



**TESTIMONY TO THE
BUDGET COMMITTEES OF THE GENERAL ASSEMBLY
Regarding
THE USM FY2016 CAPITAL BUDGET REQUEST**

Including Response to Analysis concerning
ITEM RB36
**USG BIOMEDICAL SCIENCES & ENGINEERING EDUCATION BLDG
AND
FACILITIES RENEWAL (STATEWIDE)**

By William E. Kirwan, Chancellor

Good Afternoon. Unfortunately I am unable to attend this hearing due to a prior commitment. USM Vice Chancellor and Chief Operating Office Joe Vivona will represent me to discuss the Capital Improvement Program for the University System of Maryland. As I did when testifying in support of System's Operating Budget last month, I'd like to start by thanking our new Governor, Governor Hogan for his support of the System in his first CIP; and thank each of you, and all the members of the Committee for the support you have provided the University System of Maryland over the years. We are proud of the productive relationship we have forged with the leadership in Annapolis to advance our mutual priorities.

Your support is the key to our success as a System and as a State. I noted in the hearing last month that,

"By aligning the USM's priorities with those of state leaders, we have experienced a period of great progress in our ability to serve the state: the number of students we enroll and the graduates we produce for the Maryland workforce have risen significantly, achievement gaps for low income and under-represented minorities have narrowed substantially, average time-to-degree across the USM, now at 4.2 years, is at an all-time low, and community college transfers are at an all-time-high. At the same time, we have elevated quality across the system. Between highly regarded national publications such as Kiplinger's, The Princeton Review, Diverse Issues in Higher Education, and U.S. News & World Report, you will find literally every USM degree-granting institution singled out for praise."

We sincerely appreciate your role in this success and pledge our continued cooperation to achieve even greater goals in the future.

THE USM CAPITAL BUDGET

As a System office, we urge full funding of the Governor's FY2016 budget recommendations for all System institutions. We rely heavily on our campus infrastructure to deliver quality academic programs and house critical research. During these hearings, each president is responding on behalf of their own institutions; and I would like to add my own voice in support for their needs. We understand your desire to balance the needs of higher education against a variety of other needs in an environment of constrained resources and we appreciate your consideration on behalf of all System institutions. We know you're making difficult choices to accommodate these needs and we urge your continued support.

BIOMEDICAL SCIENCES & ENGINEERING EDUCATION FACILITY (SHADY GROVE)

The University System of Maryland and the Universities at Shady Grove greatly appreciate your support of the new 220,000 GSF/135,414 NASF innovative Biomedical Sciences and Engineering Education Facility (BSE). This instructional facility, located in Montgomery County along the I-270 corridor, is programmed to support the needs of the region's projected workforce, especially in science, technology, engineering, mathematics and medical sciences (STEMM). With the addition of the BSE, USG will be able to provide state-of-the-art laboratories, active learning classrooms, clinical training facilities, academic offices, and an expanded level of student services necessary for program and enrollment growth in these fields.

USG is a unique and highly successful consortium of nine public universities of the USM offering quality higher education at a single location in Montgomery County. The USG campus currently provides access to more than 80 high-demand, degree and certificate programs for upper-level undergraduate and for graduate students. Its graduation rate is among the highest in the System. The new BSE building is unique in that it:

- Builds on USG's primary mission as a regional higher education center focused on expanding access to affordable higher education that is cost efficiently delivered and attentive to regional workforce needs.
- Supports three USM research universities that have collaborated to bring to the region advanced degree education in high technology and medical science fields. The BSE supports UMCP and UMB, through the MPower initiative, to advance a vision for realizing unique instructional and research collaborations. It also expands the UMBC presence at USG and enables UMBC's faculty and degree programs to collaborate with its sister USM institutions. By doing so, it builds on UMBC's recognized national reputation for educating minorities in the sciences (a population of students in the majority at USG).
- Enables instructional facilities to be shared across disciplines and degree programs, increasing efficiencies and opportunities for curricular innovations.
- Adds degree programs that are supported by a robust array of corporate partners in the region including engineering companies, health and bioscience companies, and federal research laboratories and institutions. All of these organizations are committed to providing internships, education partnerships and jobs that will advance the regional and state economy now and far into the future. These partnerships, which include USG's already strong relationships with the K-12 and regional community colleges, will produce STEMM graduates through the most cost-effective and efficient delivery of higher education in the State.

Schematic design for the BSE facility has been completed and the project is now in design development. The two associated projects needed for the BSE, both funded by Montgomery County, are well underway. The first, the relocated campus entrance, has been completed; and the second, the new garage, had its groundbreaking earlier this month and construction has started.

Response to Analyst Questions

The analyst cited the current budget situation in which ***"State funding to University System of Maryland (USM) institutions was reduced in fiscal 2015 and only a modest increase is expected in fiscal 2016."*** The analysis goes on to say that ***"institutions are re-considering either offering new or continuing existing programs at USG. This raises the question if there is a need for a specialized facility at USG and if built will it be fully utilized."*** Then there are two recommendations made to the request as it appears in the CIP:

1. ***"Since this will delay the start of construction that was scheduled to begin in March 2016, which is late in the fiscal year, DLS also recommends deleting \$2.7 million for construction since it will not be needed in fiscal 2016. Since the project is still in the design phase, it is at a point where it can be delayed and re-evaluated before the State commits \$153.3 million to funding the project."*** and

2. "Restricting \$3.5 million in design funds that would be used for the construction administration phase of the design effort until the University System of Maryland Office re-evaluates the project justification, including the size and scope, and reports its findings back to the budget committees."

First, while it is true that the project is in the design phase, the construction funding requested is for the completion a new pedestrian access way from the garage and relocation of the current access road to the main part of campus. Funding is also needed to relocate the utilities that run under the existing roadway. The current sidewalk & loop road will be disrupted by the BSE construction; and if this work is not done in advance, there will be no means of access from the new garage or the main entrance to the existing academic buildings during the construction period. Regardless of the scope/size of the project, this work is necessary as a lead item for the contractor and critical to the timely start of the building itself. We would, therefore, respectfully request that you reject the recommended cut and provide the construction funding on schedule in FY2016.

Also, in terms of the recommendation for a report regarding the constrained operating budget, participation of USM institutions, and the demand for space in the new buildings, we are confident that the parameters of the original Part 1 and Part 2 program have not changed since they were approved by the Department of Budget and Management two years ago, February 12, 2013.

As noted in the approval letter from DBM, *"The project will provide specialized space to support new academic programs such as engineering, dentistry, and physical therapy. In addition, the new building includes additional academic space for existing programs in nursing and pharmacy. Lastly, the project will address a deficiency in administrative work space at the Shady Grove campus."* Demand by students for programs offered by institutions at the Center will proceed on track, as originally programmed.

The USM acknowledges the critical role the Shady Grove Center provides in a rapidly growing, yet underserved higher education market in Maryland. We are committed to expanding programmatic academic offerings for the New Biomedical Sciences and Engineering facility. Furthermore, the proposed building and programmatic expansion are critical components of the long term economic development plan of the Montgomery County/I-270 Corridor. This is evidenced by the strong support from Montgomery County and their funding for the associated parking garage at USG.

In FY 2014, programmatic operating budget funding of \$500K was allocated to initiate the buildup of academic program expansion. Please note that the USM will continue to designate USG as a top priority and will work to assure campuses bring high demand programs to Shady Grove and that funding will be available. We therefore would respectfully ask that you reject the analyst's recommendation for another report and provide the balance of the design funding for the project.

SYSTEM-WIDE FACILITIES RENEWAL (STATEWIDE)

We concur with the analyst's recommendation that the System-wide Facilities Renewal (FR) budget be funded in full. These funds are a critical piece of our overall facilities renewal program and we sincerely appreciate your support. These funds are just a part of an overall approach the Regents are taking to address the problem of deferred maintenance. The Board's program also encourages increases in operating expenditure for facilities renewal toward an annual spending target equal to 2% of the replacement value of campus facilities, as well as a high proportion of renovation and replacement projects in the capital improvement program. We consider it an investment in excellence.

Coppin State University Question

The analyst noted: *"Coppin State University (CSU) did not allocate any of its operating budget in fiscal 2014 and 2015 to facility renewal and relied on its share of the ARBs to fund projects. However, CSU transferred \$1.3 million to the fund balance in fiscal 2014 and plans on a \$0.7 million transfer in fiscal 2015. This raises questions of CSU's ability not only to maintain its current facilities but also the new science and technology*

center. The chancellor should comment how USM will maintain facility renewal as a priority for institutions and how CSU will manage maintain its current and new facilities."

In an attempt to address aggressively a recent history of structural budget deficits—along with budget cuts from the State—Coppin has deferred that portion of its facilities projects that could have been funded by approximately \$268,000 of its operating budget in both FY 2014 and 2015. This deferral represents less than one-half of one percent of Coppin's operating budget and is not considered to be a material factor in exacerbating the University's deferred maintenance backlog which they estimate at approximately \$85M. Unfortunately, deferral of facilities renewal work is a common practice among USM Institutions when faced with budget cuts. Coppin is not unique in this regard.

With respect to the \$1.3M and \$0.7M transferred to fund balance in FY 2014 and FY 2015, respectively, please note again that Coppin is attempting to address aggressively a recent history of structural budget deficits. These "transfers" are a result of strict controls on spending. These controls are prudent in light of enrollment declines and mid-year budget reductions.

Lastly, operating funds associated with the new Science & Technology Center were approved by the State of Maryland and are budgeted as Tier I Mandatory Costs. These funds have not been affected by the budget challenges facing Coppin. There is no intention whatsoever to reduce those budgets for any reason going forward.

Comments regarding Maryland Department of Disabilities (MDOD) Request

I wrote a letter last week to the chair of this committee, and your counterpart in the other house, respectfully urging you to reject a recommendation by the Department of Legislative Services to reduce GO Bond funding for MDOD, citing the University System of Maryland's supposed ability to provide funds for these projects.

As MDOD explained in their testimonies before the capital budget subcommittees earlier this session, "access to higher education programs and facilities leads to better employment outcomes, increased income and independence for people with disabilities." Please let me restate here that all of our institutions are dedicated to providing access to all students. To this end, we continuously monitor and identify building modifications necessary to improve access for individuals with disabilities and we systematically make these modifications as funds are available. At the same time, we are working diligently to address a large backlog of deferred maintenance projects, the result of constrained operating budgets for general maintenance over the past years.

Modifications to assist access for those with disabilities rarely overlap the deferred maintenance projects undertaken on campus. Our institutions rely heavily on both our own oversubscribed "Facilities Renewal" funds and the grants we receive from MDOD to address these needs. The statements made by MDOD in their budget testimony are correct. It is not possible for USM to reduce funding for deferred maintenance to replace the critical funding we receive from the State through MDOD. Without State funding, both of these vital programs would suffer, along with our ability to adequately support our students, faculty and staff.

Finally, as noted in my letter, we urge your support for full funding of the FY2016 capital request by the Maryland Department of Disabilities and respectfully ask that you reject the recommendation of the Department of Legislative Services.

CONCLUSION

In conclusion, let me once again thank you for your attention to our needs. We would be happy to entertain any questions you might have.