



HOUSE APPROPRIATIONS COMMITTEE

House Bill 259

Historically Black Colleges and Universities – Independence from University System of Maryland

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Patrick Hogan

Vice Chancellor for Government Relations

Urging an Unfavorable Report

Chair McIntosh, Vice Chair Chang, and members of the committee, thank you for the opportunity to offer testimony on House Bill 259. The bill would establish Bowie State University (BSU), Coppin State University (CSU), and University of Maryland, Eastern Shore (UMES) as independent universities and prohibit their inclusion within the University System of Maryland (USM).

The Historically Black Institutions (HBIs) under the umbrella of the USM have many organizational characteristics and challenges similar to any suburban, rural or urban public institution of higher education in Maryland. As a mission, each serve increasing proportions of first-generation students from diverse, often disadvantaged backgrounds while also contributing to the vitality of economic and community development. BSU, CSU and UMES reassess their missions and strategies on a continual basis. The USM Board of Regents is dedicated to supporting campus-led opportunities for new educational approaches that build on successful HBI traditions of responsiveness to students and communities.

Practically, one of the greatest challenges facing higher education is bending the cost curve and taking full advantage of the economies-of-scale. The USM Board of Regents have embarked on cost-saving measures and actions. These steps included centralizing services such as internal audit, construction management, and real property development; strategically leveraging USM buying power, including a pooled purchase of energy by USM schools acting as a shared entity; and implementing cost-effective energy management strategies. The driving force is the need, in today's challenging economic times, to optimize USM resources to yield savings and cost avoidance. The goal over the last decade remains the same: promote enhancements in effectiveness and efficiencies in the USM operating model, increase quality, serve more students, and reduce the pressure on tuition.

Separating Maryland's HBI's would not be beneficial. Simply, the loss of access to borrowed capital would be a profound downside should Maryland's HBIs be required to perform as a

single entity for finance purposes. The USM currently has an equipment loan program and System Funded Construction financing that the HBIs would lose access to upon separation. Compound that with the loss of access to USM's ability to borrow as an entity separate from the state with an AA1 rating. House Bill 259 would bar the USM from assisting universities whose financial position is not strong. Consultancy from the USM to campus leaders on regaining financial health is barred under House Bill 259. The cessation of access to debt capital or relying on the USM collectively to backstop fund deficit positions and support transition and improvement processes, is wholly detrimental. For example, UMES is supported by the University of Maryland, College Park (UMCP) in providing information technology (IT) support and facilities, as some back-office operations are performed at UMCP. BSU and CSU are supported by some Towson University IT operations through a consortium agreement. Similarly, each of the HBI's would need to go to the Department of General Services (DGS) for construction management services or develop those capabilities in-house.

The negative impact of House Bill 259 on IT services and security embedded at HBIs currently cannot be understated. UMES would be pulled from the Enterprise Resource Planning (ERP) systems (financial, human resources) supported by UMCP. This will require hundreds of thousands of dollars of expense to purchase and rebuild the ERP systems and require hiring 5-7 dedicated staff to build and support their new system. CSU and BSU would likely have to be extracted from the USM Peoplesoft agreement. The cost to get maintenance as a free-standing institution would skyrocket without the buying power of the other USM schools.

All three institutions have purchased equipment and built programs around securing their IT infrastructure based on the USM IT Security Standards. If removed the institution would be subject to State of Maryland IT Security Policy, which will impact their support infrastructure at least in terms of time required to become compliant with the nuances of the State of Maryland policy. Removal of the HBIs would reduce USM's ability to negotiate lowest pricing based on twelve institutions banding together.

The three HBIs are included in the USM through the University System of Maryland Foundation (USMF) endowment. The approximate amounts are CSU \$2.8M, including \$1.886 quasi endowment for development and facilities; BSU \$2.3M quasi endowment for development and facilities; and UMES \$6.5M, including \$1.16M quasi endowment for advancement. Would these endowment balances transfer to the institutions or be maintained on their behalf by the USM? Would these entities be allowed to invest state endowment funds with the USMF? If not, they may not earn the level of returns as with the USMF. If so, they would need to enter into a separate agreement with the USMF and they would be responsible for the associated management fees due to the foundation. How would the USMF treat the quasi endowment funds for development and facilities? These amounts were transferred from fund balance. Would these balances be returned to these institutions? Would a newly constituted board be responsible for the oversight of the endowment funds and development of spendable income policies?

Should House Bill 259 become law, the Governor and the General Assembly would have to consider strongly the efficacy of forming 3 new boards with the inherent responsibilities to assess impact on current personnel policies; generate Equal Employment Opportunity (EEO) plans and reporting; negotiate commercial liability insurance for board members and employees; and report High Impact Economic Development Activity (subject to a new board's and Board of Public Works review).

The work of the USM Board of Regents over the past decade has moderated costs systemwide. If anything, the USM institutions need to cooperate and collaborate more. Access to specialized expertise, intelligence sharing, and an established economy-of-scale across the USM is beyond measure and possibly irreplaceable.

House Bill 259 would place the leadership of BSU, CSU and UMES at a serious competitive disadvantage negatively affecting students, faculty and staff.

The USM urges an unfavorable report on House Bill 259.