

RB27
Coppin State University – Capital
University System of Maryland

Capital Budget Summary

State-owned Capital Improvement Program
(\$ in Millions)

| Projects | Prior Auth. | 2023 Request | 2024 Est. | 2025 Est. | 2026 Est. | 2027 Est. | Beyond CIP |
|--|--------------------|---------------------|------------------|------------------|------------------|------------------|-------------------|
| Percy Julian Building Renovation for the College of Business | \$43.333 | \$2.500 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| Residential Hall | 3.000 | 0.864 | 0.000 | 15.358 | 34.319 | 2.900 | 0.000 |
| Total | \$46.333 | \$3.364 | \$0.000 | \$15.358 | \$34.319 | \$2.900 | \$0.000 |

| Fund Source | Prior Auth. | 2023 Request | 2024 Est. | 2025 Est. | 2026 Est. | 2027 Est. | Beyond CIP |
|--------------------|--------------------|---------------------|------------------|------------------|------------------|------------------|-------------------|
| GO Bonds | \$46.333 | \$3.364 | \$0.000 | \$14.136 | \$0.000 | \$0.000 | \$0.000 |
| Nonbudgeted Funds | 0.000 | 0.000 | 0.000 | 1.222 | 34.319 | 2.900 | 0.000 |
| Total | \$46.333 | \$3.364 | \$0.000 | \$15.358 | \$34.319 | \$2.900 | \$0.000 |

CIP: Capital Improvement Program
GO: general obligation

GO Bond Recommended Actions

1. Delete funds for the new Residential Hall.

| | | |
|------------------|----------------------|----------------------|
| RB27A | Residence Hall | \$ 0 |
| <u>Allowance</u> | <u>Change</u> | <u>Authorization</u> |
| 864,000 | -864,000 | 0 |

Explanation: Delete funds for the new Residential Hall as State funds should not be utilized for this project.

2. Approve \$2,500,000 in general obligation bonds for the Percy Julian Building Renovation for College of Business.

Total General Obligation Bonds Reductions **\$864,000**

Summary of Fiscal 2023 Funded State-owned Projects

Percy Julian Building Renovation for the College of Business

The fiscal 2023 capital budget provides \$2.5 million in general obligation (GO) bonds for the Percy Julian Building Renovation for the College of Business. This project was fully funded in fiscal 2022; however, due to construction market conditions and site-related issues, the project is over budget. To cover the cost overage, \$2.5 million in supplemental construction funds are included in the fiscal 2023 budget. To reduce the overall project cost, \$1.7 million has been value engineered from the project. Current construction costs are based on actual bids.

In February 2021, the contractors began excavation work and discovered that the soil under the existing footing system was not adequate to support the new structural loads and that most of the existing footings were not built according to the as-built/record drawings. Several footings lacked the proper reinforcing steel, and others were constructed over rubble and inferior fill dirt. In August 2021, during soil and bottom of footing testing, an old, abandoned cistern was found directly underneath one of the footings. The testing revealed that seven existing footings needed to be reinforced.

The construction manager and the design team developed a proposed solution, which is a combination of (1) adding micropiles to reinforce the foundation; (2) modifying existing footings and columns to improve the bearing capacity at the existing loads; and (3) adding additional reinforcing steel to footings in order to support the new loads. This work, along with the material price escalations and availability of materials, will delay the project schedule by seven months. The project is expected to be completed in March 2023 instead of August 2022.

Residential Hall

The fiscal 2023 capital budget includes \$0.9 million in GO bonds to continue design of the new Coppin State University (CSU) residential hall. The new building will provide modern residential space for CSU students. The proposed facility will address the need for more on-campus housing.

The 2021 General Assembly authorized \$3 million in fiscal 2022 for design and preauthorized another \$9 million for fiscal 2023 to continue design and start construction. However, based on the project schedule, only \$0.9 million is needed in fiscal 2023 to fund design through the 100% construction document stage. Construction funds are programmed in fiscal 2025 through 2027. Design is expected to begin in April 2023, and construction commencement is scheduled in fiscal 2025.

Despite receiving funding for design in fiscal 2022, CSU has yet to submit a Part I Program Plan for this project. As required by State Finance and Procurement Article § 3-602(d) and § 9 of the fiscal 2023 capital budget bill, no funds may be expended for design until the Department of Budget and Management (DBM) has approved a Part I program plan for the project. DBM has advised that Part I is expected to be received in March 2022 and reviewed in early fiscal 2023.

In June 2021, the University System of Maryland (USM) Board of Regents approved the use of \$46 million of auxiliary bond funds to support the project to go along with the \$12 million of State-funded support. However, as shown in **Exhibit 1**, the 2022 *Capital Investment Program* programs a total of \$18 million in State funds and only \$38.4 million of USM funds. Following the board-required approval to use USM auxiliary debt, CSU requested an additional \$6 million of State GO bond funds. The additional State contribution would facilitate lower rent charges to students by reducing the amount of USM auxiliary debt contribution to the project. The bond issuance covenants on the USM auxiliary bonds would require that the revenues generated by the facility be sufficient to cover the annual debt service on the bonds and it was determined that at the higher USM-approved contribution the rents that would need to be charged would not be affordable to CSU students. Without State funding, CSU reports that annual dormitory rates would increase from approximately \$6,300 to \$9,500, or by 50%.

Exhibit 1
USM System Funded Construction Program Request vs.
2022 Capital Improvement Program
Fiscal 2022-2027
(\$ in Millions)

System Funded Construction Program Approval

| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>Total</u> |
|--------------|----------------|-----------------|-----------------|-----------------|
| State | \$3.000 | \$9.000 | \$0.000 | \$12.000 |
| USM | | 36.000 | 10.000 | 46.000 |
| Total | \$3.000 | \$45.000 | \$10.000 | \$58.000 |

2022 Capital Improvement Program

| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>2027</u> | <u>Total</u> |
|--------------|----------------|----------------|----------------|-----------------|-----------------|----------------|-----------------|
| State | \$3.000 | \$0.864 | \$0.000 | \$14.36 | \$0.000 | \$0.000 | \$18.000 |
| USM | 0.000 | 0.000 | 0.000 | 1.222 | 34.319 | 2.900 | 38.441 |
| Total | \$3.000 | \$0.846 | \$0.000 | \$15.358 | \$34.319 | \$2.900 | \$56.441 |

USM: University System of Maryland

Note: USM fiscal 2022 System Funded Construction Program Request approved during the June 2021 Board of Regents Finance Committee meeting. The recommendation for the residential hall was also pending the submission of a market study and facilities program plan.

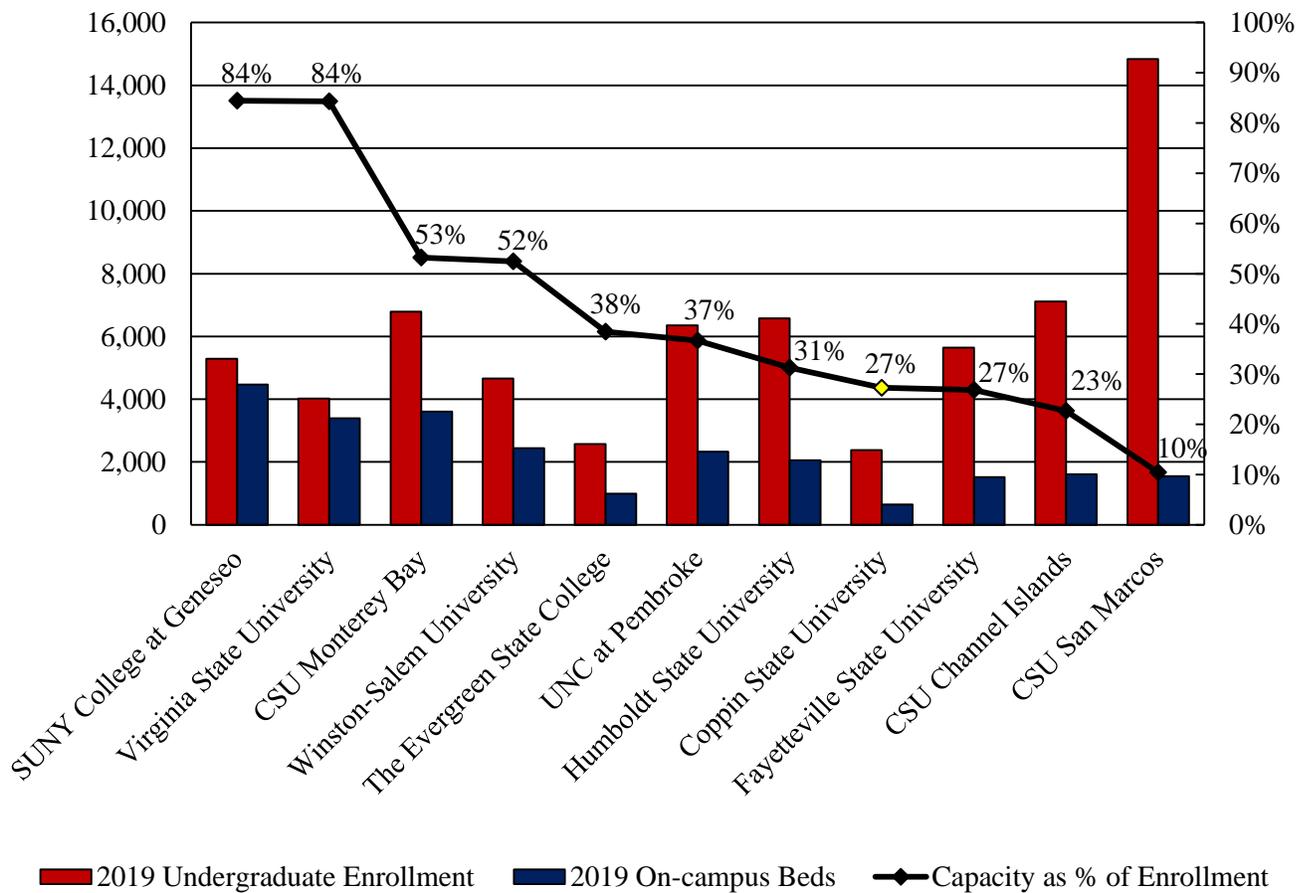
Source: University System of Maryland; Department of Budget and Management

To illustrate the need for an additional dormitory facility, a student housing study was conducted by MGT Consulting Group from April through August 2021, which was completed in September 2021, that evaluated the university’s peer institutions’ housing capacities, completed an off-campus housing market analysis, gathered student opinions and demand for the development of a new residential building, reviewed institutional enrollment trends, and determined the financial impact that the construction of a residential facility would have on the institution.

Peer Institution Housing Capacity

As shown in **Exhibit 2**, the housing analysis found that CSU ranks toward the bottom, when compared to peer institutions, for their on-campus housing capacity as a percentage of total undergraduate enrollment. It should be noted however, that this analysis was completed in fiscal 2019; using the fiscal 2022 enrollment numbers, CSU’s housing capacity percent would be 35.5%.

Exhibit 2
On-Campus Housing Capacity as a Percent of Undergraduate Enrollment
Fiscal 2019



CSU: California State University
 SUNY: State University of New York
 UNC: University of North Carolina

Source: MGT Consulting Group

On average, students report paying \$850 per month for rent with an additional \$395 of living expenses for a total of \$1,245. The average market rate for apartments is \$1,211.50, when averaging the typical rent costs of all unit types. The monthly rent for the proposed dormitory units ranges from \$750 to \$1,200, with an average of \$967. This indicates that the proposed rental rates for the proposed housing facility is an affordable option relative to the current rates that students are paying and the rates that are likely to be found in the local market.

CSU currently has two residence halls, Daley Hall and Dedmond Hall, with approximately 650 beds. Daley Hall opened in 2001, and Dedmond Hall opened in 1992. Between fall 2016 and fall 2019, both residence halls were at full capacity. As is shown in **Exhibit 3**, demand for on-campus housing had been above the institution’s housing capacity prior to the COVID-19 pandemic.

Exhibit 3
Housing Demand and Housing Capacity
Fiscal 2017-2022

| <u>Academic Year</u> | <u>Total Students Requesting to Live On-campus</u> | <u>Housing Capacity</u> | <u>Applications Over/under Capacity</u> |
|----------------------|--|-------------------------|---|
| 2016-2017 | 735 | 650 | 85 |
| 2017-2018 | 797 | 650 | 147 |
| 2018-2019 | 746 | 650 | 96 |
| 2019-2020 | 831 | 650 | 181 |
| 2020-2021 | 246 | 300* | -54 |
| 2021-2022 | 428 | 650 | -222 |

* Housing capacity was reduced to roughly 300 beds for fiscal 2021 as a result of restrictions adopted to combat the COVID-19 pandemic.

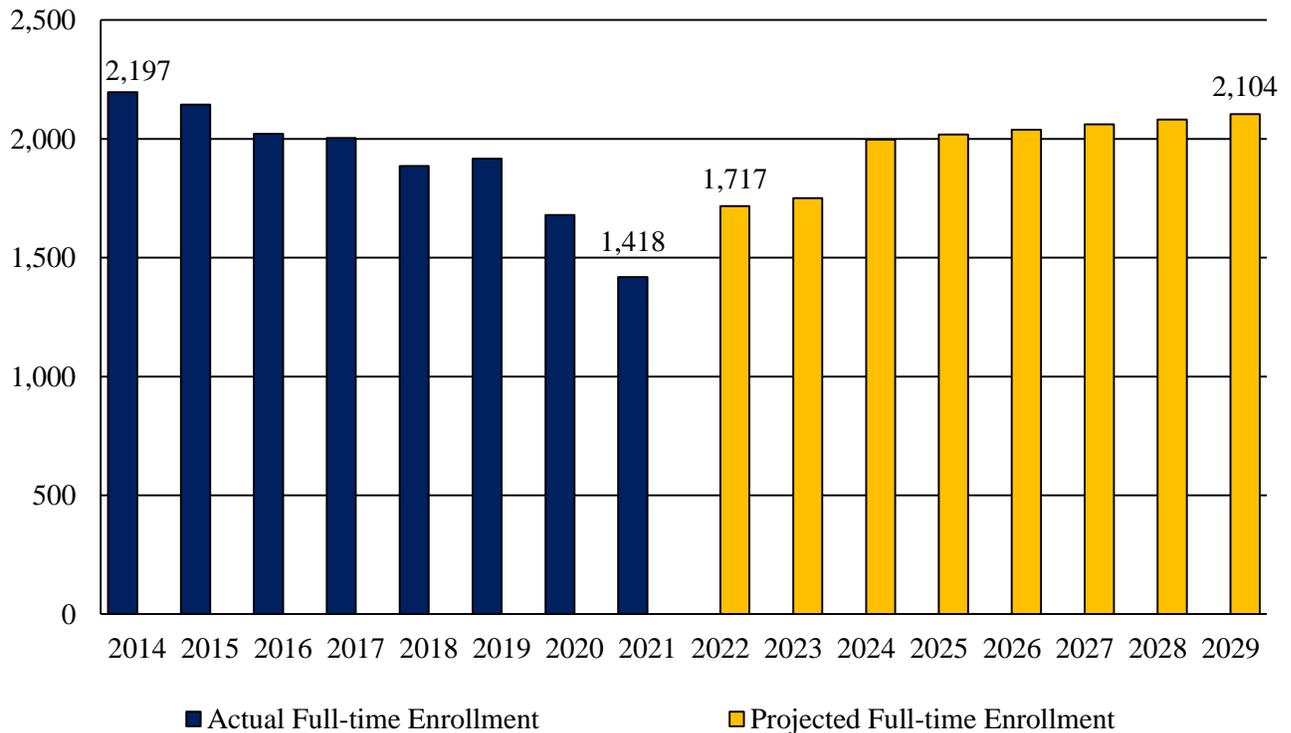
Source: Coppin State University

While the number of students who apply to live on-campus is verifiable, CSU indicated that the true application number is most likely much higher. The reasons cited include student knowledge that no housing slots exist thereby suppressing the number of applications and other socioeconomic factors that keep students from applying for housing. The housing study found that CSU has the potential to attract student applications in excess of the 831 reported in the 2019-2020 academic year should the housing facility be built. The construction of the new dormitory is a factor in the higher out-year enrollment estimates. Overall, the study determined that demand for housing would amount to 462 beds, the midpoint of a range of 312 to 611 based on the total population and student demand.

Enrollment Trends

Full-time enrollment has steadily declined at CSU, as shown in **Exhibit 4**, decreasing by 779 students, or 35.5%, from fall 2014 to fall 2021. The housing study anticipates full-time enrollment growth of 686 students, or 48.4%, over the 2021 actual total, reaching 2,104 full-time students by fall 2029. In fall 2019, the last cohort prior to the pandemic, full-time enrollment increased at CSU for the first time since 2012, growing by 31 full-time students. With the onset of the pandemic, full-time enrollment has fallen significantly, decreasing by 499 students in fiscal 2021 when compared to fiscal 2019. Despite this decline, CSU attributes the anticipated increase in enrollment to a variety of programs related to changes in admissions practices, academic program changes, website redesigns, enhanced marketing, online education, dual enrollment, and the addition of the new residential housing facility. It should be noted that CSU has previously indicated that the construction of previous capital projects, such as the Science and Technology Center, would result in increased enrollment, but that growth has not come to fruition.

Exhibit 4
Full-time Enrollment and Full-time Enrollment Projections
Fiscal 2014-2029



Source: University System of Maryland; MGT Consulting Group

Despite some level of documented need for expanded dormitory capacity, the State does not participate in the financing of USM dormitory facilities, which are revenue-generating auxiliary facilities. USM identified that it was willing to put forward \$46 million for the project and, furthermore, has identified that auxiliary bonds totaling \$254.8 million plan to be expended on various USM auxiliary facilities as shown in **Appendix 1** between fiscal 2023 and 2026. The Department of Legislative Services (DLS) recommends that USM provide the resources to fully fund the project instead of utilizing State funds that should be dedicated to support academic facilities. **Accordingly, DLS recommends deleting the \$864,000 of GO bond funds from the fiscal 2023 budget. Furthermore, the committees may also wish to consider deauthorizing the \$3.0 million of GO bond funds authorized in the fiscal 2022 capital budget bill for this project.**

Operating Budget Impact Statement

Executive’s Operating Budget Impact Statement – State-owned Projects Fiscal 2023-2027 (\$ in Millions)

| | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---------|---------|---------|---------|---------|
| Percy Julian Building Renovation for the College of Business | | | | | |
| Estimated Operating Cost | \$0.039 | \$0.139 | \$0.143 | \$0.148 | \$0.153 |
| Estimated Staffing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

The estimated operating costs of the Percy Julian Building totals \$39,000 in fiscal 2023, which reflects a partial year opening and increases to \$0.1 million in fiscal 2024 and 2025 and \$0.2 million in fiscal 2026 and 2027. These costs include maintenance of the facility, such as fuel, utilities, and equipment.

Appendix 1
Board of Regents Fiscal 2022-2026 System Funded Construction Program
(\$ in Thousands)

USM Auxiliary Bonds

| <u>Institution</u> | <u>Project</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> | <u>Total</u> |
|--------------------|--|-----------------|------------------|-----------------|-----------------|------------------|
| UMB | Saratoga Garage Structural and Building Repair Systems | \$1,700 | | | | \$1,700 |
| UMCP | Phased Renovation of 10 High Rise Residence Halls | 6,850 | \$52,010 | \$13,390 | \$47,490 | 119,740 |
| UMCP | South Campus Recreation Center | 9,000 | 16,000 | | | 25,000 |
| UMCP | New Dining Hall (in Support of 1,500-bed/P3 Dorm) | 10,600 | 19,400 | | | 0,000 |
| TU | Glen Tower/Plaza Renovation | 9,046 | | | | \$9,046 |
| CSU | New Residence Hall – 350 Beds | 35,500 | 9,500 | | | 45,000 |
| FSU | Cambridge Hall Renovation | 1,000 | 7,000 | 7,000 | | 15,000 |
| UMBC | Natatorium Renovation | 790 | 8,570 | | | 9,360 |
| Total | | \$74,486 | \$112,480 | \$20,390 | \$47,490 | \$254,846 |

P3: public-private partnership

Note: CSU recommended funded was pending completion of a revised market study and facilities program report.