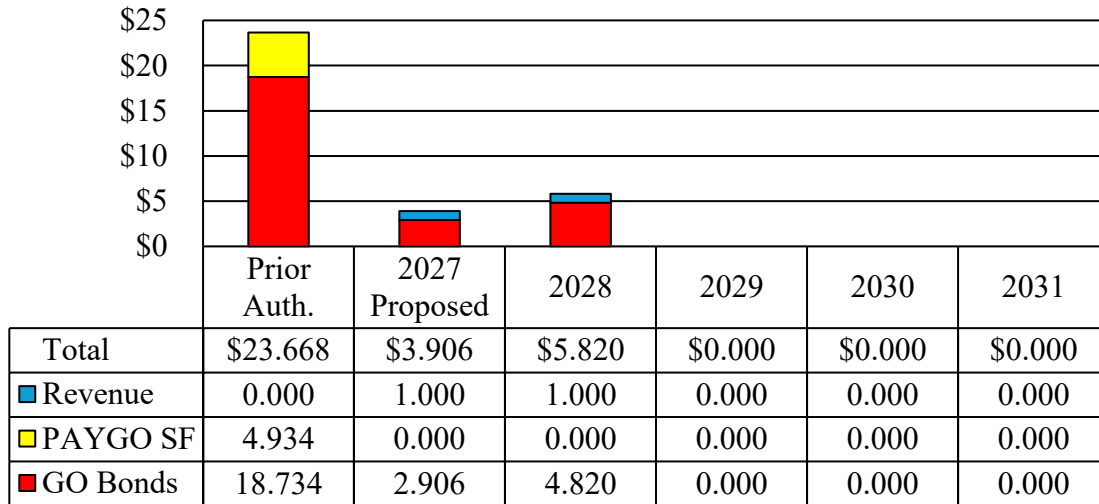


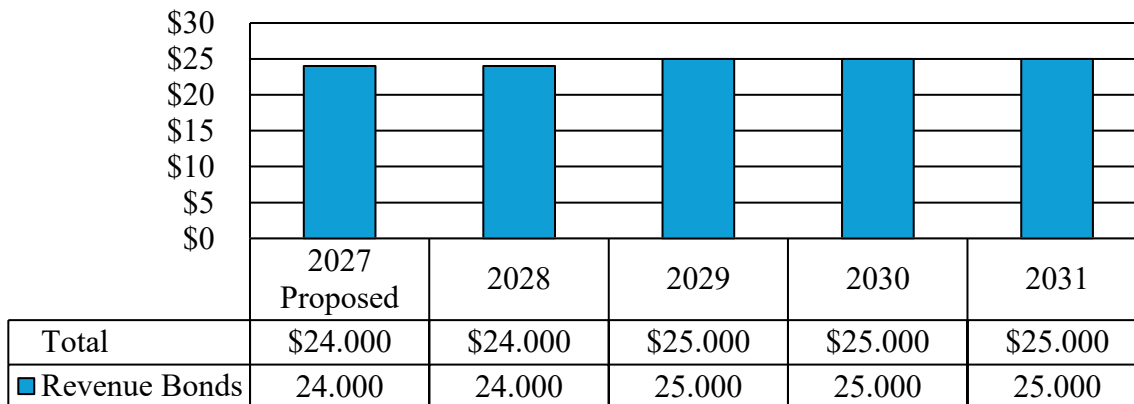
R30B36*
University System of Maryland Office – Capital
 University System of Maryland

Capital Budget Summary

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



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



GO: general obligation
 PAYGO: pay-as-you-go

SF: special fund
 USM: University System of Maryland

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GO Bond Recommended Actions

1. Approve the general obligation bond authorization and preauthorization for the University System of Maryland Office and amendments to prior authorizations for Frostburg State University and the University of Maryland Eastern Shore. Also approve all Academic Revenue Bonds.

Updates

- ***Challenger Center:*** The fiscal 2027 capital budget includes a \$3.0 million deauthorization related to the Challenger Center at Frostburg State University due to the cancellation of the project. It should be noted that the authorization was added by the General Assembly to the fiscal 2022 capital budget, therefore, the project was not programmed in the *Capital Improvement Program (CIP)*.
- ***Prior Authorized Funds Repurposed to Support Demolition of Nuttle Hall at the University of Maryland Eastern Shore (UMES):*** The fiscal 2027 capital budget includes language that repurposes \$1.0 million of general obligation (GO) bond funds originally authorized in fiscal 2026 to support preliminary design and predevelopment activities for a proposed new campus residence hall. Following discussion with the Department of Budget and Management (DBM) and UMES, it was agreed that the intended use of the funds is not general obligation (GO) bond eligible. Furthermore, before the University System of Maryland (USM) will support the development and funding plan for new residence halls, a formal needs assessment must be conducted and approved by the University System of Maryland Office (USMO), which had not been initiated at the time the funds were authorized. The proposed language will repurpose the funds to instead support the demolition of Nuttle Hall, which is the intended site of the new residence hall. It should be noted that UMES has not yet submitted a facility program plan for the demolition to DBM. UMES is currently working with USMO to develop a financial model to determine project affordability. The approved size and scope of the residence hall will reflect what UMES can sustainably afford. This modeling process will guide decisions around unit count, design standards, and delivery method.
- ***Prior Authorized Funds Repurposed to Fund Emergency Electrical Switchgear Replacement at UMES:*** The fiscal 2027 capital budget includes language that repurposes \$3.1 million of GO bond funds originally authorized in fiscal 2024 to support campus flood mitigation projects to instead be used to fund emergency electrical switchgear replacement. The campus has experienced multiple failures in the last year from defective components caused by moisture buildup. The electrical switchgear is the only controlled location for all power distributed across campus. The equipment lifespan is 25 to 30 years, and it has passed its useful life due to its deterioration from environmental factors. The additional buildings on the campus have increased the electrical load on the switchgear, which makes

this project an urgent priority to ensure UMES has a reliable, modern power distribution system to prevent a campus-wide outage, loss of critical research, health and safety risks, and increased emergency repair costs. It should be noted that, unless UMES through its plant fund or USM through an allocation of system funded facilities renewal funds can replace the reallocated funds, the final critical component of the flood mitigation project will be deferred. **Accordingly, UMES should brief the committees concerning the status of the steam plant flood wall component of the flood mitigation project.**

Summary of Fiscal 2027 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, completed in December 2025, replaced the tension fabric roof; and Phase II will upgrade the mechanical system.

New/Ongoing: Ongoing								
Start Date: Design May 2024					Est. Completion Date: August 2028			
Fund Sources:								
(\$ in Millions)	Prior Auth.	2027	2028	2029	2030	2031	Beyond CIP	Total
GO Bonds	\$18.734	\$2.906	\$4.820	\$0.000	\$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	1.000	1.000	0.000	0.000	0.000	0.000	2.000
Total	\$23.668	\$3.906	\$5.820	\$0.000	\$0.000	\$0.000	\$0.000	\$33.394
Fund Uses:								
(\$ in Millions)	Prior Auth.	2027	2028	2029	2030	2031	Beyond CIP	Total
Planning	\$2.419	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$2.419
Construction	21.249	3.906	5.820	0.000	0.000	0.000	0.000	30.975
Total	\$23.668	\$3.906	\$5.820	\$0.000	\$0.000	\$0.000	\$0.000	\$33.394

- **Need:** The Colwell Center houses the Institute of Marine and Environmental Technology; the Chancellor’s headquarters; Towson University’s Center for Science, Technology, Engineering, and Mathematics Excellence; and leased space to private entities. Phase I of the project replaced the existing tension fabric roof that was 30 years old and at the end of its useful life. An inspection conducted in March 2022 indicated that the roof was deteriorating.

Phase II of the project will refurbish the existing central plant system that is 31 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 include the demolition of ice storage units.

- ***Project Status and Schedule:*** The fiscal 2027 capital budget includes \$2.9 million in GO bond funding, and the 2026 CIP programs \$1.0 in revenue bonds to continue construction. The fiscal 2027 capital budget includes a preauthorization of \$4.8 million for fiscal 2028 to complete construction. The total estimated cost of \$33.4 million and scheduled completion in January 2028 are unchanged from last session.
- ***Other Comments:*** Since this is a multi-use facility used by several USM institutions and the 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 was a contributing factor to it being added to the 2023 CIP, essentially as an emergency project requiring immediate funding.

USMO – Capital Facilities Renewal

The USM Facilities Renewal program provides funding for various capital improvement projects at USM institutions. In fiscal 2027, \$24 million in academic revenue bonds (ARB) to be authorized by SB 769 are programmed to fund 24 projects at 11 institutions and the 3 regional higher education centers. The 2026 CIP programs \$24 million in ARBs in fiscal 2028 and \$25 million annually in fiscal 2029 through 2031.

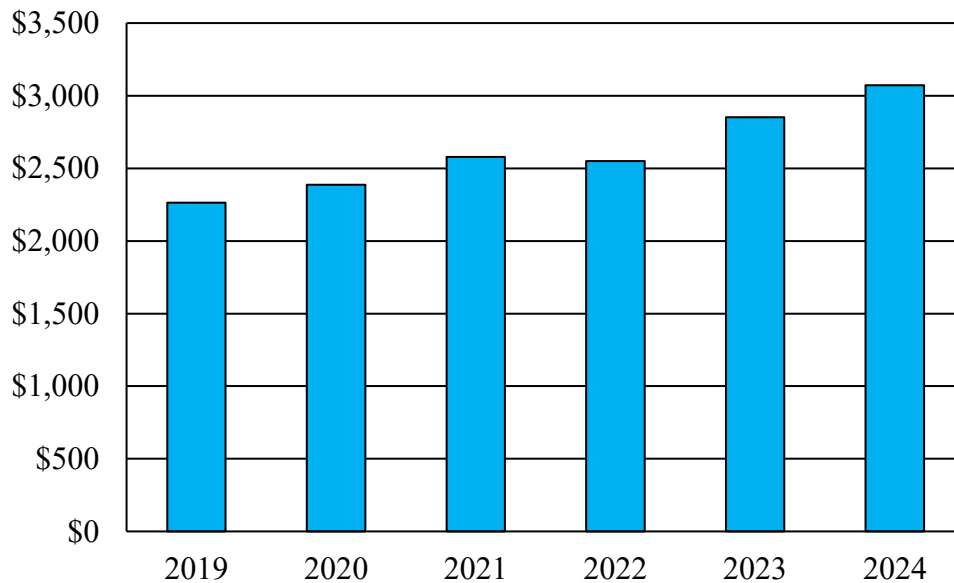
Deferred Maintenance/Facility Renewal

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.

Overall, since fall 2019, USM's total deferred maintenance has grown 35.7%, or \$808.4 million, as shown in **Exhibit 1**, to a total of \$3.1 billion. In fall 2024, deferred maintenance increased \$219.9 million from fall 2023 with mechanical/electrical systems accounting for 68.3% of the total backlog, as shown in **Exhibit 2**. Two institutions – the University of Maryland, Baltimore Campus and the University of Maryland, College Park Campus (UMCP) – account for 58.9% of USM's deferred maintenance. Programmatic improvements total \$3.0 billion, resulting

in an overall total renovation cost (deferred maintenance plus programmatic improvements) of \$6.1 billion, an increase of \$381.9 million compared to fall 2023. Overall, UMCP accounts for 54.7%, or \$3.3 billion, of the total renovation cost, of which programmatic improvements account for \$2.1 billion and deferred maintenance comprises the remaining \$1.2 million.

Exhibit 1
Total Deferred Maintenance
Fall 2019-2024
(\$ in Thousands)



Source: University System of Maryland

Exhibit 2
Facilities Renewal Backlog
Fall 2024
(\$ in Thousands)

	<u>Structural/ Envelope</u>	<u>Mechanical/ Electrical Systems</u>	<u>Life Safety/ Regulatory</u>	<u>Total Deferred Maintenance</u>	<u>Programmatic Improvements</u>	<u>Total Renovation Cost</u>
UMB	\$171,792	\$433,570	\$8,181	\$613,542	\$204,514	\$818,056
UMCP	156,297	798,113	242,759	1,197,169	2,128,300	3,325,469
BSU	11,187	37,452	5,350	53,989	43,289	97,278
TU	98,633	138,086	35,508	272,226	122,304	394,530
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	24,702	112,283	11,228	148,214	76,353	224,566
SU	22,069	110,346	11,035	143,449	55,173	198,622
UBalt	17,242	57,722	8,246	83,210	66,718	149,928
UMBC	51,048	275,800	36,762	363,610	128,753	492,363
UMCES	16,721	20,901	4,180	41,802	41,802	83,603
USM						
RHEC	3,734	12,502	1,786	18,023	14,451	32,473
Total	\$601,295	\$2,090,078	\$380,418	\$3,071,790	\$3,006,118	\$6,077,909

RHEC: regional higher education center

Note: Structural/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) improvements 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 calendar 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 3 shows the FCI from fall 2019 to fall 2024 by institution. Overall, since fall 2019, the FCI has decreased at four institutions. Coppin State University (CSU) and the University of Maryland Center for Environmental Science (UMCES) experienced the greatest increases of 11.9 and 4.9 percentage points, respectively, which USM attributes to the institutions’ efforts to more accurately depict their renovation needs: UMCES has reevaluated its needs in house since fall 2019; 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 3
Facility Condition Index of State Buildings by Institution
Fall 2019-2024

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Change</u> <u>2019-2024</u>
UMB	22.62%	23.16%	22.77%	21.66%	18.54%	19.06%	-3.56
UMCP	15.71%	16.46%	16.33%	14.85%	18.67%	17.21%	1.50
BSU	14.27%	14.27%	14.27%	13.59%	13.60%	9.96%	-4.31
TU	14.67%	15.91%	15.91%	14.57%	15.74%	15.46%	0.79
UMES	13.29%	13.29%	17.12%	17.02%	16.69%	15.57%	2.28
FSU	10.82%	11.06%	13.73%	9.99%	10.81%	10.76%	-0.06
CSU	14.54%	14.36%	18.48%	19.82%	26.38%	26.43%	11.89
UBalt	16.23%	16.23%	16.23%	16.23%	15.51%	18.89%	2.66
SU	19.27%	19.27%	19.29%	19.42%	19.42%	19.42%	0.15
UMBC	17.13%	17.13%	17.91%	18.02%	16.94%	16.89%	-0.24
UMCES	12.03%	11.72%	18.17%	18.02%	16.94%	16.89%	4.86
USM							
RHEC	4.44%	4.44%	2.93%	2.93%	2.97%	3.27%	-1.17
USM	16.81%	17.34%	17.41%	16.37%	17.41%	16.90%	0.09

RHEC: regional higher education center

Source: University System of Maryland

The FCI for Bowie State University improved from 13.6% in fall 2023 to 9.96% in fall 2024, reflecting the removal of the original Martin Luther King, Jr. building, which had significant maintenance and repair needs, from the inventory list in fall 2024. The increase in the FCI at the University of Baltimore (UBalt) from 15.51% in fall 2023 to 18.89% in fall 2024 is related to the use of a consultant who conducted a comprehensive facility condition assessment resulting in more accurately capturing the renovation needs of UBalt’s facilities

Facilities Renewal Funding Sources

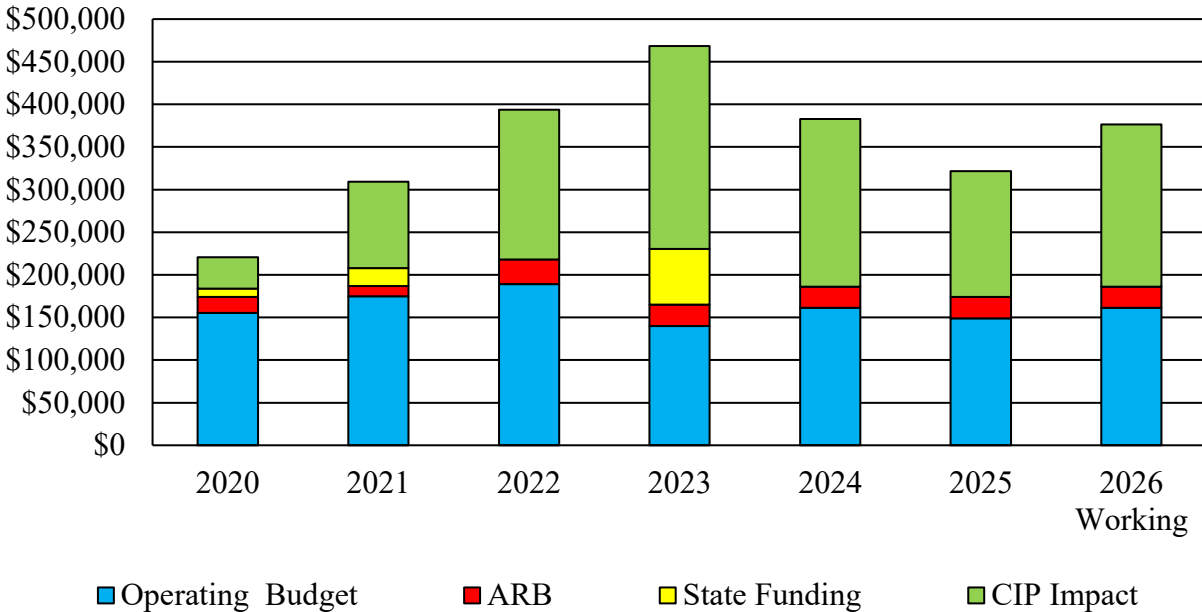
Reducing the backlog of deferred maintenance is a continuing priority for the Board of Regents (BOR) and the Chancellor. USM’s policy sets a target that institutional spending on facilities renewal be equal to 2% of the current replacement value of facilities that are greater than 10 years old. However, the previous facilities renewal policy did not fully capture all of an institution’s spending on facilities renewal: in some cases, institutions were putting significant 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.

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 4**. However, institutional spending has been comprising a smaller portion of facilities renewal funds, decreasing from 70.4% to 42.8% in fiscal 2026. 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 50.5% of funding in fiscal 2020 and 2025, respectively. This also reflects USM’s focus on renovation and replacement projects rather than new facilities.

Exhibit 4
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 2026 will change as institutions get a more accurate picture of revenues available for facilities renewal

Source: University System of Maryland

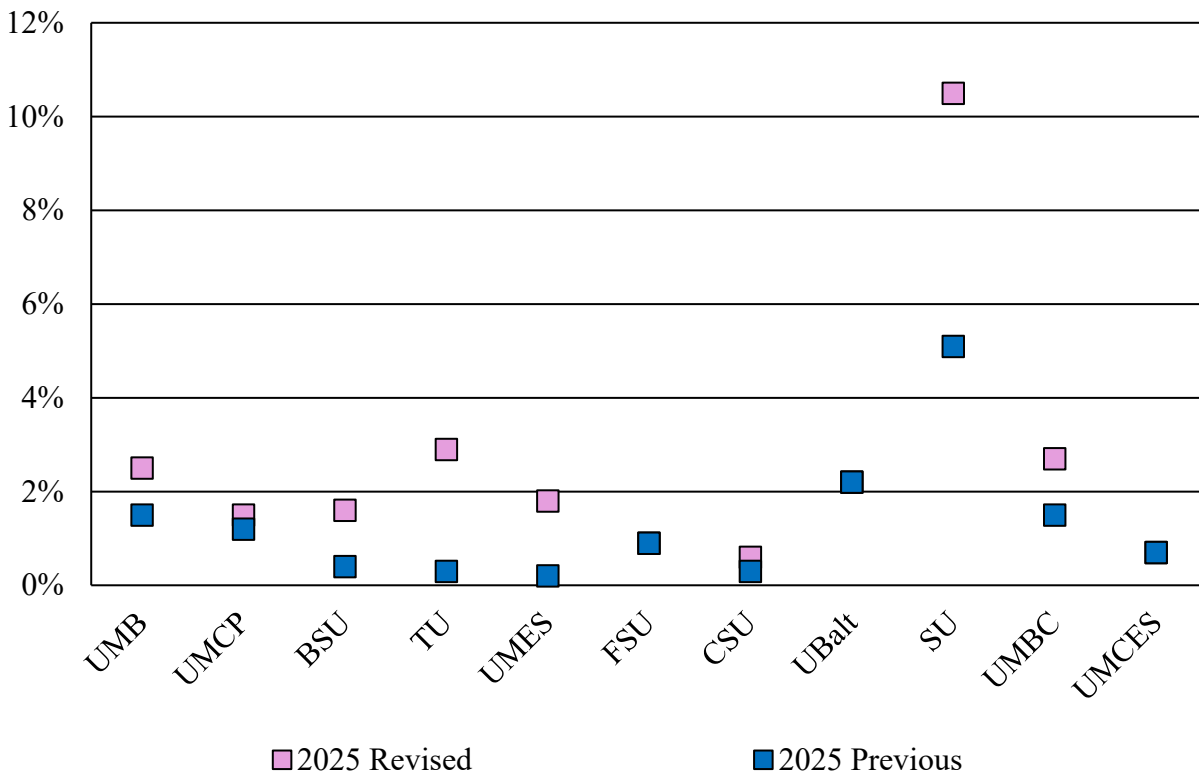
In fiscal 2023, institutional spending decreased by \$49.1 million, or 30.0%, which may be attributable to \$65 million in pay-as-you-go funds which, under the revised policy, counts toward an institution’s 2% target. In fiscal 2025, institutions spent \$12.3 million less on facilities renewal due to cost containment actions approved by the Board of Public Works (BPW) in July 2024 that resulted in a 1% reduction of USM’s appropriation, which some institutions met by reducing spending on facilities renewal. While institutional spending is budgeted to increase \$12.3 million in fiscal 2026, the fiscal 2026 Budget Bill reduced USM’s appropriation by 7%, or \$155.5 million. Some institutions plan to meet this reduction by spending less on facilities renewal; therefore, total spending might be less than originally budgeted.

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

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 2025. Of the five institutions that met or exceeded the target, three institutions would have fallen below the target if not for the inclusion of projects in the CIP. Even though UBalt did not have any expenditures related to projects in the CIP, at 2.2%, it exceeded the target. When not including CIP-related projects, all institutions except for Salisbury University and UBalt fell below the 2% target which, as previously discussed, reflects the impact of the July 2024 cost containment actions approved by BPW. 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.

Exhibit 5
Comparison of Policies on Meeting Target
Fiscal 2025



Source: University System of Maryland

Plant Funds

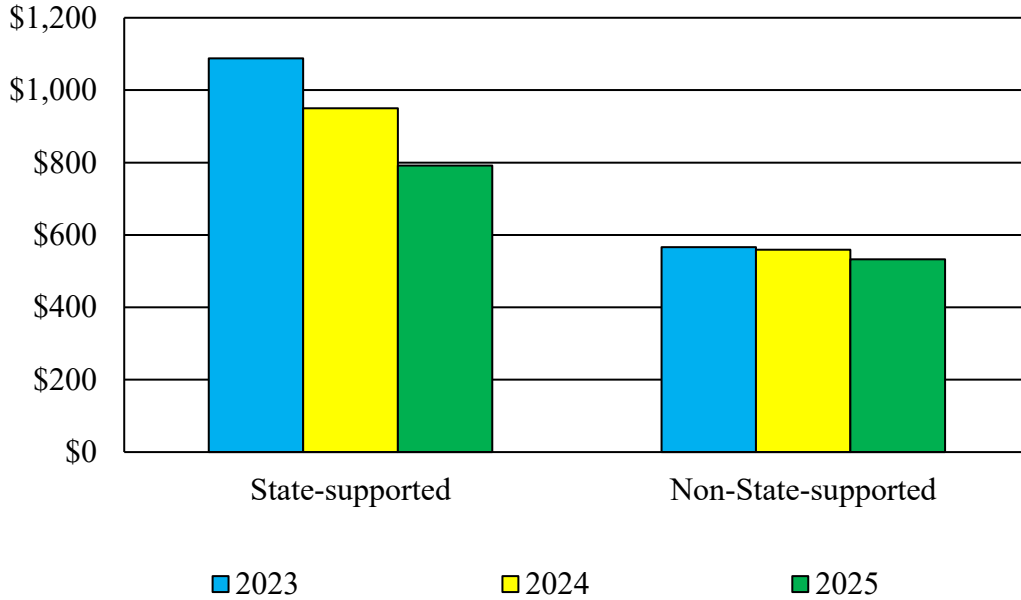
Institutions can transfer operating funds to the plant fund, which are a group of accounts like a savings account in which institutions can set aside funds for anticipated capital expenditures. Funds are used to finance the acquisition, construction, renovation, and maintenance of facilities. Plant funds may only be 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 **Exhibit 6**, between fiscal 2023 and 2025, total funds in the plant fund decreased by \$329.8 million, of which \$296.6 million was from the State-supported portion due to institutions' spending on capital projects. See **Appendix 1** for plant funds by institution.

Exhibit 6
Change in Plant Fund
Fiscal 2023-2025
(\$ in Thousands)



Source: University System of Maryland

**Appendix 1
Plant Funds by Institution
As of July 2024-2025
(\$ in Thousands)**

	2024			2025			\$ Change		
	<u>State Supported</u>	<u>Non-State Supported</u>	<u>Total</u>	<u>State Supported</u>	<u>Non-State Supported</u>	<u>Total</u>	<u>State Supported</u>	<u>Non-State Supported</u>	<u>Total</u>
UMB	\$169,684	\$50,636	\$220,321	\$157,695	\$50,116	\$207,810	-\$11,990	-\$521	-\$12,511
UMCP	190,180	104,884	295,064	84,509	68,092	152,602	-105,671	-36,792	-142,462
BSU	23,225	13,620	36,845	21,679	11,178	32,856	-1,546	-2,442	-3,989
TU	84,825	64,972	149,797	93,293	57,706	150,999	8,468	-7,266	1,202
UMES	-2,390		-2,390	-4,488		-4,488	-2,098		-2,098
FSU	10,632	7,633	18,265	10,995	12,210	23,205	363	4,578	4,940
CSU	1,396	-255	1,142	1,147	-255	893	-249		-249
UBalt	20,428	44,227	64,655	20,435	50,580	71,015	7	6,353	6,361
SU	40,089	22,120	62,208	48,468	26,487	74,955	8,380	4,367	12,747
UMGC	5,217	237,221	242,439		232,446	232,446	-5,217	-4,775	-9,993
UMBC	66,158	31,109	97,267	75,351	37,628	112,979	9,194	6,519	15,713
UMCES		338	338		338	338			
USM Office	340,640	-17,296	323,343	282,197	-13,518	268,679	-58,443	3,779	-54,664
Total	\$950,084	\$559,208	\$1,509,292	\$791,280	\$533,009	\$1,324,289	-\$158,803	-\$26,199	-\$185,003