Regent Pevenstein called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:07 a.m.

Regents participating in the session included: Mr. Pevenstein, Mr. Attman, Ms. Comitz, Mr. Gossett, Senator Kelly, Mr. Neall, Mr. Rauch, and Mr. Slater. Also present were: Dr. Caret, Mr. Vivona, Dr. Bowling, Ms. Doyle, Ms. Moultrie, Assistant Attorney General Langrill, Assistant Attorney General Palkovitz, Assistant Attorney General Mataban, Mr. Appleton, Ms. Byington, Ms. Crockett, Ms. Kropp, Mr. Oster, Mr. Rose, Ms. Schaefer, Mr. Cohen, Mr. Page, Ms. Denson, Mr. Hickey, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

Prior to the presentation of the agenda items, Mr. Vivona announced that this would be the final meeting of the committee for several vice presidents of administration and finance—Ms. Byington, Ms. Crockett, and Ms. Kropp. Mr. Pevenstein acknowledged their fine service to their institutions and the USM, and expressed his appreciation for their commitment.

1. **University System of Maryland: FY 2015 Draft Financial Statements** (information)

Ms. Denson discussed the draft financial statements for the year ended June 30, 2015. Highlights included an increase of more than $143 million in unrestricted net assets. However, the implementation of GASB Statement #68 requires that the System record a liability for a proportionate amount of the state’s unfunded pension liability in the amount of $679 million, thus resulting in a net decline of more than $536 million. Ms. Denson explained that the credit rating agencies already had a process in place for estimating the impact of the pension plan, and therefore it is not anticipated that the inclusion of the liability will impact the USM rating this year. (USM will visit the rating agencies in January and expects to revisit the current “credit watch” at that time.) Looking back at FY 2014, several factors contributed to a decrease in net assets: reversion of $31 million in cash to the State; the ACC Settlement; and a significant enrollment decline at UMUC.

Ms. Denson also advised that the State is seeking an increase in the role of donor funding directed to USM capital budget projects. Mr. Vivona noted that currently there are plans to provide approximately $175 million in bridge loans from the fund balance to campuses as projects get underway and until such time that donor pledges are realized. The sports/medicine complex at UMCP is one such example with approximately $90 million of the project tied to donor funds. Regent Gossett mentioned that he is often asked by potential donors about the threshold necessary to move a capital project up in the “queue”—questioning if 15% is the right figure. Mr. Vivona responded that we think about this matter a great
deal and consider each project and its funding on a case-by-case basis. He added that some of the institutions may not have the capacity to meet a higher requirement, and thus the case for individual project consideration.

As a final point, it was noted that all campuses met their fund balance goals for the year. Regent Attman indicated that UMUC should be commended for its turnaround—adding that the Board empowered them to be entrepreneurial.

The Report was accepted for information purposes.

2. **Opening Fall 2015 Enrollment and FY 2016 Estimated Full-time Equivalent (FTE) Report** (presentation and information)

Dr. Muntz presented the fall enrollment report to the committee. The purpose of the report is to provide the overall headcount and FTE for each institution as well as note any changes or trends. Also, he explained, the report can confirm or measure the achievement of the actual enrollment compared to the enrollment plans by the universities. Together, these trends and changes provide information about enrollment that affects revenue, resource usage, and institutional strategic goals. The fall report is an apple-to-apple comparison at the same point in time each year.

Several findings reviewed by Dr. Muntz included: fall 2015 headcount tracks well with enrollment projections and the operating budget processes; enrollment growth continues to be strong for UMUC, which means there are more part-time students; combined non-UMUC growth at campuses remains flat; and, new freshmen continue to be about 1,000 students below the USM peak in FY 2009. Importantly, new freshmen are some of the most successful students in USM, so this likely means about 600 fewer degree recipients for the cohort.

In summary, it is likely that the USM will not have the bachelor degree production needed to meet the 55% goal with current levels of input. Transfers to USM schools are a considerable portion of the overall student body, with the number of Maryland community college transfers remaining high. And finally, there are some signs that those institutions that struggled with attracting enrollment (e.g., FSU and UMES) did better in fall 2015 after hiring third party enrollment service contractors.

While discussing the noticeable decline in first-time full-time enrollment at UB, Regent Comitz stated that the UB students had asked the president to focus on enrolling students who really wanted to attend UB as a preferred choice instead of enrolling students who were seeking to transfer elsewhere and somewhat disengaged. She added that among the students’ wish list for campus amenities would be a sports/recreation facility and a daycare center.

The Report was accepted for information purposes.

3. **Proposed Revision to Board of Regents Policy VIII-16.00—Policy on Payment of Moving Expenses** (action)

Mr. Page explained that the proposed policy is offered for consideration as part of an ongoing effort to systematically review and update Board policies. The revised policy on moving expenses represents a modernization of a policy that dates from the early nineties. At the time, the policy was designed
around IRS reporting rules, specifying the distance required for a move to avoid reporting set at thirty-five miles. The IRS has since updated that figure to stand at fifty miles. Over time, the competitive market place for recruitment has changed. Instead of citing the IRS constraints, the proposed policy will instead provide flexibility for institutions to design their own relocation packages that are suitable for their market place. The USM Office will survey the institutions annually regarding their offerings.

The Committee on Finance recommended that the Board of Regents approve the proposed revision to the Policy on Payment of Moving Expenses, as presented.

(Regent Pevenstein moved recommendation, seconded by Regent Attman, unanimously approved)

4. University of Maryland, Baltimore: Contract Renewal for Scientific Supplies (action)

Regent Pevenstein summarized the item. UMB is seeking to exercise the last of five one-year renewal options of a University System-wide scientific supplies contract that has been co-awarded to VWR International and Fisher Scientific. He noted that the multi-campus collaboration resulted in great cost savings. Regent Attman added that this contract represented another terrific E&E effort.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, Baltimore, that it may execute the fifth and final renewal option of the aforementioned contract consistent with the University System of Maryland Procurement Policies and Procedures; Section VII.C.2.

(Regent Pevenstein moved recommendation, Senator Kelly seconded, unanimously approved)

5. University of Maryland Center for Environmental Science: Deed Transfer of 146 Williams Street from Maryland Department of Natural Resources (action)

Regent Pevenstein stated that UMCES is seeking approval to clean-up a deed that was erroneously recorded for the Department of Natural Resources in 1970. The property contains a laboratory that was built by UMCES in 1980 and has been in use by the Center since that time.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland Center for Environmental Science the deed transfer of 146 Williams Street from Department of Natural Resources to UMCES.

(Regent Pevenstein moved recommendation, seconded by Regent Gossett, unanimously approved)

6. Frostburg State University: Discussion of Student Housing (information)

Mr. Vivona reminded everyone that when the Finance Committee recommended the System-Funded Construction Program for approval in June, they requested a report and discussion on the status of the need for on-campus student housing.
Dr. Bowling, interim FSU president, told the group that at 5,756 headcount and 4,852 FTE students, the fall 2015 enrollment is the largest in Frostburg’s 117-year history. Importantly, a record number of international students (requiring housing) were also enrolled, with more seeking admission for the spring semester. The M.S. in Computer Science, in particular, has seen an unprecedented surge in international applications.

Dr. Bowling said that Frostburg has just under 1,700 beds in traditional campus residence halls, the newest was built in 1976, and there is no existing debt. Since 2008, five buildings have been renovated. Currently, there is no waiting list and there are about 50 vacant beds. Another 100 beds have been taken offline for various reasons.

Dr. Bowling stressed that the existing housing—particularly the high rise units—are in serious need of renovation. He went on to say that outdated units are not appealing to potential applicants and in fact might deter some families from considering the University.

A demand study by a consultant was updated in late October. The study made note of the robust off-campus housing stock and cited a number of reasons students avoid on-campus housing, including: poor condition and configuration of units; lack of privacy and amenities; cost of room and board; and the rules imposed by the University on resident students. However, the consultants did identify demand for housing that could occur if the University built a new residence hall. Their survey noted interest by about 400 students currently living off-campus in moving to campus if a new building was available that provided desired room configurations and amenities at a competitive cost. Furthermore, if Frostburg enacted a policy to require all qualifying freshmen and sophomores to live on the campus, another 350-bed demand could be generated. The impact of such a requirement (positive or negative) on current enrollment trends would need to be evaluated by the University. The net of these two actions, less the current vacancies, could create a demand for roughly 600 new beds.

The Committee expressed support for consideration of an on-campus student residence project at FSU. Senator Kelly initially offered a motion (seconded by Regent Slater) to place the project in the SFCP for the upcoming year. That led to a discussion of several issues surrounding the project, including: the need to review the financial parameters of a new housing project within the context of the overall System-wide bond program; addressing matters of student and institutional affordability; and seeking the required consent from MEDCO regarding a non-compete clause associated with its public/private-partnership facility, Edgewood Commons. After much discussion, the motion was withdrawn with the understanding that the chairman would work closely with Mr. Vivona and the staff in an effort to sort out and address the issues surrounding the project, in advance of the May Capital Workshop. It was the sense of the committee members that every reasonable effort be made to include the FSU project in the upcoming SFCP.

The public session was adjourned at 11:50 a.m.

Respectfully submitted,

Robert L. Pevenstein
Chairman, Committee on Finance