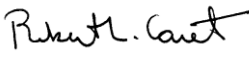




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ADELPHI, MD 20783-1690

TO: USM Presidents
FROM: Robert L. Caret 
Chancellor
DATE: February 11, 2016
SUBJECT: Capital Budget Preparation

I write regarding the preparation of your submission of requests for the FY 2018 Capital Improvement Program (CIP) and FY 2017 System Funded Construction Program (SFCP).

This is a unique period for all institutions of the System. On one hand, we have had considerable success with the Capital Budget in the past, despite the fact that these budgets have been prepared during a period of unprecedented fiscal challenges. Our success has been built in part on our ability to demonstrate to the state that our capital requests are tied to critical state goals, such as college access and completion, research, technology transfer and workforce development.

On the other hand, given the constrained debt levels proposed by the Capital Debt Affordability Committee and the Governor in his FY2017-21 Capital Improvement Program, meeting our facilities needs will pose a difficult challenge for the State. More will be asked of the institutions, in terms of providing non-budgeted funding (NBF). We'll likely also see continued pressure to reduce the scope and cost of our projects to minimal requirements. In the FY2017 CIP now being considered by the General Assembly, for instance, there are a number of project-specific setbacks impacting major requests at 5 different institutions and two of our higher education centers. Furthermore, the planning requests that establish future construction appropriations beyond the 5 year CIP were not supported in the State CIP.

We will continue to recommend projects beyond the Governor's CIP as part of the annual capital request, but we will do so as a separate, prioritized list of needs to be considered by the State only if additional funding is available. Then, during the next capital budget cycle, we will discuss ways of building some of those deferred projects back into the CIP for State funding consideration. Critical to this process will be our ability to demonstrate the positive impact of State investment on the academic, research and economic development roles of each institution. We must also demonstrate stewardship of resources through effective project management, maintenance and programmatic success.

You'll recall our recent discussions about the importance of institutionally-based enrollment planning in support of two critical goals of the USM Strategic Plan, specifically: 1) attaining 55% degree completion for Maryland's adult population; and 2) meeting the workforce demands of the Maryland economy. Enrollment projections already help develop performance indicators to measure progress and, as it relates to this memo, form a key element of USM budgeting decisions. As you review priorities for the

capital program in an environment of constrained resources, those projects that build physical capacity in support of targeted enrollment goals will inevitably rise to the top of your project lists. This, coupled with the critical need to rebuild our existing assets, will undoubtedly comprise the highest priority funding tier.

On the System-Funded side, we will face our own internal constraints on debt as we seek to meet increasing demand for critical self-support projects like student residential facilities. As always, these and other important issues will be discussed at future Presidents' and Chancellor's Council meetings, with your Administrative VPs and with the Board at our Board Capital Workshop in May. I look forward to working with you throughout this process.

Attached please find a copy of information and instructions regarding the particulars for this budget cycle. These documents, along with the requisite forms, have been provided to your Administrative Vice Presidents and Capital Budget Directors. They will also be made available online. Further instructions from the State Dept of Budget & Management (DBM) are pending and will inform and, perhaps, supersede some of these instructions.

Please note that this year's Capital Workshop with the Board of Regents will be held Thursday May 12, 2016. Thus adherence to key dates and deadlines is important. **For full consideration, your submissions are due to the Office of Capital Planning by Monday, March 21, 2016.**

Finally, as the State (DBM) has directed, all capital budgets must be prepared online with the Capital Budget Information System (CBIS). This year's training cycle for the CBIS system will begin soon, so please encourage your staff to participate.

I want to thank you in advance for your attention to this critical budget preparation. Please call Joe Vivona 301-445-1923, Mark Beck at 301-445-1984, or me with any questions you may have.

Thank you.

cc: James L. Shea
Robert L. Pevenstein
Joseph F. Vivona
USM Vice Chancellors
Administrative VPs
Janice Doyle
Mark Beck

Enclosures