

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1607 (Delegate Anderson)
 Rules and Executive Nominations

University of Maryland Strategic Partnership Act of 2016

This bill creates a strategic partnership between the University of Maryland, College Park (UMCP) and the University of Maryland, Baltimore (UMB) to be called the University of Maryland (UM). To that end, the bill makes various changes and requires various planning activities to take place. The bill requires the University System of Maryland (USM) headquarters to move to Baltimore City by July 1, 2017. The bill mandates the appropriation of funds for various purposes beginning in fiscal 2018.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund expenditures increase by an estimated \$4.5 million in FY 2017 to move the University System of Maryland Office (USMO) to Baltimore City. Beginning in FY 2018, general fund expenditures increase by at least \$14.9 million annually due to \$14.0 million in mandated expenditures and an estimated \$1.0 million to lease office space and parking (a \$126,000 parking subsidy is anticipated for FY 2018 only). Potential cost savings to the extent administrative functions are consolidated; any savings accrue to UM. General obligation (GO) bond expenditures increase by \$61.1 million in FY 2018, offset by a corresponding decrease in FY 2021 when the capital funds are currently programmed. This funding mandate may require significant additional GO bond expenditures in FY 2017, 2018, and/or 2019, as discussed below. Revenues are not materially affected. **This bill establishes mandated appropriations beginning in FY 2018.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	4.5	15.0	14.9	14.9	14.9
Bond Exp.	-	61.1	-	0	(61.1)
Net Effect	(\$4.5)	(\$76.1)	(\$14.9)	(\$14.9)	\$46.2

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary:

UM College Park Campus and UM Baltimore Campus

In statute, UMCP is renamed the University of Maryland, College Park Campus (UM College Park Campus) and UMB is renamed the University of Maryland, Baltimore Campus (UM Baltimore Campus). Likewise, the bill makes various conforming changes related to the creation of the strategic partnership between UM College Park Campus and UM Baltimore Campus.

The bill also makes various other specifications related to the continuity of transactions, employment, entities, records, real property, contracts, and other related topics unless otherwise provided.

UM College Park Campus and UM Baltimore Campus must each have a president. In addition to the powers and duties established in the bill, the presidents have the powers and duties conferred to the presidents of the constituent institutions of USM. The presidents must operate and manage UM with each president having the primary responsibility for one campus. The presidents must jointly develop and implement a plan that encourages and promotes alignment, cooperation, and collaboration between the campuses.

However, when the president of either campus vacates that position, the Board of Regents of USM has the power to appoint a new president or to determine that one person be appointed as president of both campuses. If the USM Board of Regents exercises its authority to appoint one president of both campuses, the Board of Regents must submit legislation in the next legislative session to modify any statutory provision necessary to fully implement a single president of UM.

The Plan for the University of Maryland and Other Provisions for its Operation

The plan must:

- identify all undergraduate and graduate academic and research programs that may benefit from alignment and collaboration between the campuses;

- identify aspirational peers for UM to be used in the funding guidelines developed under current law;
- provide a timeline and an implementation process for combining the personnel systems of each campus; and
- include any other information and implementation plans to achieve the purpose of UM identified in the bill.

The professional schools or their administrative functions may not be relocated out of Baltimore City. However, there must be collaboration with the professional schools located in Baltimore City; professional school courses may be offered at a location other than Baltimore City.

By December 1, 2016, the Chancellor of USM must evaluate and recommend how to effect the joint reporting for national university rankings of the UM campuses, including reporting under a unified federal identification number.

The presidents of the UM campuses must jointly develop a plan to enhance the program offerings at the Universities at Shady Grove (USG), including joint programs that complement and create economic development activities and employment in the region surrounding the facility. Consistent with the five-year fiscal 2016 *Capital Improvement Program* (CIP), the Governor must include at least \$61.05 million for the construction of the Biomedical and Engineering Education Facility at USG in fiscal 2018.

The presidents of the UM campuses must develop a joint plan that includes the assistance of the professional schools in Baltimore and the Schools of Education, Business, Computer Science, Public Health, and Public Policy located in College Park to advance employment levels in Baltimore City, including the creation of entry-level employment opportunities for individuals that includes a plan for on-the-job skills training that will result in a measurable employment skill, certification, or license.

In addition to current items required, the *Consolidated Transportation Program* (CTP) must include a summary of current efforts and future plans to increase commuter access between the campuses of UM, including easing traffic congestion and use of mass transit.

University of Maryland Joint Steering Council

The council consists of members appointed by the President of UM College Park Campus and the President of UM Baltimore Campus. The council must make various recommendations related to the creation of UM, including those related to joint faculty appointments.

The council is the successor group to MPowering, the State Steering Committee established by the presidents of UMB and UMCP.

Center for Maryland Advanced Ventures at the University of Maryland

The bill establishes the Center for Maryland Advanced Ventures at the University of Maryland (CMAVUM), which must be located in Baltimore City.

CMAVUM must:

- pursue grant funding for UM, including interdisciplinary grant funding;
- develop and implement guidelines for the transfer of technology developed by UM to the private sector including a process to identify research projects that may be viable for commercialization; and
- facilitate the transfer of technology from UM to commercial industries using specified techniques.

The center also must provide these services related to interdisciplinary grant funding and transfer of technology to any public institution of higher education that requests the services. Subject to the approval of the presidents of UM College Park Campus and UM Baltimore Campus, the center may assess a reasonable fee for providing services.

The presidents must appoint an executive director of the center. The executive director must:

- ensure that the duties of the center as established in the bill are carried out;
- develop a plan to appropriately staff the center in order to effectively carry out the duties of the center;
- develop a working relationship with the Secretary of Commerce and the Executive Director of the Maryland Technology Development Corporation (TEDCO); and
- annually report to the presidents of UM College Park Campus and UM Baltimore Campus on specified topics.

TEDCO may advise the executive director of the center on the development of the center.

For each of fiscal 2018 through 2022, the Governor must appropriate at least \$3.0 million in general funds to the center. In addition, for each of fiscal 2018 through 2022, the Governor must appropriate at least \$1.0 million in general funds to the center to be used to encourage the development and location of university-created or -sponsored technology companies in Baltimore City.

University of Maryland Center for Economic and Entrepreneurship Development

The bill establishes the University of Maryland Center for Economic and Entrepreneurship Development (UMCEED), which must be located on UM College Park Campus.

UMCEED must advance the education of students by developing degree and credential programs in the following fields of study: virtual reality; neurosciences; data analytics; and cybersecurity.

The presidents must appoint an executive director of UMCEED. The executive director must:

- ensure that the duties of UMCEED as established in the bill are carried out;
- develop a plan to appropriately staff UMCEED in order to effectively carry out the duties of UMCEED; and
- annually report to the presidents of the College Park Campus and the Baltimore Campus on specified topics.

Beginning in fiscal 2018 and in each fiscal year thereafter, the Governor must appropriate at least \$10.0 million in general funds to UMCEED.

University System of Maryland Move to Baltimore City

USM must maintain its headquarters in Baltimore City at a place designated by the Board of Regents of USM.

USM headquarters must be located in Baltimore City by July 1, 2017, and the ownership of the current property, including structures, located on Metzerott Road in Prince George's County must be transferred to UM College Park Campus by July 1, 2017.

Current Law:

University of Maryland, College Park and University of Maryland, Baltimore

UMCP and UMB are two separate constituent institutions of USM.

University System of Maryland Office

In addition to other powers, USM may maintain an office at the place the Board of Regents of USM may designate. The office is currently located on Metzerott Road in Prince George's County.

Consolidated Transportation Program

Long-term transportation planning in the State is a collaborative process designed to consider input from the public, local jurisdictions, metropolitan planning organizations, and elected officials. State law requires the Secretary of Transportation to present the draft CTP to elected officials and discuss it with them. CTP, which is issued annually to the General Assembly, local elected officials, and interested citizens, provides a description of projects proposed by Maryland Department of Transportation (MDOT) for development and evaluation or construction over the next six-year period.

Background: UMCP, a comprehensive public research university, is the flagship institution of USM and Maryland's 1862 land-grant institution. UMCP offers baccalaureate, master's, and doctoral programs in the liberal arts and sciences, social sciences, the arts, and selected professional fields. UMCP also serves the State's agricultural, industrial, and commercial communities, as well as school systems, governmental agencies, and citizens. The fiscal 2017 budget includes \$2.0 billion for UMCP, including \$473.8 million in general funds and \$23.8 million in higher education investment funds (HEIF). During the 2014-2015 academic year, approximately 37,000 students attended UMCP.

UMB comprises six professional schools and an interdisciplinary graduate school that educates students, conducts research, and provides clinical services in dentistry, law, medicine, nursing, pharmacy, and social work. The fiscal 2017 budget includes \$1.1 billion for UMB, including \$210.4 million in general funds and \$10.7 million in HEIF. During the 2014-2015 academic year, almost 6,300 students attended UMB.

USMO is staff to the USM Board of Regents. The fiscal 2017 budget includes \$39.2 million, including \$29.6 million in general funds and \$1.1 million in HEIF. USMO has 110 full-time regular and 6 contractual positions; however, not all of them are housed at USMO headquarters. USMO advises, as of February 2016, 105 full-time employees are based at USMO headquarters on Metzert Road.

MPowering

In 2011, the General Assembly charged the USM Board of Regents and, thus, UMCP and UMB with developing a plan to have an even greater impact on the State, its economy, the job market, and the next generation of innovators. The result, MPowering, was launched in 2012.

Language in the fiscal 2014 budget restricted \$6.7 million of USM's appropriation to be used to fund MPowering initiatives and programs. These activities were part of an alliance between UMCP and UMB leveraging the resources of each institution to further advance

transitioning research from laboratory to commercial application. The MPowering [website](#) lists 13 initiatives, including the Agriculture Law Education Initiative and the Center for Health-Related Informatics and Bioimaging.

USG Biomedical Sciences and Engineering Education Facility

The General Assembly included language in the 2012 capital budget pre-authorizing \$5.0 million in fiscal 2014 to begin design of the Biomedical Sciences and Engineering Education Facility that will be located at USG. According to the Department of Legislative Services (DLS) [FY 2016 Capital Budget Analysis for the University System of Maryland Office](#), the 136,945 net assignable square feet/224,500 gross square feet facility will provide specialized laboratory space for new and existing programs and provide additional classroom space to support future enrollment growth. Existing programs such as nursing, bioscience, respiratory therapy, and pharmacy share existing laboratories, and there is only one dedicated laboratory for pharmacy. UMCP and University of Maryland Baltimore County will need specialized laboratory space if they are to offer programs in mechanical and electrical engineering and biotechnology. The 2015 capital budget provided \$6.2 million. In 2015, construction was estimated to cost \$130.8 million, and the total project was estimated to be \$162.6 million.

The fiscal 2016 CIP included \$72.0 million in GO bonds for the facility in fiscal 2017 and \$61.1 million in fiscal 2018, for a total of \$162.6 million in GO bonds for the project. However, the fiscal 2017 CIP includes no funds for the building for fiscal 2017, 2018, or 2019; \$16.0 million in GO bonds are programmed for fiscal 2020 and \$122.5 million for fiscal 2021.

State Expenditures: General fund expenditures increase by an estimated \$4.5 million in fiscal 2017 to move USMO to Baltimore City. Beginning in fiscal 2018, general fund expenditures increase by \$14.9 million annually due to \$14.0 million in mandated expenditures and an estimated \$1.0 million to lease office space and parking (parking subsidy for one year). Beginning in fiscal 2023, mandated expenditures decrease by \$4.0 million annually. For fiscal 2018, the Governor must include in the operating or capital budgets at least \$61.05 million for the construction of the Biomedical and Engineering Education Facility at USG, resulting in an equal decrease in expenditures for this purpose in fiscal 2021. The information and assumptions used in this estimate are explained below.

USMO Move to Baltimore City

General fund expenditures increase by an estimated \$4.5 million in fiscal 2017 for one-time costs associated with moving USMO headquarters to Baltimore City. USMO estimates that there will be several one-time costs associated with moving its headquarters to

Baltimore City. USMO estimates that it will cost \$74 per square foot to fit-out the leased space, or \$2.3 million. USMO estimates that furnishings and equipment for a mix of partition systems and private offices will be \$1.8 million, and that IT communications infrastructure with USMO staff doing much of the installation will be \$300,000. USMO did not include any costs for actually moving; however, for the purposes of this estimate it is assumed that it will cost \$100,000 to move.

Since UMCP already owns the USMO headquarters building, expenditures are not affected by the requirement to transfer the building. UMCP currently owns and operates the USMO headquarter building on Metzert Road in Prince George's County.

It is assumed that USMO will need to move approximately 105 full-time positions to Baltimore City. Since UMCP owns and operates the building USMO currently occupies, USMO expenditures may need to increase to rent building space in Baltimore City, beginning in fiscal 2018, if a situation similar to the current rent-free situation cannot be arranged with a USM institution or other State facility in Baltimore City.

USMO advises that it will need to rent 30,000 square feet of Class A office, administrative support, services, IT, and meeting space in Baltimore City for its 105 employees. USMO estimates Class A office space in Baltimore City is \$25 per square foot. USMO estimates utilities costs at roughly \$130,000 per year. Thus, general fund expenditures increase by \$880,000 per year beginning in fiscal 2018.

In addition, it is assumed that USMO will pay a parking supplement for 105 employees for the first year after the move, fiscal 2018, because parking at the USMO current facility is free. As stated in the DLS fiscal 2013 [operating budget analysis for the Maryland Higher Education Commission \(MHEC\)](#), when MHEC moved from Annapolis to Baltimore City, MHEC leased parking spots for its employees for one year, since parking in Annapolis had been free. It is assumed that a parking supplement will be \$126,000, which assumes that parking costs will be \$100 per month. USMO advised that the parking supplement would be an ongoing cost; however, DLS assumes that employee will only receive a parking supplement for one year, similar to MHEC employees.

UMCEED and CMAVUM

Beginning in fiscal 2018, the Governor must appropriate at least \$10.0 million in general funds annually to UMCEED. It is assumed that the executive director and staff for UMCEED that are mandated by the bill as well as all other costs associated with hiring the staff such as benefits, materials, and space will be paid using the mandated appropriation funds. It is assumed that these costs will be less than \$10.0 million annually; thus, general fund expenditures for UMCEED do not increase beyond the mandated \$10.0 million.

For fiscal 2018 through 2022, the Governor must appropriate at least \$3.0 million annually for CMAVUM and \$1.0 million annually to CMAVUM, to encourage the development and location of UM-created or -sponsored technology companies in Baltimore City. It is assumed that the executive director and staff for CMAVUM that are mandated by the bill as well as all other costs associated with hiring the staff such as benefits, materials, and space will be paid using the mandated appropriation funds. It is assumed that these costs will be less than \$3.0 million annually; thus, general fund expenditures for CMAVUM do not increase beyond the mandated \$3.0 million. Although the mandated appropriation does not continue after fiscal 2022, for CMAVUM to continue for fiscal 2023 and beyond, general or other funds will be needed for the CMAVUM executive director and staff.

USG Facility

For fiscal 2018, the Governor must include in the operating or capital budgets at least \$61.05 million for the construction of the Biomedical and Engineering Education Facility at USG. For the purposes of this estimate, it is assumed that the intent of the mandated appropriation for this project is to speed up the building process to the timeline in the fiscal 2016 CIP, rather than increase the total appropriations for the project. Thus, it is assumed that \$61.05 million in GO bond expenditures is moved from fiscal 2021, as programmed in the fiscal 2017 CIP, to fiscal 2018 as required by the bill. It should be noted that \$61.05 million was for the *second* year of construction funding in the fiscal 2016 CIP; thus, \$72.0 million to begin construction in fiscal 2017 may also be needed for the project.

Total GO bond authorizations are limited to a certain amount each year. CIPs generally program the full amount that is anticipated to be authorized for each of the five years in the CIP. Thus, moving USG funding to fiscal 2018 likely reduces or shifts GO bonds for other projects in the CIP, although the Governor has assumed lower GO authorizations in the CIP than the Spending Affordability Committee has recommended. The Spending Affordability Committee recommended \$60 million more than the Governor has included in the CIP in fiscal 2017 and \$70 million more in fiscal 2018. Thus, it is possible that *additional* GO bonds could be authorized for this project in fiscal 2017, 2018, and/or 2019, which would also increase debt service costs in future years.

Other

UM operating costs may decrease depending on the degree to which administrative functions at the two campuses are consolidated, while other operating costs may increase due to the strategic partnership between the College Park and Baltimore campuses. These costs cannot be reliably estimated; any net savings accrue to UM.

MDOT advises it can add the required information to the CTP using existing resources. MHEC can make the minor administrative changes using existing resources. TEDCO is not affected.

Additional Information

Prior Introductions: None.

Cross File: SB 1052 (Senator Ferguson, *et al.*) - Budget and Taxation.

Information Source(s): Maryland Technology Development Corporation; Maryland Higher Education Commission; University System of Maryland; University of Maryland, College Park; Department of Budget and Management; Maryland Department of Transportation; Department of Legislative Services

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