

SB426_USM_FAVORABLE.pdf

Uploaded by: Celeste Denson

Position: FAV



SENATE BUDEGT AND TAXATION COMMITTEE

Senate Bill 426

University System of Maryland – Board of Regents- Quasi-Endowment Funds

February 22, 2023

Favorable

Chair Guzzone, Vice Chair Rosapepe and members of the committee, the University System of Maryland (USM) thank you for the opportunity to testify in support of Senate Bill 426 and urge the Committee to issue a favorable report. The bill authorizes the USM Board of Regents to establish quasi-endowment funds and use investment income produced to provide student financial aid.

A quasi-endowment is an investment established by the governing board with the expectation that the fund be managed to produce spendable income annually that would be used for a specific purpose. Like other types of endowments, the expectation is that the original invested amount be invested and managed to last in perpetuity, with only the income used annually for the specified purpose.

The USM places access and affordability of a higher education as a high priority. Attending USM schools are over 41,000 students eligible to receive Federal Pell Grants. These grants (which do not have to be repaid) are awarded to undergraduate students who display exceptional financial need. For 2022-2023, the maximum award that a recipient could receive totaled \$6,895. On average, eligible students receive \$4,400 in Pell Grants. The average direct cost of education (tuition, fees and housing) for 2022-2023 is \$25,808 at UMCP, \$25,984 at UMBC and \$24,460 at Towson

In the fall of 2022 the University of Maryland College Park (UMCP), launched the Terrapin Commitment. This program, the largest single-year new investment in need-based financial aid, will provide up to \$20 million annually for full-time Pell-eligible students from the State of Maryland. While the \$20 million commitment will cover all tuition and fees for thousands of these students, there continues to be a significant remaining unmet need among this group. President Pines' ultimate goal is to meet 100% of unmet need up to direct costs of our low-income Maryland students, thus greatly reducing students' reliance on loans. In addition to better supporting the lowest income students, the intent of the Terrapin Commitment is to address affordability inequities to increase the enrollment of students whose families believe attending UMCP is out of reach financially.

The proposed Senate Bill 426 will allow USM to establish a quasi-endowment of no more than \$150,000,000 from balances held and invested by the State Treasurer. Spendable income, by

direction of the Board, will be used to provide scholarships to our students. Senate Bill 426 would provide a funding stream of over \$6,000,000 to fund scholarships to students.

The System, along with affiliated fund-raising foundations have pooled their endowment funds and invest them in a single portfolio that is managed to last into perpetuity. The spending from the funds is guided by a policy that determines how much can be taken out of the funds. The spending rate is a target of 4.25% of market value each year. The combination of the investment and spending policies are designed to ensure that the fund grows in value each year and is managed to maintain its purchasing power into the future.

The USM urges a favorable report on Senate Bill 426.



About the University System of Maryland

The University System of Maryland (USM)—one system made up of twelve institutions, three regional centers, and a central office—awards eight out of every ten bachelor’s degrees in the State of Maryland. The USM is governed by a Board of Regents, comprised of twenty-one members from diverse professional and personal backgrounds. The chancellor, Dr. Jay Perman, oversees and manages the operations of USM. However, each constituent institution is run by its own president who has authority over that university. Each of USM’s 12 institutions has a distinct and unique approach to the mission of educating students and promoting the economic, intellectual, and cultural growth of its surrounding community. These institutions are located throughout the state, from western Maryland to the Eastern Shore, with the flagship campus in the Washington suburbs. The USM includes Historically Black Colleges and Universities, comprehensive institutions, research universities, and the country’s largest public online institution.

USM Office of Government Relations - Patrick Hogan: phogan@usmd.edu

SB426 Sponsor Testimony.pdf

Uploaded by: Senator Nancy King

Position: FAV

NANCY J. KING
Legislative District 39
Montgomery County

MAJORITY LEADER

Budget and Taxation Committee

Chair
Education, Business and
Administration Subcommittee



James Senate Office Building
11 Bladen Street, Room 120
Annapolis, Maryland 21401
301-858-3686 · 410-841-3686
800-492-7122 Ext. 3686
Fax 301-858-3670 · 410-841-3670
Nancy.King@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

SPONSOR STATEMENT

**SB 426 – University System of Maryland – Board of Regents –
Quasi-Endowment Funds**

February 22, 2023

Mister Chairman and Members of the Senate Budget and Taxation Committee:

In 2013 the General Assembly passed legislation to allow the University System of Maryland's Board of Regents to establish and maintain a quasi-endowment fund to support their fund-raising efforts and in 2017 the General Assembly allowed USM move an additional \$50 million from the cash held by the State Treasurer on behalf of the System to the quasi-endowment to develop a source of funding for ongoing facilities renewal and deferred maintenance needs.

Senate Bill 426 will authorize USM's Board of Regents to transfer no more than \$150 million from fund balances to establish a quasi-endowment which will be used to fund investments in need based financial aid. This fund will target those students who are just above Pell Grant eligibility so they cannot access those Pell federal funds.

This endowment will be another tool in USM's toolbox to meet the important goals of access and affordability at our USM schools.

I respectfully request a favorable report on Senate Bill 426.

MCPT testimony 2.22.23.pdf

Uploaded by: Lindsey Paige

Position: FWA

I am in District 8 and I am sharing my testimony and experience with the MCPT 529 program.

I was first alerted to the issues with the Maryland 529 program when my son was getting ready to head off to school this past year. His father, Brian Savoie was unable to access the money last spring and was told to wait a couple of months. As the fall approached, it became clear that not only was Brian unable to access the funds, all of the earnings had disappeared as well. Due to my financial situation as the time of our separation, I did not contribute to the MCPT fund with Brian. However, I did set up a small account for Caleb with the Investment Plan in December 2017. We were able to pull some of that money to pay for Caleb's fall tuition at Purdue University.

Over the years, I watched Brian save money for our son's college tuition. I remembered what a struggle it was for my own parents to pay for my tuition as they had not saved anything at all. Each semester was a challenge to get the bills paid and I often enrolled in classes well past the semester start date. I did not want to put that stress on myself or my daughter who was born in 2014.

In August 2019, my second husband left me with a mortgage and a 5 year old daughter. Despite this sudden change, I enrolled in the MCPT November 2019. I started with one year college plan at \$17,710. I pay \$110/month with a total of \$5,940 contributed to date.

In the spring of 2020, my job was considered non-essential and my company nearly folded. As a local small business owner since 2003, I struggled to stay afloat, pivot and do everything I could to keep our home and business going. I put my house into forbearance, received SNAP benefits and PPP loans and I applied for grants and help from our local and state community.

While I was in such dire straits, I not only continued to pay into the MCPT fund EVERY month, I also added an additional year beginning in August 2021 at the rate of \$123/month for a total plan of \$16,851. For this second year, I have paid \$2,214 to date. I believed I had a contract to follow and I owed it to my daughter to invest in her future.

To witness my fellow peers, our children and specifically my son and his dad struggle to pay tuition, leaves me quite apprehensive and disappointed in the program. I could have used the money I invested to put food on the table, buy my daughter new shoes, and just get by over the past three years. I am finally coming out of the darkest financial period of my life. And to think that I don't know if this investment is worth it, is extremely scary and unsettling to me.

Lindsey Paige
10425 Burnt Ember Drive
Silver Spring, MD 20903
(202) 489 5278
pawprintsdc@gmail.com