



UNIVERSITY SYSTEM
of MARYLAND

**BOARD OF REGENTS
COMMITTEE ON FINANCE**

April 1, 2021

Meeting via Video and Conference Call

Minutes of the Public Session

Regent Attman welcomed those on the video and teleconference and called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:33 a.m.

Regents participating in the session included: Mr. Attman, Ms. Fish, Mr. Gonella, Ms. Gooden, Mr. Gossett, Mr. Holzapfel, Mr. Neall, Mr. Pope, Mr. Rauch, and Mr. Wood. Also participating were: Chancellor Perman, Ms. Herbst, Ms. Wilkerson, Assistant Attorney General Bainbridge, Mr. Hogan, Mr. McDonough, Dr. Breaux, Ms. Aughenbaugh, Mr. Colella, Mr. Danik, Mr. Lockett, Mr. Lowenthal, Mr. Primus, Ms. Rehn, Ms. Rhodes, Mr. Savia, Ms. Schaefer, Mr. Sergi, Dr. Wormack, Mr. Wyden, Mr. Pasquariello, Mr. Cohen, Mr. Williford, Mr. Gagnon, Mr. Donegan, Ms. Watson, Mr. Reuning, Mr. Ramia, Ms. Skinner, Mr. Beck, Mr. Eismeier, Mr. Hickey, Ms. Decker Mann, Mr. Muntz, Ms. Norris, Mr. Page, Ms. Skolnik, Mr. Hoffacker, Ms. West, Ms. Yeh, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

1. University System of Maryland: FY 2022 Operating Budget Update

Regent Attman introduced the informational update on the FY 2022 operating budget, offering his appreciation of the Governor, Senate President, and Speaker of the House. He then turned to Vice Chancellor Herbst. She indicated that since the previous budget update at the February meeting of the Committee, the Chancellor led an effort across the System to identify areas where if appropriation funding were to be restored, the USM could increase its impact in the State in the field of health care and public health. As a result of this effort and the USM's proposal, the Governor submitted a supplemental budget that included over \$23 million in funding restoration—a promising first step in the restoration of the July funding reduction. Vice Chancellor Herbst noted that there were also several capital budget project items that were shifted from General Obligation Bond funding to PAYGO funding via the operating budget. This action frees up the state's debt capacity and allows it to fund more capital projects statewide. Vice Chancellor Herbst also mentioned an item in the Department of Commerce that would add \$12.45 million the Maryland E-Innovation Initiative Fund, which provides a state match to private funds raised in support of endowed chairs at the state's higher education institutions. This funding will help institutions recruit and retain faculty.

The Finance Committee received the item for information purposes.

2. University System of Maryland: Refresher on Project Approvals

Regent Attman explained that in a continuing effort to educate on topics of interest relevant to the Committee, he requested that Vice Chancellor Herbst and her team prepare and present an information item regarding how capital projects are approved by the Board of Regents and how that process works. Further, he thought it would also be helpful to provide a description of the process for the approval of capital construction procurement contracts that fall within the purview of the Board of Public Works. He noted that the regents want these processes to run optimally. Regent Attman reminded all that as a part of a recent E&E 2.0 initiative, the USM Procurement Policies and Procedures were modernized and updated. A workgroup consisting of USM institution vice presidents for administration and finance along with procurement experts with decades of experience worked on this project. Nonetheless, the regents believed it is time for a process refresher and a review.

Regent Attman pointed out that when the Board encounters policies or practices that may need refining or retooling, it addresses them head on and with urgency. To that end, Regent Attman announced the formation of an ad hoc sub-group of regents to examine the existing process for approving these certain requests and recommend any changes as needed. Regent Attman reported that he would be joined by Regents Leggett, Neall, and Rauch. The sub-group plans to review current practices, policies and procedures related to construction project delivery and related procurements and reporting to the BPW; develop recommendations for improvements to those processes; and, oversee the implementation of those recommendations across all USM institutions. Regent Gooden added that consultation with Regent Leggett, a former county executive, would be important, and added that a completely independent group also be engaged as part of the assessment.

Regent Attman then turned to Vice Chancellor Herbst to review the existing requirements. Vice Chancellor Herbst began by acknowledging that she was joined by Tom Hickey, Director of Procurement and Real Property Initiatives, and Mark Beck, Director, Office of Capital Planning. Vice Chancellor Herbst reviewed and summarized the current practices and requirements, highlighting the unique roles of the Board of Regents and the Board of Public Works. She stated that the BOR approves a project budget authorization along with any changes, whereas the BPW approves the design and construction contracts with those firms hired to do the work. Sometimes these two roles overlap, for example when a cost increase prompts both Regents' and BPW action. Vice Chancellor Herbst began by reviewing the BOR's role in approving projects and budgets, which is outlined in policy VIII-10.20. For the Capital Improvement Program, the Board must approve all requests for State funding. These are always made as part of the annual capital budget process. For the System Funded Construction Program, the required actions depend on the intended fund sources and the size of the project. For these typically auxiliary projects, the Board must approve any SFCP project that exceeds \$5 million in cost, or any request for use of USM auxiliary bonds—no matter how much is needed. She added that the BOR also approves any public/private partnerships. Vice Chancellor Herbst explained that the State previously commissioned a report to review the System's abilities and effectiveness in managing capital construction projects; DBM revisited that report in 2015. She pointed out that the results were very positive. In both cases, it was determined that the USM's Service Centers perform well and effectively utilize State resources. The 2015 report cited adequate policies and procedures, effective management of project schedules, and a history of effectively minimizing disputes and delays. As it had been six years since that assessment, Vice Chancellor Herbst noted it was likely time for another look. Turning to the Board of Public Works—a body comprised of the Governor, Treasurer and Comptroller—she referenced the meeting schedule indicating that the BPW convenes every two weeks and can react in real-time and take quick action. The USM has a standing agenda for these meetings in order to have certain contracts and real property items considered for approval. She explained that the System Office is responsible for coordinating this agenda and working with the institutions to ensure all agenda items are accurate and

meet all necessary requirements of the BPW. In some cases, special briefings are held with staff to the BPW to make sure that an item is understood or to address any questions. The System Office also fields questions from staff to the Governor, Treasurer, and Comptroller to make sure all items are understood thoroughly in advance of the actual BPW meeting. Vice Chancellor Herbst described the type of items that are required to be presented to the BPW for prior approval. As presented in the agenda item, the list includes all service contracts and capital improvement contracts exceeding \$1 million; any change order to a capital improvement contract, or service contract, that exceeds \$1 million; any option renewal that exceeds \$1 million; all real property acquisitions and dispositions require BPW approval, except for real property acquisitions by gift; and, any contract funded with General Obligation Bond funds regardless of dollar amount. Vice Chancellor Herbst informed the Committee that she and her team had already started the re-education process with the appropriate campus leadership and groups.

The Finance Committee received the item for information purposes.

3. Bowie State University: Facilities Master Plan Update

Regent Attman welcomed President Breaux, Mr. Savia, and Mr. Williford from Bowie State University, who were invited to present their facilities master plan (FMP) update for the Committee. Chair Attman reminded everyone that in accordance with the two-step process for approving master plans, they would hear the presentation for information at this time, and subsequently the item would be placed on the Committee's agenda at its next meeting for consideration and a recommendation to the Board. Dr. Breaux explained that, since the approval of their 2016 Facilities Master Plan, the University had undertaken several capital projects, including the completion of the Center for Natural Science, Nursing and Mathematics. A replacement for the Martin Luther King, Jr Communication Arts and Humanities building is currently in design and has been funded by the State for construction.

The master plan update addressed the accomplishments, needs, and aspirations of Bowie State University, the projected enrollment growth, growing facility needs, the physical growth and spatial constraints of the campus, and the current realities of the budget. The plan was developed through a collaborative effort on the campus that involved faculty, staff, student representatives, Prince George's County, and the City of Bowie. The plan acknowledges the University's commitment to environmental sustainability and incorporates LEED standards for new and major renovation projects, greening of the campus and continual improvements to energy efficiency. Finally, the FMP acknowledges the current pandemic and its effect on operations of the University. Mr. Savia reviewed a Post-Pandemic Scenario Planning Study included in the FMP which develops scenarios examining how the University may emerge through and out of the pandemic. Regent Wood asked if the institution was consideration collaborating with UMGC. President Breaux responded affirmatively. The institution was already collaborating with UMGC and had in fact started conversations well before the pandemic, on her first day, and will continue to expand those conversations. She complimented former UMGC President Miyares and the UMGC team for being very supportive of Bowie State University. In response to a question regarding the future need for space on campus, particularly given the pivot to remote learning, President Breaux observed that students actually desire to be on the campus, and in fact, she believes that the institution will need more spaces on the campus.

At the conclusion of the presentation, Regent Attman praised President Breaux and her colleagues for a very well thought out plan. He invited the Committee members to provide any feedback or concerns from the discussion to him and he would ask the institution, as well as Vice Chancellor Herbst and her team to respond. He also reminded the Committee that their approval of the FMP would not imply approval of capital projects or funding, as these items would be reviewed through the normal procedures of the capital and operating budget processes.

The Finance Committee received the facilities master plan update for information.

4. USM Enrollment Projections: FY 2022-2031

Regent Attman introduced the item, pointing out that while the Committee typically takes action on the enrollment projections in the spring, there had been several fall enrollment items before the Committee due to the COVID-19 pandemic and a resulting shift in the reporting timeline. In addition, he noted that the Board has in place an Enrollment Workgroup, chaired by Regent Fish. Regent Attman stated that Board Policy requires annual enrollment plans for each university that reflect the near-term realities and long-term planning to provide access to quality higher education for Marylanders. As required by the policy, institutions submitted plans that provided the targets and strategies required to achieve the enrollment plan for the next decade. These plans also factored historical success, future demographic trends, and the competitive marketplace. He then introduced Mr. Muntz, head of the System's Institutional Research Office, who presented the FY 2022 - FY 2031 enrollment projections.

Mr. Muntz provided an overview of the annual USM Enrollment projections. The short-term projections submitted were mixed. The general theme of the Fall 2021 projections was conservative. He explained that while some institutions projected flat enrollment and others saw further enrollment losses, some institutions projected enrollment gains. In the aggregate, the fall 2021 USM enrollment of 169,312 was projected to be slightly lower than the fall of 2020. Last year's short-term projections were more conservative, and if the USM exceeds the fall 2021 projected enrollment, as it did in fall of 2020, then the USM will be about the same size. Mr. Muntz then focused on the middle-term of the ten-year window, where the enrollment projections were affected by the COVID-19 pandemic as the smaller new student cohorts at some of the institutions in FY 2020 were expected to decrease the numbers of students matriculating during the next few years. USM aggregate enrollment was projected to increase in small amounts as larger cohort sizes are added through FY 2023. Moving into the longer-term, Mr. Muntz explained the projections represented the expected demographic changes but continued to project a similar rate of growth as the projections submitted in recent years. He noted the key difference was the total projected enrollment of 181,878 for 2030 is about 10,000 less than projections submitted in prior years. This is because the fall 2021 starting point was lower than anticipated just a few years ago. In closing, Mr. Muntz remarked that both the short-term and long-term enrollment projections seemed achievable. The projections were based on manageable plans, backed by shared best practices, an increasingly sophisticated use of data analytics, and the application of customer relationship management software. He added that USM staff analyzed these numbers and met with some of the institutions to review enrollment plans. Chancellor Perman added that the institutions are also going to be expanding offerings in the future to include badges, certificates, and other offerings which could impact the projections in the out years.

The Finance Committee recommended that the Board of Regents approve the enrollment projections, as submitted.

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

Vote Count = YEAs: 9 NAYs: 0 Abstentions: 0

5. University System of Maryland: Self-Support Charges and Fees for FY 2022

Regent Attman reviewed the item. He explained that the process for approving student-related tuition and fees, and charges is a two-part process. This item involves the approval of room, board, and student parking rates. The FY 2022 typical annual room charge percentage increases range from no increase to 5% at Coppin. Regent Attman indicated that UMCP's increase is necessary to meet increased mandatory costs—such as salary and wage adjustments, insurance, and utilities—as well as providing

funding for the residence hall renovations and new construction projects described in the University's Student Housing Strategic Plan. The fee increase was presented to and supported by three student groups: Residence Hall Association, Resident Life Advisory Team, and Residential Facilities Advisory Board. Regent Attman described that the Coppin State room charge increase is needed because the rates were not increased in the prior years and there were significant deferred maintenance projects that are currently in process and are on the upcoming project lists that are very costly which include new elevators and an upgrade to the residence hall bathrooms. Regent Attman emphasized that student affordability is a priority consideration when increasing fees and rates. As costs increase, every effort is made to increase financial aid, with a particular focus on need-based aid, in order to address some of the concerns surrounding student affordability. Also, in accordance with USM Board Policy and in an effort to be transparent, a brief summary of the student engagement process by each institution is included in the item, beginning on page 8. Regents Attman mentioned that the vice presidents and/or other representatives from each campus were participating in the meeting and available for any institution-specific questions. Regent Gooden, noting that many families were still facing the financial impact of the pandemic, asked about the timing and other available options. Vice Chancellor Herbst responded that these auxiliary functions are self-supporting, not subject to state funding and therefore have to be in a position to support their operations with associated revenue. With regard to timing, Vice Chancellor Herbst explained that the student bills would be prepared soon and it is important for families to know their costs. In response to a question about rate increases at peer institutions, Vice Chancellor Herbst indicated that while her office had been tracking, there had not been many public announcements at this point. Following a brief discussion and a request for follow-up data on what peer institutions are doing, the item was tabled and will be considered at the April 16 Board meeting.

No action taken. The item will be considered at the April 16 meeting of the Board of Regents.

6. University of Maryland Eastern Shore: Proposal to Increase Tuition for Physician Assistant Program

Regent Attman introduced the item. The University of Maryland Eastern Shore is proposing to increase the tuition rates for its Physician Assistant Program over a three-year period. The University is seeking authorization to implement a 15% increase in resident tuition rates and a 10% increase in non-resident tuition rates, starting in each of the academic terms of Fall 2021, Fall 2022 and Fall 2023. He then introduced Mr. Primus, UMES Vice President of Administrative Affairs. Mr. Primus explained that a review of available data shows that the current Fall 2020 resident tuition rate is the lowest in the country, and the non-resident rate is the second lowest. He stated that there would be no impact on current students and that the proposed rates would not price UMES out of the market. Regent Neall advised that directing 10% of the new revenue to financial aid might not be enough, and that the institution should be mindful of not deterring worthy students due to the cost. Regent Gooden proposed that the institution report back to the Committee. Vice Chancellor Herbst confirmed that institutional reporting was part of the recommendation.

The Finance Committee recommended that the Board of Regents approve for the University of Eastern Shore the three-year tuition rate increase proposal for the Physician Assistant Program, as described in the item. Furthermore, the University shall provide an annual report to the Board of Regents that reflects the benefits and challenges of implementing this tuition proposal.

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

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

7. Biennial Nonexempt Market Salary Survey Report - Nonexempt Salary Structure Adjustment for FY 2022-2023

Regent Attman summarized the item. Every other year, the compensation and classification committee of the Systemwide Human Resources Committee conducts a market study and recommends whether the Nonexempt Salary Structure should be adjusted, in order to maintain salary competitiveness in the market. Ms. Skolnik, Associate Vice Chancellor of Human Resources, explained that the recommendation is based on labor market trends that indicate annual salary structure increases of approximately 1.9% in 2020 and Maryland's minimum wage law, which will require pay increases for certain employees in future years. The two-part recommendation would provide a 1.9% overall salary structure adjustment on the first pay period following June 30, 2021; and a second adjustment of 3.6% on January 1, 2023 to meet the requirements of Maryland's minimum wage law. She stated that the implementation cost across the USM is estimated at \$960,000, not including the cost of benefits. Ms. Skolnik added that the recommendation has the support of both the USM institution vice presidents for administration and finance, as well as the presidents.

The Finance Committee recommended that the Board of Regents approve the proposed Nonexempt Salary Structure Adjustments, effective for FY 2022 and FY 2023.

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

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

8. Salisbury University: Retroactive Approval of Bridge Loan to Ward Foundation and Forgiveness of Remaining Unpaid Balance

Regent Attman reminded the group that the University's request had come before the Committee about two years earlier. Salisbury University is seeking approval for two separate, yet related actions. First, the University is seeking retroactive approval of a loan from Salisbury University to the Ward Foundation; and second, approval to forgive the amount of the loan that is outstanding and unpaid. At the previous Committee meeting, the Regents directed the USM Office to work with Salisbury University to explore what options existed for recovering the outstanding loan. Regent Attman asked Vice Chancellor Herbst to review the request. Vice Chancellor Herbst indicated that the issue of the retroactive loan was flagged by the State's legislative auditors a few years ago as a part of the review of Salisbury University. While the University did share a right of entry agreement and the basic plan with the System Office, they did not get the required Attorney General's Office review, or the required Board of Regents approval to make the loan. The legislative auditors have asked that Salisbury seek the formality of the approval.

Vice Chancellor Herbst stated there have been several discussions with Salisbury over the past couple of years, encompassing both the ongoing financial circumstances for the Ward Museum/Foundation and the arrangements Salisbury agreed to when the Ward Museum was taken over by Salisbury University. When asked about support provided by the University, Dr. Wormack, Vice President for Administration and Finance, responded that there is a legislative appropriation of \$200,000 that is a pass-through for the museum and that the University provides \$130,000 annually. Regent Fish questioned, *what is the plan to become self-sustaining*. Dr. Wormack indicated that the Ward had recently adopted a new financial strategic plan and that the forgiveness of the loan would support their financial position. Chancellor Perman emphasized that the Ward Museum is an important asset to the community.

The Finance Committee recommended that the Board of Regents approve the loan given to the Ward Foundation and the termination of that loan and forgiveness of the outstanding balance of \$379,043. Furthermore, Salisbury University shall return to the Committee in the fall with a financial model/plan for a financially sustainable Ward Museum.

(Regent Attman moved recommendation #1 (retroactive loan approval), seconded by Regent Fish; unanimously approved)

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

(Regent Attman moved recommendation #2 (loan forgiveness), seconded by Regent Pope; unanimously approved)

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

9. University of Maryland, Baltimore: Dental Student Clinics Management Contract Renewal

Regent Attman summarized the item. The University of Maryland, Baltimore is requesting approval to exercise the fifth of five one-year renewal options with U.M. FDSP Associates (FDSP) for the operation of the Student Dental Clinics at the Dental School at UMB. This is the final renewal option and UMB will bring a new agreement to the Board next year. Regent Attman provided some background on FDSP. FDSP receives no compensation other than reimbursement for personnel expenses and reasonable out-of-pocket expenses. Chancellor Perman reminded all that the Board had previously asked the University to look around at other potential service providers. In doing so, UMB confirmed that this is the right contract. A review of the market and providers found that there were not any who could or would be willing to provide the services essentially “at cost.” Regent Attman acknowledged that there were UMB representatives participating in the meeting and available for any questions.

The Finance Committee recommended that the Board of Regents approve the University of Maryland, Baltimore’s request to exercise the fifth one-year renewal option with U.M. FDSP Associates, P.A. as described in the agenda item.

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

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

10. University of Maryland, College Park: NextGen Energy Program P3 Solicitation—Request for a Waiver of Board Policy VIII-17.00—Policy on Public-Private Partnerships, Section IV, State-Supported Public-Private Partnerships, Subsection D

Regent Attman introduced the item and welcomed Mr. Colella, Ms. Watson, and Mr. Reuning representing the University. Regent Attman thanked the team for keeping the regents informed on the project—an enormous undertaking and Public Private Partnership opportunity at the institution. As indicated in the item, the University announced that it short-listed five firms that were identified through a request for qualifications. After a review of the proposals, the University will select finalists based on Best and Final Offers (BAFO) evaluations. These short-listed firms will be asked to submit two proposals. Because of the substantial costs associated with putting together proposals of this complexity, the University is seeking a waiver of the USM Policy on P3s in order to provide the unsuccessful proposers with limited compensation for the costs associated with this extra work. Mr. Colella explained that the USM Policy limits the reimbursement of costs and in doing so the Board policy is more stringent than the State’s P3 statute and correlating State Regulations. The waiver requested by

the University will allow for certain reimbursements with a limit of \$1.4 million in total which is part of the project budget. The University feels that this reimbursement is critical to getting the best proposals that will meet the energy needs and project goals well into the future. Mr. Colella added that there is great value in being able to draw upon all of the proposers' expertise. In response to a question regarding the expected scope and cost of the project, Mr. Colella anticipates a sizable powerplant/chilled water project with an expense in the neighborhood of one-half a billion dollars.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park a waiver from the Board Policy VIII-17.00 Section IV.D., as described in the agenda item.

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

Vote Count = YEAs: 6 NAYs: 0 Abstentions: 1 – Regent Gooden

11. Convening Closed Session

Regent Attman read the Convene to Close Statement.

“The Open Meetings Act permits public bodies to close their meetings to the public in circumstances outlined in §3-305 of the Act and to carry out administrative functions exempted by §3-103 of the Act. The Committee on Finance will now vote to reconvene in closed session. The agenda for the public meeting today includes a written statement with a citation of the legal authority and reasons for closing the meeting and a listing of the topics to be discussed. The statement has been provided to the regents and it is posted on the USM's website.”

The Chancellor recommended that the Committee on Finance vote to reconvene in closed session.

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

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

Regent Attman thanked everyone for joining the meeting. The public meeting was adjourned at 12:43 p.m.

Respectfully submitted,

Gary L. Attman
Chair, Committee on Finance



UNIVERSITY SYSTEM
of MARYLAND

BOARD OF REGENTS
COMMITTEE ON FINANCE

April 1, 2021

Meeting via Video Conference

Minutes of the Closed Session

Regent Attman called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in closed session at 12:44 p.m. via video conference.

Regents participating in the session included: Mr. Attman, Ms. Fish, Ms. Gooden, Mr. Gossett, Mr. Neall, Mr. Pope, and Mr. Wood. Also participating were: Chancellor Perman, Ms. Herbst, Ms. Wilkerson, Mr. McDonough, Assistant Attorney General Bainbridge, Mr. Hickey, Mr. Colella, Mr. Ramia, Ms. Skinner, and Ms. McMann.

1. The committee discussed the acquisition of real property in Queen Anne's County (§3-305(b)(3)). (Regent Attman moved recommendation, seconded by Regent Pope; unanimously approved)
Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0
2. The committee discussed the acquisition of real property in Queen Anne's County (§3-305(b)(3)). (Regent Attman moved recommendation, seconded by Regent Gossett; unanimously approved)
Vote Count = YEAs: 6 NAYs: 0 Abstentions: 0

The session was adjourned at 12:53 p.m.

Respectfully submitted,

Gary L. Attman
Chair, Committee on Finance