

**FY 2017 CAPITAL BUDGET TESTIMONY
RB21**

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Good afternoon. Thank you for this opportunity to discuss the two capital requests before you today. Both are critical to the continuing success of UMB, but they are very different projects.

The **Health Sciences Facility III** (HSF III) project is likely familiar to you, since I've been requesting funding for this project each year since 2013, and you have generously funded my requests. I'm delighted to report that construction of HSF III continues to be on time and within budget, and construction will be completed in September 2017. This achievement is largely due to UMB's excellent facilities management project team.

HSF III will provide UMB's health sciences schools—particularly our School of Medicine—the opportunity to recruit new researchers and new research funding to Maryland. UMB will be able to sustain its competitiveness in the health sciences research arena, and Maryland's citizens will benefit from our expanded research capacity.



Health Sciences Facility III



Health Sciences Facility III

Our FY 2017 request is for \$81 million in GO bonds to continue construction and begin equipping this 429,000 GSF research building. The University will provide \$14.15 million in non-budget funds this coming fiscal year. Our FY 2018 request will be the last for this project.

On behalf of the UMB community, I sincerely thank you for your continuing support of HSF III.

The second project I'll discuss is a new request. It's not for a new building, but rather for the first year of funding for a **Central Electric Substation and Electrical Infrastructure Upgrades**. This is not a high-profile project, but it is crucial to the future of UMB.

UMB's existing electrical substation has not failed, but because of its age and location, and our difficulty securing replacement parts, it badly needs to be upgraded. Even more concerning is the lack of electrical redundancy on the UMB campus. In late 2011, BGE upgraded a substation to the north of our campus, providing us the opportunity to build a new substation at the northern edge of campus and run duct banks and cables to our buildings, thereby eliminating two single points of failure and providing redundancy.

The electrical service throughout the UMB campus has been studied in detail, and a plan for a robust electrical infrastructure is in place. The nine-phase plan—documented in the Central Electric Substation and Electrical Infrastructure Upgrades capital program and approved by the Department of Budget and Management—ensures the best approach to providing consistent, uninterrupted service to UMB buildings, now and in the future.

The plan entails upgrading the existing southern substation, building a new northern substation, installing new, University-owned duct banks, and replacing old conduit.

The total cost for this project is estimated at \$79.4 million over nine phases. **UMB is requesting \$5 million in FY 2017 to begin design of the new substation and electrical infrastructure, and to acquire property needed for the relocation of the UMB Recycling Center.**

The legislative analyst has recommended that the University share the cost of this project with the state—in FY 2017, that entails \$2.5 million in GO Bonds and \$2.5 million in University funds. While the DLS recommendation may not initially seem like a large sum of money, over the next nine years, UMB would have to find almost \$40 million to fund this project—funds that would otherwise be used for several other critical deferred maintenance/facilities renewal projects.

The DLS analyst has criticized UMB for not spending 2 percent of its facilities replacement value—\$42 million—on deferred maintenance each year. I simply don't know where I, or any other USM president, could find that amount of funding in the operating budget—unless, of course, we were to reduce funding for education, research, or patient care.

I've made deferred maintenance a high priority at UMB. The University's FY 2017 Ten-Year Capital Improvement Plan consists entirely of facilities renewal and deferred maintenance projects, with the exception of HSF III. The amount of operating funds being directed to deferred maintenance has increased significantly each year since 2010, and will continue to do so as long as the UMB budget does not experience significant reductions. We've been able to add \$4.5 million (91 percent) in funding since 2010, when spending for deferred maintenance was only \$4.9 million—bringing annual expenditures to \$9.4 million in 2015. We plan to increase this amount by an additional \$1 million (11 percent) in 2017.

However, our operating budget cannot fully address the magnitude of deferred maintenance needs, estimated to be \$400 million over the next 10 years. The capital budget must be part of the solution.

I respectfully request that you approve \$5 million for the first phase of the Central Electrical Substation and Electrical Infrastructure Upgrades—and NOT require UMB to fund 50 percent of the cost.

Thank you again for this opportunity to discuss the UMB capital projects before you today. I'll now address the two issues raised by the legislative analyst.

RB21

Department of Legislative Services Issues

The President should comment on the lack of long-term infrastructure planning and maintenance that brought UMB into a position where it finds its electrical distribution system compromised and failing.

I want to emphasize that UMB has had a long-term infrastructure plan in place. The UMB Facilities Management Office has been diligent about assessing the condition of our facilities, identifying needs, and prioritizing them. It is inaccurate to say that there has been a lack of long-term planning and maintenance. However, it is accurate to say that there has been insufficient funding for deferred maintenance.

UMB's most recent infrastructure assessment identified project needs totaling more than \$400 million. The electrical infrastructure project before you today is included in that total. And while the Board of Regents policy states that USM institutions should be spending 2 percent of the facilities replacement cost each year—in the case of UMB, \$42 million—there has *not* been an increase in our operating budget to support this magnitude of annual facilities maintenance spending.

In fact, during economic downturns, when funding to UMB was reduced, it was necessary to defer many facilities renewal projects so that we could continue executing our core missions. This was a difficult decision, as facilities maintenance has been woefully underfunded.

More recently, UMB has significantly increased expenditures for deferred maintenance projects each year since 2010. In FY 2015, \$9.4 million was spent on projects ranging from the replacement of leaking chilled water coils to the replacement of entire air handlers and cooling towers in campus buildings. If there are no significant reductions to the UMB budget, this amount will again increase in FY 2017.

I am committed to ensuring that UMB's facilities are maintained and in good condition. Our 10-year capital improvement plan does not include any new construction. Rather, it consists of renovations and infrastructure projects, all intended to guarantee the continued usefulness of our facilities.

Moreover, our existing electrical substation has *not* failed, but because of its age and location, and our difficulty in securing replacement parts, it requires upgrading. UMB, meanwhile, requires electrical redundancy, which the BGE substation to the north of campus, upgraded in 2011, helps us secure. It provides us the chance to build a new substation at the northern edge of campus and run duct banks and cables to our buildings.

The electrical service throughout the UMB campus has been studied in detail. The nine-phase, DBM-approved plan will ensure the best approach to providing consistent, uninterrupted service to UMB buildings.

DLS recommends that UMB share the cost of the entire electrical substation project 50/50 with the state, which would reduce the fiscal 2017 authorization by \$2.5 million in GO bonds.

DLS also asks that I comment on how UMB will share the cost of this project using institutional resources.

I do not agree with the DLS recommendation that the cost of the entire electrical infrastructure project be split 50/50 between UMB and the state, and I respectfully ask that you fully fund this important project.

If UMB is required to fund 50 percent of all nine phases—that is, nine years—of this project, many of our high-priority deferred maintenance projects will be delayed, and the condition of UMB's facilities will continue to deteriorate.

The total UMB facilities renewal/deferred maintenance backlog has been estimated at more than \$400 million. A 10-year funding strategy to address most of this need has been developed, but it includes state funding for this electrical infrastructure project.