



**BOARD OF REGENTS
COMMITTEE ON FINANCE**

Minutes from Public Session
January 28, 2016
Towson University

Regent Pevenstein called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:12 a.m. in Ballroom A of the West Village Commons.

Regents participating in the session included: Mr. Pevenstein, Mr. Attman, Ms. Comitz, Ms. Gooden, Mr. Gossett, Senator Kelly, Mr. Neall, Mr. Rauch, and Mr. Slater. Also present were: Dr. Caret, Dr. Schatzel, Mr. Vivona, Ms. Doyle, Ms. Moultrie, Assistant Attorney General Bainbridge, Mr. Colella, Mr. Bitner, Ms. Rehn, Mr. Oster, Mr. Pyles, Mr. Lockett, Ms. Schaefer, Ms. Gajewski, Ms. Rolandelli, Mr. Bedward, Mr. Beck, Mr. Page, Mr. Hickey, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

Prior to the start of the agenda, the committee heard from Ms. Susan Niezelski, a parent of two UMCP students, who had requested to address the members regarding the implementation of the University's tuition pricing differential. She indicated that her concern was not with the existence of the differential pricing, but rather the process in determining the point at which a student is charged the additional amount. She noted that the policy and related documents indicated that the differential pricing "...would apply only to juniors and seniors..." and "...is back-loaded to the junior and senior years." She explained that because her son earned 34 Advanced Placement (AP) credits prior to coming to the University, he entered his second year of college with over 60 credits—this apparently triggered the different pricing action. As a result, he was assessed the differential charge in just his sophomore year. While the current charge is \$350/semester, once fully phased-in the figure would be \$1,400/semester. She indicated that her son intends to stay in college the full four years, and therefore would be charged the differential pricing for three years, instead of the two years as she believed was the original intent of the policy. Once fully phased-in, a high-achieving student entering UMCP with a number of AP credits could potentially be charged an additional \$2,800. Ms. Niezelski suggested that perhaps the University could consider a two-year cap as the maximum number of years that a four-year student would be assessed the pricing differential. Regent Pevenstein thanked Ms. Niezelski for her comments and noted that she raised a legitimate concern that should be looked at and addressed by the campus. He added that the intent was likely not to charge students, as described, for three years. Several of the regents echoed these comments. Mr. Colella, UMCP vice president of administration and finance, noted that "earned credit hours" are used as the determination in many areas, and this approach usually works for most of the cases. He added that sometimes, however, there are unintended consequences. Mr. Colella indicated that he would take this issue back to the campus and study the matter. Regent Pevenstein asked that Mr. Colella return to the committee at its March meeting and report on the findings and resolution of the matter.

The committee also heard from the new president of Towson University. Dr. Schatzel welcomed the regents to the campus and indicated that she was happy hit the ground running and begin her presidency at Towson University.

1. Proposed Revisions to Board of Regents Section VIII-3.00—USM Procurement Policies and Procedures (action)

Regent Pevenstein introduced the item. He explained that as part of the Efficiency and Effectiveness 2.0 initiative, a study group had undertaken a comprehensive review of the USM procurement policies and procedures in an effort to streamline and update the policies and procedures based on best practices. The results were summarized on a chart in the materials and the details were made available online for review. He stated that the policies had not been updated for about 15 years. It was pointed out that a Board process recently enacted will require that all Board polices be reviewed once every four years.

The committee members discussed further revising the dollar thresholds proposed in two areas. To begin, the regents looked at the non-competitive small procurements section where the threshold of \$5,000 is recommended to increase to \$25,000. Regent Gossett noted that the threshold for sole source personal services contracts was proposed to be increased from \$25,000 to \$50,000. He suggested that the committee consider if both items might have an increased threshold of \$50,000. Ms. Schaefer, the vice president of UMBC who chaired the study group, explained that it was unlikely that the higher figure would pass with the upcoming review by the Joint Committee on Administrative, Executive and Legislative Review of the General Assembly. She indicated that the group felt comfortable with the \$25,000 proposed for the non-competitive small procurements. Regent Slater, on the other hand, expressed his support for the existing thresholds, noting however that he would vote in favor of the initial proposal. A motion was offered to retain the \$25,000 threshold for sole source personal services contracts. After a discussion focusing on two aspects of the matter—the fact that the dollar figure had not been updated since 1999 and the extent to which it was time consuming to submit a proposal and therefore the lower \$25,000 threshold may limit respondents—the motion to amend the proposal did not carry.

The Committee on Finance recommended that the Board of Regents approve the revised USM Procurement Policies and Procedures, as presented.

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

2. Proposed Revisions to Board of Regents Policy VIII-10.20—Policy on the Capital Budget of the University System of Maryland (action)

Regent Pevenstein explained that as part of the Efficiency and Effectiveness 2.0 initiative, the procurement study group also reviewed the approval processes regarding excess expenditures for System Funded Construction Projects (SFCP) funded with institutional resources where no additional external borrowing is required. Regent Pevenstein read the two proposed changes to the policy, noting that he had some concern with the second proposition: (1) The Vice Chancellor for Administration and Finance may authorize excess expenditures on SFCP projects in the amount of 10% or \$1,000,000, whichever is less (rather than 10% and \$500,000); and, (2) The Chancellor may authorize excess expenditures up to 20% or \$5,000,000, whichever is less as deemed necessary. Regent Pevenstein asked

Mr. Beck for the recent history with projects exceeding their authorized budgets. Mr. Beck responded that during the period of FY 2012 - FY 2015, there were 8 projects that exceeded the lower limit—four projects fell in the \$500,000-\$1,000,000 range; three in the \$1,000,000-\$5,000,000 range and one project exceeded \$5,000,000. In some cases, the construction work had to be divided up into multiple bid packages to avoid impacting the construction schedule. In response to a question, Mr. Beck explained that eligible projects were those funded by the auxiliary budget and/or institutional cash. He pointed out that these projects do not involve state funds. Regent Attman suggested that the higher amount increases in budget authorizations should be reported to the Board in a timely manner and that the Chancellor sign-off on those large increases over \$1,000,000. Several members of the committee concurred and the staff were requested to amend the policy accordingly. Regent Rauch indicated that the institutions should submit detailed circumstances to the Chancellor accompanying a request to change the authorized project budget. Mr. Vivona assured the committee that ultimately such requests come through the campus vice presidents' offices, are highly scrutinized with an eye on potentially expending institutional resources/fund balance, and that much goes on at the campus before a request is ever submitted to the System Office.

The Committee on Finance recommended that the Board of Regents approve the proposed revision to the Policy on the Capital Budget of the University System of Maryland, as amended during the discussion.

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

3. University of Maryland University College: Lease Renewal for Dorsey Station Location (action)

Regent Pevenstein stated that the University was seeking Board approval to renew its lease for space at Dorsey Station. Regent Attman asked if someone from UMUC could provide him with a copy of the lease to review relative to the E&E 2.0 initiative.

The Committee on Finance recommended that the Board of Regents approve for the University of Maryland University College to renew the lease at Dorsey Station for a term of 5 years.

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

4. University System of Maryland: Report on FY 2015 Procurement Contracts (information)

Mr. Hickey presented the annual report. He noted that twenty-six contracts were awarded totaling \$56.1 million, with about 38% of the total dollars awarded going to Maryland firms. Regent Attman mentioned the OneBaltimore initiative and the movement to utilize City of Baltimore vendors where possible. Mr. Hickey responded that current procurement regulations do not provide for a local hiring preference.

The report was accepted for information.

5. FY 2017 Operating Budget Update (information)

Mr. Vivona gave a brief update on the FY 2017 operating budget. Tuition for undergraduate students will be capped at a 2% increase, with additional funding provided by the Governor to “buy down” the proposed increase of 3%. An increase of approximately \$45 million will fund changes to the cost of various fringe benefits including a health insurance deficit. There is also enhancement funding of \$6.8 million for the college completion initiative. Calling the proposed budget fair and generous, Mr. Vivona noted that a lot had improved from where the USM stood a year ago. Turning to the capital budget, he noted that many projects were on track, although there were some disappointments. For those projects, he pledged to work with the Governor and the legislative members on a resolution.

6. Reconvene to Closed Session (action)

Regent Pevenstein read the “Convening Closed Session” statement citing the topics for the closed session and the relevant statutory authority for closing the meeting under §3-305(b) and §3-103(a)(1)(i) of the Open Meetings Act.

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

The meeting was adjourned at 11:32 a.m.

Respectfully submitted,

Robert L. Pevenstein
Chairman, Committee on Finance



**BOARD OF REGENTS
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Minutes from Closed Session
January 28, 2016
Towson University

Regent Pevenstein called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in closed session at 11:44 a.m. in Ballroom A of the West Village Commons.

Regents participating in the session included: Mr. Pevenstein, Mr. Attman, Ms. Comitz, Ms. Gooden, Mr. Gossett, Senator Kelly, Mr. Neall, Mr. Rauch, and Mr. Slater. Also taking part in the meeting were: Mr. Vivona, Ms. Doyle, Ms. Moultrie, Assistant Attorney General Bainbridge, Mr. Beck, Mr. Page, Mr. Hickey, and Ms. McMann.

1. The committee discussed the strategy for communicating USM priorities for the FY 2017 operating budget (§3-103(a)(1)(i)).
2. The committee considered and unanimously recommended the acquisition of property in the City of Salisbury (§3-305(b)(3)). (moved by Regent Pevenstein; seconded by Regent Attman)
3. The committee considered and unanimously recommended the acquisition of property via lease in the City of College Park (§3-305(b)(3)). (moved by Regent Pevenstein; seconded by Regent Gossett)

The meeting was adjourned at 12:07 p.m.

Respectfully submitted,

Robert L. Pevenstein
Chairman, Committee on Finance