to procure the A/E, the CM and the LEED Consultant and based on the current CIP, additional funding will not be available until FY 2013. Ideally, funding should be sufficient to hire the A/E, the LEED Consultant and award the preconstruction services contract to the Construction Manager. Under the current funding strategy, we may have to halt design midstream, which would result in further delay to the project. We are hopeful that, at minimum, a commitment will be made to award additional design funds in FY 2012.

New Center for the Built Environment (\$30,435,000)

Recommendation: Reduce and amend language to include equipment - This language reduces the authorized funding level by \$3.5 million to the amount preauthorized in the 2009 session capital budget bill to strike the additional funds for capital equipment. The project will not be completed until early fiscal 2013 making any equipment funding in fiscal 2011 unnecessary. Authorization to fund equipment remains to the extent that there are funds available after the construction contract is awarded.

Response:

The University is not adverse to this reduction, since it allows us to procure equipment with any savings resulting from favorable bids. This will enable us to order long lead items by the end of this fiscal year or at least the beginning of next year. It is equally important that funding for the remaining equipment be appropriated in FY 2012, since the building will be substantially complete by April 2012.