

The University of Maryland Student Government Association
Testimony for HB1295
Appropriations Committee, Tuesday, March 16, 2021
USM - Student Fees - Review and Retention
POSITION: FAVORABLE

My name is Ben Baitman and I am the Director of Government Affairs for the Student Government Association at the University of Maryland, College Park. Thank you to Chair McIntosh and all the members of the Appropriations Committee for the opportunity to share our thoughts on this important bill, and to Delegate Ivey for sponsoring the legislation, which will improve transparency in how University System of Maryland schools spend student fee revenues. It is intended to prevent further violations of USM policy regarding student fees, as occurred at the College Park campus and which I will explain throughout my testimony.

The USM Board of Regents defines student fees in two ways:

- Mandatory fees, which are charged to all students and should “provide revenue for the support of operations that are available and for use of the entire student body;” and
- Non-mandatory fees, which are charged to subsets of students enrolled in certain programs or majors that carry additional expenses, such as dining for dorm residents or engineering students.

These fees are charged for specific reasons, and with specific intentions for how they are ultimately spent by the departments or units that requested them.

In 2019, UMD’s state funding was reduced by nearly \$4 million for fiscal year 2020. In May of 2019, senior University administrators announced that 5% of all campus fund balances would be moved into an account that would be spent at the sole discretion of the chief financial officer. This communication, along with other documents that I will reference later on, are included in my written testimony in your packets.

However, this reversion collected nearly \$23 million. This included over \$3.5 million from accounts that are funded either in part or in full by student fees, including the student union, campus housing, and the campus recreation facilities. In many cases, 80-100% of collected funds were revenues derived from student fees. As a result, many of these departments had to postpone renovations and delay services; some departments were in fact concerned that they would have to request an increase to their student fee in order to make up lost revenues.

Even department directors have expressed concern that the reversion sets a precedent for the University to use student fees in offsetting losses from other revenue sources.

In October of 2019, another email from University administrators noted what projects and initiatives were financed by the discretionary fund. These included administrative research costs, stormwater management improvements, and capital expenditures such as a new roof and HVAC for academic buildings, construction of the new Cole Field House sports research center, and economic development in the greater College Park area.

Although important priorities for the University, these are not projects that student fee revenues should be spent on. Nowhere close to all students will benefit from the Cole Field House athletic complex, and students who paid \$45 for the Performing Arts & Cultural Center fee should expect that it goes to that purpose, not something else.

Millions of dollars in student fees that were approved, paid, and collected for specific department operations and services were diverted to projects that are not accessible and available to the students who paid the fees. Construction projects, administrative costs, and other initiatives should not be prioritized at the detriment of the services that students were told that they were charged for.

This inappropriate siphoning of funding meant to serve students in specific ways violates the fee-setting process, USM policy, and prevents students from receiving the services that they pay for.

This bill requires that student fees be spent in the way that they were intended to be spent when the fee was originally requested. We believe that this is a common sense measure. We also understand that the system's institutions have complicated fiscal frameworks and are in an impossibly difficult financial situation at the moment.

In response to this, the bill allows institutions to spend student fee revenues in a manner beyond the intended purpose of the fee, as long as the institution's student fee review committee reviews the exception. This provision should ease any concerns that administrators across the system have about controlling their institution's finances.

As you can see in my supporting documents, departments funded by both mandatory and non-mandatory fees were significantly affected.

We have enjoyed working with College Park administrators on the friendly amendments that Delegate Ivey is proposing to this bill which will ensure that it is **not** limited in scope to specific fees or types of fees. The reality is units across campus were severely hurt by this improper action by the University, an action for which they have apologized for. Because this went against the System's own policy with no accountability, we believe it must be remedied through a change to the law.

I would also like to add that an unfortunate recurring theme that we have heard from students at the USM Student Council is the lack of real and consistent student involvement in the student fee process, as is described in system policy and is codified in section H-1 of this bill.

While the bill deals with financial and procedural concerns, the core issue is one of transparency, and I believe that is something that all members of the USM community should appreciate.

Ladies and gentlemen, I urge you to give a favorable report on HB1295. Thank you for your time.

Sincerely,

Ben Baitman, *Director of Government Affairs*

Dan Alpert, *Student Body President*

Information Sheet for House Bill 1295 / Senate Bill 895

Student Fees – Review and Retention

[HB1295/SB895](#) seeks to **improve transparency** in how student fee money is spent and requires that the money is **spent in the way it was intended**. The bill was proposed in response to budgetary actions taken at the University of Maryland, College Park (UMD) that resulted in student fees revenues being spent in a manner inconsistent with the policies of the University System of Maryland (USM).

In 2019, **UMD's state funding was reduced by \$3.9 million**. This occurred at the same time that the University adopted a new budget model, which allowed the University more flexibility in distributing funds across campus units and departments. A [May 2019 email](#) from University administrators announced that “5% of all campus fund balances will be moved to a ‘campus initiatives’ account managed by the chief financial officer (CFO) to support **one-time** strategic initiatives...” In the fund sweep, also known as a reversion, **various campus units and departments** that are funded either in part or in full by student fees **lost significant amounts of their fund balances**. These include, but are not limited to:

- \$1,824,950 from the Department of Resident Life, 100% of which came from non-mandatory fees.
- \$463,000 from Dining Services, 100% of which came from non-mandatory fees.
- \$115,168 from the Department of Transportation Services, 100% of which came from mandatory and non-mandatory fees.
- \$567,377 from the Stamp Student Union, 80% of which came from mandatory fees.
- \$450,269 from University Recreation & Wellness, 90% of which came from mandatory fees.
- \$61,322 from the Student Government Association, 100% of which came from mandatory fees.
- \$10,488 from the Graduate Student Government, 100% of which came from mandatory fees.
- \$179,065 from the University Health Center.
- \$2,000 from the Clarice Smith Performing Arts Center.

As a result, many of these departments had to **postpone renovations, delay services, or request increases** to the fee that they charge students every year.

Under [Section VIII-2.50](#) of the USM bylaws, student fees are defined as:

- **Mandatory Fees**, which are, “charged and applicable to all undergraduate and/or graduate students,” and, “provide revenue for the support of operations that are available and for use of the entire student body;” and
- **Non-Mandatory Fees**, which are charged to subsets of students enrolled in certain programs or majors that carry additional expenses.

Information Sheet for House Bill 1295 / Senate Bill 895

Student Fees – Review and Retention

These fees are charged for specific reasons, and with specific intentions for how they are ultimately spent by the departments or units. [The student fee process](#) is complex and ultimate authority resides with the Board of Regents, the USM's governing body; however, when it comes to fees, the Regents generally approve what the institution presidents recommend.

Another email from October 2019 ([1](#), [2](#)) announced that the 5% campus sweep **collected a total of nearly \$23 million** to be used for projects including:

- A new roof for the Biology-Psychology building, and HVAC for the HJ Patterson building.
- Reducing University-held debt.
- Paying for research compliance costs related to animal care and research misconduct.
- Improving stormwater management.
- The \$210 million Cole Field House sports research center.
- Economic development projects in the greater College Park area.

These are all important priorities for the University and provide a benefit to our community and our standing as an institution of higher education. However, **they are not projects that student fee revenues should be spent on.** The fund sweep resulted in millions of dollars in student fee revenues being directed to projects for which the money was not approved and that do not serve the general student body. This inappropriate siphoning of funding meant to serve students in specific ways violates the fee-setting process, USM policy, and prevents students from receiving the services that they pay for.

Student fee money should not be used beyond the original intent of the fee or for general University use. It is approved, paid, and collected for specific department operations and services that are accessible and available to the students who paid the fees. Construction projects, administrative costs, and other initiatives should not be prioritized at the detriment of the services that students were told that they were charged for.

[HB1295/SB895](#) requires that student fees be expended the way that they were intended to when the fee was originally requested. With the understanding that institutions in the USM are fiscally complex and in a difficult financial situation brought on by the pandemic, the bill allows institutions to spend revenues derived from student fees in a manner beyond the intended purpose of the fee, as long as the institution's student fee review committee reviews the exception. While this bill deals with financial and procedural concerns, **the core issue is one of transparency**, something that all members of the USM community should appreciate.

For more information, please contact Ben Baitman, sgagovaffiars@umd.edu. Find your elected officials under the "Lookup" tab [on this page](#).

MEMORANDUM

TO: Deans and Budget Officers

FROM: Mary Ann Rankin, Senior Vice President for Academic Affairs and Provost
Carlo Colella, Vice President for Administration and Finance and Chief Business Officer

DATE: May 31, 2019

SUBJECT: New FY20 budget model and its impacts on state reductions, tenured faculty departures, and fund balance holding practices

As you know, the University System of Maryland (USM) received a \$10 million base state budget reduction during the recently concluded session of the Maryland General Assembly. It is important to note that the state of Maryland cut these funds in direct response to the large fund balances being held across the campus. UMD's share of this base funding reduction is \$3.9 million. If this cut were distributed across campus units uniformly as has been done in the past, many critical instructional and student service programs would be negatively impacted. Therefore, and as further explained below, the **central campus will fully absorb this state base cut**, reducing its spending activity so that **no other division will receive an FY20 base budget reduction**.

This reduction arrives as the campus is nearing completion of several transformative projects designed to enhance the consistency, sustainability, and transparency of our financial and budgetary approaches. One such project, undertaken in partnership with Deloitte, has yielded a new budget model that adapts nationwide best practices to suit UMD's fiscal landscape. The new model integrates budgets, cash balances, and strategic priorities into a holistic system of resource distribution that ensures all divisions receive sufficient base funding to realize their state-supported mission while also creating a clear governance structure to manage future funding stemming from in-unit changes.

A major benefit of this model is the broadening of the fund sources used to support state activity; primarily the inclusion of tuition revenue increases into the resource base. This means that— in addition to absorbing the base budget cut— a significant amount of previously centralized funds will be distributed to the divisions in a process which is termed "rebasings." These actions are being taken to sustain the positive trajectory established by our remodeling effort to date, which will continue into the next fiscal year.

To maintain this enhanced support to divisions, the new budget model will introduce two mechanisms to make funds available for strategic campus investments and better manage the fund balances held by all divisions to prevent future legislative reductions. Beginning in Fiscal Year 2020:

5% of all campus fund balances will be moved to a "campus initiatives" account managed by the chief financial officer to support one-time strategic initiatives, such as the costly design and implementation of an Enterprise Resource Planning (ERP) system. Specific detail on the uses of these funds and each division's share will be sent under separate cover. Importantly, DRIF, MIPS, and cost share funds will not be swept.

Our goal is for the campus to earn a high return on investment on available resources, and we are committed to transparently detail how financial decisions related to these investments are being made.

We call upon you to be partners in the process so that, rather than accumulating funds in isolation, we are collectively empowered by this new budget model and are able to collaboratively build up our programs and our institution as a whole.

From: Mary Ann Rankin <mrankin@umd.edu>
Date: October 15, 2019 at 2:11:03 PM EDT
To: PVPDDD@LISTSERV.UMD.EDU
Subject: [3DS] Details regarding Fund Balance Sweep
Reply-To: Mary Ann Rankin <mrankin@umd.edu>

To: Deans, Directors and Department Heads
From: Mary Ann Rankin, Senior Vice President and Provost
Re: Details regarding Fund Balance Sweep
Date: October 15, 2019

The budget model redesign project, sponsored by the Office of the Provost and the Vice President for Administration & Finance continues. This memo provides further detail on the fund balance sweep which occurred at the end of FY19 for your information and for the sake of transparency.

The sweep collected a total of **\$22.98 million** from every division holding fund balances. It resulted in all units **avoiding a 1% base budget cut**.

The university has used these funds to create a central investment fund. The investment fund's primary purpose is to finance strategic projects that will allow us to:

- 1) Invest in academic, research, public service, and economic development activity across campus;
- 2) Provide financial returns through increased efficiencies; and/or
- 3) Reduce substantial risks.

The major projects that will be financed by this fund in FY20 include:

- Modernizing our administrative and technology infrastructure
- o Enterprise Resource Planning (ERP) to replace our obsolete Student Information System and Human Resource System. Costs incurred in the first year of the ERP project are primarily for staffing and consultant costs
- TerpEngage, a Constituent Relationship Management (CRM) system powered by Salesforce to streamline connections with students, alumni, faculty and staff.
- Physical infrastructure renewal/upgrades:
 - o New roof for the Biology-Psychology building and HVAC for HJ Patterson
 - o Replacement of our main power plant (the NextGen project)
- Financial investments that generate additional revenue streams
 - o Funding a quasi-endowment with higher earning potential than funds held by the State Treasury. These proceeds will fund financial aid and facility renewal.
 - o Reducing debt that has higher interest costs than the interest earned on funds held as fund balances.
- Eliminating safety and compliance risks.

- Paying for research compliance costs related to animal care and research misconduct.
- Funding hazardous waste removal and making storm water management improvements.
- Greater College Park Initiative facility projects:
 - o Cole Field House's state-of-the-art sports research center
 - o Discovery District: a research park combining academic spaces, student amenities, and public-private ventures

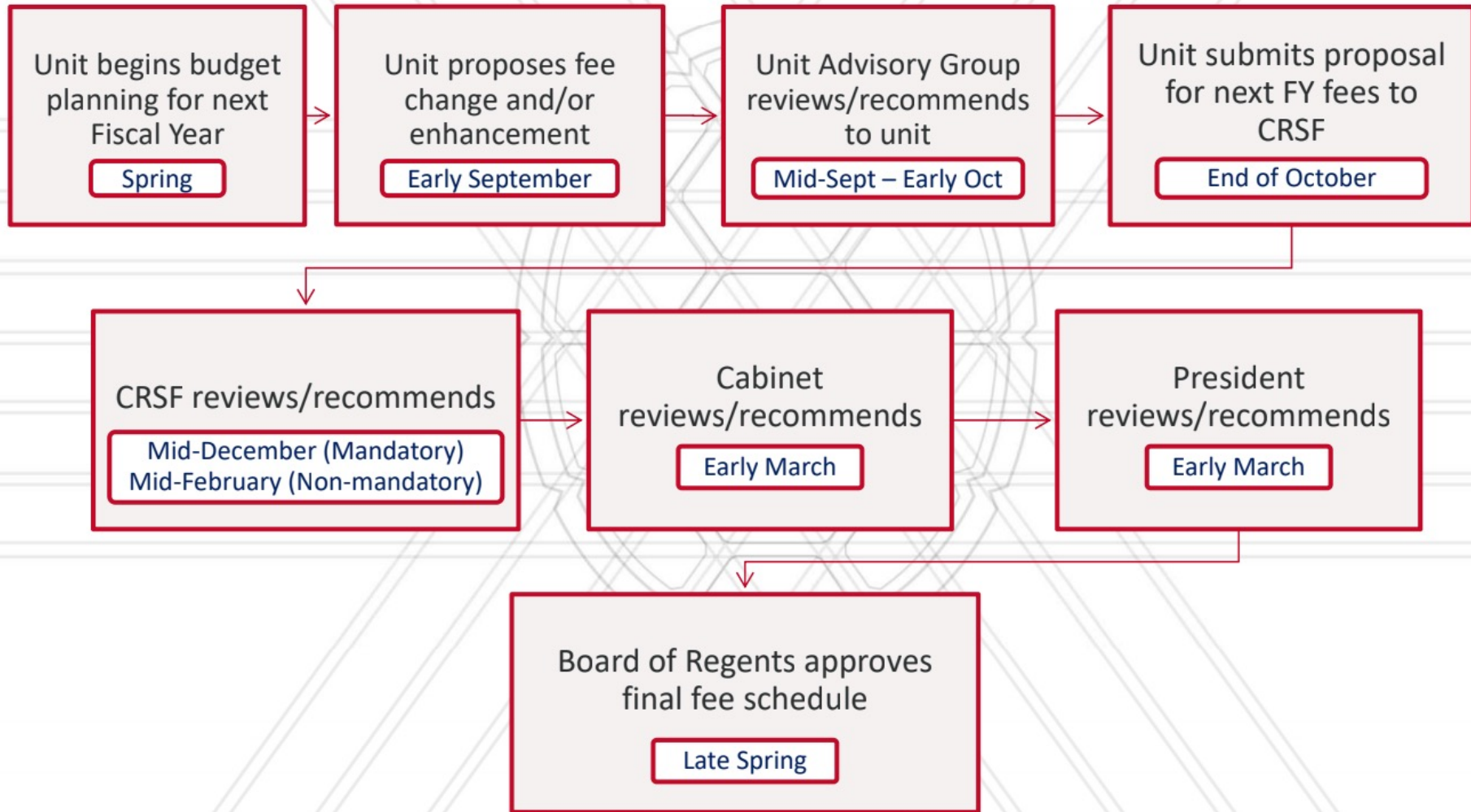
All of the above-listed projects add value to the university and College Park but do not have clear funding sources. It is no longer a practical strategy to look to the State of Maryland for additional appropriations or to seek to create more revenue by increasing student tuition and fees. Reallocating existing resources is also untenable, as it would negatively impact operations. Pooling small fund balances held in thousands of individual accounts (many of which have been inactive for the past five years) allows the university to make strategic, large investments that benefit the whole campus. The fund sweep also addresses concerns voiced by the state about the size of the system's accumulated fund balance, which currently exceeds the amount held within the state's rainy-day fund. Large, state-supported fund balances increase our risk of base budget cuts. Over 80% of the current fund sweep was in state supported funds. Our decision to sweep yielded significant progress toward reducing the risk of receiving a base budget reduction related to our fund balance.

The dynamic growth that you have helped to foster on campus results in increased need for new, significant investments each year. Fund balance reversions provide a continuing funding mechanism for meeting these needs.

In addition to the fund balance sweep, the budget "rebasings" initiative currently underway involves increased funding for base needs in each division. "Rebasing" also reduces the need to generate and hold reserves to maintain current core operations. Additional information about "rebasings" will be provided during the fall semester.

You received this email because you are subscribed to the President, Vice President, Deans, Directors and Department Chairs (PVPDDD) mailing list. If you would like to unsubscribe from this list, simply send an email to listserv@listserv.umd.edu with the message signoff PVPDDD in the body.

Fee Change/Enhancement Process



VIII-2.50 - POLICY ON STUDENT TUITION, FEES, AND CHARGES

(Approved by the Board of Regents, June 21, 1990; amended June 22, 2012; amended June 22, 2018)

I. Tuition and Mandatory Fees

1. The Chancellor, following consultation with the Presidents and the Board, shall propose guidelines for tuition and mandatory fees.
2. As part of the formulation of the annual operating budget request, each President shall recommend tuition and fees within the established guidelines.
3. Tuition and mandatory fees, subject to the approval of the Board, shall be included in the detailed annual operating budget for the University System of Maryland submitted by the Chancellor to the State Department of Budget and Management.

4. Mandatory Fees

- i. General Definition: Mandatory fees are those fees that are charged and applicable to all undergraduate and/or graduate students at an institution. (Many times the fees are pro-rated based on part-time enrollment status.)

These fees provide revenue for the support of operations that are available and for use of the entire student body. These operations are not funded entirely by either tuition revenue or state funds. Some examples of mandatory fees include: athletic, recreation center, shuttle bus, sustainability, student union operating, and student activities.

- ii. Student Consultation: In the interest of giving the Board as much information as possible to make the best and most transparent decision regarding student fee schedules, each campus will ensure that an advisory committee—or other appropriate committee(s) involved in the processes of setting student fees—is established and is comprised of appropriate numbers of students and stakeholders representing each area supported by a student fee.
 - The advisory or similar committee(s) will be consulted prior to the establishment or change of student fees during the determination process.
 - The process by which these advisory committees are involved in the determination of student fees will be submitted to the Board of Regents along with the proposed fee schedule.

II. Room, Board, and Student Parking Charges.

1. Each President shall submit proposed annual room, board, and student parking charges to the Chancellor according to a timetable and instructions recommended by the Chancellor and established by the Board.
2. The Chancellor, following consultation with the Presidents, shall present the proposed charges to the Finance Committee for recommendation to the Board.
3. Room charges include room, dormitory, and apartment charges for all university residence hall facilities based on a standard academic year rate.
4. Board charges include charges based on a standard academic year rate.

III. Non-Mandatory Fees

1. General definition: Within the undergraduate and/or graduate student population, subsets of students may be enrolled in or engaged with specific programs/ course study/ activities etc. that create or carry an additional expense. When this occurs, a department may seek funding to help offset these expenditures via a programmatic fee. While understanding that the subset of affected students is required to pay this fee, the fee is not mandatory to the entire undergraduate and/or graduate student population. This type of fee has been categorized as a *non-mandatory fee*, to distinguish it from the mandatory fees covered in section I.
2. Each President may establish fees and charges not included in sections I and II, subject to the provisions in the following paragraphs.
3. The Chancellor may submit to the Finance Committee for recommendation to the Board fees and charges that may significantly affect student costs, or may be considered for consistency among the institutions, or fees that may substantially differ among the institutions.
4. Student Consultation: Each campus will ensure that an advisory committee—or other appropriate committee(s) involved in the processes of setting student fees—is established and is comprised of appropriate numbers of students and stakeholders representing each area supported by a student fee.
 - The advisory or similar committee(s) will be consulted prior to the establishment of any non-mandatory student fee during the determination process.
 - The process by which these advisory committees are involved in the establishment of the non-mandatory student fees shall be reported on annually and submitted by the president to the Office of the Vice Chancellor for Administration and Finance by June 30.