UNIVERSITY SYSTEM
of MARYLAND

TESTIMONY TO THE
BUDGET COMMITTEES OF THE GENERAL ASSEMBLY
Regarding

THE USM FY2020 CAPITAL BUDGET REQUEST

Including Response to Analysis concerning

ITEM RB36
FACILITIES RENEWAL (STATEWIDE) and the
USM SOUTHERN MARYLAND (ST MARY'S COUNTY)

By Robert L. Caret, Chancellor

Thank you for the opportunity to testify on the Governor's FY 2020 capital budget recommendations for the University System of Maryland (USM). I intend to keep my testimony very brief and speak to the issues raised by the legislative analysts. Before I do so, however, I would like to express my sincere 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 this Committee and the General Assembly for the support you have provided the University System of Maryland. Working with partners statewide, we build on that State support and the collective strengths of our institutions to improve student success, foster academic and research innovation, advance economic and workforce development, and improve our quality of life in Maryland. We strive to serve our students and our State effectively, efficiently, and with excellence.

THE USM CAPITAL BUDGET

As a System, we urge full funding of the Governor's FY2020 budget recommendations for our 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 institution; 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 our institutions. We know you're making difficult choices to accommodate these needs and we urge your continued support.

SYSTEM-WIDE FACILITIES RENEWAL (STATEWIDE)

DLS analysis included the following:

> ***The Chancellor should comment on if institutions are budgeting increased spending on facilities renewal in order to reach the 2% target and, if not, how are institutions held accountable and what measures are taken to ensure that institutions to not reduce spending on facilities renewal during periods of financial challenges?***

DLS also recommends that the USMO submit a report on the methodology to allocate (increased) facilities renewal spending among the institutions that includes incentives for institutions to increase the amount spent on renewal projects.

First, let me say that our Board of Regents policy underscores a System-wide goal to be good stewards of our facilities. 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. We also concur with the language requiring a report, and we will diligently prepare and submit it as requested. These funds are a critical piece of an overall approach the Regents are taking to address the problem of deferred maintenance.

In response to the analyst's question, let me add that, despite the budgetary challenges, we've seen a new level of commitment among our institutions to address the critical needs of aging buildings. Renewal spending is a featured data point in the performance "Dashboard Indicators" we publish each year; and is one of the criteria by which each president is measured in their annual evaluations. With the strong backing of our Board, who are extremely engaged in our deliberations about facilities renewal, we will continue to build on the track record of success we've had in making maintenance spending a priority. Likewise, we are hopeful the State's support of facilities renewal in both the capital and operating budgets will continue.

NEW ACADEMIC AND RESEARCH BUILDING AT
USM SOUTHERN MARYLAND (ST. MARY'S COUNTY)

Rendering of new building, with existing buildings and St. Mary's County Regional Airport to the north and west

The University System of Maryland (USM) is excited by our new merger with the former Southern Maryland Higher Education Center (SMHEC). Just this month the newly named University System of Maryland, Southern Maryland (USMSM) formally joined the Universities at Shady Grove and USM at Hagerstown as the third regional higher education center operated by the System. Our focus will be on expanding access to higher education for students in Southern Maryland, developing the region's workforce, and jointly making the Center and nearby Unmanned Aircraft System Test Site a major hub for research and development.

Located in St. Mary's County, the Center (established as Maryland's oldest higher education center) currently hosts educational programs sponsored by nine universities, including five USM institutions.

Unlike other regional higher education centers in the system, USMSM also boasts a major research component through a partnership with the University of Maryland Unmanned Aircraft Systems Test Site. To build on this partnership and enable the expansion of both the educational and research capacity, we urge funding for construction of this new academic and research facility that will include state-of-the-art classrooms and cutting-edge research labs. When it opens, the Academic and Research facility will allow the newly formed USM Southern Maryland to maximize its impact on the region's economy for years to come.

Current Status

As you know, the Governor's CIP includes funding for the project as the Board of Regents requested it. When the project was deferred last session for the submission of an enrollment study, we asked the architects to stop work at the 95% Construction Documents stage (a typical design milestone). Now that funding for construction is in the new CIP, we will re-start the design process with the goal of having a bid-ready set of documents by May. With your support for this project during the session, the Construction Manager will begin trade bid packages. Bidding, Scope Reviews, Guaranteed Maximum Price (GMP) preparation & Negotiations and Board of Public Works approval will take around 5 months, resulting in a construction start of October 2019. The building is slated to be completed October 2021.

Response to DLS recommendation to reduce the size of the building

> ***In their analysis, the Department of Legislative Services indicates that they have determined that the facilities provides approximately 15% more NASF than is needed. They add that, if USM wants to proceed with the project as currently scoped, the State's participation should be benchmarked on the amount of space required to meet the research components of the facility. Based on the data in the cost estimate worksheet, the cost of the surplus space is approximately $10M. Therefore, DLS recommends to add budget language expressing the intent that total State funding for the project may not exceed $75.995M. [This represents $10M less than the total project amount in the Governor's CIP.]***

There is no statistical or quantitative basis for the supposition that the building is oversized. As the analyst outlined, USM completed a highly detailed study of the academic needs for the Southern Maryland region as part of a request made by the Budget Committees last year. As noted in the analysis, the enrollment-related challenges the Center had experienced over the last few years have already started to reverse.

To ensure that the scope of the new building adequately accommodates regional and statewide needs, the USM and the former SMHEC Board of Governors have worked together to develop an academic plan for the USM Southern Maryland that, while continuing to recognize and honor its historic focus on graduate programs serving the Naval Air Station Pax River community, will "re-balance" the portfolio of existing academic programs, including adding student support services where needed, to better serve the region, its workforce and its citizens. Under this plan, the USM Southern Maryland, whose enrollment has never been significantly greater than 400 Full-Time Equivalent Students (FTES), will rebuild its enrollment base and expand its total impact by reaching out to a broader market of potential students and employers.

The target, going forward, will not only be the 46,000 defense-related technology workers in the region who make up the traditional recruiting base for the Center, but the 4,400+ students who graduate each year from the region's public high schools, less than a third of whom, records from the Maryland Longitudinal Data System (MLDS) suggest, ever go on to earn a bachelor's degree. Attracting just a slice of this market to programs offered at the USMSM will go far toward ensuring the required enrollment base, and the 20 new programs that have been recruited to USMSM since FY 2017, in combination with the expansion of existing programs in such areas as engineering, information technology, business administration, and health care, can be seen as the down payment required for this future growth.

In previous testimony, I've emphasized the major—even a once-in-a-generation—economic opportunity for our State that this new building could provide. The new facility, along with the newly consolidated USM Southern Maryland, will create an unprecedented opportunity to support new educational opportunities for education and workforce training throughout Southern Maryland, further drive STEM-related research and development, particularly in the growing field of unmanned and autonomous systems, and promote greater economic innovation and diversification across the region.

The report we submitted last year carefully explained the reasons for what has been seen in the past as an enrollment decline in engineering; while it underscored the ways the new USM Southern Maryland can expect to build enrollment in a number of programs, including engineering. The USM and its partners, including non-USM institutions, remain confident the new facility will serve to attract and retain students. And, as shown in the report, the facility is adequately sized and designed to achieve its intended purpose. Ultimately, the report concludes that the program at its current size and configuration (including the larger classrooms) will be critically needed by the programs at the USMSM within the next 5 years.

Finally, let me conclude by noting that there is a certain fallacy in the idea that you can neatly divide the academic classroom and research space in the building, reduce one but not have a negative impact on the other. In fact, the education classroom and research space in this facility are designed to work hand in glove. In many cases students will move from the classroom where they have learned basic concepts and theories, into the maker space where they develop and construct initial prototypes, and then into the high bay laboratory where they test and refine what they have learned and developed. A reduction in the capacity of one of these elements is inherently a reduction of the capability of the whole.

[Responses to specific points in the Legislative Services document are attached as an Appendix.]

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.

Please direct questions or comments to:
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APPENDIX

USM RESPONSES TO POINTS MADE IN UNIVERSITY SYSTEM OF MARYLAND CAPITAL ANALYSIS, PAGE 43

From DLS Analysis

> ***Enrollment Assessment: The report notes that SMHEC has experienced a number of enrollment-related challenges over the past six years but the trends are starting to reverse. In regards to high school enrollment, the report notes that in Southern Maryland, it is estimated to grow 11% by 2024. However, according to the Western Interstate Commission for Higher Education, it is estimated that statewide, the number of high school graduates will decline 9.3% by fiscal 2030. In addition, graduates will become increasingly diverse; therefore, in order for higher education institutions to maintain or increase enrollment, they will need to recruit and develop programs to retain and graduate these students who typically do not graduate at the same rate as traditional students. In addition, as pointed out in the report, the region underperforms in the percentage of high school graduates who enroll in college compared to other similarly sized Maryland counties. Consequently, SMHEC may not be able to rely on an increase of high school graduates to grow their enrollment.***

USM response

The Southern Maryland region continues to have one of the fastest growing K-12 populations in the state. Only two other counties in Maryland will experience greater growth, on a percentage wise basis, of its K-12 population than St. Mary's County, which will grow by 9% between 2016 and 2026. The growth rate of Charles County will be just slightly less at 7.6% over the same time period. The USM believes the demand for higher education in the region of the state is strong and will continue to increase as the region grows. With that said, it is important to point out that the USM's regional centers have always existed to serve nontraditional student populations, i.e., populations that are frequently much more diverse, older, and place bound than those served by our traditional residential institutions. We believe that a lack of such opportunities for students is one reason why the region has traditionally underperformed in the percentage of its high school graduates who go on to enroll in and complete a college degree, as noted by the analyst. While such undergraduate students historically have not been a major focus of the USM Southern Maryland, the USM's vision for USMSM, calls for providing expanded access and support services to these students in a wide range of sought-after degree programs. That is a key reason why space to offer needed education programs and support services to these students is so critical in the new facility.

From DLS Analysis

> ***Assessment of Region's Workforce Needs: Between fiscal 2014 and 2024, the region is projected to face an annual need for approximately 930 baccalaureate-level prepared individuals in a wide variety of fields, 85 with a master's degree and 81 with a doctorate or professional degree. The greatest number of openings are expected to be in business administration/management, healthcare, K-12 education, and computer and information sciences. However, according to the JCR, the current programs are small, boutique graduate programs that represent a portfolio of technical, logistic, and engineering programs.***

USM response

As the analyst notes, between FY 2014 and FY 2024, the Southern Maryland region is projected to face an annual need of over 930 individuals prepared at the bachelor's level and 166 individuals prepared at the master's or doctoral levels in a wide variety of fields in order to maintain and grow its economy. What the analysis doesn't note is that the four higher education institutions located in the Southern Maryland region (the College of Southern Maryland, St. Mary's College of Maryland, the Waldorf Center for Higher Education, and the USM Southern Maryland (USMSM)) currently produce just 62 percent of the total

annual demand for degrees. Well over one-third (38%) of the total workforce-related degree demand projected for the region between FY 2014 and FY 2024 is currently *not being met* by the institutions in the region. The third building at USMSM -- which will house programs in such workforce need areas, as education, information technology, and business, in addition to engineering -- will help rectify and address this need. Reducing the scope of the building would only restrict USMSM's ability to do this.

In addition, the analysis notes that "the current programs are small, boutique graduate programs that represent a portfolio of technical, logistic and engineering programs." This statement appears to be a misstatement of the JCR report, which noted that while many of the programs that had been added at the Center since 2013 are "relatively small, boutique graduate programs," those programs are also large in number. Thirty two new programs or specialty areas have been recruited to the Center since 2013, more than at any other USM regional center over the same period. More importantly, those programs include new degrees or specialty focus areas in K-12 education, social work, nursing, human resources, criminal justice, and business—all areas of high regional demand noted in the JCR. In fact, as the JCR data show, the USMSM serves a wide variety of workforce needs and has done so from its beginning (when K-12 education programs were critical to its initial success).

According to the data provided in the JCR, 64% of the FTE enrollments reported by the Center in FY 12 were not in engineering and advanced technology, but in areas like Gifted and Talented Education, Special Education, School Counseling, and Business Administration and Management. While as the data show the region needs additional engineering and information technology programs, including Cyber, in order to continue to grow and build its economy, the plan for USMSM, as laid out in the JCR, is to continue to balance engineering and technology programs with other degree programs designed to meet areas of need, including education, social work, health care, and business. Projections laid out by the USM in the JCR, based on data developed by each institution offering programs at USMSM, show such programs growing to account for approximately 65% of total FTES enrollment at the Center by FY 2023.