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# **Higher Education Capital Budget Overview**

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**Department of Legislative Services  
Office of Policy Analysis  
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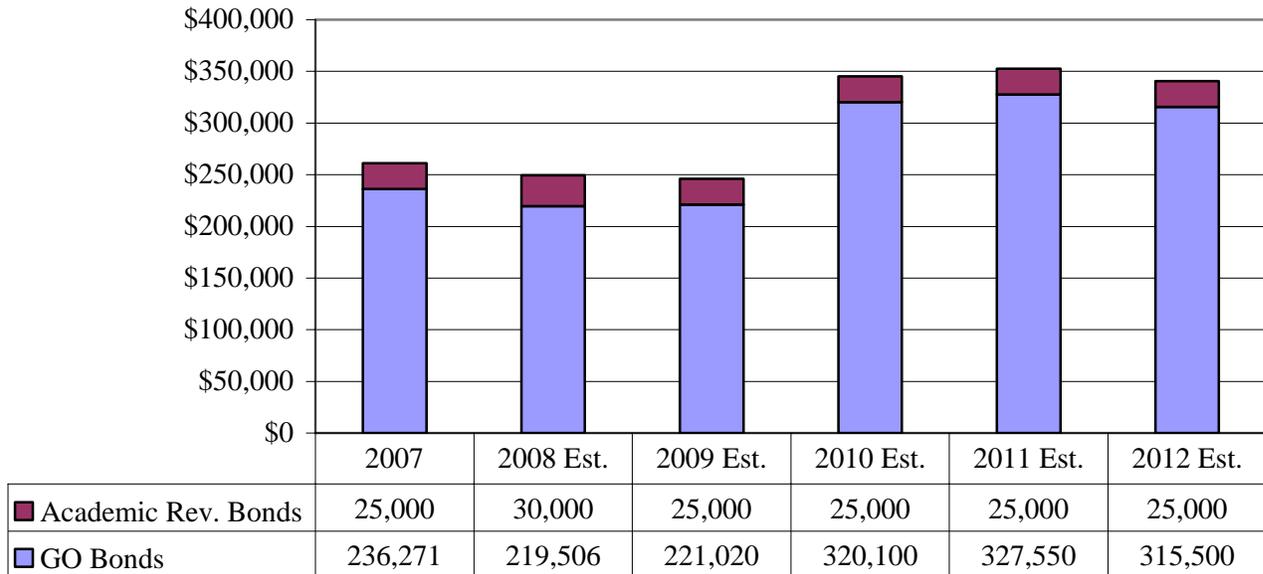
*Analysis of the FY 2008 Maryland Executive Budget, 2007*

**Higher Education  
Fiscal 2008 Capital Budget Overview**

**Higher Education Capital Budget Totals \$250 Million in 2008 Allowance**

The fiscal 2008 capital program for all segments of higher education is \$250 million. As shown in **Exhibit 1**, the fiscal 2008 program includes \$220 million in general obligation (GO) bonds and \$30 million in academic revenue bonds (ARBs). Exhibit 1 also shows planned authorizations over the next four years according to the fiscal 2008 *Capital Improvement Program (CIP)*. The ARBs, which are issued directly by universities, are limited to \$30 million in fiscal 2008 for the University System of Maryland (USM). The fiscal 2008 capital budget bill – Senate Bill 56/House Bill 51 – authorizes \$220 million in GO bonds. The ARBs are authorized separately for USM by HB 1116. The ARBs will be distributed as follows: \$15 million for USM facility renewal projects, \$10 million for the new physical education complex at Coppin State University, and \$5 million for the new journalism building at University of Maryland, College Park.

**Exhibit 1  
Capital Funding  
Authorized and Proposed  
Fiscal 2007-2012  
(\$ in Thousands)**



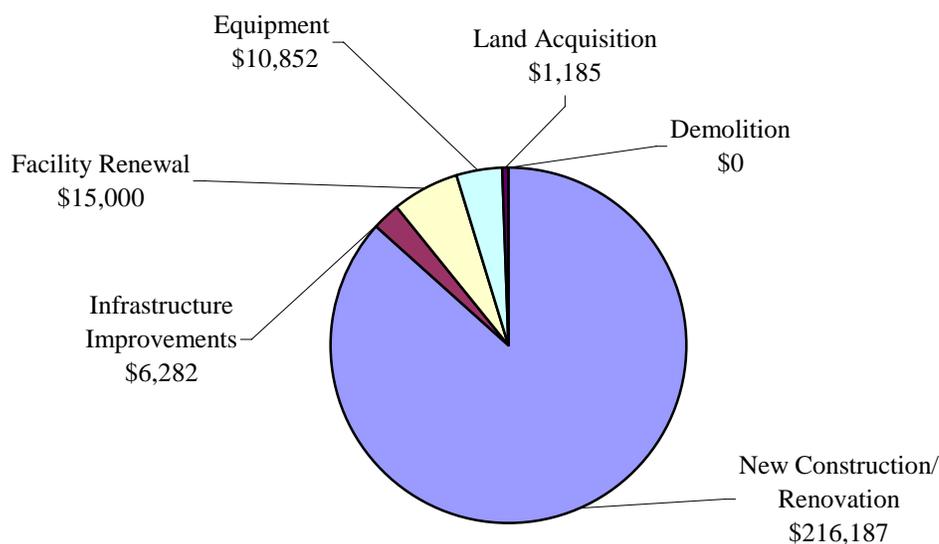
Source: Governor’s Budget Books, Fiscal 2008; 2006 *90 Day Report* for fiscal 2007 data

### Higher Education – Capital Budget Overview

The types of projects in the fiscal 2008 capital program include new construction and renovation, facilities renewal, equipment, infrastructure improvements, and land acquisition. **Exhibit 2** shows the distribution of funding by type of project. Of the total \$250 million in capital projects, 86% of spending is for new construction and renovation projects totaling \$216.2 million.

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**Exhibit 2**  
**Capital Projects by Type**  
**Fiscal 2008**  
**(\$ in Thousands)**



Note: Includes USM institutions, Morgan State University, Maryland Independent College and University Association, St. Mary's College of Maryland, and community colleges. Data includes GO bonds, ARBs, and grant and loans. Data does not include PAYGO or nonbudgeted funds.

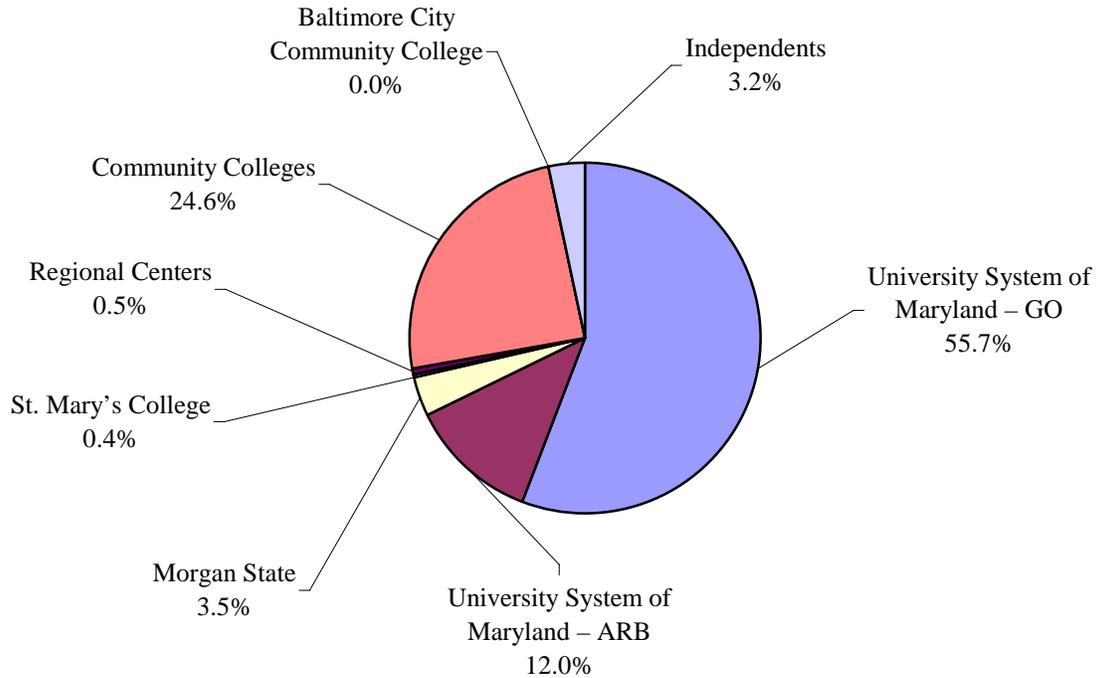
Source: Governor's Budget Books, Fiscal 2008

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### Coppin State University Accounts for Largest Project

**Exhibit 3** shows how the fiscal 2008 allowance distributes higher education capital funding by type of institution. USM is receiving the largest share of the capital funds, or 67.7%, when including GO bonds and ARBs. Specifically, Coppin State University's new physical education complex is receiving \$99.2 million in GO bonds and \$10.0 million in ARBs for a total of \$109.2 million in capital funding for fiscal 2008. Community colleges collectively receive \$61.4 million, or 24.6% of the fiscal 2008 funds.

**Exhibit 3  
Capital Funding by Type of Institution  
Fiscal 2008**



	<u>FY 2007</u>	<u>Estimate FY 2008</u>	<u>Estimate FY 2009</u>	<u>Estimate FY 2010</u>	<u>Estimate FY 2011</u>	<u>Estimate FY 2012</u>
USM – GO	\$147,478	\$139,099	\$83,850	\$235,350	\$227,100	\$151,600
USM – ARB	25,000	30,000	25,000	25,000	25,000	25,000
MSU	13,555	8,740	61,550	13,100	2,300	33,500
SMCM	9,650	1,077	6,200	2,200	2,700	24,700
BCCC	0	0	1,200	1,450	27,450	37,700
Community Colleges	55,588	61,390	60,550	60,000	60,000	60,000
Regional Centers	1,000	1,200	0	0	0	0
Independents	9,000	8,000	8,000	8,000	8,000	8,000
<b>Total</b>	<b>\$261,271</b>	<b>\$249,506</b>	<b>\$246,350</b>	<b>\$345,100</b>	<b>\$352,550</b>	<b>\$340,500</b>

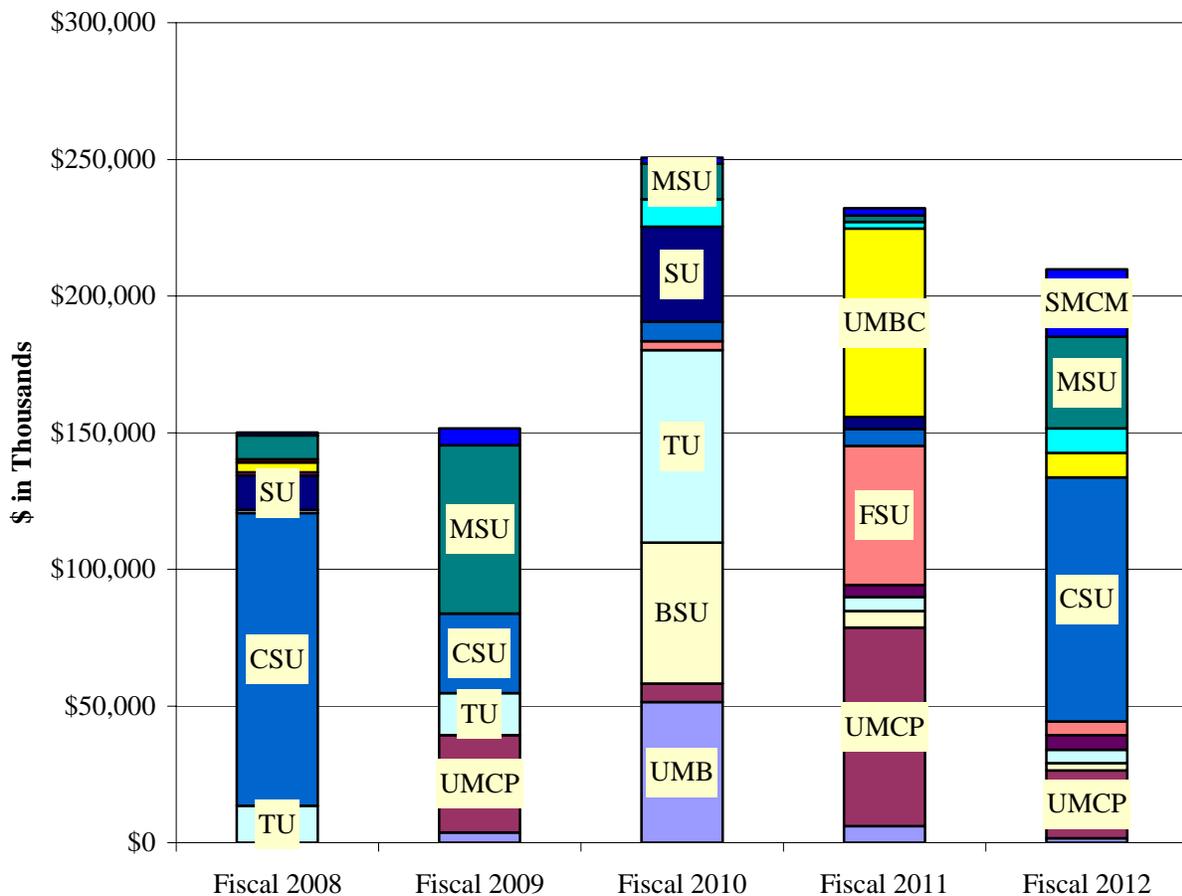
Note: USM Shady Grove Regional Center accounts for all regional center funding.

Source: Governor's Budget Books, Fiscal 2008; 2006 90 Day Report for fiscal 2007 data

## Public Four-year Institutions Receiving GO Bond Funds in Five-year CIP

**Exhibit 4** shows the distribution of GO bonds among public four-year institutions according to the fiscal 2008 CIP. With the exception of the University of Maryland Biotechnology Institute, all USM institutions are expected to receive GO bond funds at some point from fiscal 2008 to 2012. The exhibit shows these institutions as well as Morgan State University (MSU) and St. Mary’s College of Maryland (SMCM). The institutions that are expected to receive more than \$10 million in GO bond funds are labeled. In fiscal 2008, Salisbury, Towson, and Coppin are expected to receive \$12.5 million, \$13.5 million, and \$107 million, respectively.

**Exhibit 4  
Public Four-year GO Bonds by Institution**



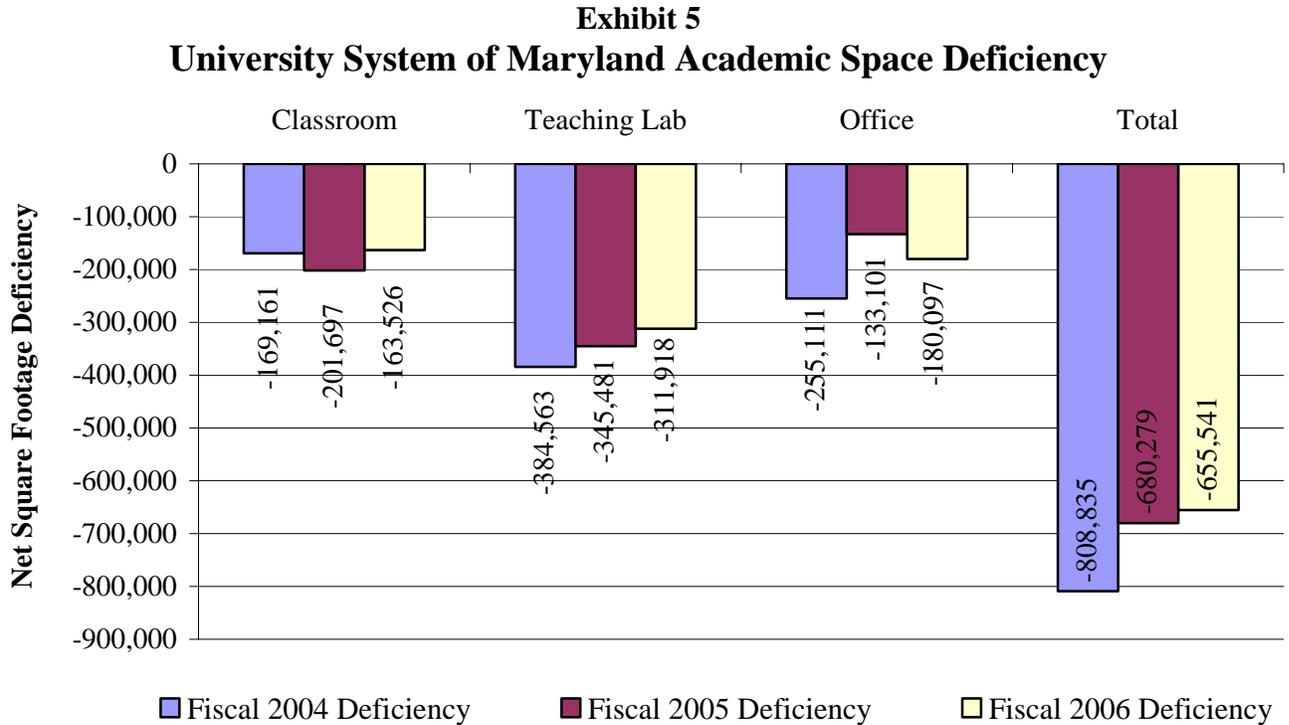
BSU: Bowie State University  
 CSU: Coppin State University  
 FSU: Frostburg State University  
 MSU: Morgan State University  
 SMCM: St. Mary’s College of Maryland

SU: Salisbury University  
 TU: Towson University  
 UMB: University of Maryland, Baltimore  
 UMBC: University of Maryland Baltimore County  
 UMCP: University of Maryland, College Park

Source: Governor’s Budget Books, Fiscal 2008

## Status of Academic Space at USM Improves Since 2004

The total amount of new space needed for academic activities continues to decline from fiscal 2004 to 2006 for USM as a whole. **Exhibit 5** shows that USM needed 0.8 million net square feet in fiscal 2004, and the amount needed in fiscal 2006 was 0.7 million, a 19% decrease (improvement) over the time period. Looking at it a different way, the space needed was 105 net square feet per student in fiscal 2006.



Note: Square footage amounts are calculated by USM institutions according to the State’s higher education space guidelines and are reported by the Maryland Higher Education Commission. The data is based on current inventory and current enrollment and faculty levels.

Source: Maryland Higher Education Commission

Since fiscal 2004 the need for certain types of academic space has improved, while the need for other types has worsened. The types of space include classroom, teaching lab, and office. The Maryland Higher Education Commission’s (MHEC) Workgroup to Study Maryland’s Capital Improvement Planning Process and Capital Facilities Space Guidelines for Higher Education recommended that research lab space and study and stack space guidelines be further reviewed. Therefore, research lab and study and stack space are not included in the exhibit. Classroom space improved 3.3% over fiscal 2004, meaning 3.3% less space was needed in fiscal 2006 than in 2004. The status of teaching lab space improved 18.9%, and academic office space improved 29.4% during the same time period. The exhibit also compares the fiscal 2006 space needs to the 2005 space needs.

### *Higher Education – Capital Budget Overview*

Classroom space, despite an increase in deficiency in fiscal 2005, has less of a deficiency in fiscal 2006 than in 2004. For teaching lab space the amount of needed space continued to decline from fiscal 2005 levels. The amount of needed academic office space in fiscal 2006 increased from fiscal 2005 but remains lower than in fiscal 2004.

In the *2004 Maryland State Plan for Postsecondary Education*, MHEC included several recommendations to assess the implications of enrollment growth on capacity at Maryland's colleges and universities. MHEC appointed the workgroup discussed previously to study how to best meet the needs of the increasing student population, including whether additional facilities are needed and, if so, where they are needed. Recommendations were developed to address the impact of enrollment growth on capacity. The workgroup recommended that institutions, in coordination with MHEC, ensure the accuracy of space inventory data in order to provide a consistent assessment. Research laboratory and study and stack space were areas that the workgroup recommended receive further review in order to determine whether State guidelines are valid and comparable to national best practices given the unique nature of the space.

### **Capital Projects by Type of Space for Fiscal 2008**

**Exhibit 6** shows the type of academic space that each proposed project involving construction or renovation of a building at USM, MSU, and SMCM will provide. The exhibit includes projects that would impact academic space and shows the net new space of each project. The fiscal 2006 space surplus or deficiency data is based on current inventory and current enrollment and faculty levels. The exhibit compares the type of space of each project to the space needs of the campus. Since many projects involve renovation or replacement of existing space, the exhibit shows the net new space that the project will add to the campus. For USM, two projects are adding academic space in areas in which there is a significant existing surplus. Specifically, at the University of Maryland, College Park (UMCP) there is a surplus of office space. At the University of Maryland Baltimore County there is a surplus of teaching labs and office space. At Towson University there is a moderate surplus of teaching lab space. There are also small surpluses at two other institutions. At Coppin State University, there is a small surplus of office space. At Morgan State University, there is a small surplus in classroom space. The proportion of total space that is being constructed that is academic space is included in the exhibit.

**Exhibit 6**  
**Capital Projects by Type of Academic Space**  
**Fiscal 2008**  
**(Net Assignable Square Feet)**

	<u>Net New Classroom</u>	<u>Net New Teaching Lab</u>	<u>Net New Office</u>	<u>Net New Total Academic Space</u>	<u>Academic Space % of Total</u>
<b>UMCP</b>					
<i>New Journalism Building</i>	5,625	3,200	20,085	30,710	93.5%
FY 06 Space Surplus/(Deficiency)	-72,263	-19,480	72,074	-924,567	
<b>TU</b>					
<i>New College of Liberal Arts Complex*</i>	45,120	14,373	48,923	121,403	94.6%
FY 06 Space Surplus/(Deficiency)	-21,041	6,859	-34,405	-164,320	
<b>CSU</b>					
<i>New Physical Education Complex*</i>	1,330	1,180	16,246	18,756	15.4%
FY 06 Space Surplus/(Deficiency)	-8,828	-16,696	1,947	-32,538	
<b>SU</b>					
<i>New Teacher Education and Technology Center*</i>	3,502	24,503	14,684	50,008	81.1%
<i>Perdue School of Business</i>	16,220	14,790	15,505	51,135	78.8%
FY 06 Space Surplus/(Deficiency)	-14,255	-75,189	-11,951	-175,366	
<b>UMBC</b>					
<i>Performing Arts and Humanities Facility *</i>	12,805	35,535	24,360	77,765	64.4%
FY 06 Space Surplus/(Deficiency)	-35,041	18,557	2,435	-135,381	
<b>MSU</b>					
<i>Center for the Built Environment and Infrastructure*<sup>1</sup></i>	261	23,156	7,702	40,732	91.7%
FY 06 Space Surplus/(Deficiency)	1,587	-19,183	-3,475	-91,165	

\*Project was included in the fiscal 2006 CIP.

<sup>1</sup>Morgan State University reports that one engineering discipline will be relocated from the Engineering Complex to the new building. The space in the Engineering Complex will be reallocated, but Morgan is unsure as to the specific space categories. Therefore, the net new research lab space and office space are estimates.

Notes: Does not include infrastructure improvement, acquisition, equipment funding, or facility renewal projects. Does not include UMUC, research institutes, USM Office, or community colleges.

Italics indicate projects that will add academic space in categories for which the institution already has a surplus of space.

The net new total academic space column includes research lab space and study/stack space as well as the shown classroom, teaching lab, and office space.

Source: University System of Maryland; Morgan State University; St. Mary's College of Maryland; Maryland Higher Education Commission; Department of Legislative Services

## Operating Impacts of 2008 CIP Expected to Reach \$12.1 Million by Fiscal 2012

**Exhibit 7** shows the operating impacts for projects included in the fiscal 2008 CIP. By fiscal 2012, for these projects only, the annual operating impacts are estimated to be \$12.1 million.

For USM as a whole, there are no operating impacts for fiscal 2008, according to the CIP. By fiscal 2012, the operating impact of the fiscal 2008 CIP for USM will reach \$10.6 million. Also, there are no operating impacts in fiscal 2008 at MSU, but by fiscal 2012, MSU is expected to have \$1.6 million of operating impact.

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### Exhibit 7 Operating Impacts of Projects in the 2008 Capital Improvement Program (\$ in Thousands)

<u>Institution</u>	<u>Project</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Fiscal 2012</u>
UMCP	New Journalism Building	\$0	\$0	\$971	\$1,016	\$1,016
TU	New College of Liberal Arts Complex	0	1,050	1,291	1,291	2,134
CSU	New Physical Education Complex	0	618	2,679	2,679	2,679
SU	New Teacher Ed. and Tech Complex	0	1,100	1,283	1,283	1,283
SU	New Perdue School of Business	0	0	0	0	1,425
UMBC	Performing Arts/Humanities Center.	0	0	0	295	2,013
<b>USM Total</b>		<b>\$0</b>	<b>\$2,768</b>	<b>\$6,224</b>	<b>\$6,564</b>	<b>\$10,550</b>
MSU	Campuswide Site Improvements	\$0	\$50	\$91	\$91	\$91
MSU	New Center for Built Environment	0	0	0	863	1483
<b>MSU Total</b>		<b>\$0</b>	<b>\$50</b>	<b>\$91</b>	<b>\$954</b>	<b>\$1,574</b>
<b>Grand Total for Public Four-year Institutions</b>		<b>\$0</b>	<b>\$2,818</b>	<b>\$6,315</b>	<b>\$7,518</b>	<b>\$12,124</b>

Source: Governor's Budget Books, Fiscal 2008

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## Changes in the Fiscal 2008 Capital Improvement Program

**Exhibit 8** shows the changes in the CIP from fiscal 2007 to 2008. The new projects include the third phase of campuswide utilities and data center expansion at Coppin State University and the 1300 North Charles Street renovation at University of Baltimore. Four projects were not included in the fiscal 2007 CIP but were funded in fiscal 2007. Two of the projects are the journalism building and physical sciences complex at University of Maryland, College Park. The journalism building receives the remaining funding in fiscal 2008. However, further funding for the physical science building is not planned until 2009. The third project is the pharmacy building addition and renovation at University of Maryland, Baltimore. The next year of funding for this project is 2009. The last building that was accelerated in fiscal 2007 is the communications and information technology building at Frostburg State University (FSU). The next year of funding for this project is expected to be 2010. Four projects are no longer in the CIP. These include the UMCP Golf Course Stormwater Drainage project and the Jiminez Hall project. Other deletions include the Jenkins behavioral and social science building and the Hospitality Management complex at MSU. Other changes to project schedules are shown in Exhibit 8.

*Analysis of the FY 2008 Maryland Executive Budget, 2007*

**Exhibit 8**  
**Changes in the Fiscal 2008 Capital Improvement Program**  
**Fiscal 2007-2008**

	<u>Next Expected Year of Funding</u>
<b>Accelerated by General Assembly in 2006 Session</b>	
UMB – Pharmacy Hall Addition and Renovation	2009
UMCP – New Journalism Building	2008
UMCP – Physical Sciences Complex	2009
FSU – Center for Communications and IT	2010
<b>Accelerated in Fiscal 2008 CIP</b>	
CSU – Campuswide Utilities/Security System Phase III (new)	2008
CSU – Data Centers Expansion (new)	2010
UB – 1300 North Charles Street Renovation (new)	2008
MSU – Soper Library Renovation	2010
SMCM – Bruce Davis Theater Renovation	2008
<b>Next Year of Funding Deferred</b>	
<b>Expected Fiscal 2008 Funding</b>	
UMCP – Tawes Building Conversion <sup>1</sup>	2009
TU – Campuswide Safety and Circulation Improvements	2009
CSU – Science and Technology Center	2009
UMCES – Oyster Production Facility	2010
MSU – Campuswide Utilities Upgrade	2009
MSU – Lillie Carroll Jackson Museum Renovation	2009
SMCM – New Student Services Building	2009
BCCC – Bard Building Renovation and Remediation – Harbor Campus	2009
<b>Outyear Deferrals</b>	
UMB – Howard Hall Renovation	2012
UMCP – Chemistry Building Renovations	2011
UMCP – University Teaching Center	2012
BSU – New Fine and Performing Arts Building	2010
BSU – Natural Science Lab/Crawford Science Building Expansion	2012
TU – College of Health Professions Building	2012
UMES – New Engineering and Aviation Science Building	2011
CSU – Grace Jacobs Office Classroom Laboratory Building Renovation	2012
UMBC – Site Improvements – Campuswide/Entrance Road	2012
UMBC – New Performing Arts and Humanities Facility <sup>2</sup>	2011
UMCES – Information and Communications Services Building	2011
SMCM – Music and Auditorium Building	2010
SMCM – Calvert Hall Renovation	2012
BCCC – Main Building Renovation – Liberty Campus	2011
BCCC – Bard Library Expansion – Liberty Campus	2012

**Deleted Projects**

- UMCP – Jimenez Hall Renovation
- UMCP – Golf Course Stormwater Drainage Improvements
- MSU – Jenkins Behavioral and Social Sciences Center
- MSU – Hospitality Management Complex

Note: Does not include community colleges or any projects for which the funding schedule has remained unchanged from the fiscal 2007 CIP.

<sup>1</sup>In fiscal 2008, this project receives \$0.5 million in nonbudgeted funds to renovate the television station that is actually associated with the new journalism building. Construction funds to renovate the Tawes building are deferred.

<sup>2</sup>This project receives funding in fiscal 2008. However, the next year of funding has been deferred.

Source: Governor’s Budget Books, Fiscal 2007, 2008

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**USM Facilities Maintenance Needs Estimated at \$1.6 Billion**

In 1992 the Board of Regents adopted a policy on facility renewal that required USM institutions to spend 2% of the current replacement value of their capital assets on facility renewal. The policy stipulated that this spending level be reached in 5 years or as soon as funding levels allowed. After 14 years, the average systemwide spending for facility renewal is still less than 1% of the replacement value. USM institutions have, therefore, accumulated a \$1.6 billion backlog of facility maintenance needs.

The Board of Regents has adopted a policy aimed at steadily moving towards the 2.0% goal in a timely manner. The new policy stipulates that each institution will annually increase its operating expenditures by 0.2% (annual five-year average) of the replacement value of all capital assets until they reach the 2.0% goal. For institutions at which tuition represents less than 25.0% of the State-supported budget, the increment will be half of that, or 0.1%.

Beginning in fiscal 2008, the Board of Regents has a goal that \$70.0 million of the capital budget, averaged over five years, will go toward projects that replace, repair, or renovate buildings that are a part of the \$1.6 billion backlog. This will provide a minimum of \$350.0 million, plus an inflation adjustment, over five years. For fiscal 2008, the USM’s total capital budget is \$170.0 million. Of this, \$67.2 million is for renovation or replacement projects that count toward facility renewal as shown in **Exhibit 9**. This equates to 39.0% of the total. This includes the \$15.0 million in ARBs that go toward systemwide facilities renewal.

**Exhibit 9**  
**USM Facility Renewal Projects**  
**Fiscal 2008**  
**(\$ in Thousands)**

<u>Institution</u>	<u>Project</u>	<u>2008 CIP</u>	<u>Facility Renewal Portion</u>
TU	New College of Liberal Arts Phase I	\$13,505	\$3,376
CSU	Campuswide Utilities/Security Systems	588	588
CSU	Physical Education Complex	109,206	43,682
UB	1300 North Charles Street Renovation	1,211	1,211
SU	New Teacher Education and Technology	9,582	3,354
USM	Capital Facilities Renewal	15,000	15,000
<b>Total</b>			<b>\$67,211</b>

Note: The total facility renewal spending equates to 39% of USM's capital funds for fiscal 2008.

Source: University System of Maryland

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### **Capital Projects – Expedited Review**

**Exhibit 10** presents a brief summary of five projects for which the Department of Legislative Services (DLS) has determined that a full analysis is not warranted. Each project has already been reviewed by the General Assembly in prior sessions when initial design and construction funds were authorized, and DLS finds no issues that require further committee consideration. For each project DLS recommends approval of the Governor's proposed authorization.

**Exhibit 10  
Expedited Review**

<u>Institution</u>	<u>Budget Code</u>	<u>Project</u>	<u>DLS Recommendation</u>
CSU	RB27B	<b>New Health and Human Services Building</b> – The fiscal 2008 capital budget provides \$7.3 million in GO bonds to equip the new building. This is the last year of funding for the project, and the project is expected to be complete in August 2008.	Approve
UB	RB28A	<b>1300 North Charles Street Building Renovation</b> – The fiscal 2008 capital budget provides \$1.2 million in GO bonds to equip the renovated building. This is the last year of funding for the project, and the project is expected to be complete in March 2008.	Approve
USMO	RB36A	<b>Shady Grove Educational Facility III</b> – The fiscal 2008 capital budget provides \$1.2 million in GO bonds and \$2.3 million in nonbudgeted funds to equip the new building. This is the last year of funding for the project, and the project is expected to be complete in July 2007.	Approve
SMCM	RD00A	<b>New Academic Building</b> – The fiscal 2008 capital budget provides \$1.1 million in GO bonds to equip the new building. This is the last year of funding for the project, and the project is expected to be complete in July 2007.	Approve
MSU	RM00C	<b>Banneker Hall Renovations and Telecommunications Infrastructure</b> – The fiscal 2008 capital budget provides \$1.1 million in GO bonds to equip the renovated building. This is the last year of funding for the project, and the project is expected to be complete in April 2008.	Approve

CSU: Coppin State University  
GO: General Obligation  
MSU: Morgan State University  
SMCM: Saint Mary's College of Maryland  
UB: University of Baltimore  
USMO: University System of Maryland Office

Source: Department of Legislative Services