

RB25
University of Maryland Eastern Shore – Capital
University System of Maryland

Capital Budget Summary

State-owned *Capital Improvement Program*
Agricultural Research Education Center
(\$ in Millions)



GO: general obligation

Key Observations

- ***State Funds Needed to Complete Project:*** University of Maryland Eastern Shore (UMES) was able to secure federal funding from the U.S. Department of Agriculture (USDA) through its National Institute for Food and Agriculture’s 1890 Facilities Capacity Building Grant program. Due to delays and rising construction costs, a project that initially needed no State funding will require \$16.9 million in State funds to complete.

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PAYGO Recommended Actions

1. Concur with Governor’s Allowance.

GO Bond Recommended Actions

1. Approve all authorizations, preauthorizations, and changes to prior authorizations for the University of Maryland Eastern Shore.

Summary of Fiscal 2024 Funded State-owned Projects

Agricultural Research Education Center

Project Summary: Construction of a new Agricultural Research Education Center that will include specialized research laboratories (soil and water quality, microbiology/plant pathology, genomics/molecular biology, and animal science), meeting rooms, as well as staff offices and support spaces. The project also includes three research greenhouses with a head house. The building will support the research and extension programs of the School of Agricultural and Natural Sciences. The fiscal 2024 budget includes funding to construct and equip the facility and will supplement \$14,300,000 in non-State funds.

New/Ongoing: Ongoing								
Start Date: July 2020					Est. Completion Date: August 2024			
Fund Sources:								
(\$ in Millions)	Prior Auth.	2024	2025	2026	2027	2028	Beyond CIP	Total
GO Bonds	\$0.000	\$0.000	\$4.317	\$0.000	\$0.000	\$0.000	\$0.000	\$4.317
Nonbudgeted	4.500	0.000	0.000	0.000	0.000	0.000	0.000	4.500
SF	0.000	12.628	0.000	0.000	0.000	0.000	0.000	12.628
FF	9.800	0.000	0.000	0.000	0.000	0.000	0.000	9.800
Total	\$14.300	\$12.628	\$4.317	\$0.000	\$0.000	\$0.000	\$0.000	\$31.245
Fund Uses:								
(\$ in Millions)	Prior Auth.	2024	2025	2026	2027	2028	Beyond CIP	Total
Planning	\$2.100	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$2.100
Construction	12.200	10.126	2.993	0.000	0.000	0.000	0.000	25.319
Equipment	0.000	2.502	1.324	0.000	0.000	0.000	0.000	3.826
Total	\$14.300	\$12.628	\$4.317	\$0.000	\$0.000	\$0.000	\$0.000	\$31.245

RB25 – USM – University of Maryland Eastern Shore – Capital

- **Need:** UMES has insufficient research space, a 16,134 net assignable square feet (NASF) deficit as of fall 2021. The new building will have approximately 16,400 NASF. The new facility will include a new hydroponic greenhouse to replace the one destroyed by a fire in calendar 2011.
- **Project Status and Schedule:** This project has a protracted history dating back to calendar 2013 when UMES was initially awarded grant funds from USDA. From the outset, the design phase was not expected to commence until calendar 2019 when the federal grant funds, scheduled to be received in annual increments through calendar 2019, would be fully accumulated. The funding plan also included the use of the funds acquired by UMES as part of an insurance settlement stemming from the fire that destroyed the university’s hydroponic greenhouse. During the initial planning phase, the University of Maryland Cost Center advised UMES that the project could not be constructed as scoped within the original budget estimate. To keep the project viable, UMES requested and received additional USDA grant funds that, like the original federal grant funds, are received in annual installments through calendar 2023. Project design commenced in August 2020 and at the time the funding plan did not include State funds. However, the cost of the project is heavily impacted by what has been an unprecedented period of large annual increases in construction costs, particularly acute in the Eastern Shore counties, which began during the COVID 19 pandemic and has continued through calendar 2022. During design, it became apparent that once again the project, as scoped, could not be constructed within the revised budget and as a result UMES and the University System of Maryland made the decision to seek State funding support. This decision necessitated further procedural delays because the original project plans, dating back to calendar 2015, did not require Department of Budget and Management (DBM) approval since at the time no State funds were included in the funding plan. However, once State funds are involved there are requirements for the submission of Part I and Part II program plans before State funds can be expended on a project. Submitted in June 2022, the revised and updated program plans are currently under review by DBM. Construction is expected to start in August 2023, and the funding plan includes a \$3.0 million preauthorization for the 2024 session based on the project expenditure monthly cash flow, which extends into fiscal 2025.
- **Changes:** The project is now estimated to cost \$31.2 million to construct, which forms the basis for the \$17.0 million requested from the State, of which \$12.6 million is made available from the Fiscal Responsibility Fund. Based on the design schedule, support for this project should be informed by a more up-to-date cost estimate than what was provided in the project support documentation. The Department of Legislative Services has asked that DBM submit a 100% construction document estimate to provide a more reliable cost estimate.
- **Concerns:** The authority to spend the federal grant funds was originally set to expire August 31, 2022, but UMES received a one-year extension from USDA. With the funds once again set to expire in August 2023, an additional one-year extension request has been made by UMES. The university has advised that the requested extension is contingent upon an adequate funding plan, which would include the requested State funds. **UMES should brief the committees on the status of discussions with USDA to extend the federal grant funds including all contingencies that are expected to be applied to any such extension.**

Appendix 1
Executive’s Operating Budget Impact Statement – State-owned Projects
Fiscal 2024-2028
(\$ in Millions)

	2024	2025	2026	2027	2028
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Agriculture Research Education Center						
	Estimated Operating Cost	\$0.366	\$0.368	\$0.381	\$0.395	\$0.409
	Estimated Staffing	2.0	2.0	2.0	2.0	2.0

The operating costs will support 2 positions for custodial support and an HVAC technician. Those costs are expected to be \$135,413 in fiscal 2024 and rise to \$162,833 in fiscal 2028. The remaining operating costs are for phone costs, fuel and utilities, contractual services, and supplies and materials. Those items will account for over 60% of the operating costs for the new center.