



**Board of Regents Retreat
The Hotel at Arundel Preserve
7795 Arundel Mills Boulevard
Hanover, MD 21076**

November 29, 2018

Agenda

- 9:00 – 9:15 a.m.** ***Opening Remarks & Why We Serve***
Linda Gooden, Board of Regents Chair
- 9:15 – 10:30 a.m.** ***Who We Are***
- ***Organization & Roles and Responsibilities***
Robert Caret, USM Chancellor
Denise Wilkerson, Chief of Staff
 - ***Enrollment & Graduation Rates***
Michelle Gourdine, Regent
Joann Boughman, Vice Chancellor for Academic Affairs
 - ***Budget and Financial Ratings***
Robert Pevenstein, Regent
Ellen Herbst, Vice Chancellor for Administration and Finance
 - ***Investment Strategy & Results***
James Holzapfel, Regent
Leonard Raley, Vice Chancellor for Advancement
 - ***Economic Outcomes***
Gary Attman, Regent
Tom Sadowski, Vice Chancellor for Economic Development
- 10:30 – 10:45 a.m.** ***Break***
- 10:45 – 12:15 p.m.** ***How We Work:
Back to Basics...The Role of Governance in Boards & Intercollegiate Athletics***
Rick Legon, Association of Governing Boards
- 12:15 – 1:00 p.m.** ***Lunch & Networking***
- 1:15 – 2:25 p.m.** ***Where We Are Going***

- ***Vision & Strategy***
Robert Caret, USM Chancellor
Ellen Herbst, Vice Chancellor for Administration and Finance
- ***Government Relations***
Bobby Neall, Regent
Patrick Hogan, Vice Chancellor for Government Relations
- ***Advancement***
Barry Gossett, Regent
Leonard Raley, Vice Chancellor for Advancement

2:25 – 2:40 p.m. *Break*

2:40 – 3:45 p.m. *What's Next:*

- ***Path Forward***
Linda Gooden, Board of Regents Chair
Robert Caret, USM Chancellor
- ***Enterprise Risk Management***
Ellen Fish, Regent
Ellen Herbst, Vice Chancellor for Administration and Finance
- ***Crisis Communications Planning***
Jeff Neal, Vice Chancellor for Communication and Marketing
Rick Abbruzzese, KO Public Affairs

4:00 p.m. *Reconvene to Closed Session*

Board of Regents Annual Retreat

Welcome

November 29, 2018

Linda Gooden, Chair



Because...



UNIVERSITY SYSTEM
of MARYLAND

...We are **passionate** about education

...We want to be a part of the most **premier education system** in the world

...We care about **driving the economy** of the state of Maryland

...We want every child in this state to have access to a **safe, affordable, high quality** education experience

AGENDA

Who We Are

Organization & Roles & Responsibilities
Enrollment & Graduation Rates
Budget and Financial Ratings
Investment Strategy & Results
Economic Outcomes

Board Governance & Intercollegiate Athletics

Lunch & Networking

Where We Are Going

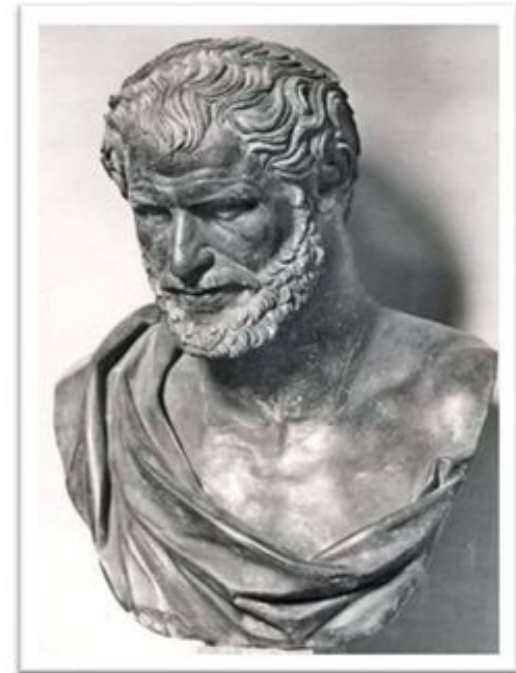
Vision & Strategy
Government Relations
Advancement

What's Next?

Path Forward
Enterprise Risk Management
Crisis Communications Planning

The only thing that is
constant is change.

Heraclitus



The best way to
predict the future is
to create it.

Peter Drucker

Board of Regents Annual Retreat Organization, Roles, and Responsibilities

Chancellor Robert L. Caret

Chief of Staff Denise Wilkerson



Roles & Responsibilities:

Board of Regents

- Statutorily established/charged with governance and management of the USM and its constituent institutions
- Makes rules and regulations and prescribes policies and procedures for the management, maintenance, operation, and control of the university system
- Approves missions for each institution to ensure compliance and efficient and effective use of system resources
- Approves a system-wide plan of higher education
- Coordinates academic program planning and program reviews for USM institutions
- Establishes funding standards with respect to capital and operational budgets
- Manages the process for the selection and evaluation of the USM Chancellor
- Manages the process for the selection and evaluation of the USM presidents in consultation with the Chancellor

Roles & Responsibilities:

Chancellor

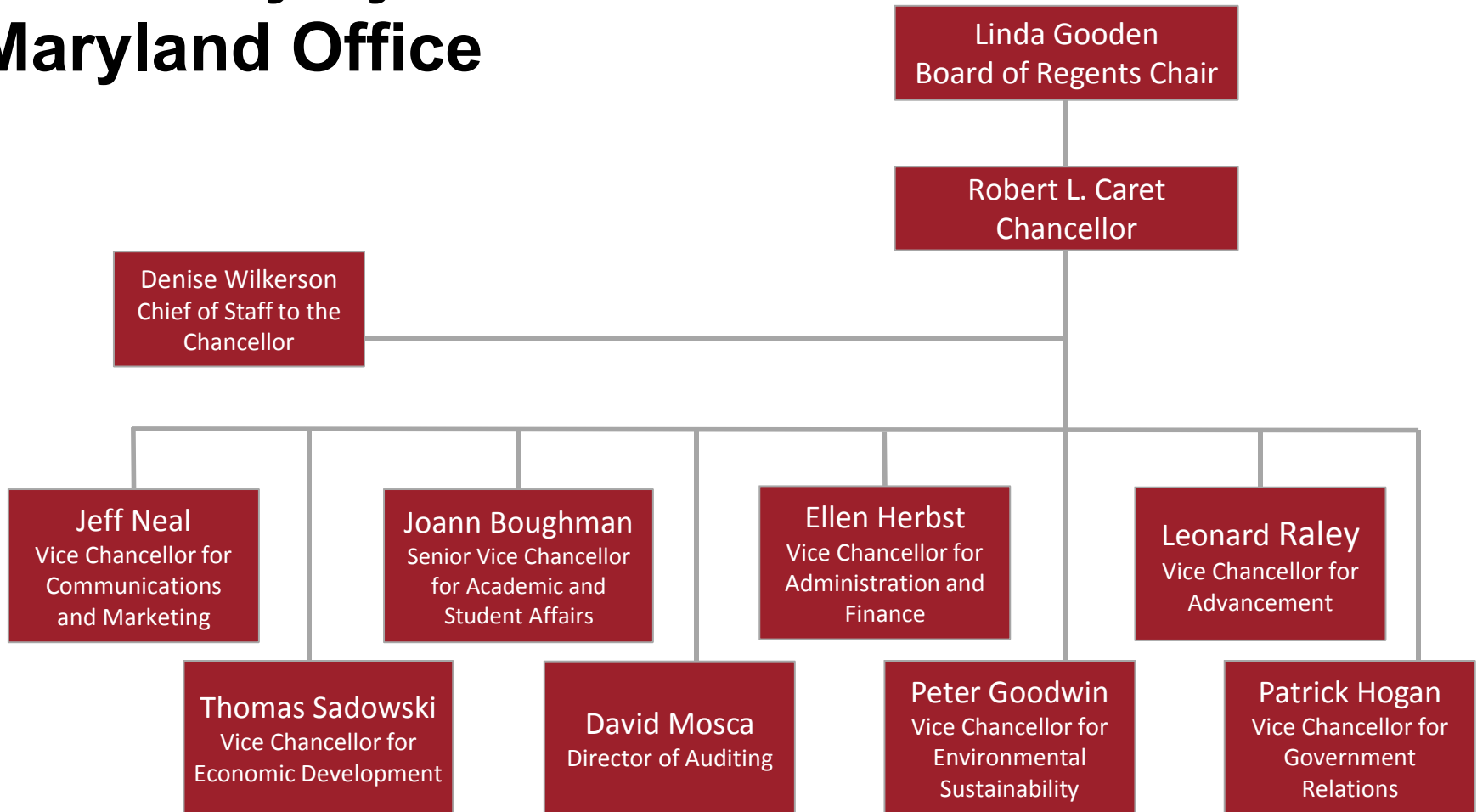
- Appointed by the Board
- Advises the Board on policy matters
- Conducts system-wide planning
- Coordinates and arbitrates among institutions
- Assists institutions with achieving performance goals
- Provides technical assistance to institutions
- Consults with the institutions and Board on funding standards with respect to capital and operational budgets
- Implements the policies of the BOR
- Leads the USMO and its personnel
- Supervises USM Presidents
- Collaborates with business leaders to target key workforce and economic needs
- Provides leadership at the state and national levels on major issues facing higher education

Roles & Responsibilities:

USM Office

- Develops and oversees USM policies
- Develops and oversees a \$5B+ operating budget and a \$250M+ capital program
- Manages \$1.1B + capital debt portfolio, maintains a “AA+” bond rating
- Oversees the development and management of USM regional education centers
- Leads USM’s efforts on course redesign and academic transformation through the Kirwan Center
- Coordinates Effectiveness & Efficiency (E&E) activities across USM
- Manages relations with the state’s community colleges and P-20 community
- Coordinates through MHEC activities with State partners in higher education
- Identify and address workforce and economic development needs/opportunities
- Coordinates legislative activities at the State and Federal levels to mutually align the System’s and State’s higher education needs and priorities
- Strengthens the culture of philanthropy and forges relationships with the private sector and foundation community
- Educates the public and key constituencies about USM’s value to the state

University System of Maryland Office



BOR Standing Committees & Workgroups

Advancement

- Fundraising efforts, policies, and best practices
- Enhancement of System interests through donations, endowments, grants, gifts, etc.

Audit

- Fiduciary responsibility
- Compliance of internal controls
- Sufficiency in reporting
- Review of legislative & external audit

Economic Development & Tech Commercialization

- Promote economic development
- Links btw System, business, gov't
- Issues/policies related to research, tech transfer, workforce development

Ed Policy & Student Life

- New program proposals
- Faculty matters
- Student life
- Inter-institutional cooperation/system-wide activities

E&E 2.0
Workgroup

Intercollegiate
Athletics
Workgroup

UMUC
workgroup

Finance

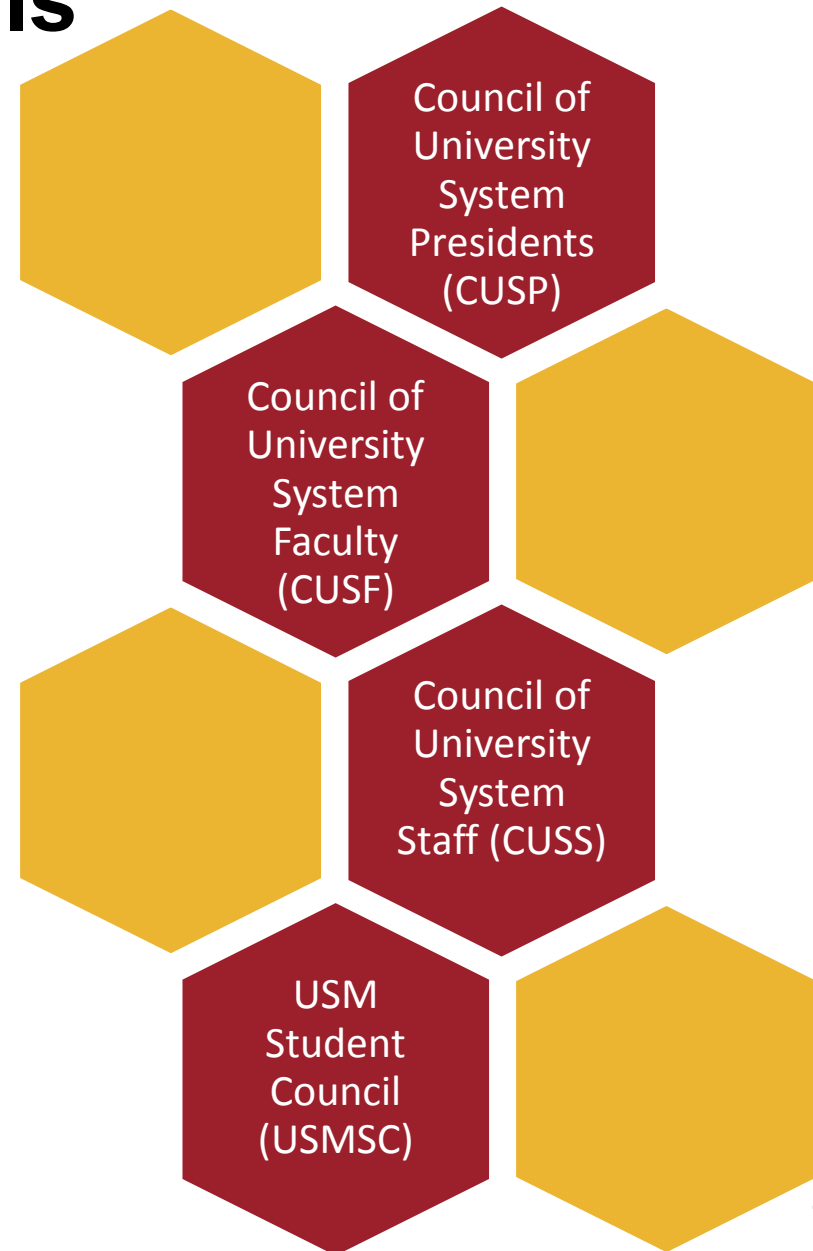
- Annual operating and capital budgets
- Real estate, capital improvements
- Contract amendments

Org & Comp

- -Chancellor's and presidents' compensation and evaluation
- -Sets policy/reviews contracts for highly compensated employees
- -Assessment of organizational structure

BOR Advisory Councils

- Advisory groups to the Chancellor
- Reports to the Board
- Considers matters of common concern to their constituent base and across institutions



Strategic Plan: The USM Through 2020

A Renewed Vision for Powering MD Forward

- Equity, Diversity, Inclusion, and Civic Engagement: Valuing and Celebrating all Maryland Residents
- Increasing Access, Affordability, and Degree Attainment
- Leading in Research, Innovation, and Economic Competitiveness
- Academic Innovation: Meeting Maryland's Changing Education Needs
- Stewardship: Maximizing USM Resources
- Achieving and Sustaining National Eminence and Global Impact

University Systems

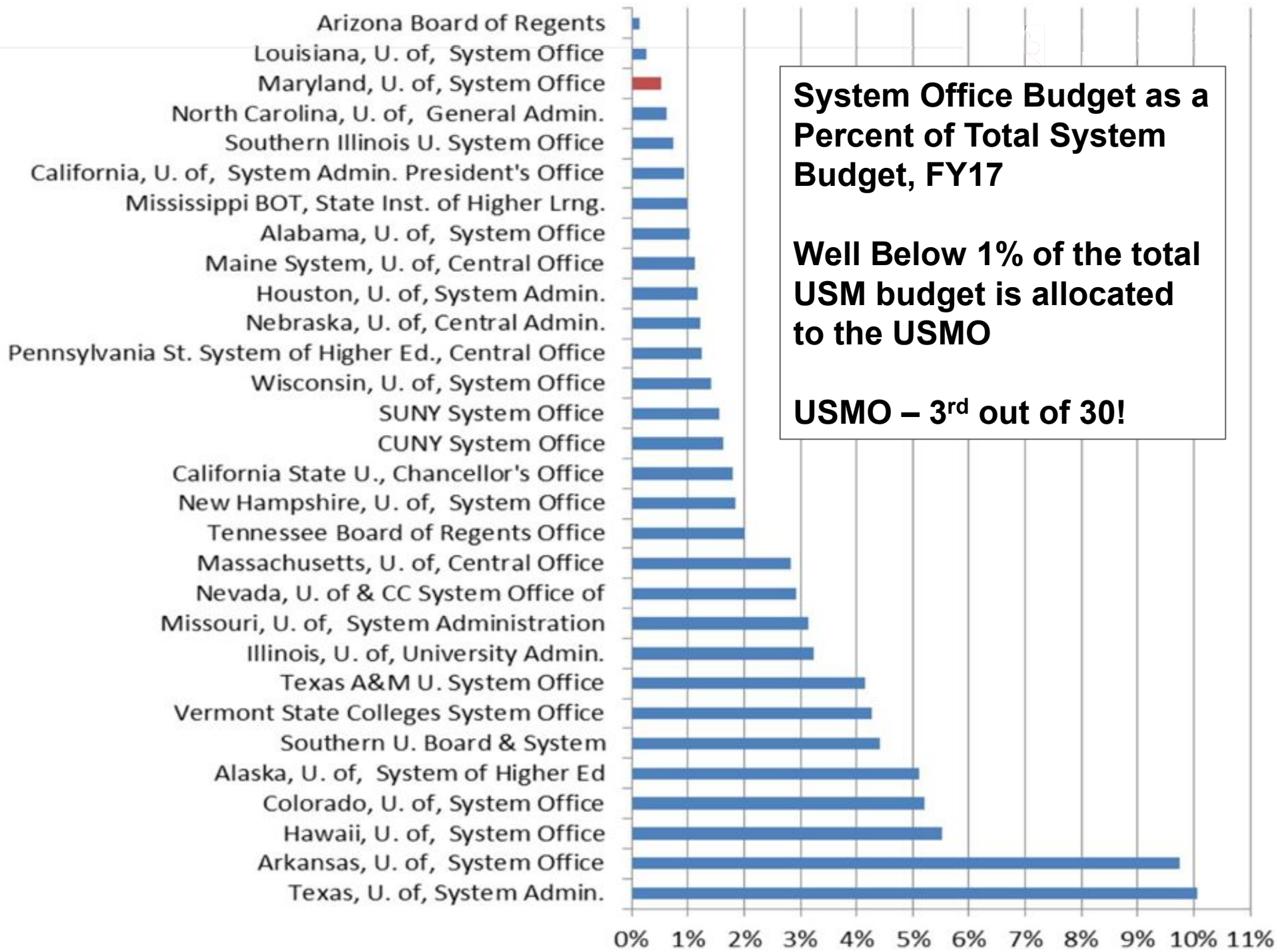
Approximately **46**
 public university
 systems educate
three-quarters
 of the nation's students.*

The USM confers **80%**
 of the bachelors degrees
 awarded in Maryland.

* Source: National Association
 of System Heads (NASH)

System	Institutions	Total HC	Operating Budget
Arizona's Public Universities	3	179,487	\$5.2B
University of Mass	5	74,572	\$3.3B
University of Texas System	8	236,000	\$19.5B
University of LA System	9	90,000	\$783.6M
Nevada System of HE	8	107,864	\$881M
University System of MD	12	175,176	\$5.3B
Pennsylvania State System	14	112,225	\$2.1B
Montana University System	16	43,548	\$1.56B
Connecticut State	17	100,000	\$1.3B
California State University	23	484,000	\$6.1B
University System of GA	28	325,302	\$8.8B
State University of NY	64	431,855	\$13.3B

Table notes: Sampling of systems. Data from respective system websites. Headcount dates primarily from 2017 and 2018 reporting.



Board of Regents Retreat Enrollment and Graduation Rates

Regent Michelle Gourdine

**Senior Vice Chancellor for Academic and Student
Joann Boughman**

**Assistant Vice Chancellor Administration and Finance Chad
Muntz**



USM Overview

In Fall 2018, the enrollment was 176,423

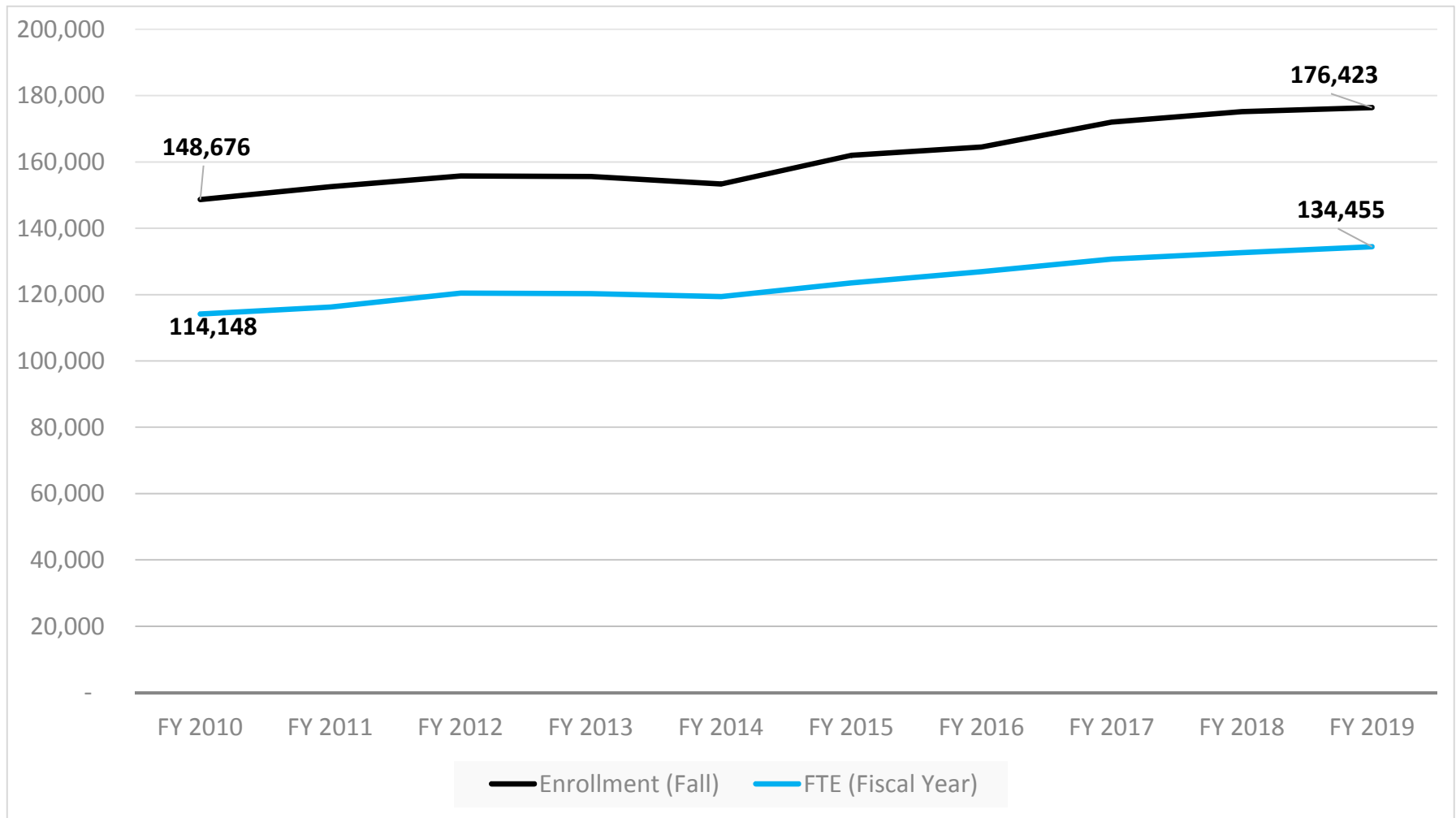
- Total students served worldwide
- Range from 2,738 (Coppin) to 60,603 (UMUC)

Total degree production was 40,240

- Bachelor's Degrees— 26,658
- Master's Degrees— 11,507
- Doctoral Degrees— 2,075



Overview: Enrollment and FTE Trend



Factors that Influence Enrollment

Campus demand for three enrollment sources

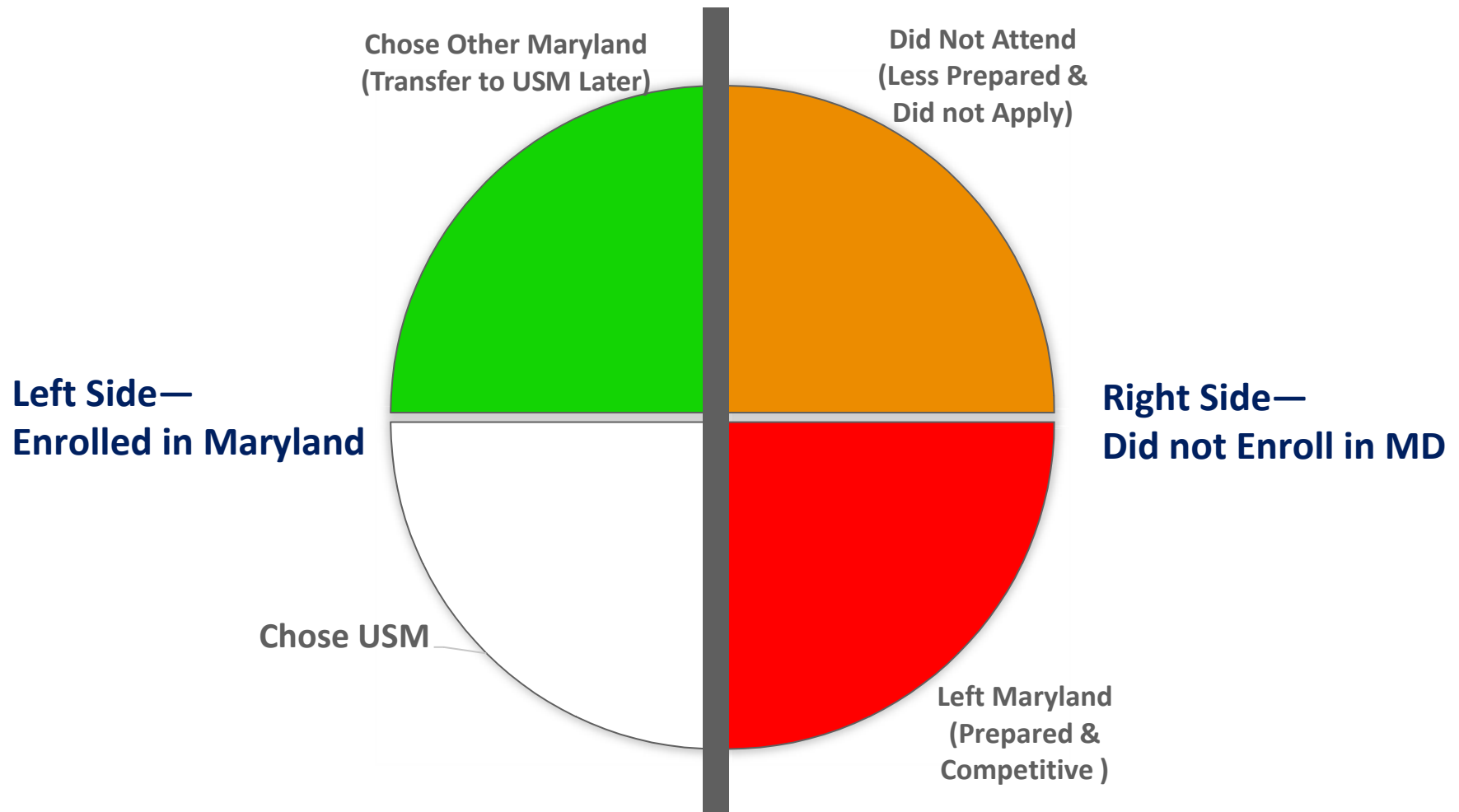
- First-time undergraduates
- Maryland community college (MDCC) transfers
- Other transfers (primarily UMUC)

- Retention
 - Attrition requires institutions to recruit more new students
 - Distributes instructional workload efficiently

- Demographics
 - Ebbs and flows of high school graduates
 - Underrepresented minorities especially Hispanic students

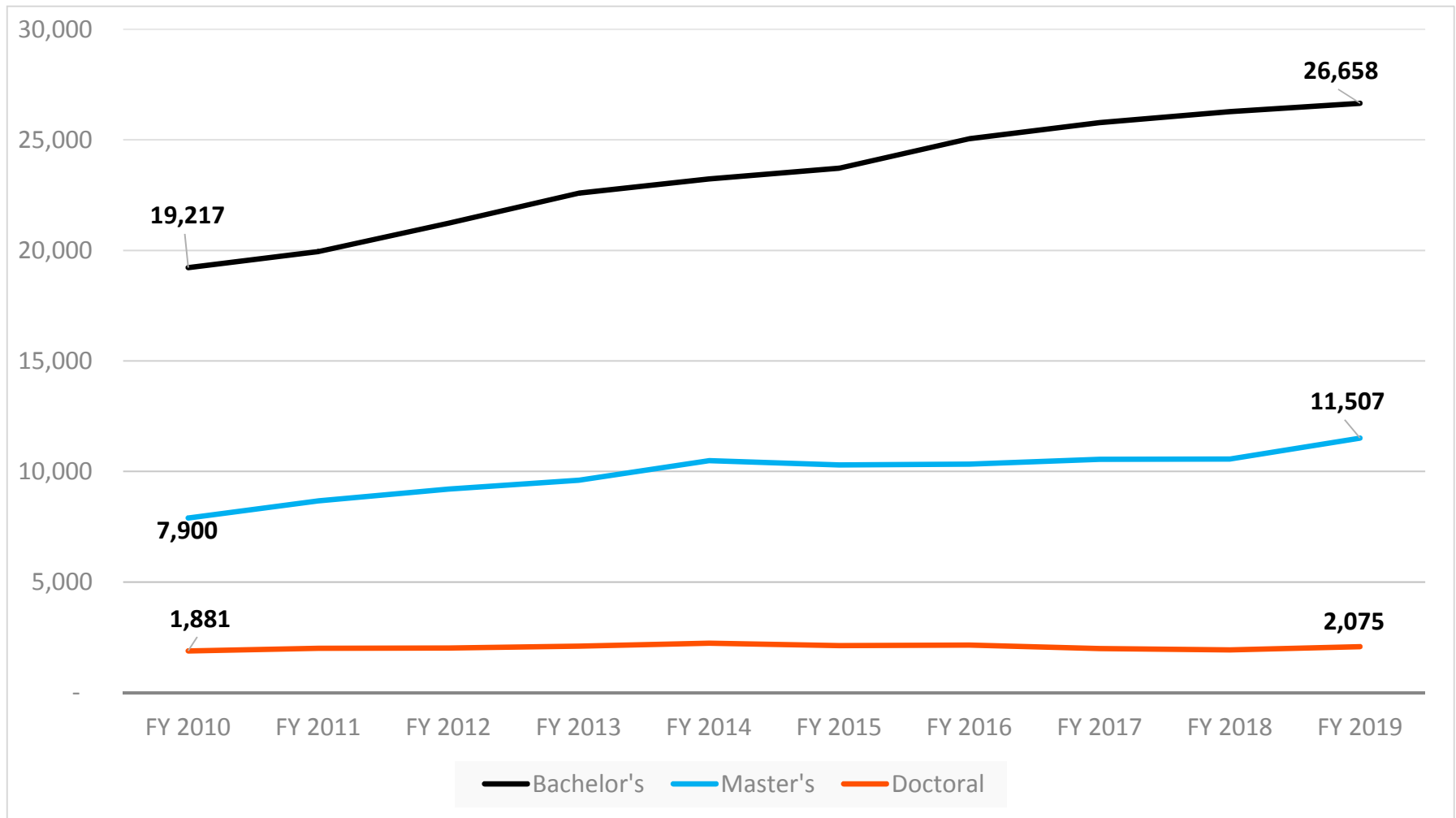
- Facilities & Location
 - First-time students looking for residential experience
 - Transfers and first-generation need proximity

USM Enrollment Growth Opportunities – Maryland HS Graduates





Overview: Degree Trend +11,000 since FY 2010



Factors that Influence Graduation and Degree Production

Campus success with new enrollment

- Many campuses have better success rates with transfer students

- Retention
 - High attrition leads to fewer degrees

- Demographics & Family Income
 - Close achievement gaps

- Facilities & Location
 - Transfers and working adults need proximity and different hours

Summary Slide

- USM institutions are diverse with varied levels of demand and success rates
- USM has increased access (+30,000 students in 10 years)
- USM has increased degree production (+11,000 degrees in 10 years)
- USM continues to close achievement gaps and increase success rates for all students

Board of Regents Annual Retreat Budget and Financial Ratings

Robert Pevenstein, Regent

Ellen Herbst,
Vice Chancellor for Administration and Finance



November 29, 2018

The Operating Budget

Base Budget for FY 2020

Current Services

- FY 2019 – Legislative appropriation \$1.4B
- Tuition ranking 21st highest
- Enrollment (FTES) 133,000
- Positions 40,000
 - Faculty 17,000
 - Non-faculty staff (includes graduate assistants) 23,000

FY 2020 USM Funding Priorities:

1. Full funding of the Current Services Budget:

- Costs include:

- New facilities operating

- Fringe benefits

- Financial aid

- Institutional-specific items

- Facilities renewal

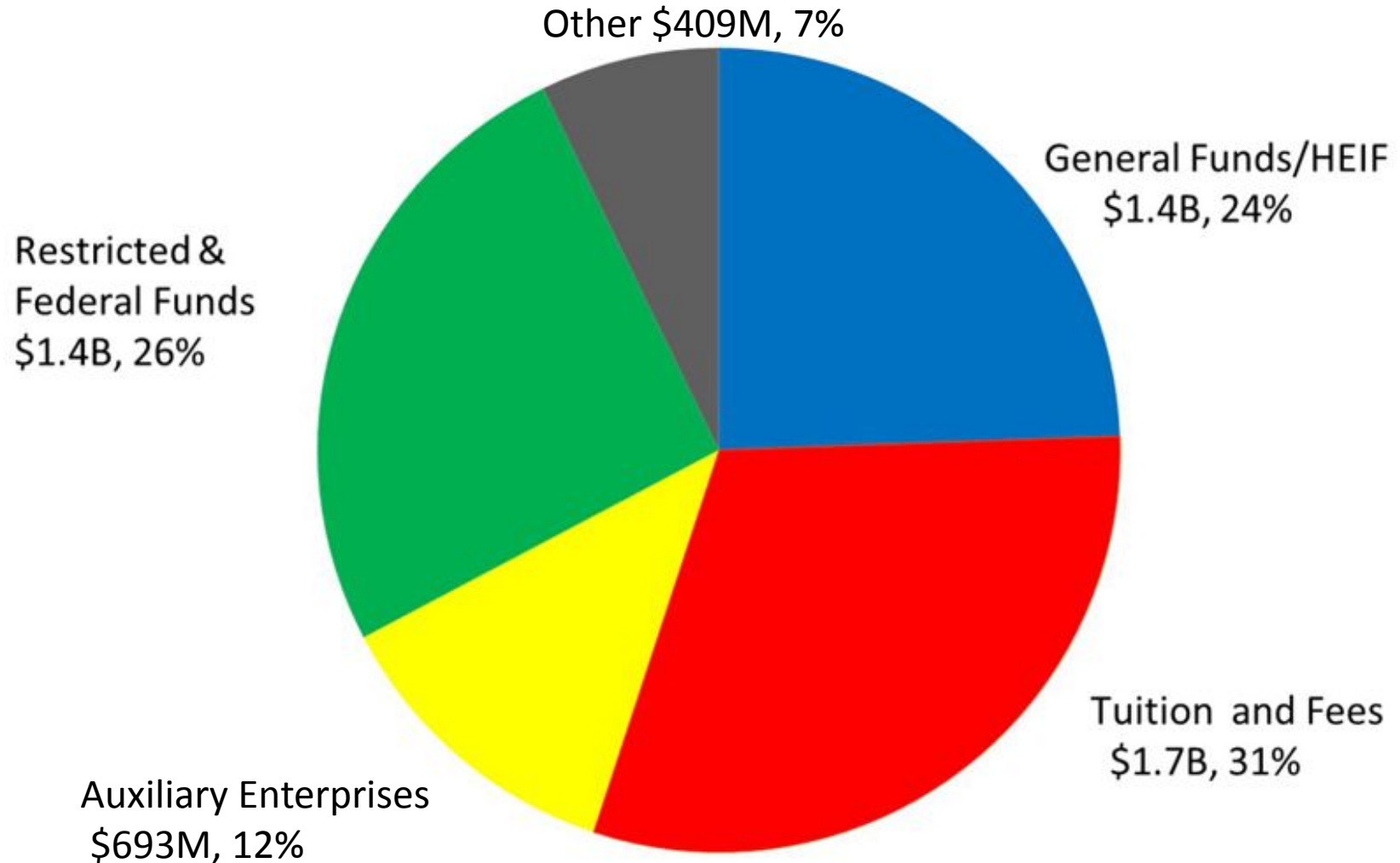
- Salary increases are unknown at this time

2. Additional funding for strategic priorities (e.g., workforce development initiatives)

Tuition and Fees

- Undergraduate resident tuition—projected 2% rate increases
- Graduate and undergraduate nonresident tuition—projected rate increases of no more than 5%
- Mandatory fee increases may be adjusted due to inflationary costs (e.g., COLA, fuel and utilities, maintenance contracts)
- Board Policy on Tuition, Fees, and Student Engagement (VIII-2.50)
 - Tuition and Mandatory fees: each institution submits an addendum with its schedule to the Board that attests to the student consultation process utilized on the campus. Addendum is posted online.
 - Non-mandatory fees: Starting this year, there is a new policy requirement that formalizes student consultation and includes annual reporting to the VCAF. Report to be posted online.

FY 2019 Total Budget



Total Budget \$5.7B

The Capital Budget

Current Capital Budget Landscape

- **State Capital Program**
 - Historically strong support for USM
 - Limited General Obligation (GO) Bond availability
 - Oversubscribed Statewide requests
 - More dependence on fundraising and non-State support
 - Use of USM fund balances to bridge loans for major donor projects
 - Priorities typically given to projects with greatest impact
 - Major renovation and renewal/replacement projects
 - Key STEM teaching and research facilities (e.g., those supporting economic goals and workforce initiatives)

- **System-Funded Program**
 - Student unions, rec. centers, dining halls/housing, parking
 - Funding for most viable projects based on USM debt levels
 - Cash funding is an option for some projects
 - Public/Private Partnerships once again viable option

Annual Capital Budget Workshop

- **Finance Committee Hosts on May 21, 2019**
 - All Board members invited and encouraged to attend
- **Critical step in formulating Capital Budget**
 - Board's 5-Year Capital Improvement Program (CIP) request to the Governor
 - Academic facilities (classroom and lab buildings, etc.)
 - FY19-23 CIP is \$1.03 billion
 - System-Funded Construction Program (SFCP)
 - Auxiliary facilities (housing, dining, public/private projects, etc.)
 - FY19-23 SFCP was \$580 million
- **This is an Informative Session for the Board**
 - Brief presentation by VC Herbst and staff
 - Each president presents and has a Q&A
 - Terrific opportunity for regents' discussion of issues/priorities

We hope to see you there!

Financial Strength of the USM

System-Wide Financial Planning

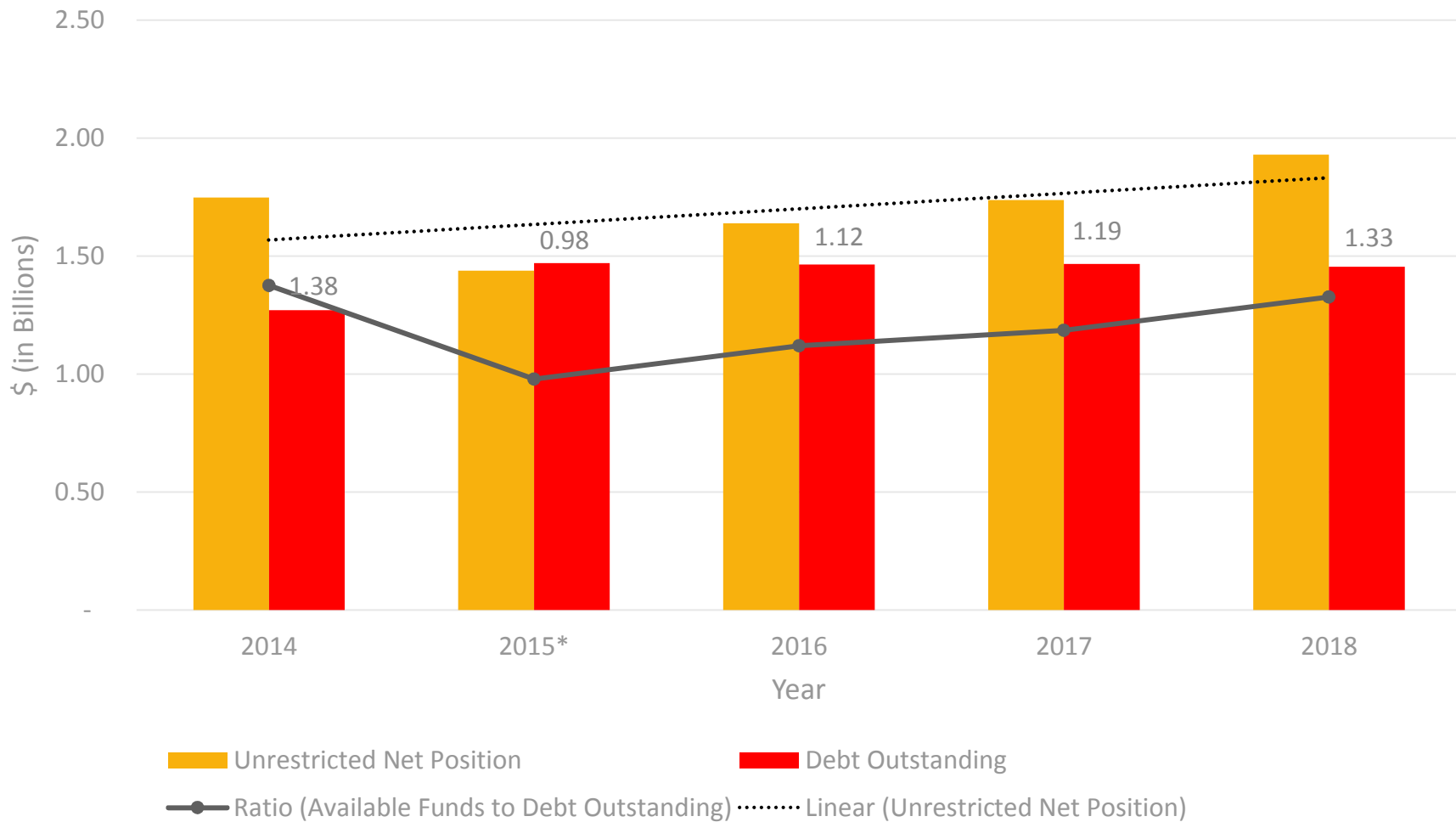
- **Purpose:**
 - To ensure basic financial viability of each USM institution
 - To provide affordable access to debt funding

- **Guiding Practices:**
 - Monitor fund balance goal combined with operating budget and capital budget
 - Current arrangement calls for 1% increase in unrestricted fund balances
 - Obtain spending approvals
 - Chancellor (\$1-5M project size), and
 - Board of Regents (\$5M+) approval levels
 - Track commitments and claims both authorized and expected
 - Institution presidents maintain flexibility within fund balance goal
 - Screen self-support debt authorizations financial viability
 - Consider all funding sources, including Public Private Partnerships (P3), to match capital projects with most appropriate funding mechanism

Fund Balance Goal and Debt Issuance

- **Ratings agencies focus on 2 key ratios:**
 - Unrestricted fund balances (adjusted) to debt outstanding
 - USM plan targets 1 to 1 ratio (currently at 1.33 to 1) taking into account claims and likely commitments
 - Adjustments include accrued leave, pension liability, and Affiliated Foundations' unrestricted fund balance
 - Proportion of operating revenues devoted to debt service
 - Currently just over 3% of total operating revenues
- **Balance unrestricted fund balance with debt outstanding**
 - Increases in debt funded capital project authorizations create need to increase unrestricted fund balances
 - Excess fund balance increases by institutions can be used by institutions for additional capital spending or one-time operating spending / initiatives

Unrestricted Fund Balance to Debt Outstanding, historical



* An Accounting Standards change caused a decrease in net position of approximately \$700k for pension reporting

Importance of a Strong Bond Rating

- Ensures low cost of capital
- Expands access to borrowed capital for institutions that would otherwise not have access to external financings
- Encourages private sector investment in P3s
- Provides external assessment of the quality of leadership and decision-making
- Maintaining a strong bond rating over time enables refinancing opportunities to take advantage of market movements in interest rates and further reduce overall cost of capital
- Current Ratings:
 - Fitch AA+ Moody's Aa1 S&P AA+

Investment Strategy and Results

James Holzapfel, Regent

**Leonard Raley, Vice Chancellor
for Advancement**

November 29, 2018



Common Trust

An endowment fund established in 1930's to accept private donations for the benefit of the University of Maryland.

- Predates the establishment of the USM
- Served UMCP, UMES, UMBC, UMCES, UMUC, UMB
- Given to support research, financial aid, and professorships
- Assets managed by University System of Maryland Foundation as part of a pooled investment approach

Board of Regents Oversight

- Fiduciary duty is to ensure that OVER THE LONG-RUN the purchasing power of the spendable income is protected
- Requires balance among expected future investment returns, annual spending from portfolio, and inflation

Why a Pooled Investment Approach?

Larger and actively managed portfolio will produce superior results over the long-run through:

- Access to high-performing investment funds at lower fee levels
- Foundation investment committee and staff expertise
- Foundation's ability to hire and fire fund managers nimbly
- Ensures that smaller foundations' endowment funds are invested in same high-quality and highly resourced approach as larger foundations and Common Trust Fund

Results

As of June 30, 2018

	1 year	3 years	5 years
Endowment	9.1%	6.6%	7.2%
<i>Policy Benchmark</i>	6.9%	5.2%	5.6%
<i>60% Stock/40% Bond Benchmark</i>	6.3%	5.7%	6.6%

Policy Benchmark

Asset class benchmark returns weighted by *Investment Policy Allocations*, reconstituted as policy target changes are applied. The Investment Committee sets the target allocations.

60% Stock/40% Bond Benchmark

60% MSCI All-Country World Index / 40% Bloomberg Barclays US Aggregate Bond Index

USM Economic Development

Leverage assets, develop innovative minds, launch new ventures, forge partnerships... grow Maryland's economy

Regent Gary Attman

Vice Chancellor for Economic Development Tom Sadowski



USM Economic Development Beginnings

Legislative History

MD Education Code Section 10-209(5) “Promote Economic Development” through the creation of a “well-educated work force through under graduate, graduate and professional education, targeted research, education, extension services and technical assistance”

Emergence of Innovation Ecosystems

In the early 2000s, Universities around the country were having a major economic impact. Institutions like Stanford and MIT spun out, supported and invested in new companies. Their surrounding communities flourished (Silicon Valley/Rt. 28 Corridor), led to more companies, more venture capital, more community prosperity, etc.

USM 2010 Strategic Plan

Goal: Promote “Maryland’s economic development and the health and quality of life of its citizens by ensuring Maryland’s competitiveness in the new economy”

This was about using our extraordinary assets to move the needle for the benefit of Maryland’s economy

USM Extraordinary Assets

3 Major Research Universities Generating \$1.4 billion in sponsored R&D

Business Parks >3 million square feet, 275 tenants and nearly 10,000 employees:

UM Discovery District at UMCP (150 acres)

bwtech@UMBC: largest MD concentration of startups, largest cybersecurity cluster

UMB Bio-Park: largest concentration of biotech companies in Baltimore

10 USM institutions with business incubators, entrepreneurship centers, and/or SBDC offices

40,000 Graduates each year 80% of whom work in MD; 13,000 STEM = most of the State's young professionals

Extraordinary Scientific Leadership in growth industries including cybersecurity (5 NSA certified universities), biotech, bioengineering, medical devices, AI, quantum computing, autonomous systems and augmented/virtual reality

USM Economic Infrastructure Building

- **Updated promotion/tenure and IP policies** to encourage commercialization, rather than solely publishing and teaching, and enhance industry/government partnerships
- **Real-time tracking** of company formation and tech transfer activity
- **Hiring site miners** specializing in identifying technologies and providing mentorship to help faculty/student innovators go from lab to marketplace
- **New legislation** to create tax-incentives for innovation zones around our research facilities, to support new investment and address demand for collaborative research/startup space
- **The power of collaboration** synergies between research institutions leading to joint R&D proposals and research funding awards; partnerships with industry and government enhanced via classroom, labs, certification training and startup mentorship. Work with TEDCO, JHU and State of Maryland to enhance innovation strategy and resources
- **Embracing and Encouraging Culture Change** Entrepreneurship and Innovation courses and training being adopted system-wide; 10 institutions have established Entrepreneurship centers, tech accelerators, business incubation facilities and/or SBDC offices. Anchor Ventures event series launched celebrating USM innovation/entrepreneurship = 5 events and 900 attendees
- **Momentum Fund** our venture fund designed to grow and keep Maryland companies in Maryland; 4 investments totaling \$1.1 million from USM and \$4.9 million from private and philanthropic investors (Private/USM investment ratio > 4:1)

Performance

MPowering the State Initiative (UMCP/UMB)

More than 24 innovative joint research and community development initiatives
513 joint research proposals; \$164 million joint R&D awards

Mtech – Maryland Industrial Partnerships (MIPS) 30 Years of Innovation and Partnership

500 MD companies assisted; 7,00 jobs created; \$35 billion in revenue from MIPS supported products

MD Innovation Initiative

143 awards; \$16 million to UMCP, UMB and UMBC over 5-years

Federal Government Partnerships Enhanced (sampling)

FDA Education and R&D Partnership Agreement
NIST Bio-Pharmaceuticals manufacturing (NIIMBL) & National Cybersecurity FFRDC
NSA Education and Tech Transfer Partnership Agreement
ARL Education and Research Partnership Agreement

Industry Partnerships (sampling)

Northrop Grumman
Medimmune
Capital One
MITRE

State of Maryland Funding for STEM-related Education and Workforce Development

\$20 million Enhancement of STEM Programming (4,000 new graduate/year goal)
\$250k Registered Apprenticeship and Certification Programming
\$300k Technology Internship Employer Subsidy Program for MD College Students
\$12.8 million Maryland Ennovation Initiative matching grants totaling (UMB, UMCP)

USM Economic Impact

Research

\$1.4 Billion in Sponsored R&D (ranked #9 in US = industry & federal government)
USM 3 Major Research Institutions - UMCP, UMB and UMBC

Talent and Workforce Development

80% of USM's 40,000 annual graduates join Maryland's workforce (FY 2018)
~13,000 STEM graduates
~3,700 health graduates
~3,100 education graduates – meets about 50% of Maryland's demand

Company and Job Creation

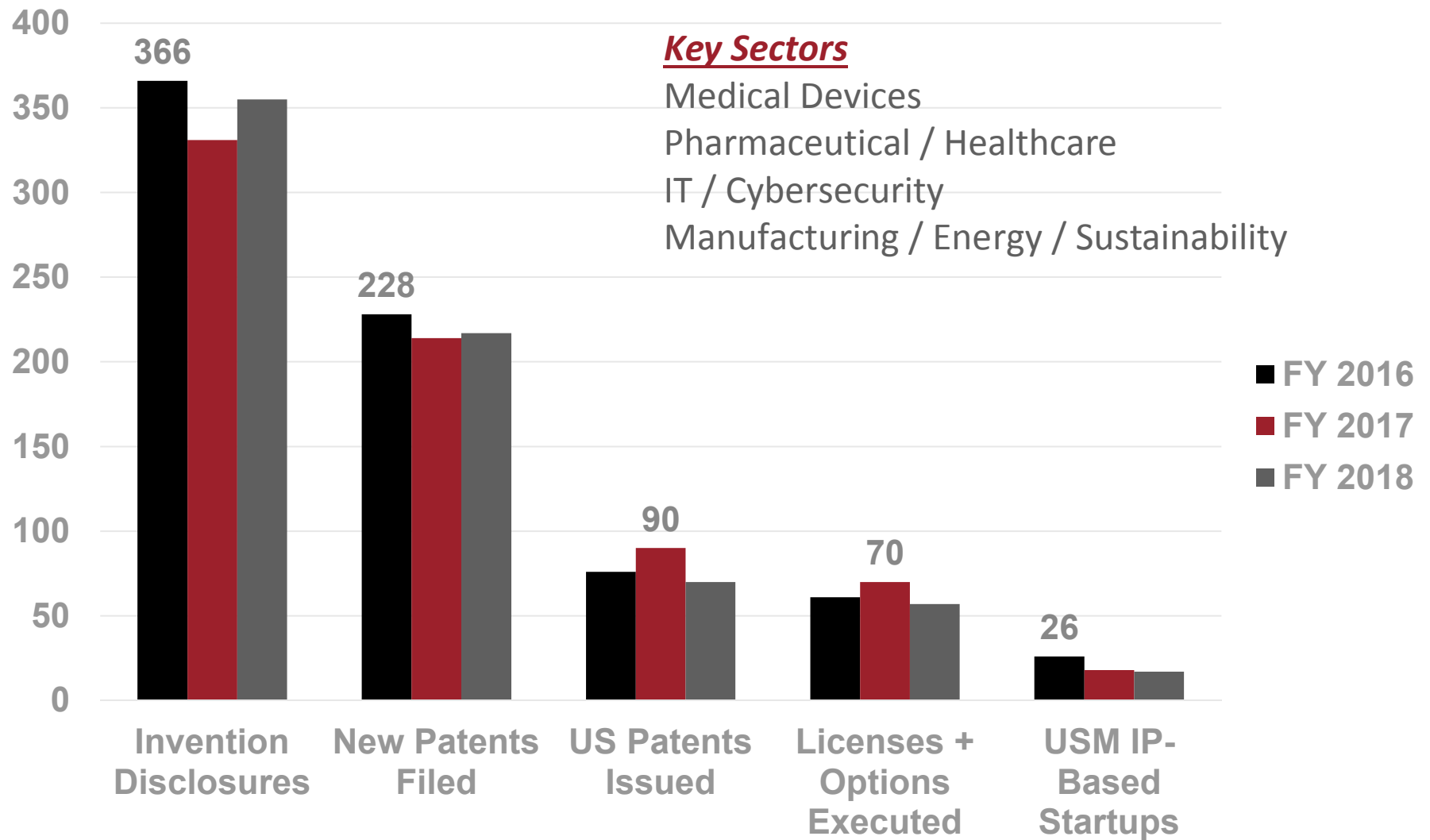
670 companies facilitated since 2011
3 USM Research Parks which house 275 tenants with 9,800 employees
10 Incubators with 174 tenants, co-working space and services for student/faculty entrepreneurs; three State-approved RISE Zones with three applications pending

USM as Employer Almost 40,000 employees; 75% faculty

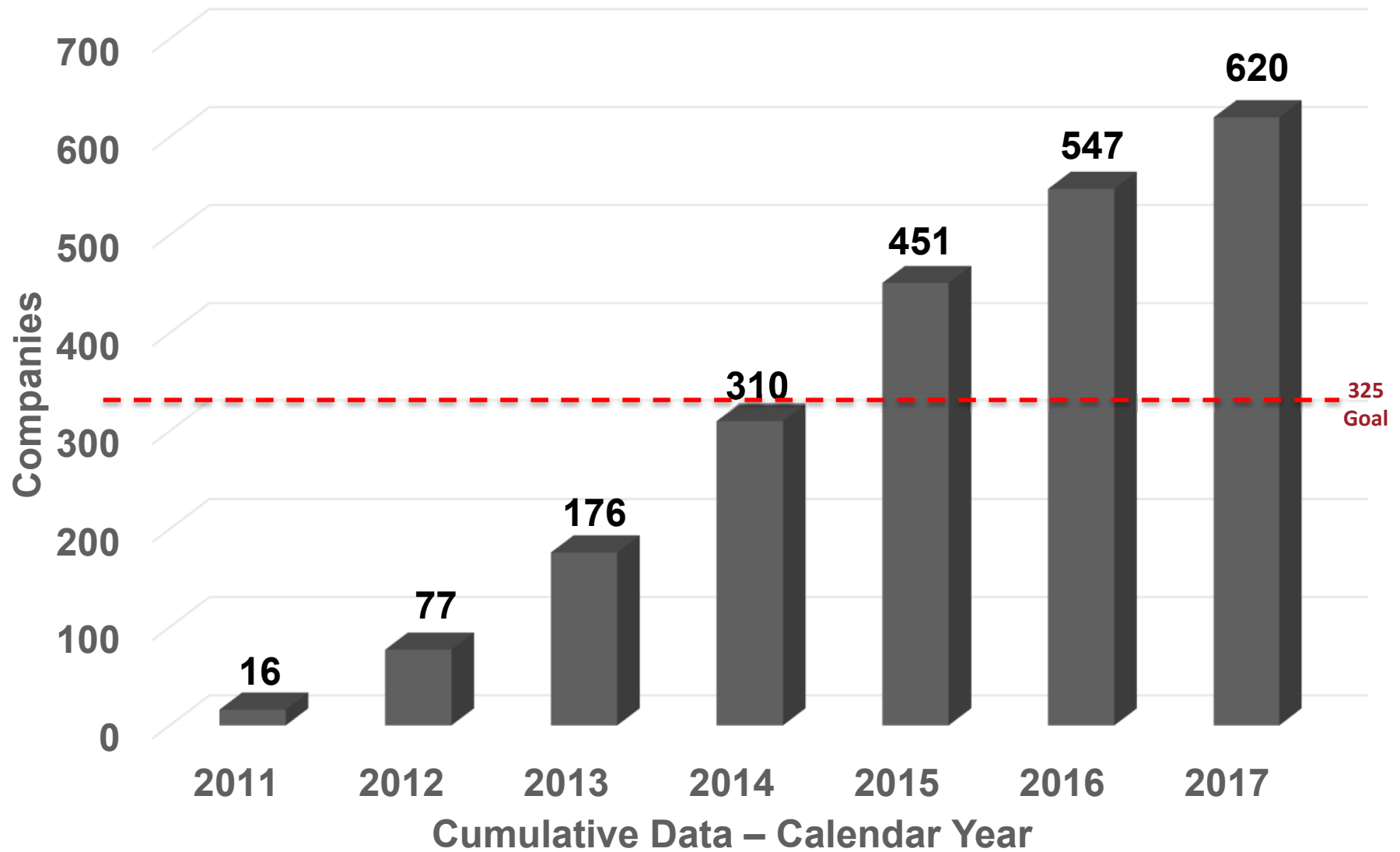
USM as Purchaser Almost \$110M in purchasing from small businesses and almost \$170M in purchasing from minority business enterprises in FY 2017

USM Key Technology Transfer Indicators

Fiscal Years 2016, 2017, and 2018



USM New Company Formation Calendar Years 2011 and 2017



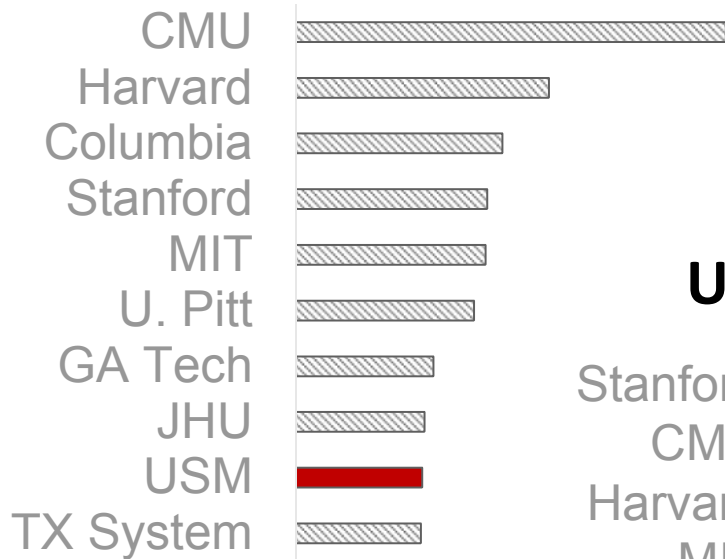
University Startups 2006 – 2016

^[1] AUTM is the Association of University Technology Managers (autm.net) and defines an academic start up as a start-up where a license to the university IP is part of the creation of the company. This AUTM definition excludes other types of university start-ups, such as student-led ventures or activity outside of University's tech transfer and intellectual property offices.

*USM = UMCP, UMB and UMBC startups.

Fiscal Year	JHU	USM*	COLUMBIA	STANFORD	MIT	HARVARD	U PITT	CARNEGIE MELLON
2016	22	26	21	27	25	13	13	8
2015	16	12	27	28	28	14	11	11
2014	13	8	9	23	20	10	6	10
2013	8	12	14	9	14	9	9	12
2012	8	8	15	17	16	10	9	10
2011	11	14	15	8	25	9	2	10
2010	11	7	12	10	17	8	6	10
2009	10	6	13	9	18	8	3	10
2008	12	8	10	9	20	12	3	10
2007	4	7	12	6	24	6	8	8
2006	6	5	?	7	23	3	5	12

Invention Disclosures



UMCP #8 for undergraduate entrepreneurship by Princeton Review

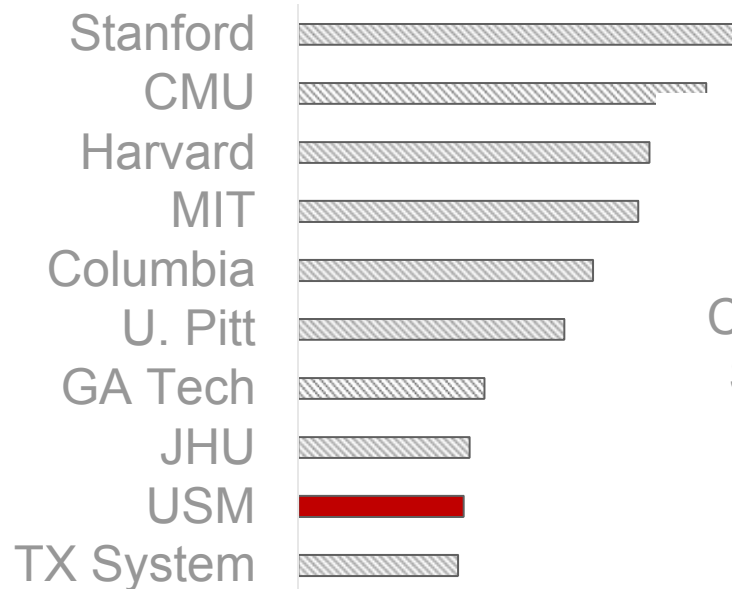
UMBC #9 in Most Innovative Schools by US News & World Report

Strategic Benchmarking

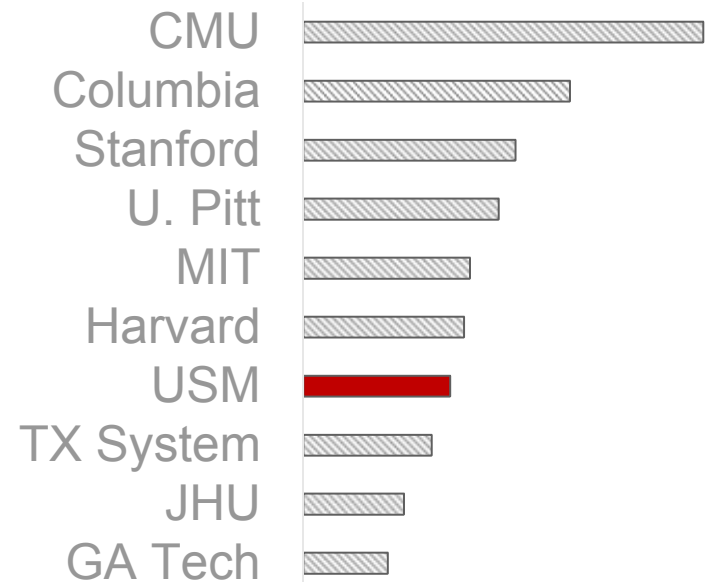
(Relative to R&D Expenditures, AUTM CY2017)

$$USM = UMCP + UMB + UMBC$$

U.S. Patents Issued



Startups



What's Needed Going Forward

- More industry engagement and leadership in Annapolis
- More scalable, follow-on risk capital to get startups to Series-A stage; money to follow angels/SBIR grants in the \$4-\$15M range
- Leverage strength of USM quantum computing, data science, AI programs
- Culture change; low-risk tolerance hindering entrepreneurship
- Convening and connecting serial entrepreneurs
- Serial entrepreneur mentorship for faculty/students and emerging innovators
- Low-cost “unrestricted” space for faculty/student startups and industry collaboration
- Business/executive skills training for faculty/students with experienced mentors
- Make it easier for industry to partner with USM institutions, clarify means of engagement and identify key players/capabilities throughout USM
- State government commitment to execution and provision of long-term support

EXCEL Maryland

From Promise to Preeminence

Goal

To be a national leader in Advanced Industry Development. This includes areas of strength and promise for Maryland such as cyber/IT, advanced data sciences, quantum computing, autonomous systems, artificial intelligence, medical devices and life sciences

Objective

Create investment platform leveraging significant public/private funding to help foster transformative innovation economic development projects:

- Large Scale placemaking projects similar to Kendall Square in Boston
- Major industry-university research and commercialization centers in areas like biomanufacturing
- Targeted venture funding initiatives
- State-wide talent and skill development initiatives

Result

Create 40,000 new jobs in targeted innovation sectors over the next ten-years

University System of Maryland Board Retreat

Richard D. Legon

AGB President

November 29, 2018



Public University Systems

There are 57 governing board systems in the United States today whose institutions **enroll approximately 76 percent of all public college and university students.**

Challenges Facing Higher Education and Governance

- Distrust of the Sector
 - Access and Completion
 - Affordability
 - Workforce Preparedness
 - Student Aid/Debt
- Federal and State Policy
 - Title IX
 - Regulatory Compliance
 - Negotiated Rulemaking
- Threats to institutional autonomy (external influences)
- Reputational risks due to campus unrest (e.g., free speech, sexual assault, governance failure)

Fiduciary Duties

- **Duty of Care**
 - Act in good faith for best interests of institution
 - Act reasonably, competently and prudently
- **Duty of Loyalty**
 - Put interest(s) of institution above all else
 - Do not act from self interest; no self-dealing
 - Conflict of interest
- **Duty of Obedience**
 - Obligation to advance mission
 - Duty to act ethically and consistent with mission

Consequential Boards Must...

- improve value in their institutions and lead a restoration of public trust in higher education.
- add value to system and institutional leadership and decision making by focusing on their essential role as fiduciaries.
- act to ensure the long-term sustainability of their institutions.
- improve shared governance within their institutions.
- improve their own capacity and functionality through member orientation, and engagement.
- focus their time on issues of greatest consequence to the system.
- hold themselves accountable for their own performance.

System Board Responsibilities

- Balance demands/of several institutions while presenting a unified voice to policy makers and others.
- Represent to interests of all system institutions equally.
- Represent the collective interests of the citizens of the state.
- Students: Access, Affordability, Success.
- Reputation.

How the Work Gets Done

- Cultivate a healthy relationship with Chancellor and campus heads.
- Focus on accountability.
- Delegate appropriate decision-making authority to committees.
- Ask the right questions.
- Create a culture of inclusion and curiosity.
- Consider risk factors (including the unknown).
- Maintain independence from external influences.
- Be aware of, and support, the fundamental values of shared governance, academic freedom, and freedom of speech.
- Prepare for, and manage, crises.

System Board Best Practices

- Orient board members so they are aware of their fiduciary responsibilities and provide continual education on strategic issues facing the system.
- Cultivate a board environment of robust participation and respectful debate to achieve collaborative leadership.
- Advance campus heads who appropriately assert leadership in pursuit of the system's strategic agenda and establish roles of significance for campus heads vis-a-vis the board.
- Proclaim the value of the system as an irreplaceable asset to the state and develop and execute an advocacy strategy that includes board members.
- Identify the skills that the board needs and make recommendations to appointing authorities regarding board appointments.

System Board Best Practices: Strategic Planning

- Approach changes to an institution's academic mission with caution. Exercise diligence and care in identifying academic redundancy within the system and making hard decisions about the scope of each institution's contributions to the public good.
- Work with the system head to increase the number of credentials the system awards by a specific number, by a specific date. This goal should align with national and state needs.
- Ensure that the system's public agenda includes specific deliverables and reflects broad knowledge of system faculty strengths, research capacities, and strategic issues.

A Call to Enterprise Leadership

- Reexamine and, if necessary, change both the chancellor's and the board's fundamental assumptions about their working relationship.
- Acquire a shared understanding of the dynamic business of higher education today and its prospects for the future.
- Focus on the true competitive position of the system.
- Restructure the board's processes to enable it to concentrate on top strategic priorities.
- Schedule upstream discussions of major opportunities, challenges, and strategies well before the time for action arrives.
- Practice the "discipline of governance" by combining persistent board involvement with restraint in not crossing the lines between strategy, policy, and management.
 - Discernment

Governing During a Crisis

- Solidify lines of communication.
- Make sure your institution has a functioning crisis-management team and written crisis-management protocol.
- At the onset, focus with laser-like intensity on the facts.
- Speak with one unified voice.
- Understand legal parameters and constraints.
- At every juncture, choose transparency.
- Give considered thought to the pace of decision making.

Oversight of Intercollegiate Athletics

- While delegating administrative responsibility to the institution's chief executive officer, the governing board is ultimately accountable for athletics policy in keeping with its fiduciary responsibilities.
- The board should act decisively to uphold the integrity of the athletics program and its alignment with the academic mission of the institution.
- The board must educate itself about its policy role and oversight of intercollegiate athletics.

Intercollegiate Athletics Risk Register

Downside

- Athletics overwhelms academic mission and values
- Student-athlete safety
- Student-athlete academic success
- Athletics program finances
- Title IX
- Institution Reputation

Upside

- Brings attention to the institution
- Strategic enrollment strategy
- Finances (?)
- Reputation
- Engagement

Board of Regents Annual Retreat USM: The Road to 2023

Chancellor Robert L. Caret

Vice Chancellor for Administration and Finance Ellen Herbst



USM - the Road to 2023

- Goal
 - More Marylanders receive post-secondary educational credentials
 - Vital Economic Engine for Maryland
- Values
 - Affordability, Accessibility, Quality
- Trends
 - Demographic
 - Economic
 - Competitive
 - Technology
 - Pedagogy
- Resources
 - People – faculty, administrative, leadership
 - \$\$\$\$
 - Reputation
- Strategies

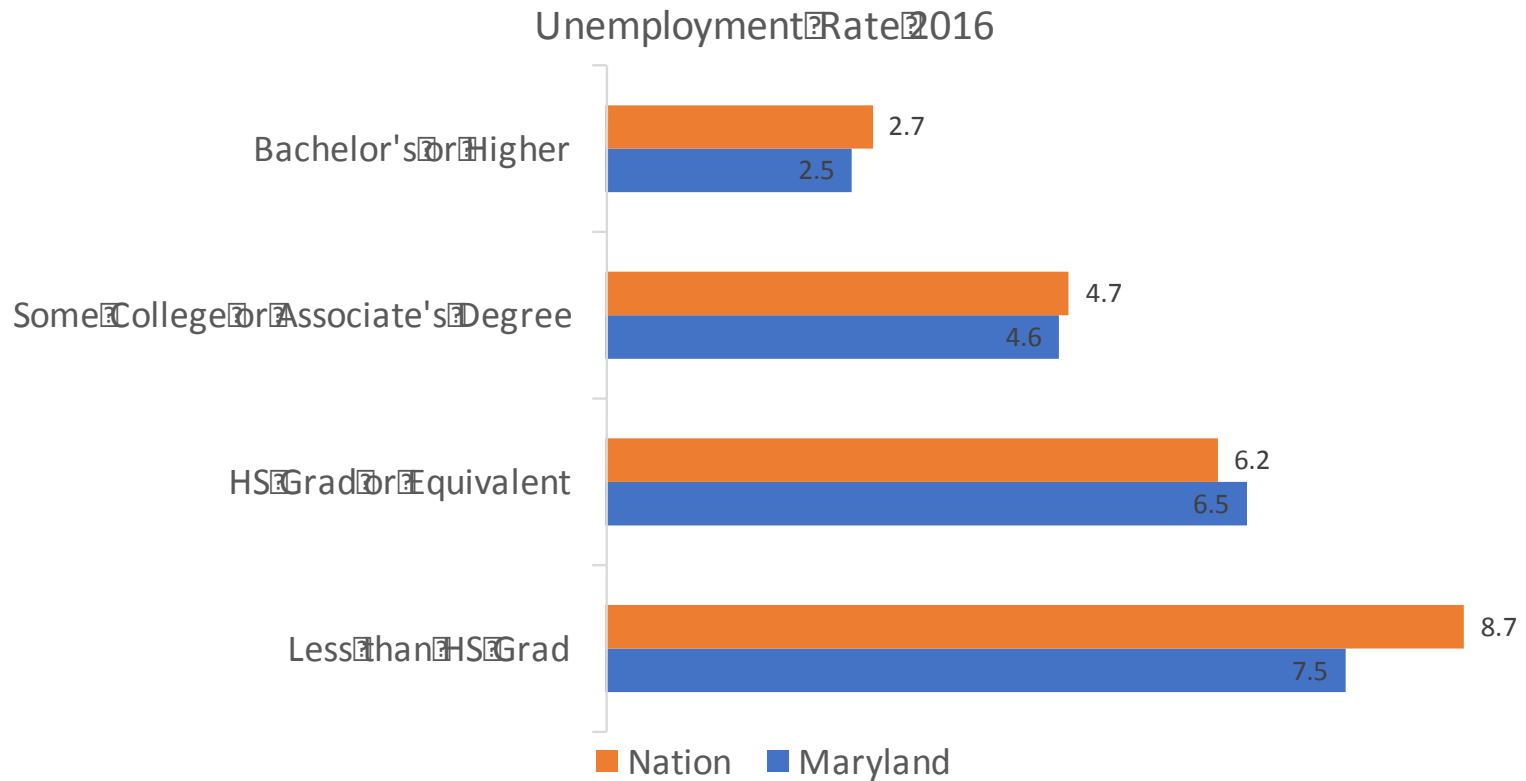
USM - the Road to 2023

Goal(s) - More Marylanders receive post-secondary educational credentials

- More Marylanders have access to high paying, rewarding jobs/careers
- Maryland businesses have access to a more highly-skilled, better-prepared workforce
- Post-secondary credentials lead to better outcomes
 - Financial
 - Health & Quality of Life
- Credentials not limited to degrees
- How to consider needs of life-long learners, requirements for continuous learning for working adults?

USM – the Road to 2023

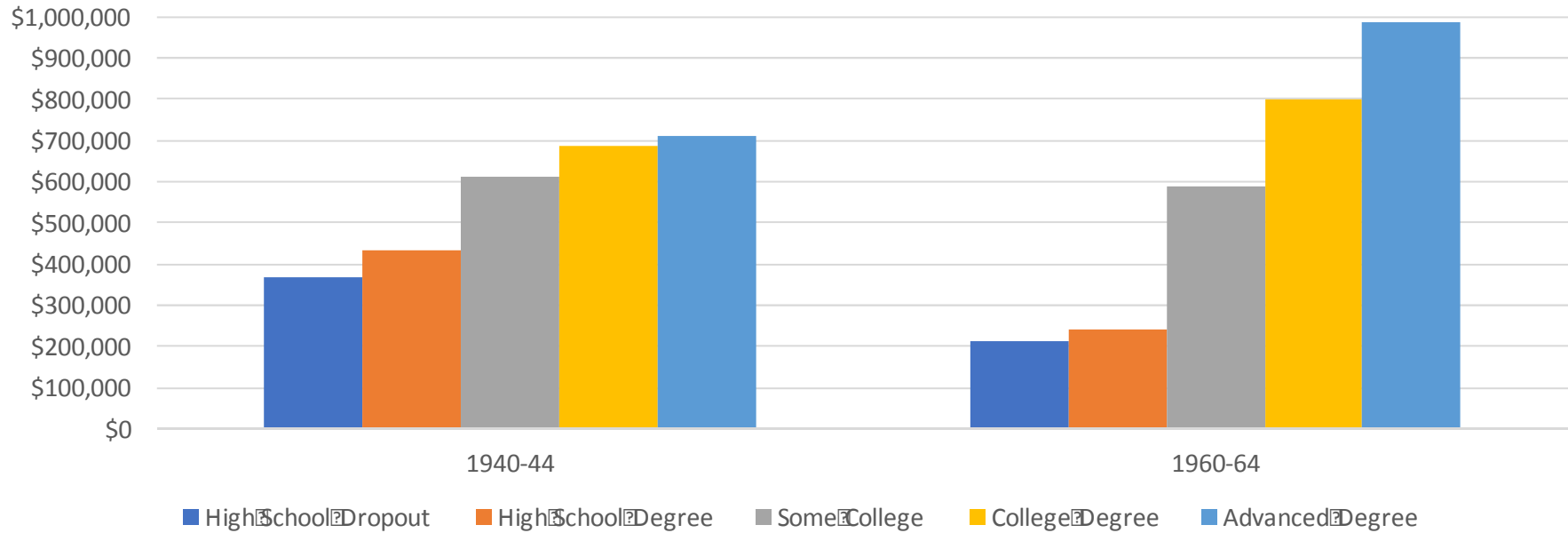
Impact of Educational Attainment on Unemployment (Maryland vs. US)



USM – the Road to 2023

Impact of Educational Attainment on Cumulative Earnings (US)

Male Median Cumulative Earnings by Birth Cohort and Education, Ages 43-47



Source: Educational Attainment and Earnings Among US-Born Men, Urban Institute 2014

USM – the Road to 2023

Trends – Competitive

- Increasing competition for a pool of traditional students
 - Maryland public high school enrollment will peak at 293,500 in 2024 and then begin a slow fall
 - Diversity of Maryland's public high school graduates will continue to rise sharply, particularly among Hispanic and Asian groups
 - New providers both in for-profit and not-for-profit sectors
- Alternative approaches to education creates non-traditional competitors
 - Non-Maryland traditional schools competing in Maryland
 - Non-traditional educational entities like EdX
 - Traditional entities like Southern New Hampshire University
 - Online education, badges, & other credentials

USM – the Road to 2023

Trends – Technology

- Pervasive availability of devices means universal access
- Increased computing power and bandwidth enables richer online experiences
- Student expectations of anytime, anywhere access
- Data analytics
 - New, near real time, student success interventions based on data analytics
 - Better student outcomes
 - Better enrollment yields
- Privacy issues
 - Privacy and security are linked and both are difficult for higher education with its open communication culture
 - Data Analytics applications could be perceived as an invasion of privacy by some

USM – the Road to 2023

Trends – Technology (cont.)

- Exponential growth of information and tools for accessing it
- Education will move from learning facts to discovery and synthesis of information
- Rise of the Robots

USM – the Road to 2023

Resources

- People – faculty, administrative, leadership
- \$\$\$\$
- Reputation

USM – the Road to 2023

Strategies

- Increase access & affordability for USM students and families through--
 - Strategic use of institutional aid to expand access and increase student success
 - Leveraged use of technology and pedagogical innovation
 - Expanded programming at regional centers and other critical sites to address underserved areas/populations
 - Targeted enrollment initiatives focused STEM, Healthcare, Cyber, etc. to address workforce needs
 - Creative approaches to program delivery and credentialing
- Improve efficiency and effectiveness and promote accountability through enhanced use of technology and by leveraging the USM's size
- Emphasize diversity & inclusion as a USM priority and source of strength
- Continue to align USM resources and initiatives with Maryland's workforce and economic development needs/priorities
- Capitalize on Maryland's investment in USM faculty and facilities to fuel the state's economy
- Promote collaboration and Systemness among USM institutions

Board of Regents Annual Retreat Government Relations

Regent Bobby Neall

Vice Chancellor for Government Relations Patrick
Hogan



Government Relations

- Legislative Session
 - Budget
 - Policy
- Current Issues
- Strategies



Advancement

Committee Chair

Barry Gossett

Vice Chancellor for Advancement

Leonard Raley



Committee Charge

- Understand and report on overall fundraising progress
 - Annual goals
 - Campaigns
- Support and encourage fundraising
 - At USM institutions
 - Collaborative efforts
- Increase capacity for engagement and obtaining private support
- Encourage good stewardship of private funds
- Understand and support the roles of affiliated foundations, alumni associations, and other organizations

Committee Work

- Three meetings per year
 - Include Advancement Vice Presidents
 - Occasional special meetings

- Updates on campaign and fundraising progress
 - Endowment
 - Engagement

- Discussion of resources and needs

- Consideration of naming requests

- Review of policies

Affiliated Foundations

- Separately incorporated 501 (c) 3 organizations that accept private funds for the benefit of our universities and centers
 - 19 within the USM
 - Foundation Board has fiduciary responsibility
- Must comply with Board of Regents policies, state and national regulations, and undergo audits
- Hold both endowed and operating funds
- About 98% of funds are restricted use

Why Have Foundations?

- More effective volunteer and alumni involvement in fundraising
- Donor concerns that gifts will supplant state appropriations or be comingled with state funds
- Donor privacy can be respected
- Ability to facilitate professional investment management (for instance hiring and firing investment managers quickly)
- Better potential investment performance

Looking Forward

- USM Federated Campaign
 - Three campus campaigns publicly announced
 - Potential \$2.6+ billion goal
- USM goal to double endowment by 2027
 - Surpass \$2 billion
- Enhanced alumni engagement
 - Through social media and other online tools
- Stronger culture of philanthropy
 - Beginning with students and across campus
 - Committed volunteer boards

Board of Regents Annual Retreat

Path Forward

November 29, 2018

Robert L. Caret, Chancellor

Linda Gooden, Chair



Path Forward

Board Perspective



1. Implement Walters & Commission Recommendations
2. Rededicate Ourselves to Shared Governance
3. Augment Processes and Systems
4. Conduct a Board Assessment

Focus: Student Safety, Affordability, and High Quality Education

Path Forward

Implement Walters & Commission Recommendations



- Implement Recommendations
- Monitor & Report Progress
- Share Best Practices Across the USM

Focus: Student Safety, Affordability, and High Quality Education

Path Forward

Rededicate Ourselves to Shared Governance



- Value Stakeholder Input
- Establish Discussion Forums
- Increase Transparency
- Build Trust

Focus: Student Safety, Affordability, and High Quality Education

Path Forward

Board Assessment



- Board Assessment
- Stand-up External Review Team
- Report Findings
- Implement Recommendations

Focus: Student Safety, Affordability, and High Quality Education

University System of Maryland *Enterprise Risk Management*

Regent Ellen Fish

Vice Chancellor of Administration and Finance
Ellen Herbst



Enterprise Risk Management

What is it? – AGB Definition

- A process lead by senior leadership that extends the concepts of risk management and includes:
 - Identifying risks across the entire enterprise;
 - Assessing the impact of risks to the operations & mission;
 - Developing and practicing response or mitigation plans; and,
 - Monitoring the identified risks, holding the risk owner accountable and consistently scanning for emerging risks.



Enterprise Risk Management

- What is it? – Operational Definition
 - Comprehensive overview of risks and mitigation plans integrated across all institutions
 - Designed to capture risks of the whole or risks that would slip between individual institutions risk analysis
 - Built on individual institutions risk identification and management plans
 - Should be integrated with strategy and performance as part of an integrated framework of management
- What it isn't
 - Writing down risks does not create them
 - Risk management does not eliminate risk
 - Not a one-time process



Enterprise Risk Management

- Risk Appetite
 - Type of risk an organization is willing to take in order to meet strategic objectives
- Risk Tolerance
 - Amount of risk an organization is prepared to accept, or tolerate, with respect to a particular risk category or for a specific initiative



Enterprise Risk Management

Types of Risk



Enterprise Risk Management

Benefits

- Best practice and majority of universities across the US have or are implementing ERM programs
- Comprehensive, holistic view of risk across enterprise
- Identification of common threads not otherwise visible
- Identification of interconnectivity of risks not otherwise visible
- Increases awareness and connectivity between personnel across the enterprise
- Supports understanding of risk appetite and trade-offs between desired outcomes and risks



Enterprise Risk Management

Governance

University Departments/ Colleges	Take and Manage Risks	<ul style="list-style-type: none"> • Ownership of activities that give rise to risk • Identify key risks and/or opportunities and initiate department/college level assessments • Develop strategies and take action to mitigate risks • Share assessment results with University Presidents and Provost
University Presidents and Provost	Lead & Acknowledge	<ul style="list-style-type: none"> • ERM framework, top risks for respective campus • Integrate ERM into strategic priorities • Establish risk appetite and risk tolerance
Chancellor	Lead & Acknowledge	<ul style="list-style-type: none"> • ERM framework, top risks for system • Integrate ERM into strategic priorities • Establish risk appetite and risk tolerance
To Be Established Risk Council	Monitor & Aggregate	<ul style="list-style-type: none"> • Establish framework, standards and templates • Monitor for the purpose of providing the system perspective
Internal Audit	Validate	<ul style="list-style-type: none"> • Verify and test internal controls • Provides feedback on risk areas and adjusts audit schedule and areas as needed
Board of Regents	Oversight/Encourage	<ul style="list-style-type: none"> • Set policy to ensure ERM is a priority, with sustained effort • Foster an exchange of information about top risks and participate in overall risk monitoring

Enterprise Risk Management



Establishment of a Risk Work group to determine:

- How can we implement ERM?
- What level of implementation do we want?
- What level of implementation can we handle?
- Next steps
- Process

Board of Regents Annual Retreat Crisis Communications Planning

Jeff Neal, Vice Chancellor for Communications and Marketing

Rick Abbruzzese, KO Public Affairs



Crisis Communications Planning

No crisis communications plan can entirely prevent damage, but we can limit damage and preserve trust by:

- Telling the truth on our terms;
- Being open and transparent;
- Pledging to take concrete steps to prevent future issues – for example process audits or adding new safeguards; and
- Communicating quickly and consistently with affected parties and stakeholders.

Organizational Processes

- Inventory of most likely potential crises/categories
- Internal communication processes that ensure rapid reporting up to USM leadership:
 - Operations and communications leads with responsibility to surface potential crises to Chancellor, Chair, Exec Officers, and Regents
- Identify communications team:
 - Primary spokesperson
 - Media spokesperson
 - Subject matter experts – seek to anticipate potential crises
 - Other third-party validators
- Develop decision tree to ensure rapid decisions to share best possible information quickly:
 - i.e. if media calls with new information; if a university calls to report; if a government official calls to report

Immediate Action

- Develop messages and statements:
 - Holding statements
 - Press releases
 - Remarks
 - FAQs

- Identify potential critics (lawyers, government officials, etc.) and anticipate their arguments for response

- Internal approval process for rapid response:
 - Chancellor
 - Chair
 - Executive Officers
 - Board of Regents

Immediate Action (cont.)

- Coordinate with stakeholders:
 - Tier One stakeholders – notify immediately
 - Tier Two stakeholders – notify prior to public release, if possible
 - Tier Three stakeholders – contact when information is public to arm with facts

- Immediate tactics:
 - Prepare social media posts
 - Enlist allies to correct misinformation
 - Organize and prepare a TV/radio strategy
 - Preemptively (if possible) brief key reporters/editorial boards
 - Email/letter to broad stakeholder list

Longer Term Action

- Leverage USM strengths
 - Strong reputation
 - Positive momentum
 - Networks of USM leaders
- Continue to take responsibility and continue to report on reforms
- Repeatedly share stories in similar space to demonstrate progress or identify crisis as an isolated event



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Convening Closed Session

COMMITTEE: Committee of the Whole

DATE OF MEETING: November 29, 2018

SUMMARY: The Open Meetings Act permits public bodies to close their meetings to the public in special circumstances outlined in §3-305 of the Act and to carry out administrative functions exempted by §3-103 of the Act. The Board of Regents will now vote to reconvene in closed session. As required by law, the vote on the closing of the session will be recorded. A written statement of the reason(s) for closing the meeting, including a citation of the authority under §3-305 and a listing of the topics to be discussed, is available for public review.

It is possible that an issue could arise during a closed session that the Board determines should be discussed in open session or added to the closed session agenda for discussion. In that event, the Board would reconvene in open session to discuss the open session topic or to vote to reconvene in closed session to discuss the additional closed session topic.

ALTERNATIVE(S): No alternative is suggested.

FISCAL IMPACT: There is no fiscal impact

CHANCELLOR'S RECOMMENDATION: The Chancellor recommends that the BOR vote to reconvene in closed session.

COMMITTEE ACTION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Denise Wilkerson, dwickerson@usmd.edu, 301-445-1906



STATEMENT REGARDING CLOSING A MEETING
OF THE USM BOARD OF REGENTS

Date: November 29, 2018
Time: Approximately 4:00 p.m.
Location: The Hotel at Arundel Preserve

STATUTORY AUTHORITY TO CLOSE A SESSION

Md. Code, General Provisions Article §3-305(b):

- (1) To discuss:
 - [] (i) The appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; or
 - [] (ii) Any other personnel matter that affects one or more specific individuals.
- (2) [] To protect the privacy or reputation of individuals with respect to a matter that is not related to public business.
- (3) [] To consider the acquisition of real property for a public purpose and matters directly related thereto.
- (4) [] To consider a preliminary matter that concerns the proposal for a business or industrial organization to locate, expand, or remain in the State.
- (5) [] To consider the investment of public funds.
- (6) [] To consider the marketing of public securities.
- (7) [X] To consult with counsel to obtain legal advice on a legal matter.
- (8) [X] To consult with staff, consultants, or other individuals about pending or potential litigation.
- (9) [] To conduct collective bargaining negotiations or consider matters that relate to the negotiations.

- (10) To discuss public security, if the public body determines that public discussions would constitute a risk to the public or public security, including:
 - (i) the deployment of fire and police services and staff; and
 - (ii) the development and implementation of emergency plans.
- (11) To prepare, administer or grade a scholastic, licensing, or qualifying examination.
- (12) To conduct or discuss an investigative proceeding on actual or possible criminal conduct.
- (13) To comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.
- (14) Before a contract is awarded or bids are opened, to discuss a matter directly related to a negotiation strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process.

Md. Code, General Provisions Article §3-103(a)(1)(i):

- Administrative Matters

TOPICS TO BE DISCUSSED:

1. Update and discussion on UMB litigation matter.
2. Legal advice on Public Information Act matter.

REASON FOR CLOSING:

1. To maintain confidentiality of privileged attorney-client communications and discussion regarding pending/potential litigation matters (§3-305(b)(7) and (8)).