



UNIVERSITY SYSTEM  
*of* MARYLAND

BOARD OF REGENTS  
COMMITTEE ON FINANCE

June 12, 2019  
Universities of Shady Grove

Minutes of the Public Session

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Regent Attman called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:45 a.m. Regent Attman read the *Convening in Closed Session statement* citing State Government Article Section 3-305 of the Open Meetings Act to discuss issues specifically exempted in the Act from the requirement for public consideration. Regent Attman moved and Regent Gossett seconded to convene in closed session. In response to the motion, the Committee members voted unanimously to convene in closed session at 10:45 a.m. for the reasons stated on the *Convening in Closed Session statement*. The session adjourned at 11:06 a.m.

The Committee reconvened in public session at 11:10 a.m. Regents participating in the session included: Mr. Attman, Ms. Gooden, Ms. Fish, Mr. Gossett, Mr. Holzapfel (via phone), Mr. Neall, Mr. Pope, and Mr. Rauch. Also present were: Chancellor Caret, Ms. Herbst, Ms. Wilkerson, Dr. Boughman, Assistant Attorneys General Bainbridge and Langrill, Mr. Hogan, Mr. McDonough, Mr. Colella, Ms. Aughenbaugh, Mr. Danik, Ms. Kemp, Ms. Rhodes, Ms. Gillette, Mr. Principe, Ms. Skinner, Mr. Pasquariello, Mr. Beck, Mr. Hickey, Mr. Page, Ms. Denson, Ms. West, Mr. Muntz, Dr. Spicer, Mr. Eismeier, Ms. Norris, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

2. FY 2020 System Funded Construction Program Request

Regent Attman summarized the item. He reminded everyone of the instructive Capital Workshop that was held with the members of the Board on May 21st. At the Workshop the Regents heard from Vice Chancellor Herbst and her staff, and then from many of the presidents. The recommendation for the FY 2020 System-Funded Construction Program includes funding from USM Auxiliary Bonds and cash appropriations by institutions as outlined in the attachments to the item. Regent Attman pointed out that the proposed SFCP reflects a change emanating from the Workshop discussion. The amount of \$4 million in institutional funds was added to an auxiliary bond project to renovate Towson's Student Union Building. He also noted that where there are opportunities for public-private partnerships to complete other projects, Ellen and her group would bring those to the Finance Committee as they come along during the year.

Regent Attman also took an opportunity to explain that a key component of the System-Funded Construction Program involves student housing; and the primary objective of the Board continues to be supporting health and safety improvements for students living on campus. He described that College Park and Frostburg are in the midst of multi-year plans to renovate and upgrade their residence halls. In looking at the work proposed in the current plan, there are a number of renovation projects in residence halls currently in use at four different campuses: Frostburg, Towson, UMBC, and College Park. These projects, with funding that has been previously approved and new funds contained in the proposed budget, will invest \$255 million in improving the components to enhance the health and safety students living on campus—including major improvements to heating, ventilation and air conditioning systems, preventing exterior water infiltration, replacing plumbing and electrical systems, and adding security and alarm systems.

**The Finance Committee recommended that the Board of Regents approve the FY 2020 System Funded Construction Program request with the conditions listed (and within the attached materials) and authorize the Chancellor to make appropriate changes consistent with existing Board policies and guidelines. Any such changes will be reported to the Committee on Finance.**

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

3. University System of Maryland: 41st Bond Resolution—Auxiliary Facility and Tuition Revenue Bonds

Regent Attman stated that the System has entered into an Indenture of Trust with a Trustee that provides protections and rights to purchasers of USM revenue bonds. The Indenture requires that the Board adopt a resolution to authorize the issuance of any series of Bonds to be used for project costs. The resolution authorizes the issuance of Revenue Bonds to finance \$122 million of academic and auxiliary facilities projects. Included in this resolution are six academic project authorizations approved by the legislature and signed into law by the Governor last month, including facilities renewal, totaling \$34 million, and eight auxiliary project authorizations totaling \$88 million that the committee had just recommended as a part of the System-funded Construction Program. Regent Attman added that the USM has a fantastic credit rating.

**The Finance Committee recommended that the Board of Regents approve the 41st Bond Resolution.**

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

4. University System of Maryland: FY 2020 Operating Budget

Regent Attman stated that this item represents the operating budget as approved by the Legislature during the Session. The final budget is required to be approved by the Board prior to July 1. He said that the FY 2020 operating budget reflects generous support from the Governor and General Assembly for the University System. Throughout the past year, vice chancellors Herbst and Hogan, together with

the Chancellor have done a great job of keeping the Board informed on the strategic direction and progress of the budget. He drew the regents' attention to the state funding increase of \$107 million, a 7.7% increase over the FY 2019 level. This increase includes a cost of living adjustment for faculty and staff; \$20 million for the second year of the USM's Workforce Development Initiative; \$60 million of funding for the implementation of the strategic partnership under Senate Bill 1052; and funding for new facilities opening at College Park, Towson, UMBC, and at the Universities at Shady Grove. Regent Attman reminded everyone that the Workforce Development funding provided \$2 million for academic programs to be located in the new Biological Science Engineering facility under construction at Shady Grove. Regent Attman also offered that the amount of state support provided to the University System institutions made it possible to limit increases of resident undergraduate tuition to 2% for the upcoming year.

**The Finance Committee recommended that the Board of Regents approve the FY 2020 operating budget as submitted, with the Chancellor authorized to make appropriate changes consistent with existing board policies and guidelines. Any such changes will be reported back to the Board.**

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

5. Biennial Nonexempt Market Salary Survey Report - Nonexempt Salary Structure Adjustment for FY 2020-2021

Regent Attman summarized the item. The System's Classification and Compensation Committee, comprised of compensation staff at each of the 12 USM institutions, conducted their biennial review of the nonexempt salary market. Their review determined that the overall market increased nearly 2% in 2018 and will likely increase again by 2% in 2019. Following the USM's "lead-meet-lag" compensation philosophy, the group recommended that the nonexempt salary structure be adjusted by 4.0%. As a result, those personnel who fall below the new minimum salaries for each range would have their salaries increased to the new limit. An estimated 1,100 nonexempt staff will receive pay raises of up to about 1% on the first day of the first pay period in FY 2020. The overall cost to implement the new pay structure is approximately \$214,000, excluding benefits.

**The Finance Committee recommended that the Board of Regents approve the proposed Nonexempt Salary Structure Adjustment, effective for FY 2020 and FY 2021.**

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

6. Proposed Amendments to Faculty and Staff Parental Leave Policies

Regent Attman stated that since 2012, the USM has offered guaranteed paid parental leave to faculty and staff under these two policies and that guaranteed paid parental leave is integral to the USM's initiative supporting "family friendly" leave policies. He explained that this item contains a proposal to expand the guaranteed paid parental leave benefit from 8 to 12 weeks. This expanded benefit will be in

keeping with the benefit provided to employees in the State Personnel Management System under the state Parental Leave law passed last year by the General Assembly. In addition to expanding the current benefit by four weeks, the proposed amendments to the parental leave policies reduce the employment period required to qualify for the benefit from twelve months to six months. As noted in the item, it is expected that the proposed amendments could result in very modest increases in leave usage, which could indirectly result in minimal cost increases.

**The Finance Committee recommended that the Board of Regents approve the proposed amendments to the policies.**

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

7. Proposed Amendments to Faculty and Staff Sick Leave Policies and Contingent Employees Policy, and a new Policy on Sick and Safe Leave for Contingent Category I and Certain Other Employees

Regent Attman reviewed the package of four related sick leave policies affecting faculty, staff, contingent employees and student employees. Under the Healthy Working Families Act, most Maryland employers are required to provide employees with a certain amount of “sick and safe” leave under specified circumstances. While the USM has long provided generous sick leave benefits to faculty and staff, this package of policies expands the sick leave benefit to include the concept of “safe leave.” Regent Attman explained that safe leave allows employees to be absent, with pay, when necessary to attend to issues related to sexual assault, domestic violence or stalking of the employee or family member. For example, if an employee needs to temporarily move to another residence or obtain a protective order as a result of domestic violence, these policies allow the employee to be absent with pay to take care of those matters. Further, these policies also expand the definition of “family member” for whom an employee may use leave when needed to care for the family member. He also noted that under these policies, Contingent I staff and certain student and other hourly or part-time employees will now be guaranteed a minimum amount of sick and safe leave annually. As with the previous set of policy amendments, it is expected that the proposed amendments could result in very modest increases in leave usage, which could indirectly result in minimal cost increases.

**The Finance Committee recommended that the Board of Regents approve the proposed amendments to the policies.**

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

8. Board Statement of Values and Expectations on Collaboration and Cooperative Efforts in Acquiring and Implementing New Information Technology and Upgrading Business Processes

Regent Attman reminded everyone that the item was an outgrowth of discussion from the E&E Workgroup. The purpose of the Board Statement is to encourage institutions to work together. With the anticipated major investment in information systems on the horizon, Regent Attman identified that

it was a huge opportunity for institutions to take advantage of “systemness.” The Board statement includes guidance for institutions to further define the regents’ expectations, a governance structure overseen by USM, and it sets a May 2020 deadline for institutions to develop plans for modernization and upgrading of business processes. There will be required periodic reporting by the System Office on institutional plans and actions undertaken toward collaborative transformation.

**The Finance Committee recommended that the Board of Regents adopt the Statement of Values and Expectations on Collaboration and Cooperative Efforts in Acquiring and Implementing new Information Technology and Upgrading Business Processes.**

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

9. Proposed FY 2020 Contract between the University of Maryland, Baltimore and the University of Maryland Medical System Corporation

Regent Attman explained that Section 13-306 of the Education Article of the State of Maryland requires that the annual contract be submitted to the Board of Regents, upon recommendation of the UMB president, for consideration, any modification, and approval. This is a direct arrangement. The contract text has been reviewed and approved by the Office of the Attorney General for form and legal sufficiency. Regent Attman then invited to Ms. Rhodes, vice president and chief business officer at UMB to address the committee. Ms. Rhodes stated that agreement results in a net transfer of \$144 million to the University. The differential of \$5.5 million is related to the cost of the COLA. While much of the contract pertains to the School of Medicine, there are also smaller transfer figures for the schools of Dentistry and Pharmacy. She added that the agreement is reached through a very collaborative process. Regent Gooden noted this seemed very consistent with the law. Regent Gossett added that a brief overview in the future might be useful. Ms. Rhodes responded that she would be happy to provide a high level summary as requested, as well as a little more detail for the upcoming Board meeting.

**The Finance Committee recommended that the Board of Regents authorize the President of UMB to execute the Annual Contract for FY 2020.**

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

10. University of Maryland, Baltimore: Tuition Schedule for New MS Program

The program, a Masters in Medical Cannabis Science and Therapeutics within the School of Pharmacy, will be offered beginning in the fall of 2019, at the Universities at Shady Grove. It is a 30-credit graduate program that will include both face-to-face and online instruction. The program is awaiting final approval from MHEC. In response to a question regarding possible federal funding-legal issues, Dr. Jarrell, executive vice president, provost, and dean of the Graduate School, stated that this is purely an educational program. He explained that the Office of the Attorney General has clearly delineated what can and cannot be taught. This program was created in response to a large demand for a very specific

need. Ms. Rhodes added that the Dean of the Pharmacy School has done extensive research regarding the workforce development needs. The UMB representatives were asked if they could provide more information to the committee members.

**The Finance Committee recommended that the Board of Regents approve the tuition and fees rates for new the MS in Medical Cannabis Science and Therapeutics program as submitted.**

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

11. Towson University: Proposal for Undergraduate Differential Pricing

Regent Attman stated that Towson University is seeking approval for a market-based, differential pricing limited to three areas of study: College of Business and Economics, Department of Nursing, and the Department of Information and Computer Science. The new pricing model would impact junior and senior level students, who would pay the annual standard tuition and mandatory fees *plus* the differential pricing. Regent Attman noted that according to the proposal, all current students would be “grandfathered” and therefore will not be subject to the differential pricing. A phase-in period over 3 years would allow there to be advanced communications with staff, students and parents. The first students under the new pricing plan would be transfer students starting in January of 2020. The full phase-in is set to begin in 2021. The differential charge will be capped at a maximum of \$3,000 per student, and will be course-based versus major-based. The new revenue from the differential rate will generate between \$4.2M and \$5.0M annually once fully implemented. The revenue will be invested in financial aid as well as to enhance educational quality and national competitiveness. Towson anticipates an increase in its nursing program production as they are not currently able to meet the demand with the limited nursing faculty. The increase in revenue will allow the University to recruit and retain additional nursing faculty. Regent Attman asked Mr. Lowenthal, vice president and CFO, to address the financial aid component of the proposal. Mr. Lowenthal offered that 18% of the new revenue will be dedicated to financial aid. He explained that they will carefully track these classes and will work closely with the financial aid office—providing more resources if needed.

**The Finance Committee recommended that the Board of Regents approve for Towson University the proposed Undergraduate Differential Pricing as described in the item; and, authorize an exception to the Board of Regents Policy on Tuition-VIII 2.01 as permitted in Section II.B.1 of the policy. Furthermore, the University shall provide an annual report to the Board of Regents that reflects the benefits and challenges of implementing tuition differential to the select programs.**

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

12. Salisbury University: Bridge Loan to Ward Foundation

Regent Attman summarized the request. The item is the result of a finding in the work of the legislative auditor at Salisbury University relating to monies extended to the Ward Museum that did not meet the

requirements of the Board policy on Affiliated Foundations. By way of background, Regent Attman shared that the Ward Museum was reorganized in 2000, under an agreement where the building and collection were transferred to Salisbury University, and the University agreed to provide some amount of annual operating support to the Museum. The Ward Museum was recognized as an affiliated foundation that year. The Board of Regents policy on Affiliated Foundations requires Board approval for transfers of cash to an affiliated foundation. The legislative auditors have recommended that Salisbury University seek retroactive approval for the arrangement, and Salisbury would like approval to forgive nearly \$380,000 of the borrowed amount as well. Regent Attman stated the Regents take these findings seriously and would have preferred a full repayment. He pointed out that it was a clear violation of Board policy to provide this bridge loan. That said, due to collectability issues, he understood the need to seek authorization for Salisbury to proceed with forgiveness of the loan balance. He then asked Mr. Pasquariello, associate VP of administration and finance, to address the committee. Mr. Pasquariello indicated that he was unsure how the University missed the requirement of seeking the Board's approval for the loan. He said that the SU Foundation usually fundraised \$150,000 annually; however, they ran into fundraising issues and at this point it was unlikely that they would be able to raise enough to repay the amount owed. Following a discussion that included the possibility of extending the loan terms/period of collection, the Museum's ability to raise the needed funds as well as remain a viable entity, the committee determined that more University staff work was necessary and that the matter would be tabled.

(Regent Gossett moved recommendation, seconded by Regent Pope)

**There was no action taken on this item.**

13. University of Maryland, College Park: Creation of Business Entity to Lease, Improve and Operate Existing Space to Support Biotechnology Research and Workforce Development

Regent Attman stated that the University is seeking to establish a not-for-profit corporation to support sponsored program work with funding that cannot be granted to a governmental entity, such as USM institutions. The grant funding in question is associated with the University's role in a public-private partnership funded by NIST through the University of Delaware in collaboration with the state of Maryland's Department of Commerce, Montgomery County, and the State's Maryland Economic Development Authority Fund, or MEDAF. He elaborated that MEDAF funds cannot be granted to the University. The new affiliated corporation, named B-TERP, is expected to receive as much as \$2.2M to upgrade an existing mock Good Manufacturing Practice facility. The University has agreed to restrict the grant activities of B-TERP to accepting grants for the facility that the University cannot. Because university staff and researchers will be involved in the management and operation of B-TERP, the University will seek some level of review by the State Ethics Commission of the arrangements and controls put in place to mitigate and manage potential conflicts of interest.

**The Finance Committee recommended that the Board of Regents approve the creation of B-TERP conditioned upon (i) review of the Maryland State Ethics Commission, and (ii) B-TERP will not seek grants that could be awarded directly to the University, with the exception of leveraging NIIMBL matching funds for the New mGMP Facility.**

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

14. University of Maryland, Baltimore: Purchase of Steam Services

Regent Attman provided a summary of the request. The University is seeking approval to enter into a sole-source, twenty-year contract with Veolia Energy Baltimore Heating, LLP for the provision of steam services to the campus at an estimated cost of \$118 million. The University also reserves the exclusive right to exercise two five-year renewal options. The University requires steam as source of heating and for its process loads, and has relied on steam services for the past seventy years. In response to a request from Regent Fish, Ms. Rhodes indicated that she would check to see if any leadership at Veolia were major donors to the University, or involved in its boards or foundations.

**The Finance Committee recommended that the Board of Regents approve for the University of Maryland, Baltimore the award of the steam contract consistent with the University System of Maryland Procurement Policies and Procedures.**

(Regent Attman moved recommendation, Regent Pope seconded, unanimously approved)

15. 2019 USM Dashboard Indicators

The report was accepted for information purposes.

16. USM Capital Projects: Periodic Status Report

The report was accepted for information purposes.

The meeting was adjourned at 12:11 p.m.

Respectfully submitted,

Gary L. Attman  
Chair, Committee on Finance





**UNIVERSITY SYSTEM  
of MARYLAND**

**BOARD OF REGENTS  
COMMITTEE ON FINANCE**

June 12, 2019  
Universities of Shady Grove

Minutes of the Closed Session

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Regent Attman called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in closed session at 10:45 a.m. in the Multipurpose Room of Building II.

Regents participating in the session included: Mr. Attman, Ms. Gooden, Ms. Fish, Mr. Gossett, Mr. Holzapfel (via phone), Mr. Neall, Mr. Pope, and Mr. Rauch. Also taking part in the meeting were the following: Chancellor Caret, Ms. Herbst, Mr. McDonough, Assistant Attorneys General Bainbridge and Langrill, Ms. Wilkerson, Mr. Beck, Mr. Hickey, Ms. Skolnik, and Ms. McMann. Dr. Schatzel, Mr. Lowenthal, Mr. Danik, Mr. Henley, Mr. Jost, and Mr. Colella were present for a portion of the session.

1. The committee considered and unanimously recommended the acquisition of real property in Towson (§3-305(b)(3)). (moved by Regent Neall; seconded by Regent Gooden)
2. The committee considered and unanimously recommended the awarding of a food services contract for Coppin State University (§3-305(b)(14)). (moved by Regent Attman; seconded by Regent Gossett)
3. The committee considered and unanimously recommended the awarding of a food services contract for Bowie State University (§3-305(b)(14)). (moved by Regent Attman; seconded by Regent Neall)
4. The committee considered and unanimously recommended the acquisition of properties in College Park (§3-305(b)(3)). (moved by Regent Attman; seconded by Regent Neall)
5. The committee considered and unanimously recommended the proposed FY 2021 Capital Budget submission (§3-305(b)(13)). (moved by Regent Attman; seconded by Regent Pope)

The session was adjourned at 11:06 a.m.

Respectfully submitted,

Gary L. Attman  
Chair, Committee on Finance