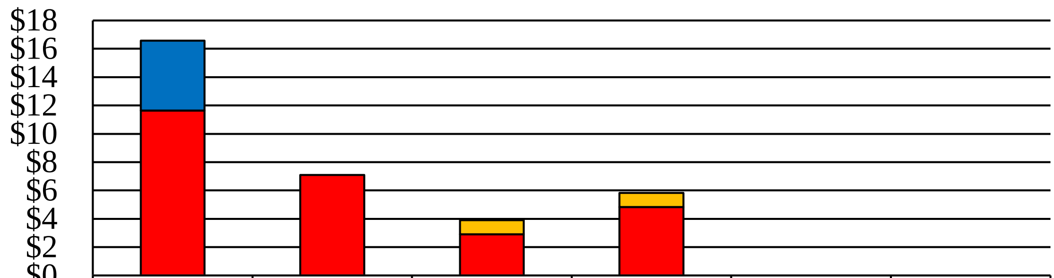
**RB36**

# University System of Maryland Office – Capital

**University System of Maryland**

## *Capital Budget Summary*

### State-owned *Capital Improvement Program*
### USM Colwell Center (Formerly the Columbus Center) Deferred Maintenance
**($ in Millions)**




| | Prior Auth. | 2026 Request | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Total | $16.568 | $7.100 | $3.906 | $5.820 | $0.000 | $0.000 |
| Revenue | 0.000 | 0.000 | 1.000 | 1.000 | 0.000 | 0.000 |
| PAYGO SF | 4.934 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| GO Bonds | 11.634 | 7.100 | 2.906 | 4.820 | 0.000 | 0.000 |

### Capital Facilities Renewal Capital Improvement Program
**($ in Millions)**


| | 2026 Request | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|
| Total | $25.000 | $24.000 | $24.000 | $25.000 | $25.000 |
| Revenue Bonds | 25.000 | 24.000 | 24.000 | 25.000 | 25.000 |

GO: general obligation
PAYGO: pay-as-you-go
SF: special funds
USM: University System of Maryland

For further information contact: Sara J. Baker sara.baker@mlis.state.md.us

# *GO Bond Recommended Actions*

1. Approve the general bond authorization, preauthorization, and amendments to prior authorizations. Also approve all Academic Revenue Bonds.

## Updates

***Administration Building Renovation:*** The 2026 fiscal budget includes three deauthorizations related to the Adelphia renovation project: $426,338 of the fiscal 2023 authorization due to completion of the project; and the fiscal 2024 and 2025 authorization for cancellation of the project. It should be noted that the authorizations were added by the General Assembly, and therefore, the project was not programmed in the *Capital Improvement Program* (CIP).

The 2025 CIP programs the administration building renovation starting with design funding in fiscal 2029 and construction funding in fiscal 2030, with an estimated total cost of $42.0 million. The project proposes to convert underutilized private offices into shared “hoteling” spaces, adding new meeting and focus room for small groups or individuals, and a large, flexible Conferencing Center to accommodate large events. It should be noted that University of Maryland, Global Campus (UMGC) plans to use $10 million of the $72 million from its sale of its Largo properties to the Maryland-National Park and Planning Commission for renovation of the building. In addition, UMGC’s plant fund balance as of fiscal 2024 totals $242.4 million.

# *Summary of Fiscal 2026 Funded State-owned Projects*

## Colwell Center (Formerly the Columbus Center) Deferred Maintenance

***Project Summary:*** Replace the aging tent roof and refurbish the central plant. The project will be completed in two phases: Phase I will replace the tension fabric roof; and Phase II will upgrade the mechanical system.

| | |
|---|---|
| **New/Ongoing:** Ongoing | |
| **Start Date:** Design October 2023 | **Est. Completion Date:** January 2028 |

| **Fund Sources:** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **($ in Millions)** | **Prior Auth.** | **2026** | **2027** | **2028** | **2029** | **2030** | **Beyond CIP** | **Total** |
| **GO Bonds** | $11.634 | $7.100 | $2.906 | $4.820 | $0.000 | $0.000 | $0.000 | $26.460 |
| **SF** | 4.934 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 4.934 |
| **Revenue** | 0.000 | 0.000 | 1.000 | 1.000 | 0.000 | 0.000 | 0.000 | 2.000 |
| **Total** | **$16.568** | **$7.100** | **$3.906** | **$5.820** | **$0.000** | **$0.000** | **$0.000** | **$33.394** |

| **Fund Uses:** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **($ in Millions)** | **Prior Auth.** | **2026** | **2027** | **2028** | **2029** | **2030** | **Beyond CIP** | **Total** |
| **Planning** | $1.327 | $1.092 | $0.000 | $0.000 | $0.000 | $0.000 | $0.000 | $2.419 |
| **Construction** | 15.241 | 6.008 | 3.906 | 5.820 | 0.000 | 0.000 | 0.000 | 30.975 |
| **Total** | **$16.568** | **$7.100** | **$3.906** | **$5.820** | **$0.000** | **$0.000** | **$0.000** | **$33.394** |

- ***Need:*** The Colwell Center (formerly the Columbus Center) houses the Institute of Marine and Environmental Technology; the Chancellor’s headquarters; Towson’s University Center for Science, Technology, Engineering, and Mathematics Excellence; and leased space to private entities. Phase I of the project will replace the existing tension fabric roof that is 30 years old and at the end of its useful life. An inspection conducted in March 2022 indicated that the roof is deteriorating. The roof encloses a portion of the interior, and any failure would directly expose the interior to the weather, which would cause significant damage and lead to an immediate cessation of operations.

  Phase II of the project will refurbish the existing central plant system that is also 30 years old. Replacement parts are not readily available, and the system is not energy efficient. The refurbishment will replace obsolete chillers, controls, motors, and pumps and includes the demolition of ice storage units.

- ***Changes:*** The fiscal 2026 capital budget includes $7.1 million in general obligation (GO), which is $2.0 million more that programmed in the 2024 CIP attributable to the central plan refurbishment. The original scope of the project was to refurbish the existing six air handling units (AHU), but during the design phase, it was discovered that the AHU have a draw-through configuration. This allows water condensation to collect within the AHUs, which caused significant deterioration and the potential for biological growth. Refurbishing the AHU will not resolve this problem, therefore, to satisfy the requirements of the Aquaculture Research Center (ARC) and the AHUs, it was determined that in addition to replacing the three chillers (part of the original program), an additional chiller is required to provide chilled water specifically for ARC. Due to these changes, since the current generators are at capacity, a new generator is needed to provide power during a power outage for continual environmental control in ARC to avoid the possible loss of animals and research.

  The cost to replace the fabric roof is $2.5 million less than originally budgeted, decreasing from $11.3 million to $8.8 million. This is due to the initial construction budget being based upon an older estimate from the tensile roof manufacturer and the cost estimate for associated incidental work. Originally, it was expected that the full gutter system and some of the surrounding roof areas would need to be replaced. However, during the field investigation, the gutter system was found to be in good shape and only that portion would need to be repaired, thereby reducing the scope and cost of work.

- ***Other Comments:*** Since this is a multi-use facility used by several University System of Maryland (USM) institutions and the University System of Maryland Office (USMO), it is considered a systemwide facility and therefore is included in USMO's request. While the University of Maryland Baltimore County maintains and manages the facility, it is not part of its facilities inventory. This less-than-clear administrative and management responsibility for the center is a contributing factor to it being added to the 2023 CIP, essentially as an emergency project requiring immediate funding. The budget provides preauthorizations of $2.9 million and $4.8 million in fiscal 2027 and 2028, respectively, to continue and complete construction.

# *USMO – Capital Facilities Renewal*

The USM Facilities Renewal program provides funding for various capital improvement projects at USM institutions. In fiscal 2026, $25 million in academic revenue bonds (ARB) to be authorized by HB 793 are programmed to fund 25 projects at 11 institutions and the 3 regional higher education centers. The 2025 CIP programs $24 million in ARBs in fiscal 2027 and 2028 and $25 million in fiscal 2029 and 2030. It should be noted that the 2025 CIP programs $15 million less in funds for fiscal 2029 for the facilities renewal program compared to the 2024 CIP due to the exclusion $15.0 million in GO bond funding.

## Deferred Maintenance/Facility Renewal

USM annually surveys its institutions to assess the size and magnitude of the system's deferred maintenance and facilities renewal needs. The survey instrument has been revised in recent years to measure the backlog more precisely. Currently, institutions categorize deferred maintenance costs as either structural/envelope, mechanical/electrical systems, or life safety/regulatory. In addition, institutions report on costs associated with programmatic improvements, which include renovations, remodeling, reconfiguration, modernization, and information technology/communications.

Total deferred maintenance for USM increased $301.1 million between fall 2022 and 2023 to $2.9 billion, as shown in **Exhibit 1**, with mechanical/electrical systems accounting for 68.3% of the total backlog. Two institutions – the University of Maryland, Baltimore Campus and the University of Maryland, College Park Campus (UMCP) – account for 59.8% of USM's deferred maintenance. Programmatic improvements total $2.8 billion, resulting in an overall total renovation cost (deferred maintenance plus programmatic improvements) of $5.7 billion and increase of $767.2 million compared to fall 2022. Overall, UMCP accounts for 55.4%, or $3.1 billion, of the total renovation cost of which programmatic improvements account for $2.0 billion and deferred maintenance comprises the remaining $1.1 million.

**Exhibit 1**
**Facilities Renewal Backlog**
**Fall 2023**
**($ in Thousands)**

| | Structural/ Envelope | Mechanical/ Electrical Systems | Life Safety/ Regulatory | Total Deferred Maintenance | Programmatic Improvements | Total Renovation Cost |
|---|---|---|---|---|---|---|
| UMB | $159,451 | $402,425 | $7,593 | $569,469 | $197,416 | $766,885 |
| UMCP | 148,198 | 756,755 | 230,180 | 1,135,133 | 2,018,014 | 3,153,147 |
| BSU | 17,946 | 60,080 | 8,583 | 86,609 | 69,443 | 156,052 |
| TU | 73,563 | 102,988 | 26,483 | 203,033 | 91,218 | 294,250 |
| UMES | 16,323 | 54,646 | 9,860 | 80,829 | 79,780 | 160,609 |
| FSU | 11,547 | 38,658 | 5,523 | 55,728 | 44,683 | 100,411 |
| CSU | 24,013 | 109,151 | 10,915 | 144,079 | 74,222 | 218,301 |
| SU | 18,128 | 90,641 | 9,064 | 117,833 | 45,320 | 163,154 |
| UBalt | 13,200 | 44,191 | 6,313 | 63,704 | 51,078 | 114,782 |
| UMBC | 47,667 | 257,532 | 34,327 | 339,526 | 120,225 | 459,752 |
| UMCES | 15,818 | 19,774 | 3,955 | 39,548 | 39,549 | 79,096 |
| USM RHEC | 3,395 | 11,366 | 1,624 | 16,384 | 13,137 | 29,521 |
| **Total** | **$549,250** | **$1,948,207** | **$354,419** | **$2,851,875** | **$2,844,085** | **$5,695,959** |

RHEC: regional higher education center

Note: Structural and envelope (*i.e.*, roofs, windows, doors, masonry, and curtain wall systems) are those currently deferred or reaching the end of useful life (within the next 5 to 10 years). Mechanical/Electrical systems upgrades/replacement are deferred or end of useful life. Life safety/regulatory (*e.g.*, Americans with Disabilities Act) improvement if can be separated from other categories. Programmatic improvements include renovation, remodeling, reconfiguration, modernization, finishes, and information technology/communications.

Source: University System of Maryland

## Facility Condition Index

USM updated its facilities renewal policy in 2022 to reflect current practices to only include those facilities that are 10 years or older in the calculation of the replacement value of facilities. In addition, the focus of the policy shifted from inputs to outcomes, better reflecting the progress that an institution is making in addressing its deferred maintenance backlog. The policy requires institutions to report on their facility condition index (FCI), which shows the percentage of deferred maintenance relative to the replacement value of the facilities. A lower score indicates that facilities are in relatively good condition. The FCI is a relative indicator of the condition of a group of facilities and, when tracked over time, will show if conditions are improving. It should be noted that the average represents not only changes to facilities' conditions but also changes to the inventory of new facilities and others being taken off the list.

**Exhibit 2** shows the FCI from fall 2017 to fall 2023 by institution. Overall, since fall 2017 the FCI has decreased at six institutions. Coppin State University (CSU) and the University of Maryland Center for Environmental Science (UMCES) experienced the greatest increases of 11.1 and 6.5 percentage points, respectively, which USM attributes to the institutions' efforts to more accurately depict their renovation needs: UMCES has been reevaluating their needs in-house; and CSU, with help from a consultant, undertook a campus assessment, and USM has been gradually increasing the FCI to more accurately reflect CSU's renovation needs. It should be noted that CSU only has nine State-supported facilities of which five need major renovations, which result in a higher FCI.

**Exhibit 2**
**Facility Condition Index of State Buildings by Institution**
**Fall 2017-2023**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Change 2017-2023 |
|---|---|---|---|---|---|---|---|---|
| UMB | 20.64% | 23.15% | 22.62% | 23.16% | 22.77% | 21.66% | 18.54% | -2.10 |
| UMCP | 15.69% | 16.06% | 15.71% | 16.46% | 16.33% | 14.85% | 18.67% | 2.98 |
| BSU | 14.65% | 14.27% | 14.27% | 14.27% | 14.27% | 13.59% | 13.60% | -1.05 |
| TU | 16.97% | 14.66% | 14.67% | 15.91% | 15.91% | 14.57% | 15.74% | -1.23 |
| UMES | 13.29% | 13.29% | 13.29% | 13.29% | 13.29% | 17.02% | 16.69% | 3.40 |
| FSU | 10.82% | 10.82% | 10.82% | 11.06% | 10.99% | 9.99% | 10.81% | -0.01 |
| CSU | 15.26% | 14.99% | 14.54% | 14.36% | 18.48% | 19.82% | 26.38% | 11.12 |
| UB | 18.78% | 16.23% | 16.23% | 16.23% | 16.23% | 16.23% | 15.51% | -3.27 |
| SU | 17.84% | 19.27% | 19.27% | 19.27% | 19.29% | 19.42% | 19.42% | 1.58 |
| UMBC | 17.59% | 17.59% | 17.13% | 17.13% | 17.91% | 18.57% | 16.94% | -0.65 |
| UMCES | 12.06% | 12.03% | 12.03% | 11.72% | 18.17% | 18.02% | 18.57% | 6.51 |
| USM RHEC | 4.62% | 4.44% | 4.44% | 4.44% | 2.93% | 2.93% | 2.97% | -1.65 |
| **USM** | **16.56%** | **17.04%** | **16.81%** | **17.34%** | **17.41%** | **16.37%** | **17.41%** | **0.85** |

RHEC: regional higher education center

Source: University System of Maryland

## Facilities Renewal Funding Sources

Reducing the backlog of deferred maintenance is a continuing priority for the Board of Regents (BOR) and the Chancellor. USM's policy sets a target that institutional spending on facilities renewal be equal to 2% of the current replacement value of facilities that are greater than 10 years old. However, the previous facilities renewal policy did not fully capture all an institution's spending on facilities renewal, for in some cases, institutions were putting a significant amount of resources into renovation or replacement of older facilities, but those funds were not counted toward their 2% goal. As a result, USM issued a directive clarifying what expenditures can be included in an institution's calculation of its 2% goal. Operating funds that can be included are those expended on deferred maintenance and plant funds used to fund renovation and replacement projects. Not included are expenditures for routine maintenance and repairs of building components. Capital funds that can be included are:

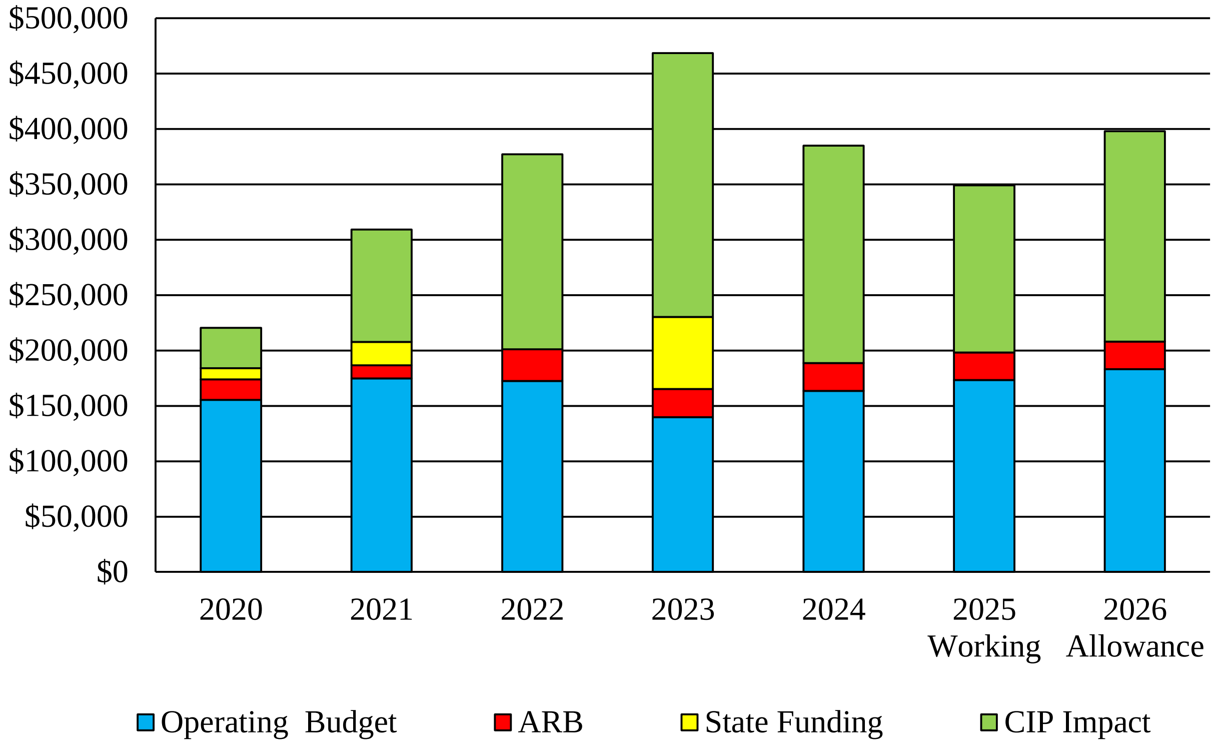
- annual *pro rata* allocations from USM capital facilities renewal program, regardless of fund source; and

- the portion of funded projects approved in the CIP or system-funded capital projects that can be attributed to the renovation or replacement of existing space, spread over the period of construction.

In addition, capital funds not included are those adding space or procuring materials, finishes, or equipment without a 15-year life or capital debt, unless either is part of a more comprehensive renovation or replacement project.

Prior to fiscal 2020, facilities renewal was mostly funded with funds from an institution's operating budget and with an allotment of ARB funds, typically in the range of $17 million, annually. In fiscal 2020, institutional spending accounted for 70.4% of the facilities renewal funds, as shown in **Exhibit 3**. While institutional spending increased $17.9 million between fiscal 2020 to 2025 to $173.2 million, it comprises a smaller portion of facilities renewal funds decreasing from 70.4% to 49.6% during this time period. This reflects the impact of including the portion of projects in the CIP that are attributed to renovation or replacement, which accounted for 16.6% and 43.2% of funding in fiscal 2020 and 2025, respectively. This also reflects USM's focus on renovation and replacement projects rather than new facilities.

**Exhibit 3**
**Fund Sources for Facilities Renewal Spending**
**Fiscal 2020-2026**
**($ in Thousands)**




ARB: academic revenue bond
CIP: *Capital Improvement Program*

Note: Total operating funds in fiscal 2025 and 2026 will change as institutions get a more accurate picture of revenues available for facilities renewal

Source: University System of Maryland

Institutions initially budgeted a total of $183.2 million in fiscal 2025 for facilities renewal. However, cost containment actions approved by the Board of Public Works in July 2024 resulted in a 1% reduction of USM's appropriation, which some institutions met by reducing spending on facilities renewal, totaling $10.0 million. The proposed fiscal 2026 allowance includes a 5%, or $111.1 million, reduction to USM's appropriation, of which $11.0 million will be met by institutions reducing spending on facilities renewal, according to USM.

**The Chancellor should comment on the impact of institutions reducing facilities renewal expenditures and their ability to meet the 2% target.**

## Plant Funds

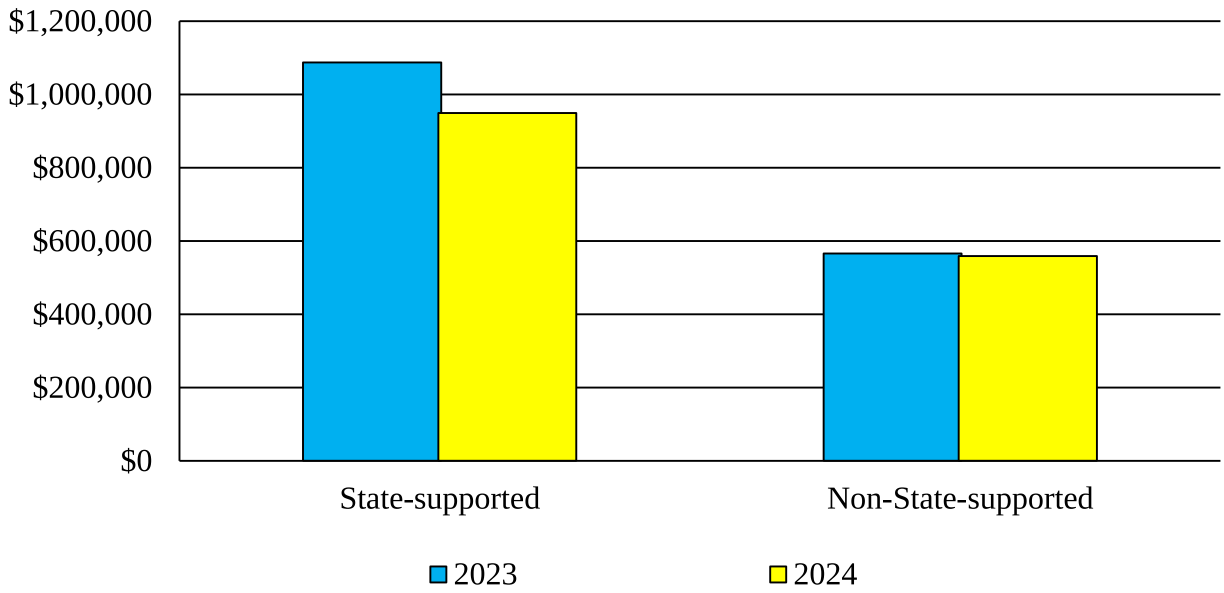
Institutions can transfer operating funds to the plant fund, which are a group of accounts like a savings account in which institutions can set aside funds for anticipated capital expenditures. Funds are used to finance the acquisition, construction, renovation and maintenance of facilities. Plant funds may be only used for facilities and capital activities and may not be easily transferred to other accounts for noncapital purposes. For State-supported facilities, the use of plant funds is governed by the capital budget process in accordance with State law and BOR policies. BOR oversees the use of self -supported plant funds.

Specifically, funds are set aside for:

- facilities renewal and deferred maintenance needs of State-supported facilities;
- debt service payments and retirement of debt;
- periodic or major facilities renewal of self-supported or auxiliary facilities;
- nonbudgeted funds requirement in the CIP; and
- facilities or land acquisitions.

These funds allow USM to fund capital projects that otherwise may not have the funding to proceed, such as the Cole Field House or the Iribe Computing Center. In addition, if an institution receives donor funding to support the construction of a facility, it may have to temporarily borrow funds, also known as a bridge loan, from its account until it receives the donor funds. Overall, as shown in the **Exhibit 4**, between fiscal 2023 and 2024, total funds in the plant fund decreased by $144.9 million of which $137.8 million was from the State-supported portion due to institutions spending on capital projects. See **Appendix 1** for plant funds by institution.

**Exhibit 4**
**Change in Plant Fund**
**Fiscal 2023-2024**
**($ in Thousands)**

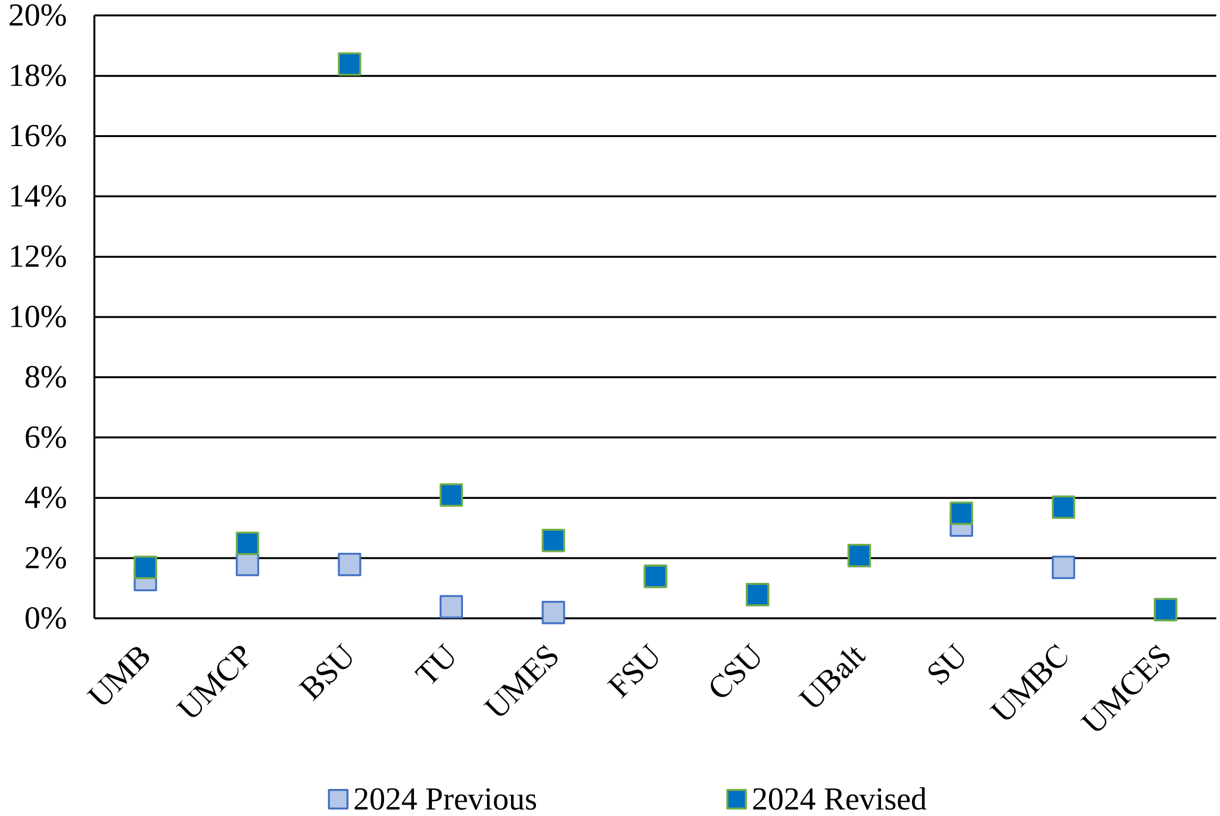



Source: University System of Maryland

## 2% Target

The inclusion of the portion of projects in the CIP or system-funded capital projects results in some institutions exceeding their 2% target, as shown in **Exhibit 5**, which compares each institution's performance under the previous and revised policy in fiscal 2024. Under the revised policy, Bowie State University exceeded the target by 16.6 percentage points. Even though the University of Baltimore did not have any expenditures related to projects in the CIP, they exceeded the target at 2.1 percentage points. Of the seven institutions that met or exceeded the target, five institutions would have fallen below the target if not for the inclusion of projects in the CIP. At 1.4% and 0.8%, Frostburg State University and CSU, which did not have CIP-related expenditures, fell below the target, respectively. USMO should continue to report on the progress that institutions are making toward the 2% target when excluding and including the impact of the CIP. As illustrated in Exhibit 5, inclusion of projects in the CIP does not provide an accurate picture of how much institutions are spending on facilities renewal and if they are consistently achieving the 2% target.

**Exhibit 5**
**Comparison of Policies on Meeting Target**
**Fiscal 2024**




Source: University System of Maryland

## Appendix 1
# Plant Funds by Institution
### Fiscal 2023-2024
### ($ in Thousands)

| | 2023 | | | 2024 | | | $ Change | | |
|---|---|---|---|---|---|---|---|---|---|
| | **State-supported** | **Non-State-supported** | **Total** | **State-supported** | **Non-State-supported** | **Total** | **State-supported** | **Non-State-supported** | **Total** |
| UMB | $186,899 | $33,184 | $220,084 | $169,684 | $50,636 | $220,321 | -$17,215 | $17,452 | $237 |
| UMCP | 222,306 | 130,980 | 353,286 | 190,180 | 104,884 | 295,064 | -32,126 | -26,096 | -58,222 |
| BSU | 27,272 | 14,570 | 41,842 | 23,225 | 13,620 | 36,845 | -4,047 | -950 | -4,997 |
| TU | 75,425 | 60,581 | 136,007 | 84,825 | 64,972 | 149,797 | 9,400 | 4,390 | 13,790 |
| UMES | -1,624 | | -1,624 | -2,390 | | -2,390 | -766 | | -766 |
| FSU | 10,210 | 7,445 | 17,655 | 10,632 | 7,633 | 18,265 | 422 | 188 | 610 |
| CSU | 887 | -255 | 632 | 1,396 | -255 | 1,142 | 510 | | 510 |
| UBalt | 20,323 | 37,454 | 57,778 | 20,428 | 44,227 | 64,655 | 104 | 6,773 | 6,877 |
| SU | 35,568 | 20,449 | 56,017 | 40,089 | 22,120 | 62,208 | 4,520 | 1,670 | 6,191 |
| UMGC | 1,258 | 238,332 | 239,590 | 5,217 | 237,221 | 242,439 | 3,959 | -1,111 | 2,848 |
| UMBC | 62,359 | 34,331 | 96,690 | 66,158 | 31,109 | 97,267 | 3,799 | -3,222 | 576 |
| UMCES | | 338 | 338 | | 338 | 338 | | | |
| USM Office | 446,967 | -11,155 | 435,812 | 340,640 | -17,296 | 323,343 | -106,327 | -6,142 | -112,469 |
| **Total** | **$1,087,851** | **$566,257** | **$1,654,107** | **$950,084** | **$559,208** | **$1,509,292** | **-$137,767** | **-$7,049** | **-$144,816** |