



**UNIVERSITY SYSTEM
of MARYLAND**

**TESTIMONY TO THE
BUDGET COMMITTEES OF THE GENERAL ASSEMBLY
Regarding
THE USM FY2018 CAPITAL BUDGET REQUEST**

Including Response to Analysis concerning

**ITEM RB36
FACILITIES RENEWAL (STATEWIDE) and
THE UNIVERSITIES AT SHADY GROVE**

By Robert L. Caret, Chancellor

Thank you for the opportunity to testify on the Governor's FY 2018 capital budget recommendations for the University System of Maryland (USM). I intend to keep my testimony very brief, related to the issues raised by the legislative analysts. Before I do so, however, I would like to express my thanks, on behalf of the entire System, to Governor Hogan for his support of our capital request; and I wish to thank each of you, and all the members of the Committee and the General Assembly for the support you have provided the University System of Maryland over the years. I often say that an investment in the USM is an investment in the state of Maryland and its technical, research-based economy. It's true. The return on that investment is evident in better prepared graduates in STEM and related fields, stronger STEM teachers in the public schools, and the direct and indirect growth of jobs and opportunities for all Maryland citizens.

THE USM CAPITAL BUDGET

As a System office, we urge full funding of the Governor's FY2018 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 of 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. We look forward to continuing those conversations with the Governor, his staff and you, the members of the Budget Committees.

SYSTEM-WIDE FACILITIES RENEWAL (STATEWIDE)

Our strategic plan states that we will be good stewards of our resources. Reducing our backlog of deferred maintenance is a high priority for me and for our Board, and 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 an overall approach the Regents are taking to address the problem of deferred maintenance. The Board's program 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.

In spite of the budgetary challenges they face, we've seen a new level of commitment among our institutions to address the needs of our aging buildings. We are also taking steps to seek more of our own resources that might be brought to bear in this important effort. For instance, we have proposed legislation that authorizes the Board of Regents to establish a quasi-endowment fund to provide annual funding for renewal and replacement spending to maintain. Together with the operating and capital renewal funding, we consider it an investment in excellence.

DLS: The Chancellor should comment on the decline in spending on facilities renewal projects despite holding Presidents more accountable for meeting the 2.0% target.

At the start of each fiscal year, the USM establishes a facilities renewal baseline in its working budget. As the fiscal year unfolds we monitor spending, enrollment and revenues, and we deal with fiscal events like budget reductions. Also, as a practice for the overall budget we have efficiency expectations. We do a mid-year close to determine the status of operations and spending. If our fiscal and operational performance allows, we increase facilities renewal because it is a first order priority. In 2016, we were able to direct more funding to achieve our 2% facilities replacement goal. In 2017, despite the mid-year budget reduction, we should be able to do so again, given operational and fiscal performance.

BIOMEDICAL SCIENCES & ENGINEERING EDUCATION FACILITY (SHADY GROVE)

The University System of Maryland and the Universities at Shady Grove greatly appreciate your support of the Biomedical Sciences and Engineering Education Facility (BSE). We concur with the analyst's recommendation that the project be funded in full. 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.

Design for the BSE facility has been completed and GMP packages have been bid. Construction began June 2016. The BSE equipment list has been approved by DBM. The two associated projects needed for the BSE, both funded by Montgomery County, are completed; i.e., the relocated campus and the Shady Grove garage.

DLS: The Chancellor should comment if the MOUs will include provisions in which institutions will be charged for usage of the facility.

Yes. The USM operating appropriation for USG covers basic facility-related costs to operate the building, including heat, utility, fuel, housekeeping, facilities staff, etc. Currently, the USG room charges for classroom and offices in the existing buildings are intended to support items over and above basic operating costs. These charges, which vary by type of space, include IT help and support, A/V help and support, library, disposables, replacement parts for equipment, etc. The actual room charges for spaces in the BSE will be determined as we get closer to the opening of the building. MOUs will include provisions to charge the institutions for these items.

CONCLUSION

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