



## University System of Maryland FY2024 Capital Budget Testimony

Maryland Senate Budget and Taxation—Capital Budget Subcommittee

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Maryland House Appropriations—Capital Budget Subcommittee

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USM Chancellor Jay A. Perman

*Includes Response to Analysis Concerning Item RB36*

Colwell Center Deferred Maintenance

Facilities Renewal (Statewide)

Thank you for the opportunity to testify on the governor's FY 2024 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 offer my sincere thanks to Gov. Moore for his support of our capital request, and to each of you—and to *all* the committee members—for the way you've invested in the USM.

We know that you value the University System 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 the state effectively, efficiently, and always, with excellence.

We are convinced that two key characteristics of the post-COVID college campus will be: 1) flexibility in building configuration and capacity; and 2) high-quality building systems—both features allowing us to pivot quickly to meet any unforeseen emergencies.

In this post-COVID future, facilities renewal is even more important and comprises the goal of most of our larger capital requests. Thus, I'm deeply grateful for the governor's recommendation of full funding for the Colwell Center's deferred maintenance work, and for our Systemwide Capital Facilities Renewal Program. I respectfully ask for *your* support as well.

This brings me to my response to the issue raised in the analysis.

## USM CAPITAL FACILITIES RENEWAL PROGRAM

I've been asked to comment on the USM's revised facilities renewal policy, and how our universities will be held accountable for improving the condition of their facilities.

During the 2022 session, the Department of Legislative Services asked the USM Board of Regents to "update its facilities renewal policy to reflect current practices and specifically those practices related to State facilities."

We took this opportunity to convene a workgroup and seek consensus among university leaders—specifically, administrative vice presidents—regarding changes that would make the policy more effective in improving our collective approach to funding and implementing facilities renewal work. The resulting changes were reviewed by the presidents of all of our institutions and approved by the Board of Regents in November.

As Ms. Baker's analysis eloquently describes, these deliberations resulted in two significant changes:

- First, institutions noted that campus spending to reduce the deferred maintenance backlog includes a number of other budgetary components (both capital and operating) that were not then captured in the policy's formula. In many cases, our universities are directing significant operating and capital resources to renovate and replace older facilities. Yet none of these were "counted" toward the goal. All of our institutions supported revisions that would allow inclusion of *all* related expenditures.
- The second change—something I'll highlight in my remarks—is that university leaders wanted the policy to focus primarily on program results or "output." The original policy measured progress in terms of "input"—basically, how much spending annually goes toward facilities maintenance. However, insufficient attention was paid to the effectiveness of that input over time. Consequently, there was strong interest in adding an output metric that illustrates how well our universities are maintaining their facilities year-to-year.

As a result, the new policy requires that each institution report a Facility Condition Index (FCI). The FCI is expressed as a ratio of the cost to *repair* facilities over their *replacement* value. Some of you may recall a statewide effort about 15 years ago to develop the Maryland Model for Funding Higher Education, led by a commission of the same name. The commission's 2008 report recommended using the FCI in planning and budgeting, saying:

*"Expressing facility renewal needs as a percentage can assist in the evaluation of how severe a problem is and would assist in capital planning... Additionally, it can be expected that every institution will always have some level of facility renewal needs..."*

*Without some type of relative scale such as an FCI, it can be difficult to assess what dollar amount of facility renewal backlog is acceptable and when action is required. A relative scale will also assist in prioritizing facility renewal projects.*

*The FCI is most useful in comparing needs of individual buildings, and the dollar amount of needed renewal adds perspective to the overall campus problem. Thus, both measures are useful analytical tools in the budgeting process.”*

Since that time, we’ve used both the FCI and the amount of facilities renewal backlog for internal deliberations. The new policy requires formal reporting and tracking of these amounts over time. Explicating our use of the FCI as a performance measure—in conversations with USM presidents, vice presidents, and facilities managers, and with the state’s executive and legislative leaders—will reinforce that our policy is outcome-based, as it’s now focused sharply on reporting a holistic picture of progress toward protecting the physical assets of our campuses.

During the pandemic, we found that facilities in the *best* repair were most able to provide the flexibility and favorable environment needed to maintain safe occupancy. All of our presidents have affirmed that addressing building condition is a high priority for them. And proving this commitment is the fact that the capital requests our universities send to the regents are highly skewed toward renovation and replacement of older, obsolete facilities.

To ensure progress toward our facilities renewal goals, metrics related to building maintenance and spending comprise one element of my annual review with each president. Furthermore, our regents are extremely interested in tracking building data—through metrics like the FCI—as they weigh capital budget requests each year. These and other accountability measures will underpin all of our capital decision making.

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

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