

Morgan State University - Maryland's Public Urban University

2010 Legislative Testimony Presented to:

The Senate Subcommittee on Health,
Education and Human Resources

The House Appropriations Subcommittee
on Education and Economic Development



Earl S. Richardson, President
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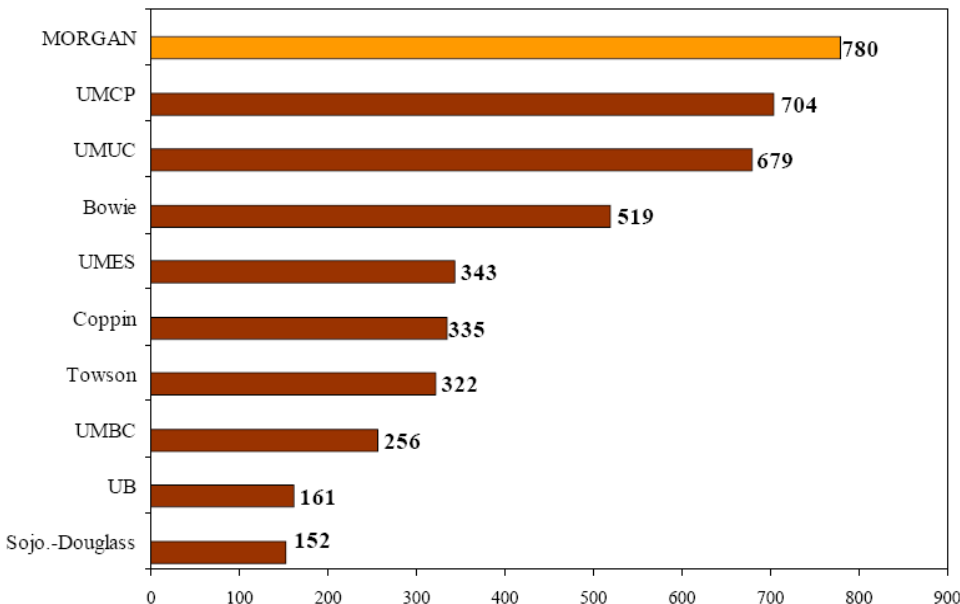


TESTIMONY
 Morgan State University
 Earl S. Richardson, President

As has been the case for other institutions of higher education throughout the State as well as for most State agencies, Morgan is engaged in a balancing act as it attempts to carry out its mission within an environment of growing demand but declining financial support. Specifically, the University is attempting to do the following.

- **Reduce expenditures consistent with its declining resource base.** Maryland campuses have not had the ability to raise tuition during the period of declining state support. The economic profile of its student body is such that tuition increases would in any case have a more negative impact on enrollment and student indebtedness than at most other campuses. Hence, we are squeezed from two directions.
- **Maintain basic services.** Morgan offers a comprehensive range of academic programs through the doctoral level. This requires a somewhat higher level of expenditures than the typical campus. In addition, the profile of its student body is such that the University is committed to providing extra academic support as part of its basic services in order to promote success among students who in many instances would not otherwise obtain a degree.
- **Maintain momentum.** Morgan consistently leads the State in awarding baccalaureate degrees to African Americans overall and in critical fields such as engineering and the sciences. It also is one of the two top campuses in the award of doctorates to black students. At the national level it is a leader as well in the production of both undergraduate and graduate degrees. Although the University's doctoral programs are relatively new they are growing and the campus already has had a significant impact on the pool of blacks receiving graduate degrees at both the State and national levels. It is important that the University continue its growth path at the graduate level in order to

Bachelor's Degrees Awarded to African Americans 2009



The Leading Producers of African American Doctorates in the Nation

Universities Awarding the Most Doctorates to African Americans in the 2004 to 2008 Period	
Howard University	334
Nova Southeastern Univ.	170
University of Michigan	153
Walden University	150
University of Maryland	135
MORGAN STATE UNIVERSITY	131
Univ. of Southern Cali.	120
Teachers College Columbia U	118
Temple University	115
UNC Chapel Hill	115
Clark Atlanta University	111
Florida State University	109
Harvard University	106

have an even greater impact at a level where African Americans are particularly under-represented.

Throughout the recent period of budgetary reductions, Morgan has attempted to maintain its leadership position in providing access to and graduating minority students, whose numbers continue to grow. We are now at the high point for high school graduates in the State. For the next decade there will be a sharp decline in the number of white high school graduates. These students will be replaced by a growing number of minority students who, on average, are not as well prepared academically and do not have the family resources of the students they are replacing. Morgan has by its tradition had a leadership position in educating such students and it is important to the State that it continue in this role.

Morgan State University understands the difficult time the State has had in balancing the budget over the last several years. We sincerely appreciate the efforts of the Governor and the Legislature to minimize the impact on higher education.

That being said, it has been an exceptionally challenging time for Morgan. Given that a major component of its mission is to provide broad access, enrolling the most talented as well as those that may not otherwise have had an opportunity to complete a college degree, nearly 60% of Morgan undergraduates come from single-parent households, 2½ times the national average. This figure alone illustrates the obstacles that Morgan students face to an above-average degree and the above-average burden Morgan carries in helping such students to finance their education. To carry out this “dual” mission requires more state support per student than other mainstream institutions within its Carnegie classification to compensate for the higher costs associated with access and maintaining or improving retention and graduation rates.

Factors Requiring Above-Average State Support Include:

- Less Revenue per Student
 - Modest Tuition Costs
- Higher Costs per Student
 - Extraordinary Financial Assistance Need
 - Lower Student/Faculty Ratio for Close Student/Faculty Contact
 - Greater Dependence on Regular Faculty vs. Adjunct
 - Comprehensive Range of Academic Programs Through the Doctoral Level
 - Greater Staffing Requirements to Support Exceptional Administrative Support Services

The State funding required to establish an appropriate infrastructure for student access and success is significant and unfortunately has not yet been fully incorporated into the University's budget. Historically, Morgan has attempted to provide for a portion of the above-average mission-driven costs. However, such costs have been accommodated through significant qualitative tradeoffs that unfortunately, over decades, have diminished Morgan's comparability and competitiveness with other Maryland institutions.

Some Important Ways in Which Inadequate Resources Adversely Affect Essential Campus Functions:

- Overdependence on Adjunct Faculty
- High Workloads for Regular Faculty and Staff
- Low Yield on Grants and Contracts
- No Facility Renewal Fund
- Inadequate Library Holdings
- Severely Constrained Departmental Budgets

As a result, Morgan has been working in a cost containment mode for decades, well before the recent recession. Much, if not most, of its academic program development since the 1980s has been accomplished without additional state support. The recent budget reductions and unfunded mandates have significantly worsened what already was a very difficult position. Under these conditions, it has been increasingly difficult to maintain the quality of instruction and administrative support services as well as respond to the escalating demand for attendance at all degree levels. Our increasingly weakening operational position is evident to others. For instance, during the last rating agency review by Moody's Investors Service, it was noted that the University's financial resources continue to diminish and its coverage ratios are the thinnest of all institutions within its rating category. It is going to be very difficult to maintain our hard earned A1 bond rating.

Despite the University's long-term fiscal challenges, in the mid 1990s it embarked upon the development of doctoral programs consistent with its 1975 designation as Maryland's Public Urban University. The combined financial challenges of supporting a growing undergraduate population, with extraordinary needs, while advancing its development as a doctoral/research University have presented even greater challenges. It was hoped that the University's significant success in graduate and doctoral degree production would have lead to state support. Unfortunately, the economy has negated this consideration, although we remain optimistic for the future.

This year's initial \$75.1 million appropriation was reduced by \$1.8 million. In addition, \$1.7 million is required to be transferred from fund balance that will accumulate from the furlough of employees. Further, there were \$2.6 million of new unfunded expenditures related to health insurance and other fringe benefits. In total, the University had to enhance revenue or reduce expenditures by \$6.1 million (\$1.8 + \$1.7 + \$2.6). In consideration of cumulative cost containment actions in the past associated with carrying out the institution's dual mission, reallocation measures necessary to develop graduate programs, combined with recent State budget reductions and unfunded mandates have necessitated unprecedented reductions to core operations of the University.

This year, substantial reductions have been required in the following areas:

- Library
- Facility Maintenance
- Information Technology
- Financial Aid

Further, we have imposed a hiring freeze. The little additional tuition revenue realized this year from growth was used to offset a small portion of the \$6.1 million of required cuts versus being utilized to support the five (5) percent increase in enrollment growth. This has resulted in an even greater dependence on adjunct faculty and increased class sizes.

The University's total resource need as reported to the Department of Budget and Management and the Maryland Higher Education Commission during its budget deliberations is \$31.9 million. Of that amount, \$10.4 million is related to mandatory costs and enrollment growth of 528 students for fiscal year 2010 and 2011. The balance would have been directed to improving retention and graduation rates and supporting the development of the doctoral/research component of the University's mission.

The Governor's FY 2011 recommended general fund support is \$74.1 million or \$.8 million over the current adjusted appropriation. The University anticipates obtaining an additional \$2.6 million in tuition revenue from an expected three (3) percent increase in enrollment and a three (3) percent tuition rate increase. Unfortunately, the budget includes \$1.2 million of unfunded health insurance costs and other fringe benefits leaving \$2.2 million ($$.8 + \$2.6 - \$1.2$) to support \$10.4 million of mandatory costs. Therefore, the accumulated cost containment actions of the past will have to continue and likely be expanded to address increasing operational costs in the future.

The University requests your full support of the Governor's recommendation to assist in negotiating through very difficult times. Morgan is committed to extending its resources to the fullest extent to educate an increasing number of students with hopes that the economy will begin to improve. If it does not, it will be difficult to respond to students' increasing demand for attendance without considering significant increases to tuition.

**Response to Issues and Recommendations Identified
in the
Department of Legislative Services Analysis**

2010 Legislative Session

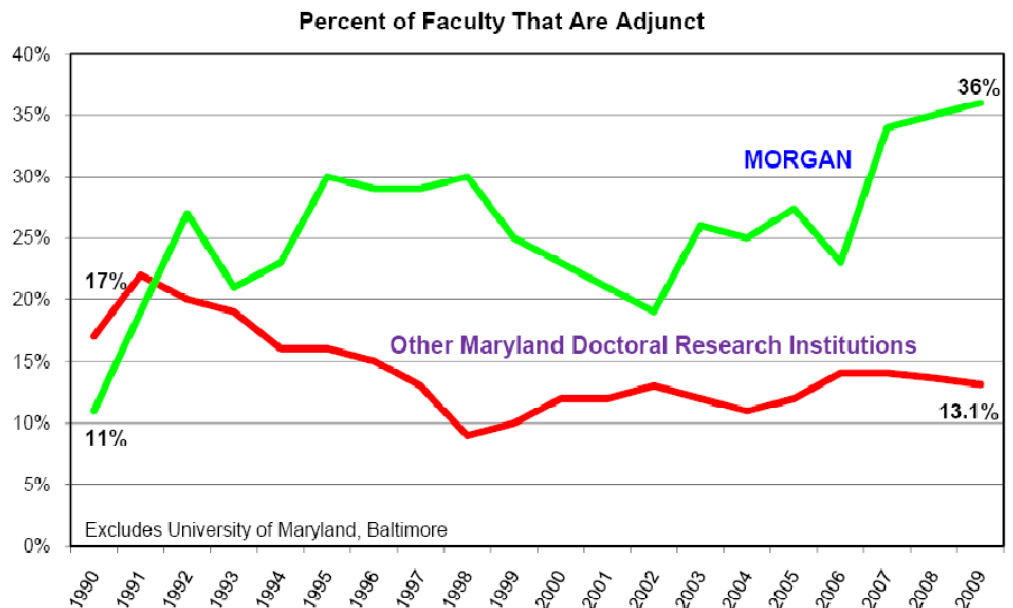
ISSUES

Issue #1: (Page 7)

The President should address the factors affecting the graduation rate and efforts to improve the rate. The President should also comment on steps being taken that contribute to the jump in the retention rate.

Response:

Morgan's second year retention rate had been declining very slowly as the institution (1) became increasingly reliant on adjunct faculty and (2) is unable to increase financial aid to keep pace with increases in educational costs. However, in FY 2008 it dropped more than anticipated. Morgan managed to raise its retention rate back to its pre-2008 level through an infusion of an additional \$1.5 million into its student financial aid programs. This extra funding was in addition to an already significant amount of money devoted to student financial aid. The resulting increase of 6.7 percentage points in retention from FY 2008 to 2009 illustrates the critical importance of financial aid to the success of our student population and the significant financial commitment necessary to increase and sustain retention rates.



Issue #2: (Page 8)

The President should comment on the smaller percentage of bachelor's degrees awarded and factors affecting students completing an undergraduate degree.

Response:

The smaller percentage of baccalaureate degrees awarded by Morgan does not reflect a decline in undergraduate degree production, but rather an increase in the number of

graduate degrees awarded. In fact, graduate enrollment increased 111 percent over the last 10 years. This year alone, it increased 15.3 percent. Although Morgan leads the State in the production of African-American baccalaureates, we know that it is important to the State to accelerate baccalaureate degree production (particularly African-Americans) if we are to meet the workforce needs of tomorrow. However, our resource base has not permitted the University to significantly increase the admission of first-time freshman students without further exacerbating our excessive dependence on adjunct faculty. As an alternative, beginning last year, we have increased our recruitment efforts at community colleges to take advantage of available capacity at the junior and senior level as well as assisting more continuing students with their financial challenges to retain them through graduation. Most of the 1.4 percent increase in undergraduate enrollment this past fall was attributed to these initiatives. We are hopeful that resources can become available to provide increasing access for first-time freshman so that we can respond to the growing demand for attendance at the University. Once this occurs, there will be a significant increase in undergraduate enrollment as well as the production of baccalaureate degrees.

Issue #3: (Page 13)

The President should comment on how the transference of \$3.6 million of tuition and fee revenues affects the quality of education students receive such as the hiring of faculty and increasing funds for financial aid.

Response:

As we have indicated in the past, the University's operating budget has been burdened with the need to supplement the capital program to reduce delays in the completion of projects and make temporary provisions for academic programs and administrative space until urgently needed projects are funded. Over the years, the University's state support fund balance has been nearly exhausted due to capital related expenditures in an attempt to maintain the momentum of the University. These supplemental capital costs will continue well into the future. For instance, our student service operations have been located since 1995 in a 195,000 GSF converted hospital. This was an abandoned facility that the University expended \$8 million to house student service operations for what it thought would be three years until the old library could be converted to provide more appropriate accommodations for important front line services. The earliest the vacated library will be occupied according to the capital improvement program is 2017. In the interim, major capital improvements will have to be made to this building (funded from the operating budget) to maintain reasonable accommodations for essential services. This funding could have provided for the employment of additional faculty and increased financial aid allocation. However, once that recurring commitment is made, the University would not be able to respond to extraordinary facility related costs which will be unavoidable for some time in the future.

Issue #4: (Page 18)

The President should comment on the expected decrease in expenditures going toward institutional aid and the level funding of need-based aid, despite a 3% tuition increase.

Response:

Over the past few years, the University has been challenged by the restriction on tuition increases and reductions in state support due to the deteriorating fiscal condition of the national and local economy. For example, in fiscal year 2010, the University had to absorb \$2.6 million in unfunded mandates for worker's compensation and health insurance increases, \$1.8 million in state support cuts, and \$1.7 million in employee furlough. In the process, we have made significant cuts to the library, facility maintenance, technology, financial aid, advertising, etc. Although the University would like to increase its student financial aid, restoration of cuts in other critical areas has a higher priority at this time if we are to preserve the quality instruction and instructional support services. It is important to note that Morgan has been the leader within the State in the allocation of financial aid. Currently, we allocate 26 percent of tuition revenue for financial aid (the highest in the State). Further, our tuition is the third lowest cost among public institutions, a form of discount for all of its students.

It is also important to note that although tuition was increased by 3 percent, the in-state tuition only covers 1/3 of the cost of education. Without additional state support, for every in-state student we accommodate, there is an added obligation as opposed to a source for the enhancement of operations. As a result, most of the revenue generated from the tuition increase will be directed to the cost of supporting a projected enrollment increase of 3 percent or approximately 212 FTE students. If any balance remains, it will be directed toward additional costs for developing programs and unavoidable increased costs of operations.

Issue #5: (Page 21)

The President should comment on how existing programs have been enhanced using guidance provided by the MHEC-HBI report to improve graduation and retention among underprepared students.

Response:

The referenced report is too recent to have an impact. However, the report indicates that HBCUs already have in place programs that are considered best practices for increasing student success. As noted in the report, it is not new programs that are required but better funding for them so that they can have a wide spread impact. This will take significant resources to reduce the dependence on contractual faculty and staff, increase financial aid as well as supplement operating cost to expand proven programs. In a previous response we illustrated how effective the allocation of financial aid can be to increased retention rates. There are studies, as well, that document that there is a correlation between the use of adjunct faculty and declining retention rates.

Issue #6: (Page 22)

The President should comment on how the institution will fund the 3 full-time faculty positions at the end of the three-year grant and the likelihood of initiating a doctoral program by 2011.

Response:

Should the grant funding for the three nursing faculty be discontinued and additional state support is not forthcoming; the University will have to prioritize its additional tuition revenue to continue funding the existing faculty while employing more part-time faculty to accommodate growth.

The University plans to implement its nursing doctoral program beginning this fall 2010. As a matter of fact, we wanted to start it earlier; however, due to the State's fiscal situation and restriction on tuition rate increases, the University had to pull back. Barring additional state support cuts, the University plans to begin implementation of the nursing doctoral program this fall, mostly with part-time faculty – similar to what it did with the other doctoral programs that were implemented without any additional state supported funding. This is an interim developmental approach until State support can be made available.

Comment (Page 11):

The fiscal 2011 allowance provides an additional \$260,733 in general funds to replace unrealized HEIF revenues in fiscal 2010. However, it was not the intent to use the general fund to compensate institutions for shortfalls in HEIF revenues in any given year. Therefore, the Department of Legislative Services recommends increasing the amount to be transferred from MSU's fund balance in fiscal 2011 by \$260,733 via the BRFA of 2010.

Response:

The University disagrees with the analyst's recommendation to transfer \$260,733. Morgan has been under a long-term cost containment mode as evidenced by the heavy reliance on adjunct faculty and contractual staff. Currently, 36 percent of Morgan's faculty and 25 percent of its staff are contractual. This far exceeds that of other Maryland institutions – the contractual contingent at other State doctoral research institutions is only 13.6 percent. This factor alone negatively affects the institution's performance relative to retention, graduation, as well as its capacity to compete for grants and contracts. Cost containment, unfortunately, has not been limited to the use of contractual faculty. Budget reductions or freezing of budgets has been extended to nearly every area of the institution to compensate for the unfunded high cost components of the University's mission. The affected areas include, but are not limited to, facility maintenance, travel, information technology, library services, significant across-the-board reductions for all University departments, across-the-board employee furlough, and a hiring freeze. Additionally, due to a highly leveraged balance sheet, Moody's Investors Service has indicated a negative outlook for Morgan, placing its A1 bond rating at risk. Therefore, in consideration of the University's very tenuous circumstances, we ask that this recommendation not be supported.

RECOMMENDED ACTIONS

Recommendation #1: (Page 23)

Adopt the following narrative:

Faculty Instructional Workload Report: The committees request that Morgan State University (MSU) continue to provide annual instructional workload reports for tenured and tenure-track faculty. By focusing on these faculty, the committees gain a sense of the teaching activities for the regular, core faculty at the institution. Additional information may be included in the report at MSU's discretion.

Response:

The University agrees.

Recommendation #2: (Page 23)

Adopt the following narrative:

Institutional Aid Report: The committees request that Morgan State University (MSU) submit all categories (need-based, merit, mission, and athletic) of institutional aid data. The report should be in the same format it is submitted to the Maryland Higher Education Commission and should include prior year actual, current year working, and allowance. The report should be submitted by January 10, 2011.

Response:

The University agrees.

Recommendation #3: (Page 23)

Adopt the following narrative:

Report on Outcomes of Students Participating in Access and Success Programs by Cohort: The committees request that Bowie State University (BSU), Coppin State University (CSU), Morgan State University (MSU), and the University of Maryland Eastern Shore (UMES) each annually submit progression, retention, and graduation data on all students participating in Access and Success programs. In this first year of data collection, baseline data from fiscal 2009 should be submitted along with fiscal 2010 data, in accordance with a framework developed by the Maryland Higher Education Commission (MHEC) to facilitate the collection and analysis of data evaluating the impact of Access and Success programs across the historically black institutions (HBIs). Data should be submitted to MHEC by August 15, 2010. MHEC should submit the data and analysis to the budget committees by October 15, 2010.

Response:

There is an emerging consensus that the Access Success funding is insufficient to affect the long-term and sustained improvement in graduation and retention rates that the University seeks. We, therefore, wonder about the value of trying to measure an outcome for which there is little or no capacity. If the report is required, however, the University will comply.