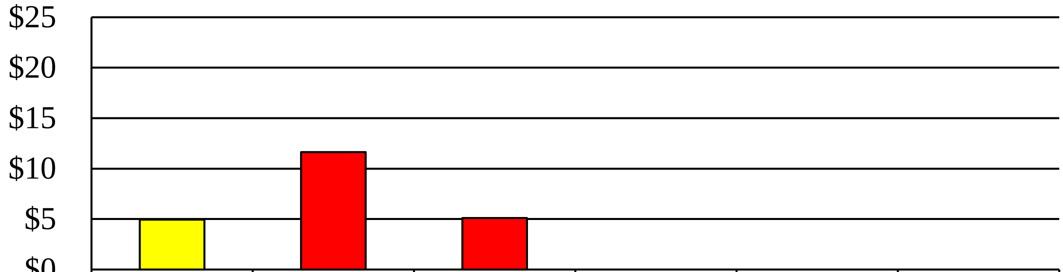
University System of Maryland Office – Capital

University System of Maryland

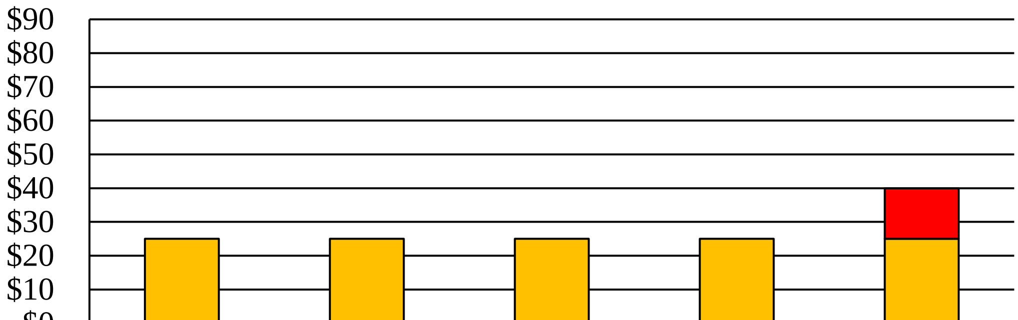
Capital Budget Summary

State-owned *Capital Improvement Program*
USM Colwell Center (Formerly the Columbus Center) Deferred Maintenance
($ in Millions)



	Prior Auth.	2025 Request	2026	2027	2028	2029
Total	$4.934	$11.634	$5.099	$0.000	$0.000	$0.000
PAYGO SF	4.934	0.000	0.000	0.000	0.000	0.000
GO Bonds	0.000	11.634	5.099	0.000	0.000	0.000

Capital Facilities Renewal *Capital Improvement Program*
($ in Millions)



	2025 Request	2026	2027	2028	2029
Total	$25.000	$25.000	$25.000	$25.000	$40.000
GO Bonds	0.000	0.000	0.000	0.000	15.000
Revenue Bonds	25.000	25.000	25.000	25.000	25.000

GO: general obligation
PAYGO: pay-as-you-go
SF: special funds
USM: University System of Maryland

For further information contact: Sara J. Baker
Sara.Baker@mlis.state.md.us

Key Observations

- ***Funding Facilities Renewal:*** The 2024 *Capital Improvement Program* (CIP) programs $100 million less in funds for fiscal 2025 through 2028 for the facilities renewal program compared to the 2023 CIP due to the exclusion of $100 million in University System of Maryland (USM) plant funds. The 2024 CIP programs $15 million in general obligation (GO) bonds in fiscal 2029 to supplement the $25 million in Academic Revenue Bonds (ARB), resulting in total funding of $40 million.

GO Bond Recommended Actions

1. Approve all general obligation bond authorizations and preauthorizations and approve all Academic Revenue Bonds.

Summary of Fiscal 2025 Funded State-owned Projects

Colwell Center (Formerly the Columbus Center) Deferred Maintenance

Project Summary: Replace the aging tent roof and refurbish the central plant. The project will be completed in two phases: Phase I will replace the tension fabric roof; and Phase II will upgrade the mechanical system. In fiscal 2024, the operating budget included $4.9 million in Fiscal Responsibility Funds for the project, and the fiscal 2025 budget provides $11.6 million in GO bonds to fund Phase I ($4.2 million) and Phase II ($7.4 million).

New/Ongoing: Ongoing								
Start Date: Design October 2023			**Est. Completion Date:** January 2026					
Fund Sources:								
($ in Millions)	**Prior Auth.**	**2025**	**2026**	**2027**	**2028**	**2029**	**Beyond CIP**	**Total**
GO Bonds	$0.000	$11.634	$5.099	$0.000	$0.000	$0.000	$0.000	$16.733
SF	4.934	0.000	0.000	0.000	0.000	0.000	0.000	4.934
Total	**$4.934**	**$11.634**	**$5.099**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$21.667**
Fund Uses:								
($ in Millions)	**Prior Auth.**	**2025**	**2026**	**2027**	**2028**	**2029**	**Beyond CIP**	**Total**
Planning	$1.327	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	$1.327
Construction	3.607	11.634	5.099	0.000	0.000	0.000	0.000	20.340
Total	**$4.934**	**$11.634**	**$5.099**	**$0.000**	**$0.000**	**$0.000**	**$0.000**	**$21.667**

- ***Need:*** The Colwell Center (formerly the Columbus Center) houses the Institute of Marine and Environmental Technology; the Chancellor's headquarters; Towson's University (TU) Center for Science, Technology, Engineering, and Mathematics Excellence; and leased space to private entities. Phase I of the project will replace the existing tension fabric roof that is 30 years old and at the end of its useful life. An inspection conducted in March 2020 indicates that the roof is deteriorating. The roof encloses a portion of the interior, and any failure would directly expose the interior to the weather, which would cause significant damage and lead to an immediate cessation of operations.

  Phase II of the project will refurbish the existing central plant system that is also 30 years old. Replacement parts are not readily available, and the system is not energy efficient. The refurbishment will replace obsolete chillers, controls, motors, and pumps and includes the demolition of ice storage units.

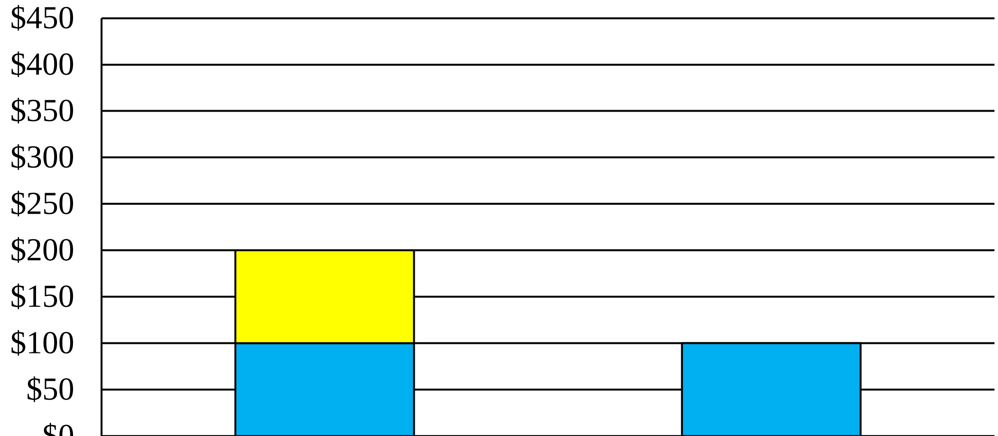
- ***Other Comments:*** This project was added to the 2023 CIP to address the deferred maintenance needs to prevent damage to the building. Since this is a multi-use facility used by several USM institutions and the University System of Maryland Office (USMO), it is considered a systemwide facility and therefore is included in USMO's request. While the University of Maryland Baltimore County maintains and manages the facility, it is not part of its facilities inventory. This less-than-clear administrative and management responsibility for the center is a contributing factor to it being added to the CIP, essentially as an emergency project requiring immediate funding. The budget provides a $5.1 million preauthorization for fiscal 2026 to complete construction of the project.

USMO – Capital Facilities Renewal

The USM Facilities Renewal program provides funding for various capital improvement projects at USM institutions. In fiscal 2025, $25 million in ARB funds to be authorized by SB 1120 are programmed to fund 29 projects at 11 institutions and the 3 regional higher education centers.

The 2024 CIP programs $100 million less in funds for fiscal 2025 through 2028 for the facilities renewal program compared to the 2023 CIP, as shown in **Exhibit 1**. This is due to excluding $100 million in USM plant funds. When plants funds were first programmed in the 2020 CIP (prior to the pandemic), the Department of Legislative Services raised concerns about USM's capacity and willingness to contribute a total of $100 million in plant funds over a four-year period. In fiscal 2021, $16.4 million in plant funds were budgeted; however, due to the loss of revenues related to the pandemic, these funds were replaced and supplemented with $21.2 million in State bond premiums. The source of the plant funds was to be from USM's future debt service account, which consists of funds that USMO collects from institutions to cover their portion of the ARB debt service. The revenues generated from what was charged to the institution and the actual debt service payment was placed in a stabilization account to provide a cushion in times of higher interest rates. However, during the pandemic, funds not committed to ARB debt service or internally authorized and approved capital projects were transferred back to the institutions. Therefore, USM advised that there were no available funds to put toward the $100 million of nonbudgeted funds for facility renewal. It should be noted (as discussed later in this analysis), that from fiscal 2021 to 2024, institutions have, on average, expended $162.1 million annually of their operating budgets on facilities renewal projects.

Exhibit 1
Facility Renewal Program
2023 CIP Compared to 2024 CIP
($ in Millions)



	2023 CIP 2025 to 2028	2024 CIP 2025 to 2028
Total	$200	$100
USM Plant Funds	100	0
USM Revenue Bonds	100	100

Source: 2023 and 2024 *Capital Improvement Program*

The 2024 CIP programs $15 million in GO bonds in fiscal 2029 to supplement the $25 million in ARBs resulting in total funding of $40 million.

Deferred Maintenance/Facility Renewal

USM annually surveys its institutions to assess the size and magnitude of the system's deferred maintenance and facilities renewal needs. The survey instrument has been revised in recent years to measure the backlog more precisely. Currently, institutions categorize deferred maintenance costs as either structural/envelope, mechanical/electrical systems, or life safety/regulatory. In addition, institutions report on costs associated with programmatic improvements, which include renovations, remodeling, reconfiguration, modernization, and information technology/communications.

As shown in **Exhibit 2**, when only considering deferred maintenance, mechanical/electrical systems account for 68.4% of the $2.6 billion backlog. The University of Maryland, Baltimore Campus and the University of Maryland, College Park Campus (UMCP) account for 60.0% of USM's deferred maintenance. Programmatic improvements total $2.4 billion, resulting in an overall total renovation cost (deferred maintenance plus programmatic improvements) of $4.9 billion. Overall, UMCP accounts for 50.8%, or $2.5 billion, of the total renovation cost of which programmatic improvements account for $1.6 billion and deferred maintenance comprising the remaining $900.0 million.

Exhibit 2
Facilities Renewal Backlog
Fiscal 2022
($ in Thousands)

	Structural/ Envelope	Mechanical/ Electrical Systems	Life Safety/ Regulatory	Total Deferred Maintenance	Programmatic Improvements	Total Renovation Cost
UMB	$176,539	$445,551	$8,407	$630,497	$210,166	$840,663
UMCP	117,563	600,323	182,598	900,485	1,600,862	2,501,347
BSU	17,075	57,164	8,166	82,405	66,073	148,478
TU	65,813	92,138	23,693	181,643	81,608	263,250
UMES	16,423	54,980	9,921	81,324	80,267	161,591
FSU	7,303	24,449	3,493	35,244	28,259	63,503
CSU	17,553	79,784	7,978	105,315	54,253	159,569
SU	18,128	90,641	9,064	117,833	45,320	163,154
UBalt	14,545	48,693	6,956	70,194	56,282	126,476
UMBC	40,856	220,737	29,422	291,015	103,048	394,063
UMCES	15,818	19,774	3,955	39,548	39,549	79,096
USM RHEC	3,169	10,611	1,516	15,296	12,264	27,560
Total	**$510,785**	**$1,744,845**	**$295,169**	**$2,550,799**	**$2,377,950**	**$4,928,749**

RHEC: regional higher education centers

Note: Structural and envelope (*i.e.*, roofs, windows, doors, masonry, and curtain wall systems) are those currently deferred or reaching the end of useful life (within the next 5 to 10 years). Mechanical/Electrical systems upgrades/replacement are deferred or end of useful life. Life safety/regulatory (*e.g.*, Americans with Disabilities Act) improvement if can be separated from other categories. Programmatic improvements include renovation, remodeling, reconfiguration, modernization, finishes, and information technology/communications.

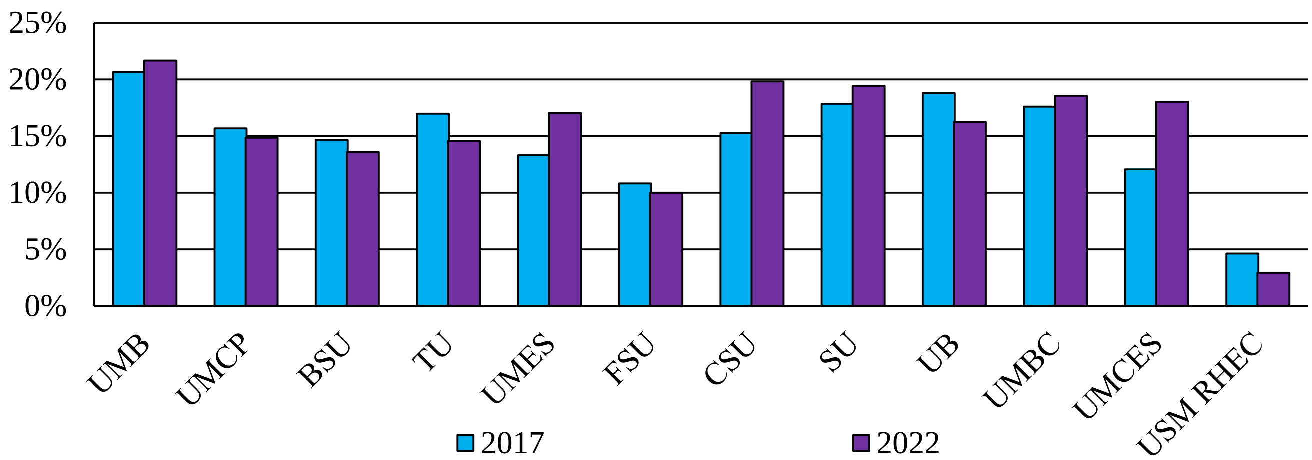
Source: University System of Maryland

Facility Condition Index

At its November 2022 meeting, the Board of Regents (BOR) adopted an updated facilities renewal policy to reflect current practices including that only those facilities that are 10 years or older are included in the calculation of the replacement value of facilities. The most significant change in policy is shifting the focus from inputs to outcomes, which better reflects the progress that an institution is making in addressing its deferred maintenance backlog. The policy requires institutions to report on their facility condition index (FCI), which shows the percentage of deferred maintenance relative to the replacement value of the facilities. A lower score indicates that facilities are in relatively good condition. The FCI is a relative indicator of the condition of a group of facilities and, when tracked over time, will show if conditions are improving. It should be noted that the average represents not only changes to facilities' conditions but also changes to the inventory of new facilities and others being taken off the list.

Exhibit 3 compares the 2017 and 2022 FCI by institution (see **Appendix 1** for the 2017 through 2022 FCI by institution). Overall, five institutions experienced improvements in their FCI – UMCP, Bowie State University (BSU), TU, Frostburg State University, and University of Baltimore (UBalt). The FCI increased 6.0 and 4.7 percentage points at the University of Maryland Center for Environmental Science (UMCES) and Coppin State University (CSU), respectively, which USM attributes to the institutions' efforts to more accurately depict their renovation needs: CSU recently undertook, with help from a consultant, a campus assessment; and UMCES has been reevaluating their needs in-house.

Exhibit 3
Facility Condition Index of State Buildings
Fall 2017 and 2022



RHEC: regional higher education centers

Note: Includes deferred maintenance and programmatic improvements.

Source: University System of Maryland

Facilities Renewal Funding Sources

Reducing the backlog of deferred maintenance is a continuing priority for BOR and the Chancellor. USM's policy sets a target that institutional spending on facilities renewal be equal to 2% of the current replacement value of facilities that are greater than 10 years old. The previous facilities renewal policy did not fully capture all an institution's spending on facilities renewal. In some cases, institutions were putting a significant amount of resources into renovation or replacing older facilities, but those funds were not counted toward their 2% goal. A USM directive clarified what expenditures can be included in an institution's calculation of its 2% goal. Operating funds that can be included are those expended on deferred maintenance and plant funds used to fund renovation and replacement projects. Not included are expenditures for routine maintenance and repairs of building components. Capital funds that can be included are:

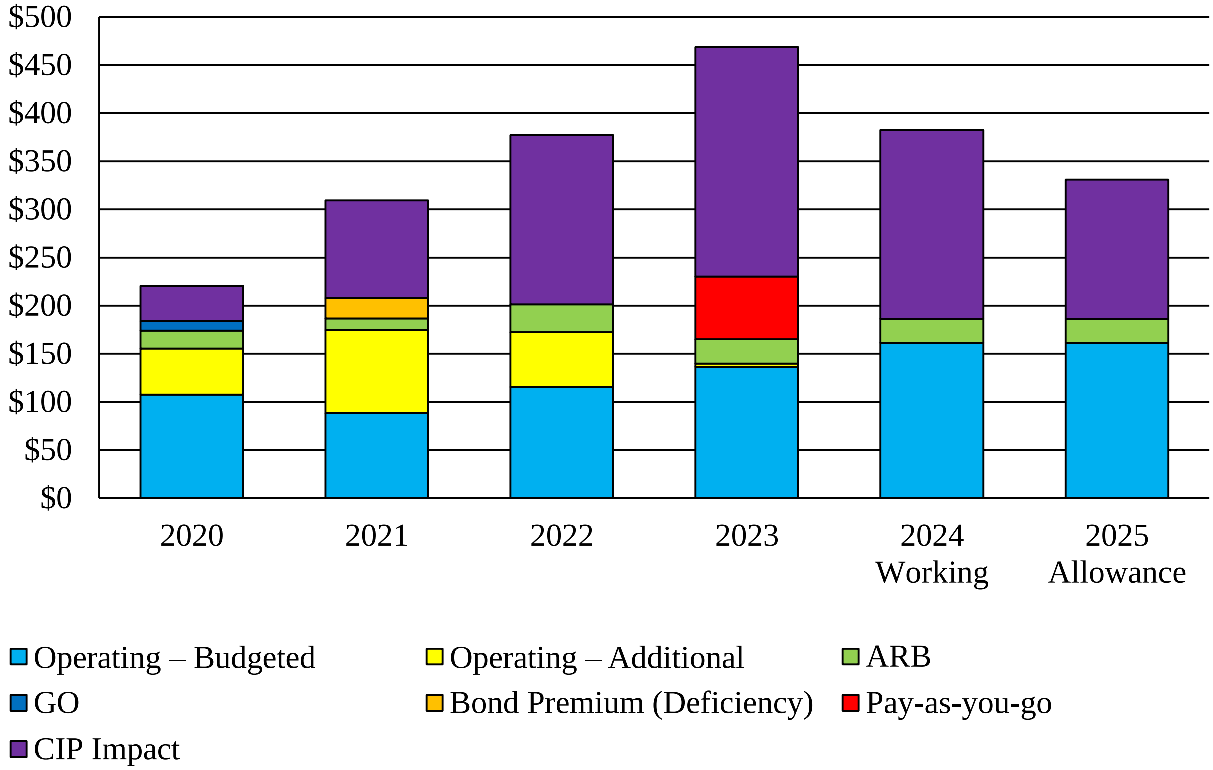
- annual *pro rata* allocations from USM capital facilities renewal program, regardless of fund source; and

- the portion of funded projects approved in the CIP or system-funded capital projects that can be attributed to the renovation or replacement of existing space, spread over the period of construction.

Capital funds not included are those adding space or procuring materials, finishes, or equipment without a 15-year life or capital debt, unless either is part of a more comprehensive renovation or replacement project.

Prior to fiscal 2020, facilities renewal was mostly funded with funds from an institution's operating budget and with an allotment of ARB funds, typically in the range of $17 million, annually. In fiscal 2020, institutional spending accounted for 70.4% of the facilities renewal funds, as shown in **Exhibit 4**. Despite an increase in institutional spending in fiscal 2021 and 2022, these funds comprised a smaller proportion of facilities renewal funds decreasing to 45.7% in fiscal 2022. This reflects the impact of including the portion of projects in the CIP that are attributed to renovation or replacement, which accounted for 32.8% and 46.7% of funding in fiscal 2021 and 2022, respectively.

Exhibit 4
Fund Sources for Facilities Renewal Spending
Fiscal 2020-2025
($ in Thousands)



ARB: academic revenue bond
CIP: *Capital Improvement Program*
GO: general obligation

Note: Total operating funds in fiscal 2024 and 2025 will increase as institutions get a more accurate picture of revenues available for facilities renewal

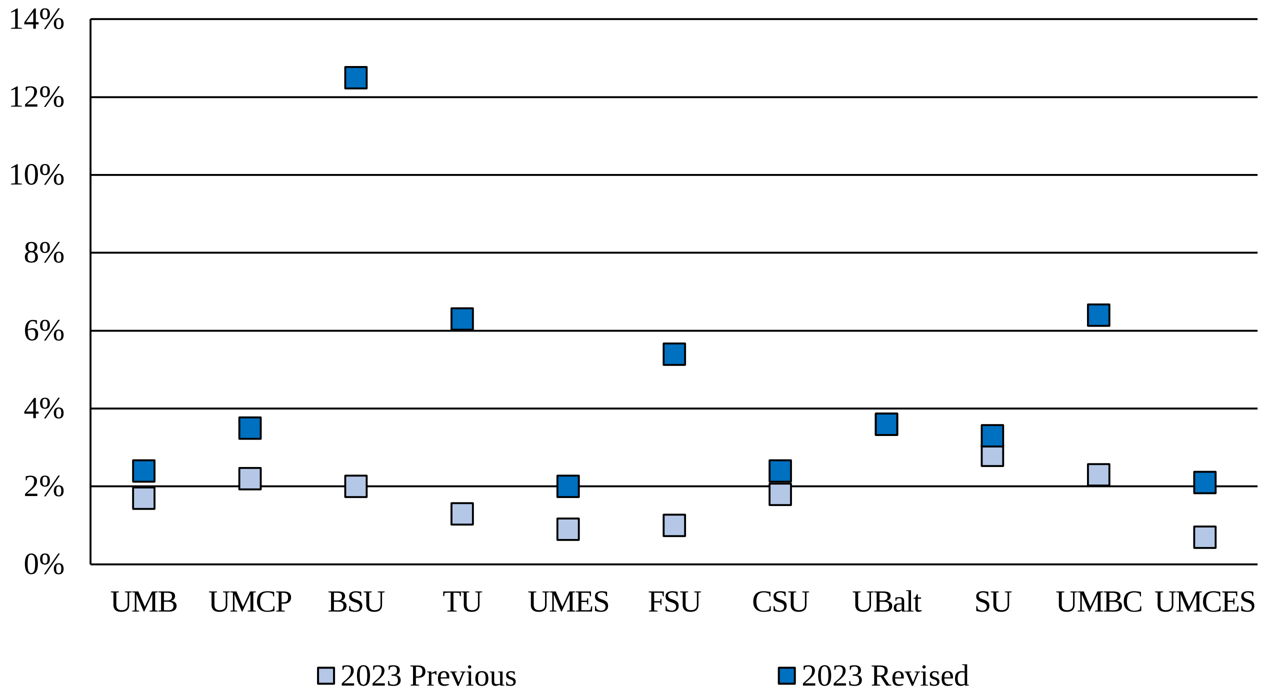
Source: University System of Maryland

In fiscal 2023 institutional spending decreased by $32.5 million, or 18.9%, which may by attributable to $65 million in pay-as-you-go funds which, under the revised policy counts toward an institution's 2% target. Spending in the fiscal 2024 working budget increases 15.3%, or $21.3 million, to $161.2 million. The impact of projects in the CIP increased from accounting for 16.6% of funds in fiscal 2020 to 51.3% in fiscal 2024, reflecting USM's focus on renovation and replacement projects rather than new facilities.

2% Target

The inclusion of the portion of projects in the CIP or system-funded capital projects results in some institution exceeding their 2% target, as show in **Exhibit 5**, which compares each institution's performance under the previous and revised policy in fiscal 2023. Under the revised policy, BSU exceeded the target by 10.2 percentage points. Even though UBalt did not have any expenditures related to projects in the CIP, they exceed the target at 3.5%. While all institutions met or exceeded the target, six institutions would have fallen below the target if not for the inclusion of projects in the CIP. USMO should continue to report on the progress that institutions are making toward the 2% target when excluding and including the impact of the CIP. As illustrated in Exhibit 5, inclusion of projects in the CIP does not provide an accurate picture of how much institutions are spending on facilities renewal and if they are consistently achieving the 2% target.

Exhibit 5
Comparison of Policies on Meeting Target
Fiscal 2023



Source: University System of Maryland

Appendix 1
Facility Condition Index of State Buildings by Institutions
Fiscal 2017-2022

	2017	2018	2019	2020	2021	2022
UMB	20.64%	23.15%	22.62%	23.16%	22.77%	21.66%
UMCP	15.69%	16.06%	15.71%	16.46%	16.33%	14.85%
BSU	14.65%	14.27%	14.27%	14.27%	14.27%	13.59%
TU	16.97%	14.66%	14.67%	15.91%	15.91%	14.57%
UMES	13.29%	13.29%	13.29%	13.29%	13.29%	17.02%
FSU	10.82%	10.82%	10.82%	11.06%	10.99%	9.99%
CSU	15.26%	14.99%	14.54%	14.36%	18.48%	19.82%
SU	17.84%	19.27%	19.27%	19.27%	19.29%	19.42%
UB	18.78%	16.23%	16.23%	16.23%	16.23%	16.23%
UMBC	17.59%	17.59%	17.13%	17.13%	17.91%	18.57%
UMCES	12.06%	12.03%	12.03%	11.72%	18.17%	18.02%
USM RHEC	4.62%	4.44%	4.44%	4.44%	2.93%	2.93%
USM	**16.56%**	**17.04%**	**16.81%**	**17.34%**	**17.41%**	**16.37%**

RHEC: regional higher education centers

Source: University System of Maryland