



UNIVERSITY SYSTEM *of* MARYLAND

University System of Maryland FY 2022 Capital Budget Testimony

Maryland House Appropriations—Capital Budget Subcommittee
Maryland Senate Budget and Taxation—Capital Budget Subcommittee

USM Chancellor Jay A. Perman

March 9, 2021

Includes Response to Analysis Concerning Item RB36
Facilities Renewal (Statewide) and the USM Southern Maryland (St. Mary's County)

Thank you for the opportunity to testify on the governor's FY 2022 capital budget recommendations for the University System of Maryland (USM). I intend to keep my testimony brief and speak to the issues raised by the legislative analysts. Before I do, however, I express my sincere thanks to Gov. Hogan for his support of our capital request, and to each of you—and to *all* the committee members—for the support you've provided the USM.

Without question, this has been a unique and challenging year, which makes your consideration of our capital needs even more gratifying. Your support of our capital budget and your confidence in the University System are well placed: We build on your 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 FY 2022 budget recommendations. 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 her or his institution, and I add my own voice in support of theirs. We understand the difficult choices involved in balancing the needs of higher education against a variety of other needs—especially when resources are so constrained—and we appreciate your consideration.

SYSTEMWIDE FACILITIES RENEWAL

The analyst has asked for comment on two items:

- 1) How the USM will deal with the impact that COVID-19 has had on facilities renewal spending, while also being attentive to the growing gap between the 2 percent spending target and institutional spending on facilities renewal; and
- 2) How institutions plan to manage facility renewal needs during the pandemic and how lost institutional spending on facility renewal will be replaced.

This difficult year is providing a preview of what could be a “next normal” for the capital budget, complete with its own unique challenges. Our presidents, our Board of Regents, and our USM Office leaders have always been acutely attentive to maintaining the health and safety of our students, faculty, and staff. The pandemic has concentrated this attention. Institutions have made significant changes to classrooms, student service areas, and student housing as they balance in-person and online learning in response to COVID-19. I’ve been impressed with their speed and effectiveness in dealing with the impacts of the pandemic.

Part of this response has been financial. The uncertainties surrounding this year’s budget and questions about future revenues have necessitated a temporary reduction in the growth of our expenditures on facility renewal. Operating budget constraints have been coupled with one-time measures, such as the preservation of cash reserves. Institutions have deferred cash-funded facilities spending, except for ongoing projects or needs that have short-term public safety impact.

As the analysis notes, from FY 2017 to FY 2019, total spending on facilities renewal grew by 34.9 percent, or \$50 million. However, FY 2020 showed a slight reduction at \$181 million—down from \$193 million in FY 2019. Fiscal constraints tied to the pandemic, furthermore, means that the budgeted figure for FY 2021 is \$121 million.

Given the need to reduce expenses as a result of lost income, facilities renewal spending guidelines were temporarily modified such that institutions were allowed to eliminate the planned increase in facilities renewal from fiscal 2021 over 2020. They were also allowed to cut the remaining facilities renewal balance by 50 percent on a one-time-only basis, and facilities renewal levels for fiscal 2022 were to be brought back to the fiscal 2021 base number. It bears noting that these actions have helped preserve our bond rating and yielded new confidence that we’ll be able to protect our collective financial strength to deal with additional challenges as they unfold in the coming year.

Well before the pandemic, the USM Board of Regents had affirmed its long-standing interest in seeing the physical assets of our institutions renewed, protected, and maintained. Safety and health had become paramount, and improvements to existing campus buildings had taken top priority in the USM capital program. The timing of this emphasis on renewal is fortunate because I can think of no better way to enable our quick pivot to meet changing demands in the COVID and post-COVID era than to improve the quality of our buildings and building systems. In some ways, reduced campus occupancies have actually helped our institutions schedule and accommodate such improvements. Furthermore, as far as it’s affordable, capital expenditure for construction activity is contributing to the System’s support of Maryland’s economic recovery.

The bottom line is that our Board of Regents policy underscores a System-wide goal to be good stewards of our facilities. Reducing our backlog of deferred maintenance will continue to be a high priority for me and for our board, and despite recent challenges in the operating budget, we’ve seen a new level of commitment among our presidents and their institutions to address the critical needs of aging buildings.

While momentum has slowed during the pandemic, the focus of that commitment has not changed. As soon as circumstances allow, we will quickly restore full support of our renewal work, building on our track record of success in making maintenance spending a priority. Likewise, we look forward the state’s continued support of facilities renewal in both the capital and operating budgets.

ACADEMIC AND INNOVATION CENTER AT USM SOUTHERN MARYLAND



Architect's Rendering of New Building



Progress of Construction, February 2021

We thank you for your continued support of construction funding for the new academic and research building at the University System of Maryland, Southern Maryland (USMSM). Construction began in fall 2019 and will be completed this fall.

Located in St. Mary's County, USMSM (originally established as Maryland's oldest higher education center) currently hosts education programs sponsored by eight 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. We appreciate the support we see in the capital budget that builds on this partnership and enables the expansion of USMSM's educational and research capacity.

When it opens, the Academic and Innovation Center will allow USMSM to maximize its impact on the region's economy for years to come.

I thank you again for your attention to our needs. My colleagues and I are happy to answer any questions you have.

Please direct questions or comments to:
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