



**UNIVERSITY SYSTEM
of MARYLAND**

Board of Regents
Committee on Finance

February 2, 2023

Zoom Details to be Provided to Committee

Public Listen-Only Access: 301-715-8592; Conference ID: 951 9370 0242;
Passcode: 636664

AGENDA FOR PUBLIC SESSION

Call to Order

Chairman Attman

1. [University of Maryland, Baltimore: Facilities Master Plan \(information and presentation\)](#)
2. [University of Maryland, Baltimore: Davidge Hall Roof Repair \(action\)](#)
3. [University System of Maryland: FY 2024 Capital Budget Update \(information\)](#)
4. [University System of Maryland: FY 2023 & FY 2024 Operating Budget Update \(information\)](#)
5. [Proposed Amendments to BOR VIII-13.00—USM Policy on Business Entities \(action\)](#)
6. [FY 2022 Audited Financial Statements and USM Financial Planning \(information and presentation\)](#)
7. [University of Maryland Global Campus: Transfer of 2.22 acres of Land to the University of Maryland, College Park \(action\)](#)
8. [University System of Maryland: Review of Capital Improvement Projects \(information\)](#)
9. [Convening Closed Session \(action\)](#)



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: University of Maryland, Baltimore (UMB) Facilities Master Plan Update

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: February 2, 2023

SUMMARY: University of Maryland, Baltimore (UMB) requests Board of Regents approval of this 2022 Facilities Master Plan (FMP) Update. Please note that this update was prepared entirely by the UMB staff.

Founded in 1807, UMB is a sixty-five acre, 6.5 million gross square foot urban research university located in the western section of downtown Baltimore. The Schools of Dentistry, Law, Medicine, Nursing, Pharmacy, Social Work, and a Graduate School confer the majority of health care and human services degrees in Maryland each year.

Over the past five years, the University has followed the roadmap outlined in the 2017 FMP. During this time, the 439,000 GSF LEED Gold Health Sciences Research Facility III, the 21,000 GSF Community Engagement Center, the 14,000 GSF Electrical Switching Station & Recycling Center, and an electrical peaking plant have been completed. Projects extending an updating campuswide electrical infrastructure and chilled water are ongoing. Significant progress has also been made toward the 2017 FMP's goal of north campus development, with all identified properties either purchased or under negotiation.

A site has been cleared for the planned new School of Social Work building through the demolition of nine blighted properties located on the north side of 600 block West Lexington Street. Campus beautification projects continue to extend the UMB streetscaping (landscaping, sidewalks, wayfinding signage, lighting improvements) to enhance the campus environment and support the University's identity in downtown Baltimore. These efforts are supportive of Baltimore Public Markets' Lexington Market revitalization project and are emblematic of UMB's ongoing role as an anchor institution. UMB has also continued to undertake numerous deferred maintenance projects to keep buildings relevant and useful.

The 2022 FMP Update builds on the future development framework and principles established in the 2017 FMP and aligns with and supports the UMB Strategic Plan. It is the culmination of many ideas generated through a rigorous planning process that involved a diverse range of stakeholders. The Plan is intended to be a framework for the development of the campus over the next ten years and beyond and encourages innovation and collaboration while responding to UMB's facilities needs. It seeks to create a vibrant, urban environment that attracts the best students, faculty, and staff and supports the University's ongoing role as an anchor for the community and leader in sustainable practices. Finally, the Plan underscores the need for significant investment in the existing physical plant to ensure that it continues to support the University's record of excellence.

The 2022 FMP Update identifies current and projected physical space needs for the University and provides a general strategy and recommendations for future development of the campus. The recommendations suggest building footprints, program locations, landscape and open space networks, circulation, and development phasing.

ALTERNATIVE(S): The 2022 FMP Update includes adjustments to the 2017 plan, responding to the institution’s ever evolving strategic goals, physical planning objectives, and growth trends. Unanticipated enrollment growth, the development of detailed facility programs, and a desire to meet unexpected State of Maryland workforce and societal needs may require additional master plan studies in the future. Without these updates UMB would be less nimble in responding to contemporary issues.

FISCAL IMPACT: The 2022 Facilities Master Plan Update will present a challenge to the capital and operating budgets to secure funding to support the Plan. Approval of the Plan does not imply approval of capital projects or funding. These items will be reviewed through the normal procedures of the capital and operating budget processes.

CHANCELLOR’S RECOMMENDATION: That the Finance Committee consider the University of Maryland, Baltimore Facilities Master Plan Update 2022, as presented today, for formal action at the Committee’s next meeting; subsequently recommending approval to the full Board of Regents, in accordance with the Board’s two-step approval process. Approval of the Plan does not imply approval of capital projects or funding. These items will be reviewed through the normal procedures of the capital and operating budget processes.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst

(301) 445-1923

2022 Facilities Master Plan Update

Executive Summary





EXECUTIVE SUMMARY

In 2017, the University of Maryland, Baltimore (UMB) published a comprehensive 10-year Facilities Master Plan.

Among the key themes promoted in the plan were further enhancing UMB's research profile through reinvestment in existing assets, support of collaborative and innovative initiatives across campus, and leveraging UMB's role as an anchor institution to promote local investment, social connectedness, and meaningful engagement with neighboring communities.

Participants in the plan update outreach phase expressed a desire to study, teach, research, and work on a safe and vibrant campus. The update consequently coalesced around concepts that, implemented in concert, will develop campus places that promote park-like opportunities for respite, invite daily collegiality among the UMB community, and provide high quality venues for school and campuswide events.

This plan update, in addition to anticipating future facilities growth, seeks to build on existing strengths and amenities within and around UMB. Significant aspects of the plan focus on forming new connections with neighboring communities and partner institutions, and on improving those between south and north campus.

UMB's strategic commitment to have an impactful role as an anchor institution underlies this plan's conviction that a vital and flourishing UMB campus is inseparable from a revitalized West Baltimore.

Purpose of the Report and Description of the Planning Process

The planning effort for this 5-year update began during the COVID-19 pandemic. Thus, the report reflects a set of challenges that informed and influenced many of the traditional aims of a physical planning endeavor.

The 5-year Facilities Master Plan Update (hereafter the “plan update”) seeks to build-on the framework set out in the 2017 plan document by assessing the progress made in the years since its publication, and by modifying certain elements to recognize changes in institutional strategy. This document lists the foreseeable needs for the next 10 years but also recognizes the unpredictable nature of future growth will require open development sites. Where needed, the update seeks to adjust course in the 2027 outlook established in the 2017 Plan, and looks beyond to envision future opportunities.

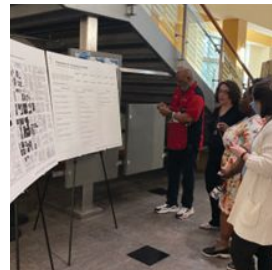
Many of the 2017 recommendations with respect to deferred maintenance, opportunity development sites, program locations, landscape and

open space networks, circulation, and campus infrastructure remain applicable, and will continue to influence prioritization of planning efforts and resource allocation.

KEY THEMES

Eight themes were identified in the 2017 plan, providing a broad framework for physical planning objectives. These continue to be a strong starting point for this plan update:

- Address Program Needs
- Support Innovation and Collaboration
- Renew and Reinvest
- Create a Vibrant 24/7 Environment
- Enhance Circulation and Connectivity
- Improve Transportation Elements
- Uphold UMB as an Anchor Institution for the Community

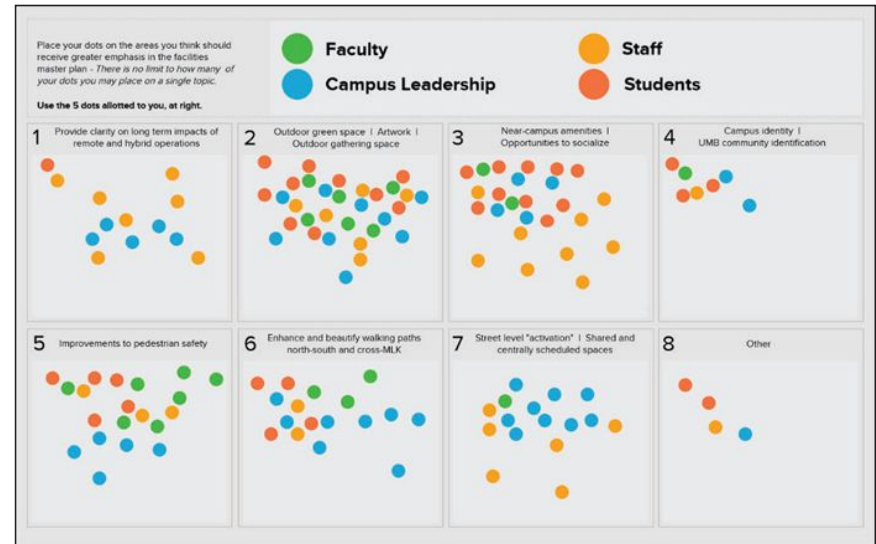


Spring 2022 Facilities Master Plan Open House

OUTREACH AND PROCESS

The update consisted of three work phases starting in Fall 2021. The outreach process was consistent with UMB’s Strategic Plan goals of inclusivity and engagement.

Phase 1 was the primary outreach phase and included data gathering and needs assessment for schools and administrative units. The



Phase 1 Engagement - Topics Dot Exercise

format of these engagements was questionnaire distribution followed by interviews with key representatives from each group. During this phase an Executive Committee was formed for the purpose of guiding the plan’s direction at three key milestones in the process. This phase also included three focus group workshops designed to engage students, faculty, and staff independently.

All Phase 1 outreach, including workshops requiring interactive, graphic, and written feedback

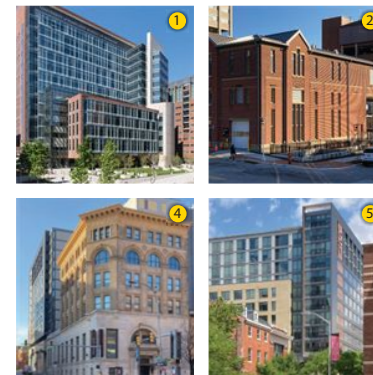
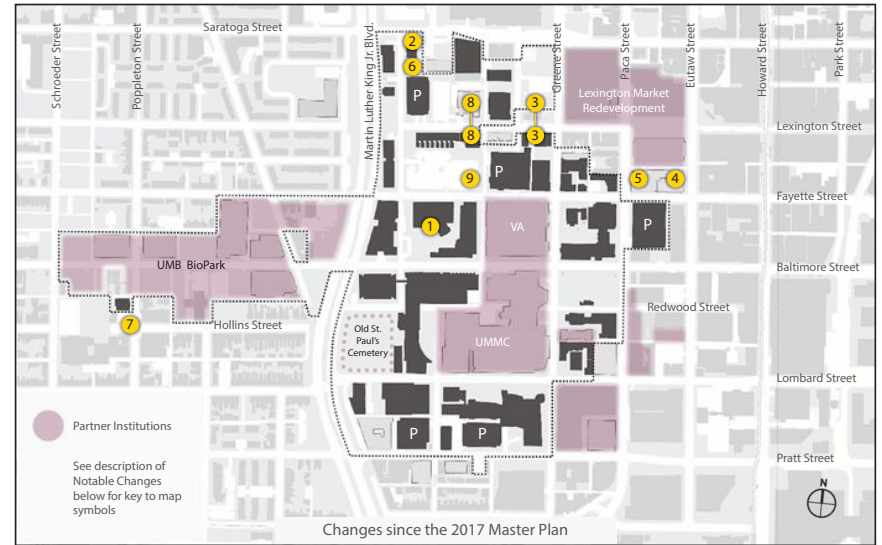
were conducted via remote and collaborative web-based media. This approach allowed for a higher degree of participation than might otherwise have been hoped for, given the operational constraints that existed throughout much of the process.

Phase 2 encompassed development of plan alternatives. This included a campus open house event held in the Campus Center, and several follow-up interviews and workshops.

Phase 1 and Phase 2 efforts included

roughly 30 separate meetings or group activities. The feedback that was provided coalesced around the concepts and recommendations articulated in this document, and also helped determine the prioritization and location options represented in the Plan Update.

Phase 3 consisted of final plan development and distribution of the draft document to the Executive Committee, partner institutions and community stakeholders.



- NOTABLE CHANGES SINCE 2017:**
- 1 Health Sciences Facility III
 - 2 Phase I Campus Electrical Infrastructure and Recycling Center
 - 3 600 Block W. Lexington: Acquisitions and site clearing
 - 4 Drover's Bank restoration and hotel development
 - 5 Prosper on Fayette apartment development
 - 6 Electrical Peaking Plant
 - 7 Community Engagement Center
 - 8 Hope Lodge / Ronald McDonald House Swap
 - 9 New surface lot and pedestrian way



CAMPUS PLAN UPDATE

Since publication of the 2017 document, UMB has completed Health Sciences Research Facility III, the Community Engagement Center, the first phase of campuswide electrical infrastructure project, and several real estate acquisitions assembling all parcels needed to constitute future north campus development sites.

The first of these developments will be a new School of Social Work building. This project is currently included in the Capital Budget and will break ground in 2024. It will be the first major academic building north of Fayette Street, and will be the largest step to date in realizing the north campus revitalization goals identified in the 2017 plan.

Many of these accomplishments have taken place amid significant challenges to established operational norms in higher education, brought about through the pandemic response. Most notably, assessing how durable the evident trend toward hybrid operational settings may prove to be, and what impact that trend will have on campus planning long term.

1 *Outdoor Gathering Places*
 Promote outdoor green spaces, outdoor gathering spaces, and artwork

2 *Campus Amenities*
 Promote near-campus amenities and opportunities to socialize, including new UMB community spaces as part of the development of north campus

3 *Campus Continuity and Pedestrian Experience*
 Continue to make improvements to help address pedestrian safety concerns.
 Enhance and beautify north-south and cross-MLK pedestrian connections

4 *Campus Identity and Welcoming Places*
 Foster identification with UMB at large
 Introduce street level uses to UMB buildings that are inviting and available to the entirety of the UMB community or the public

5 *Remote and Hybrid Impacts*
 Anticipate campus needs relating to remote and hybrid academic and workplace settings

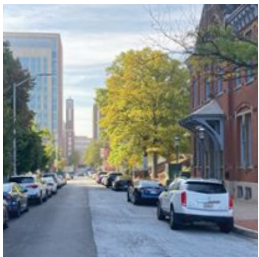
Concepts and Recommendations

Participants in the planning process expressed a desire to study, teach, research, and work on a safe and vibrant campus that offers park-like opportunities for respite, invite daily collegiality among the UMB community, and provides high quality venues for school and campuswide events. This feedback coalesced around five distinct areas of interest.

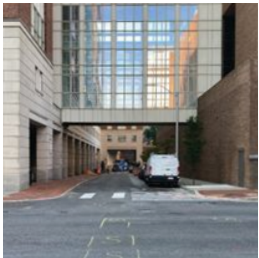


South Campus, Health Sciences and Human Services Library (L) and Southern Management Companies Campus Center (R)

photo credit: Alain Jaramillo



Pine Street - Facing South



Pine Street at Baltimore - Facing South



Redwood Street - Toward UMMC Ambulance Bays

Campus Character and Place-Making

Locations of new UMB and Partner projects are selected for their potential to add new capabilities and functions befitting the highest and best use of each site.

They are also evaluated for their potential to make better urban and campus connections that build on existing (and future) strengths on and around campus.

FEET ON THE STREET

UMB's pedestrian population, though influenced by daytime campus population, is also a function of whether there are conspicuous, inviting destinations connected by a coherent network of outdoor spaces via diverse modes of travel.

A campus adorned with well-designed outdoor places that are interconnected in this way will invite activities that extend well beyond the functional needs they were built to address.

Simply put, it will more-and-more become a place people want to be.

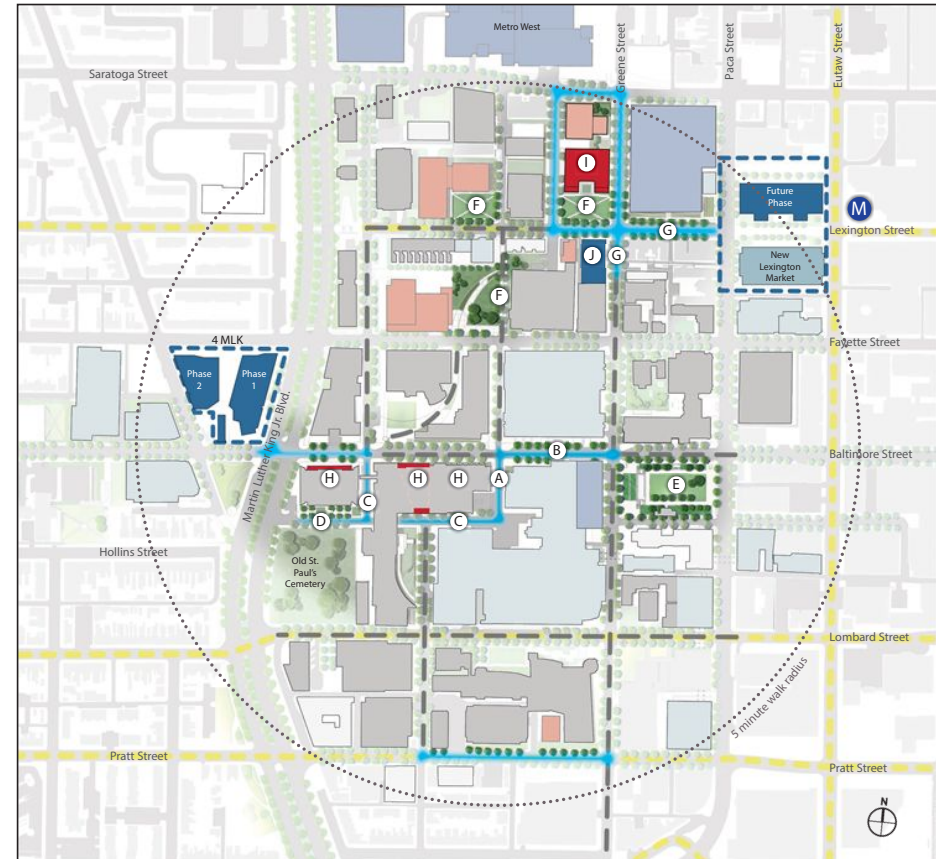
In the new Lexington Market and the planned BioPark gateway project, 4MLK, UMB is fortunate to have two outstanding partner projects that will benefit from well-developed routes branching from campus.

KNITTING STREETS

By knitting together UMB's two principal developed street networks the pedestrian routes illustrated at right will also help to unify north and south campus and support future investment in developing University Square "Plaza" Park as an amenity.

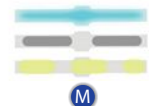
KEY TO LOCATIONS:

- (A) Arch Street Alley
- (B) 600 Block W. Baltimore Street
- (C) Redwood Street
- (D) Redwood - Pocket Park
- (E) Plaza Park Reconstruction
- (F) North Campus Green Spaces
- (G) 500 Block W. Lexington Street and 100 Block N. Greene Street
- (H) UMB Street Level Spaces
- (I) School of Social Work
- (J) Partner Development Project



Campus Open Space and Public Realm Opportunities

- UMB / Partnership Streetscape Project
- Existing UMB Pedestrian Route
- Future City Bike Lane (Phase I)
- Baltimore Metro Stop



Master Plan Update

The projects listed below are sorted by areas of interest that were identified through the planning process:

MISSION-SPECIFIC PROJECTS

- ① Davidge Hall Restoration
- ④ MSTF Renovation
- ⑨ Graduate School
- ⑩ Completion of Health Sciences Research Facility III Shell Floors
- ⑪ Disposition of Fayette Square Apt's and Current SSW Building
- ⑭ Renovation or disposition of 300 W. Russell Street (beyond limit of map)
- ⑲ Maryland Psychiatric Research Center (MPRC) - Relocation
- ⑳ Health Sciences Research Facility IV

OUTDOOR GATHERING PLACES

- ② U.S. Post Office Relocation (enabling project)
- ⑤ Plaza Park Reconstruction
- ⑰ Redwood - Pocket Park
- ⑱ North Campus Green Spaces

CAMPUS AMENITIES

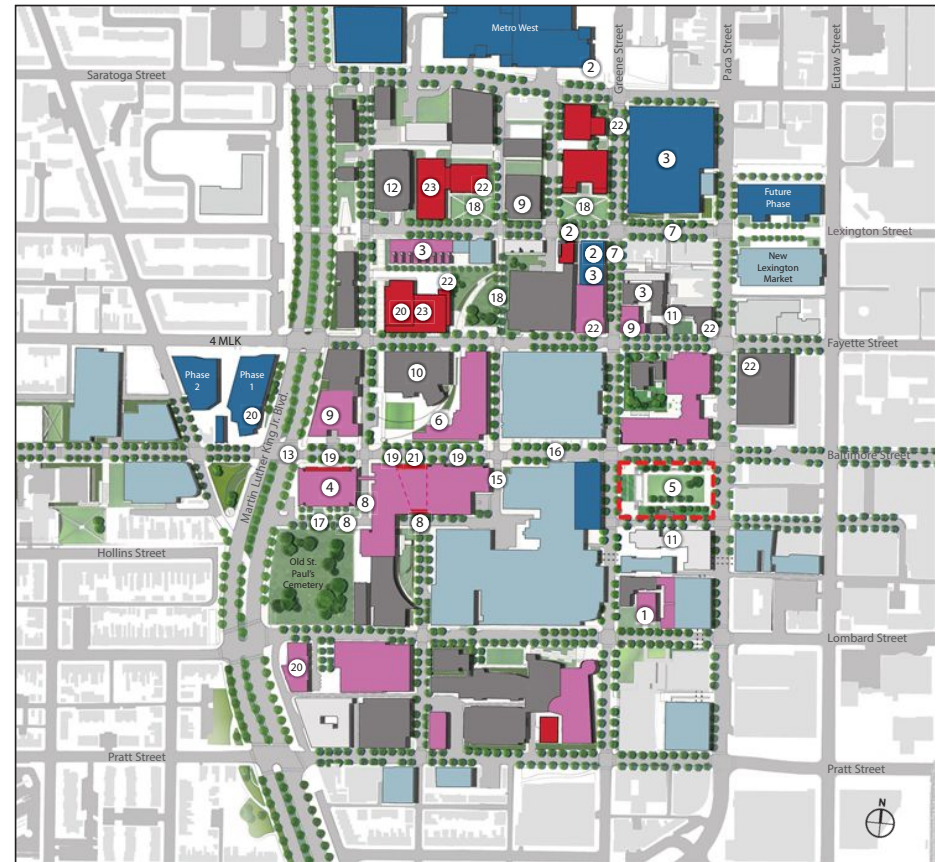
- ③ Private Housing
- ⑫ Lexington Garage Shell Space
- ⑳ Campus Ctr. North / Social Hub

CAMPUS CONTINUITY AND PEDESTRIAN EXPERIENCE

- ⑦ 500 Block W. Lexington Streetscape and 100 Block N. Greene Street
- ⑧ Redwood Streetscape
- ⑬ MLK and Baltimore Street Intersection Improvements
- ⑮ Arch Street Alley
- ⑯ 600 Block W. Baltimore Street

CAMPUS IDENTITY AND WELCOMING PLACES

- ⑥ Cafe' at Health Sciences Research Facility (HSRF) III Plaza
- ⑰ UMB Street Level Spaces
- ⑳ Howard Hall Renovation



Potential Project Sites

- UMB Existing
- UMB Proposed Project Sites
- Facilities Renewal Needs
- Existing Partnerships
- Proposed Partnership Projects



Office of Real Estate,
Planning, and
Space Management



TOPIC: University of Maryland, Baltimore: Davidge Hall Roof Repair

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: February 2, 2023

SUMMARY: The University is seeking Board approval to replace the existing roof on Davidge Hall and perform related repairs with a project budget of \$6,464,000. The existing roof is no longer watertight and resulting leaks are causing severe damage to plasterwork and other historic features within the building.

The scope of work includes the removal of the existing cypress shingle roofing on the dome down to the sheathing, removal of the existing flat panel terne coated stainless steel roofing on the gable down to the sheathing, removal of the concealed copper gutters at the eave lines of the dome and gable roofs, and the removal and replacement of any damaged sheathing.

After the removals are completed, the project calls for the installation of new curbs at the existing skylights on the gable roof, installation of ice and water shield underlayment, installation of a standing seam copper roof on the dome and gable, installation of new soldered copper flashing at the skylights, installation of new unit skylights above the existing skylights on the gable roof, and the installation of new concealed copper gutters. In addition, several damaged sections of the parapet walls, the masonry façade, and historic skylight windows will be repaired in kind.

Davidge Hall was originally constructed in 1812 and is the nation’s oldest building continuously used for medical education. The building was entered in the National Register of Historic Places in 1974 and was named a National Historic Landmark in 1997. The scope of work has been reviewed with the Maryland Historic Trust (MHT) and they have agreed that the replacement materials cause no adverse effect to the historic elements of the building. A final approval by MHT will be secured once the general contractor is on board and has been able to provide additional detail on means and methods.

ALTERNATIVE(S): No alternative is suggested. As noted above, the existing roof is no longer watertight, and the leaks are causing severe damage to plasterwork and other historic features within the building. Several sections of the paster ceilings have been damaged to the point where they have fallen and left holes. This project is considered a critical step in preventing further damage.

FISCAL IMPACT: The budget for this project is \$6,464,000. \$4.3 million will come from UMB’s FY 2023 Capital Facilities Renewal PAYGO allocation. The remaining \$2,164,000 will come from institutional funds. A 20 percent project contingency was added due to the historic nature of the building.

CHANCELLOR’S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve the Davidge Hall Roof Repair project, with a budget of \$6,464,000, as described above.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923

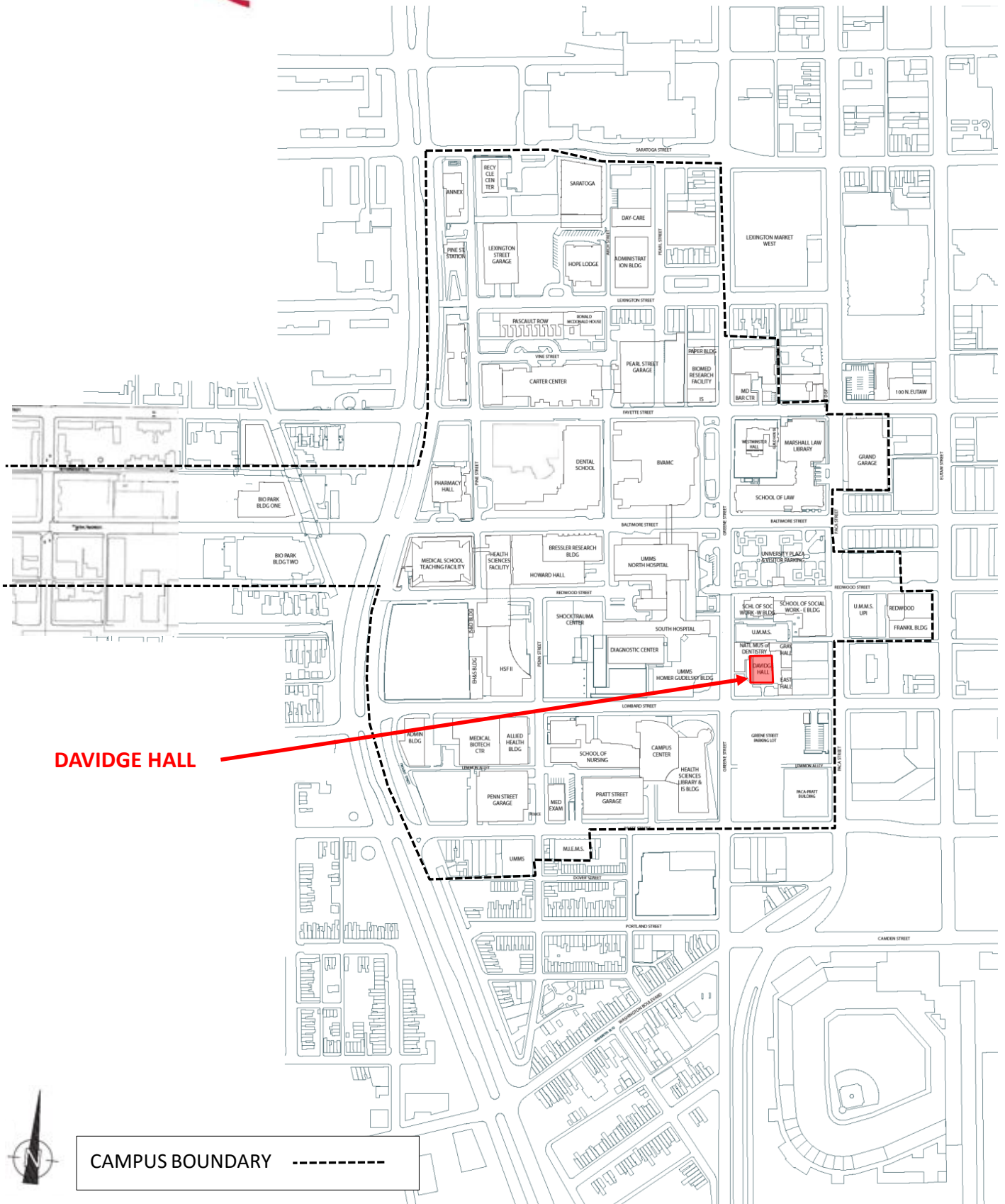
Project Cost Summary

UMB, Davidge Hall Roof Replacement

	Original
Date	1/23/2023
Stage of Estimate	Design
Design/Fees	\$372,000
Construction Cost	\$5,015,000
Contingency	\$1,077,000
Project Total	\$6,464,000
Notes:	



University of Maryland, Baltimore



DAVIDGE HALL

CAMPUS BOUNDARY - - - -





TOPIC: University System of Maryland: FY 2024 Capital Budget Update

COMMITTEE: Finance Committee

DATE OF COMMITTEE MEETING: February 2, 2023

SUMMARY: A brief update will be provided on the current status of the USM capital budget as presented in the FY 2024 Governor’s Budget.

The Governor’s FY 2024-28 Capital Improvement Program is quite favorable and can be considered good news for the USM and its institutions. The resulting State CIP, as proposed by the Governor, includes a number of added project funds, as well as consideration for cash flows and market adjustments over the five years.

- Governor’s Proposal:
 - Five-Year total is \$993.94 million—a combination of General Obligation Bonds, Academic Revenue Bonds (\$150 million), and General Fund PAYGO (\$17.562 million)
 - Total increase (when compared with the Board’s request) over the five years of the plan is \$56.619 million
 - Some projects include “non-budgeted funds” (NBF) contributions from sources such as donors and institutional funds
- Projects added by the Governor:
 - UMCP Health and Human Sciences Complex (construction)
 - UMCP Hornbake Library Conversion (planning)
 - TU New Student Services Building (planning)
 - UMES Agricultural Research and Education Center (construction)
 - UMBC Sondheim Hall Renovation (planning)
 - UMCES Coastal Dynamics Laboratory (planning)
 - USM/UMBC Colwell Center (formerly Columbus Center) Deferred Maintenance

A summary spreadsheet of the FY 2024-28 Capital Improvement Program is attached for your review.

ALTERNATIVE(S): This item is presented for information purposes.

FISCAL IMPACT: This item is presented for information purposes.

CHANCELLOR’S RECOMMENDATION: This item is presented for information purposes.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923

UNIVERSITY SYSTEM OF MARYLAND FY2024-2028 CIP

USM BOARD OF REGENTS FIVE YEAR FY2024-2028 CAPITAL IMPROVEMENT PROGRAM (JUNE 2022) COMPARED TO GOVERNOR'S CIP (JAN 2023) - \$'000'S

INSTN	PROJECTS	NBF/ Cash	Prior State Funding	BOARD REQUEST					GOVERNOR'S CIP					NOTES		
				STATE FUNDING REQUEST (GO Bonds, GF Paygo, and ARBs)					STATE FUNDING REQUEST (GO Bonds, GF Paygo, and ARBs)							
				FY2024	FY2025	FY2026	FY2027	FY2028	FY2024	FY2025	FY2026	FY2027	FY2028			
UMB	Central Elec Substation and Redundancy	3,000	66,002	10,429 CE	3,537 CE					4,565 CE	9,401 CE				1	
UMB	Replace School of Social Work Bldg		5,000	2,985 P	38,344 PC	60,113 PC	15,220 CE			3,861 P	14,780 PC	59,834 CE	38,187 CE		1	
UMCP	Chemistry Building Wing 1 Repl	16,500	115,370	9,430 CE						9,430 CE						
UMCP	Campuswide Bldg Syst and Infr Imprv		70,000	12,500 PCE	12,500 PCE	12,500 PCE	12,500 PCE	12,500 PCE	12,500 PCE	12,500 PCE	12,500 PCE		12,500 PCE		2	
UMCP	Interdisciplinary Engineering Bldg	55,000	11,000	31,210 PC	64,920 CE	48,150 CE	4,120 CE			31,210 PC	64,920 CE	48,150 CE	4,120 CE			
UMCP	Health and Human Sciences Complex		25,000	Supplemental									23,222 CE	37,703 CE	3	
UMCP	Hornbake Library Conversion		0	Supplemental										6,541 P	4	
BSU	Replace MLK Comm Arts & Hum Bldg	3,000	88,047	63,598 CE	12,519 CE					67,134 CE	8,983 CE				1	
BSU	New Thurgood Marshall Library		3,500	Supplemental									1,146 P	5,679 P	5	
TU	Health Professions Building	272	151,082	37,305 CE						43,030 CE					1	
TU	Visual & ComTech (Smith Hall Renov)	148	6,066	12,970 PC	61,162 PCE	52,833 CE				20,808 PC	68,029 PCE	58,474 CE			1	
TU	New Student Services Building			Supplemental										4,645	6	
UMES	Agricultural Research Education Center	14,300		Supplemental						12,628 CE	4,317 CE				7	
CSU	Student Housing (State Funds Shown)	38,441	6,864		11,136 PC						11,136 PC					
SU	Blackwell Hall Renovation		1,940	2,371 P	19,406 PC	24,267 CE				2,223 P	19,379 PC	24,442 CE			1	
UMBC	Sherman Hall Renovation		21,886	23,839 C	24,770 PCE	36,649 PCE				23,839 C	25,426 PCE	21,050 PCE	2,087 C		1	
UMBC	Sondheim Hall Renovation			Supplemental										4,037 p	8	
UMCES	Chesapeake Analytics Collab Bldg		10,837	8,538 CE						11,033 CE					1	
UMCES	Coastal Dynamics Laboratory, HPL			Supplemental										2,018 P	9	
USM	Colwell Center Deferred Maintenance			Supplemental						4,934 PC	13,988 C	2,551 C			10	
USM	Systemwide Fac Renewal Program	TBD	424,929	25,000 PCE	40,000 PCE	40,000 PCE	45,000 PCE	45,000		25,000 PCE	25,000 PCE	25,000 PCE	25,000 PCE	25,000	11	
REQUESTS AND GOVERNOR'S CIP BOTH INCLUDE \$30M PER YEAR IN USM ACADEMIC REVENUE BONDS (ARBs)				240,175	288,294	274,512	76,840	57,500		272,195	277,859	252,001	93,762	98,123		
				FIVE YEAR TOTAL BASE REQUEST					937,321	FIVE YEAR TOTAL BASE REQUEST					993,940	

NOTES

- 1 ADJUSTMENTS FOR PROJECT CASH FLOW
- 2 INCLUDES \$5M USM ARB'S FY24-26, FY28. FUNDING FOR FY2027 DEFERRED; ARB FUNDING SHIFTED TO HEALTH AND HUMAN SCIENCES FOR THAT YEAR
- 3 SUPPLEMENTAL REQUEST ADDED TO CIP; INCLUDES \$5M IN USM ARB FUNDING FOR FY2027
- 4 SUPPLEMENTAL REQUEST ADDED TO CIP
- 5 SUPPLEMENTAL REQUEST ADDED TO CIP
- 6 SUPPLEMENTAL REQUEST ADDED TO CIP
- 7 SUPPLEMENTAL REQUEST ADDED TO CIP; INCLUDES \$12.628M IN "SPECIAL FUNDS" PROVIDED BY THE STATE
- 8 SUPPLEMENTAL REQUEST ADDED TO CIP
- 9 SUPPLEMENTAL REQUEST ADDED TO CIP
- 10 SUPPLEMENTAL REQUEST ADDED TO CIP; INCLUDES \$4.934M IN "SPECIAL FUNDS" PROVIDED BY THE STATE
- 11 STATE GO BOND FUNDING REQUEST WAS NOT INCLUDED; ALL FR FUNDING IS ARB, WITH CONSIDERATION FOR USE OF \$25M ANNUALLY FROM USM SOURCES



TOPIC: University System of Maryland: FY 2023 & FY 2024 Operating Budget Update

COMMITTEE: Finance Committee

DATE OF COMMITTEE MEETING: February 2, 2023

SUMMARY: A brief update will be provided on the current status of the USM operating budget as presented in the FY 2024 Governor’s Allowance.

The USM budget includes revenues from state appropriations, tuition and fees, auxiliary services, federal and other contract and grants, and other revenues for a total budget of \$6.7 billion.

- Governor’s Proposal:
 - \$2.1 billion—combination of the General Fund and Higher Education Investment Fund
 - Represents a net increase of \$204.6 million or 10.8 percent over the FY 2023 Unrestricted Appropriation
- Projected Tuition Increase:
 - Tuition is assumed at 2% for resident undergraduate students; 5% for nonresident undergraduates
- Highlights of USM’s Budget:
 - \$102.8 million annualization of cost-of-living adjustments
 - \$21.1 million funding for legislative mandates and other initiatives
 - \$86.0 million increase for fringe benefit rate adjustments
 - \$0.7 million increase to fund operating expenses for new USM facilities
 - \$36.2 million for HBCU required under HB 1
 - \$17.6 million funding for PAYGO

ALTERNATIVE(S): This item is presented for information purposes.

FISCAL IMPACT: This item is presented for information purposes.

CHANCELLOR’S RECOMMENDATION: This item is presented for information purposes.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923



**UNIVERSITY SYSTEM
of MARYLAND**

The Governor has proposed state support for the USM totaling \$2.1 billion, coming from the General Fund the Higher Education Investment Fund. This represents an increase of \$204.6 million—or 10.8%—over the FY 2023 appropriation.

This budget is based on a planning assumption of tuition increases of 2% resident and 5% nonresident undergraduates; we recognize the universities will come forward with proposals and the Board will vote on any tuition increases in the spring.

- **\$102.8 million for cost-of-living adjustment annualization**
- **\$21.1 million funding for legislative mandates and other initiatives**
 - \$5 million increase for Climate Catalytic Capital Fund at UMCP
 - \$1.5 million increase for the Institute for Public Leadership at UMCP
 - \$500 thousand increase for Sustainable Maryland Program Fund at UMCP
 - \$350 thousand increase for Consumer Health Information Hub at UMCP
 - \$300 thousand increase for Urban Farmer Assistance at UMCP
 - \$2.4 million increase to honor commitment to SB 897 for MPower Joint Steering Council
 - \$4.0 million increase for Funding Guideline Attainment at SU
 - \$1.8 million increase for UMES land grant match
 - \$250 thousand increase for Oyster Research at UMCES
 - \$40 thousand increase for MCCE at USMO
 - \$5 million increase for Workforce Development Funding at USG
- **\$86.0 million increase related to statewide fringe benefit rates and other adjustments**
- **\$17.6 million funding for PAYGO**
 - \$12.6 million increase for Agriculture Center at UMES
 - \$5.0 million increase for the USM “Columbus Center”
- **\$36.2 million required under HB 1 for HBCU legal settlement**
- **\$0.7 million to fund operating expenses for new USM facilities**
 - \$650 thousand increase to support the new College of Health Professionals building at TU
 - \$60 thousand increase to support UMCES Chesapeake Analytics Collaborative building

During the course of the legislative session, adjustments are recommended to the Governor’s budget in order to fund other/additional legislative priorities. The USM community works together to minimize any recommended reductions or reallocations of the proposed USM budget in the Governor’s Allowance.

Following the legislative session, the final USM operating budget and recommended tuition action items will be submitted to the Board for its consideration in April/May.



TOPIC: Proposed Amendments to BOR VII-13.00—USM Policy on Business Entities

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: February 2, 2023

SUMMARY: Attached are proposed amendments to the USM Policy on Business Entities. These amendments resulted from a lengthy review of the current policy, in tandem with a review of current BOR IX-2.00—Policy on Affiliated Foundations. The purpose of this review was to establish clear guidelines for institutions establishing, operating, financing or investing in business entities that would meet the Board of Regents’ need for accountability and oversight, while providing business entities with sufficient flexibility and independence to accomplish the affiliated institution’s goals. The end result of this process is a recommendation to substantially revise both the policy on business entities and the policy on affiliated foundations. As a result of these revisions, affiliated foundations that engage in activities other than fundraising and related activities will now be required to comply with the Policy on Business Entities.

The current business entities policy states only that an institution president “may” request approval from the Board of Regents for “establishing, investing in, financing or operating a business entity,” but does not require such approval. The amendments to the policy now require the president to request approval prior to engaging in these actions. (Board approval is required for investments or financing of \$5 million or more; Chancellor’s approval is required for investments of \$1 million up to \$5 million.)

Another significant change to the policy is an emphasis on compliance with the Maryland Public Ethics Law. To receive Board approval, the institution must specifically address matters under the Ethics Law. Under the policy amendments:

- USM and Institution employees may participate in the operation or governance of a business entity only in such circumstances where approved by the Responsible Official and in compliance with public ethics laws;
- An Institution may not use a business entity for the principal purpose of circumventing law, USM procurement requirements, or any other policy of the Board of Regents; and
- A business entity may acquire personal property or real property for the eventual transfer to an institution or the USM, but may not make such acquisitions in a manner inconsistent with public ethics laws that would apply if the USM or its institutions were directly acquiring the property.

The policy also adds additional reporting requirements, including reports that must be submitted to the Chancellor annually, including:

- a list of USM employees who received payments or services from the business entity and subsidiaries and affiliates and the amounts received; and

- a list of all state and federal grants and contracts managed by the business entity and subsidiaries and affiliates

A red-lined copy of BOR VII-13.00—USM Policy on Business Entities showing the proposed amendments is also attached.

The proposed amended policy has been reviewed by the Vice Presidents for Administration and Finance and the Chancellor’s Council. The Attorney General’s Office has reviewed and approved it.

A draft copy of BOR IX-2.00—Policy on Affiliated Philanthropic Support Foundations is attached for comparison and information purposes.

ALTERNATIVE(S): The Committee could recommend that the Board of Regents not approve the proposed amendments to the USM Policy on Business Entities.

FISCAL IMPACT: There is no fiscal impact anticipated.

CHANCELLOR’S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve the proposed amendments to the BOR VII-13.00—USM Policy on Business Entities, as presented.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923

VIII-13.00 - USM POLICY ON BUSINESS ENTITIES

(Approved by the USM Board of Regents on July 13, 2001, revised _____, 2023)

A. Definitions

For the purposes of this Policy, the following terms shall have the following meanings:

“Business Entity” means a for profit or non-profit business or business entity that is separate from USM and its Institutions. For example, Business Entities include without limitation:

- a. Entities created for the purpose of owning or developing real estate;
- b. Entities created for the purpose of carrying on or facilitating research, education, or services consistent with the Institution’s mission;
- c. Fiscal sponsor host organizations;
- d. Entities that were previously recognized by USM as affiliated foundations, but which are subsequently primarily engaged in activities other than fundraising or fundraising-support; and
- e. Entities established to further one or more goals of USM or its institutions and related to the mission of any institution.

“Establish” means to create or legally organize a Business Entity, e.g., by incorporating a corporation, organizing a limited liability company, or entering into a partnership or joint venture agreement.

“Financing,” “finance,” or any correlative term means the provision of a loan or extension of credit to a Business Entity.

“Institution” means a university within the University System of Maryland, or a regional center.

“Investment,” “invest,” or any correlative term means the acquisition of an ownership interest in the Business Entity in exchange for consideration, or to provide value to a Business Entity by support or gift.

“Operate” means to control or to substantially or significantly influence the management of the operations of a Business Entity.

“Responsible Official” means the following official responsible for seeking approvals and for monitoring compliance with this Policy and other USM policies applicable to Business Entities at his or her Institution:

- a. For the USM or USM Office: the Chancellor (or his or her designee); and
- b. For an Institution and any component of an Institution (including a regional higher education center through its sponsoring Institution): the appropriate President, unless otherwise approved by the Chancellor.

B. Background

Section 12-113 of the Education Article of the Annotated Code of Maryland, as may be amended, allows the Board of Regents "to establish, invest in, finance, and operate businesses or business entities when the Board finds that doing so would further one or more goals of the University and is related to the mission of the University." Section 12-113 requires that a business entity may not be considered an agency or instrumentality of the State or a unit of the Executive Branch for any purpose. A financial obligation or liability of a business entity established, invested in, financed, or operated in accordance with Section 12-113 may not be a debt or obligation of the State or University.

Section 12-113 also refers to Section 15-107 of the Education Article, which encourages the promotion of economic development of the State through commercial application of Institution-owned intellectual property.

C. Purpose and Scope

This Policy governs the establishment, investment in, financing of, and operation of Business Entities by USM and its Institutions. Business Entities may be established or operated for the purpose of shielding the Institution from liability; engaging in activities that are more appropriately conducted by a Business Entity; enabling non-USM personnel with appropriate expertise to participate in the management or governance of the Business Entity; or for other purposes to enhance or accomplish the mission of the USM or the Institution.

D. Applicability

1. Subject to Section D.2, this Policy shall apply to the establishment, investment in, financing of, and operation of Business Entities by USM and USM Institutions.
2. This Policy shall not apply to any of the following entities:
 - a. Entities that are subject to Board of Regents Policy VIII-15.00 (Policy on High Impact Economic Development Activities).
 - b. Affiliated philanthropic support foundations that are subject to Board of Regents Policy IX-2.00 (Policy on Affiliated Philanthropic Support Foundations).
 - c. Public-private partnerships that are subject to the provisions of Board of Regents Policy VIII-17.00 (Policy on Public-Private Partnerships).
 - d. Business Entities that are specifically exempted from this Policy by the Board of Regents.
3. This Policy shall also not apply to the following:
 - a. The receipt of an equity interest in a Business Entity or a license to use the Business Entity's intellectual property as a condition of the Business Entity's participation in an Institution's business incubator program;
 - b. The receipt of an equity interest in a Business Entity in consideration for the licensing of Institution-owned intellectual property;
 - c. Investments and financings made according to the provisions of Board of Regents Policy VIII-14.00 (Policy on Investments and Loans to Maryland-based Businesses that are Affiliated with USM Institutions); and
 - d. Provided, however, that in each of D.3.a, b, and c, the Institution provides no other Investment in, Management of, provision of more than one director, trustee or manager, to or Financing for, the Business Entity.

E. Prior Approval Required by the Board of Regents for Establishing, Operating, Investing in, or Financing a Business Entity

1. USM and USM Institutions must obtain prior Board of Regents approval in order to:
 - a. Establish a new Business Entity,
 - b. Operate a Business Entity, or
 - c. Invest in or Finance a Business Entity as further provided in Section F below.
2. However, no new approval shall be required with respect to the establishment or operation of any Business Entity which was approved by the Board of Regents prior to December 31, 2022. All Business Entities whenever established are subject to the reporting requirements set forth in Section J below.
3. In addition, no new approval shall be required with respect to the establishment by a previously approved Business Entity of a subsidiary or affiliate, if it is (a) consistent with the initial approval of the purpose and intended operations of the Business Entity, and (b) not considered an agency or instrumentality of the State or unit of the Executive Branch, including USM, for any purpose, and its debts and obligations are not considered debts or obligations of the State or USM. For example, a real estate development Business Entity may create single-purpose entity (SPE) subsidiaries for acquiring parcels of real estate, in order to shield the Business Entity from the liabilities of the SPE. All subsidiaries and affiliates are subject to the reporting requirements set forth in Section J below.

F. Approval Required for Investments or Financings

1. USM and USM Institutions must obtain Board of Regents approval in order to make an investment in, or provide financing to, a Business Entity of \$5,000,000 or more.
2. USM and USM Institutions must obtain specific written approval of the Chancellor (or designee), in order to make an investment in, or provide financing to, a Business Entity of \$1,000,000 or more but less than \$5,000,000. The Chancellor (or designee) shall have determined that the investment in the Business Entity furthers one or more goals of USM or Institution and is related to the mission of USM or Institution. Prior Board of Regents approval shall be necessary for investments in or financing to any Business Entity as soon as the cumulative investments and financings is to exceed \$5,000,000 outstanding at any one time.
3. Any investment or financing in an amount less than \$1,000,000 shall not require Chancellor (or designee) approval, but the Institution shall report it to the Chancellor in accordance with Section J of this Policy. The Responsible Official shall have determined that the investment in the Business Entity furthers one or more goals of the Institution and is related to the mission of the Institution. Prior written approval by the Chancellor shall be necessary for investments in or financing to any Business Entity as soon as the cumulative investments and financings is to exceed \$1,000,000 outstanding at any one time.

G. Process for Seeking Approval from the Board of Regents

1. When seeking approval from the Board of Regents under Sections E or F of this Policy, the Responsible Official shall submit a business opportunity assessment prepared with assistance from independent experts. The assessment shall include a description of the product or service; the potential market for the product or service to be offered by the Business Entity; the business opportunities; and the financial risks. The assessment shall also include a plan that describes the financial relationship between the Business Entity and the Institution; operating capital requirements; any anticipated State funding through economic development grant or loan programs; any venture capital relationships; the start-up period of operation and funding; and a financial pro forma for at least five years. Additionally, the Responsible Official shall recommend appropriate performance indicators for the Business Entity.
2. The Responsible Official shall also:
 - a. Describe the legal form of the Business Entity;
 - b. Explain why a separate Business Entity is needed or is preferable;
 - c. Explain how the Business Entity will further one or more goals of the Institution or the USM;
 - d. Explain how the Business Entity is related to the mission of the Institution or the USM;
 - e. Explain how the Business Entity will compete, if at all, with the Institution or the USM;
 - f. Define the composition of the Business Entity's governing body, addressing specifically, any role of the Institution or USM in appointing and removing members of the governing body;
 - g. List the names of any and all USM or Institution employees who will have a role in creation, operation, or management of the Business Entity, along with a description of their respective roles;
 - h. Describe any Public Ethics Law issues presented by the proposal and how they will be resolved, including a specific reference to and addressing matters included in Section 5-525 of the General Provisions Article of the Annotated Code of Maryland;
 - i. Describe any other potential conflict of interest or other problems which might be anticipated at the time Board's approval is sought, e.g., individuals who have potential conflicts regarding compensation; members of the governing board who stand to financially benefit from the activities of the Business Entity; and if the Business Entity might receive goods or services at a below market price as a result of actions of a member of the governing board; and
 - j. Comply with any Board of Regents approved due diligence requirements.
3. A copy of the articles of incorporation or organization must be sent to the Chancellor when the Business Entity files them with the Maryland State Department of Assessments and Taxation or other appropriate government filing office.

H. Compliance with Board of Regents Policy Requirements and State of Maryland Public Ethics Requirements

1. USM and Institutions must operate their Business Entities in compliance with all requirements of this Policy and applicable laws.
2. USM and Institution employees may participate in the operation or governance of a Business Entity only in such circumstances where approved by the Responsible Official and in compliance with Public Ethics laws.
3. Pursuant to State law, a Business Entity shall not offer an educational program (i.e., an organized course of study that leads to the award of a certificate, diploma, or degree) unless it has obtained a certificate of approval from the Maryland Higher Education Commission (MHEC) to operate as an institution of postsecondary education. A Business Entity shall not apply for a certificate of approval from MHEC without first obtaining written approval from the Chancellor (or designee).
4. Without specific approval by the Board of Regents, an Institution may not use a Business Entity to engage in education, research, or service activities in place of the Institution that would ordinarily be performed by the Institution.
5. An Institution may not use a Business Entity for the principal purpose of circumventing law, USM procurement requirements, or any other policy of the Board of Regents.
6. A Business Entity may acquire personal property or real property for the eventual transfer to, or purchase by, the USM or an Institution. However, the Business Entity may not make such acquisitions in a manner inconsistent with Public Ethics Laws that would apply if the USM or its Institutions were directly acquiring said property.
7. An Institution should only establish or manage Business Entities that are organized under Maryland law and that have their primary place of business in Maryland. However, an Institution may seek approval from the Board of Regents to establish or manage a Business Entity to be organized under another jurisdiction's laws or to have its primary place of business outside of Maryland, e.g. where the Business Entity will be created for the purpose of operating in a foreign country and is required by a foreign government to be organized under the laws of the foreign country and/or to have its primary place of business in the foreign country.

I. Termination of Business Entity status

Upon notice to the subject Institution, the Board of Regents may act to rescind and revoke the approval of an Institution to operate a Business Entity. The loss of such approval will require that the Institution end its support or provision of resources, including personnel, to the Business Entity.

J. Reporting to the Chancellor ¹

1. Within 120 days after the end of USM's fiscal year, the President of each Institution shall provide to the Chancellor a report of:
 - a. The Business Entities established by the Institution and any and all subsidiaries and affiliates thereof;

- b. The funds invested in, or financing provided by, the Institution or any affiliated foundation to Business Entities;
 - c. Ownership interests acquired by an Institution or any affiliated foundation in Business Entities;
 - d. The current status of the Business Entities and subsidiaries and affiliates;
 - e. Annual financial audit report for those Business Entities with more than \$1,000,000 in assets or annual revenues at the end of the previous fiscal year end; or a compilation or review of financial statements for those Business Entities with both less than \$1,000,000 in assets and annual revenues at the end of the previous fiscal year end;
 - f. A list of officers and directors of all Business Entities and subsidiaries and affiliates;
 - g. A list of USM or Institution employees who received compensation or other payments, services, or gifts from the Business Entities and subsidiaries and affiliates during the fiscal year and the amount of that compensation or payment, service or gift (but excluding reimbursement of travel or other expenses) as well as a list of USM or Institution employees who provided services to Business Entities and affiliates without compensation; and
 - h. A list of all state and federal contracts and grants managed by the Business Entity and subsidiaries and affiliates during the fiscal year.
2. For good cause, the President of an Institution may request from the Chancellor (or designee) a waiver of the foregoing reporting requirements, or additional time in which to provide such reports. For example, if the Business Entity is a foreign corporation, additional time may be required in order to receive the audit report or financial statements required by Section J.1.e.
 3. The President shall submit an evaluation of whether the Business Entity met the performance indicators recommended to or adopted by the Board of Regents. A President may present alternative information if approved by the Board of Regents or Chancellor (or designee).

K. Reporting by the Chancellor

The Chancellor shall provide to the Board of Regents, Governor, and the General Assembly within 180 days after the end of USM's fiscal year a report of:

1. The Business Entities established in accordance with this Policy;
2. The funds invested in, and financing provided to, Business Entities in accordance with this Policy;
3. Ownership interests in any Business Entities established in accordance with this Policy; and
4. The current status of the Business Entities established in accordance with this Policy.

¹ The reporting provisions of this Policy also apply to the USM Office or any Institution that received Board of Regents approval for establishing, investing in, financing, or operating a Business Entity since July 1, 1999, even if the approval was prior to the effective date of this Policy.

VIII-13.00 - USM POLICY ON BUSINESS ENTITIES

— (Approved by the USM Board of Regents on July 13, 2001, revised _____, 2023)

General

A. Definitions

For the purposes of this Policy, the following terms shall have the following meanings:

"Business Entity" means a for profit or non-profit business or business entity that is separate from USM and its Institutions. For example, Business Entities include without limitation:

- a. Entities created for the purpose of owning or developing real estate;
- b. Entities created for the purpose of carrying on or facilitating research, education, or services consistent with the Institution's mission;
- c. Fiscal sponsor host organizations;
- d. Entities that were previously recognized by USM as affiliated foundations, but which are subsequently primarily engaged in activities other than fundraising or fundraising-support; and
- e. Entities established to further one or more goals of USM or its institutions and related to the mission of any institution.

"Establish" means to create or legally organize a Business Entity, e.g., by incorporating a corporation, organizing a limited liability company, or entering into a partnership or joint venture agreement.

"Financing," "finance," or any correlative term means the provision of a loan or extension of credit to a Business Entity.

"Institution" means a university within the University System of Maryland, or a regional center.

"Investment," "invest," or any correlative term means the acquisition of an ownership interest in the Business Entity in exchange for consideration, or to provide value to a Business Entity by support or gift.

"Operate" means to control or to substantially or significantly influence the management of the operations of a Business Entity.

"Responsible Official" means the following official responsible for seeking approvals and for monitoring compliance with this Policy and other USM policies applicable to Business Entities at his or her Institution:

- a. For the USM or USM Office: the Chancellor (or his or her designee); and
- b. For an Institution and any component of an Institution (including a regional higher education center through its sponsoring Institution): the appropriate President, unless otherwise approved by the Chancellor.

B. Background

Section 12-113 of the Education Article of the Annotated Code of Maryland (effective 7/1/99), as may be amended, allows the Board of Regents "to establish, invest in, finance, and operate businesses or business entities when the Board finds that doing so would further one or more goals of the University and is related to the mission of the University." Section 12-113 requires that a business entity may not be considered an agency or instrumentality of the State or a unit of the Executive Branch for any

purpose. A financial obligation or liability of a business entity established, invested in, financed, or operated in accordance with Section 12-113 may not be a debt or obligation of the State or University.

~~Any institution (including the USM Office) that wishes to establish, invest in, finance or operate a for-profit business entity must receive Board of Regents approval before doing so. A "business entity" for the purposes of this policy is defined to be any legal entity separate from the University System of Maryland that an institution establishes, invests in, finances, or operates.~~

~~The requirement of Section 12-113 also refers to Section 15-107 of the Education Article, which encourages the promotion of economic development of the State through commercial application of Institution-owned intellectual property.~~

C. Purpose and Scope

This Policy governs the establishment, investment in, financing of, and operation of Business Entities by USM and its Institutions. Business Entities may be established or operated for the purpose of shielding the Institution from liability; engaging in activities that are more appropriately conducted by a Business Entity; enabling non-USM personnel with appropriate expertise to participate in the management or governance of the Business Entity; or for other purposes to enhance or accomplish the mission of the USM or the Institution.

D. Applicability

1. Subject to Section D.2, this Policy shall apply to the establishment, investment in, financing of, and operation of Business Entities by USM and USM Institutions.
2. This Policy shall not apply to any of the following entities:
 - a. Entities that are subject to Board of Regents Policy VIII-15.00 (Policy on High Impact Economic Development Activities).
 - b. Affiliated philanthropic support foundations that are subject to Board of Regents approval ~~does~~ Policy IX-2.00 (Policy on Affiliated Philanthropic Support Foundations).
 - c. Public-private partnerships that are subject to the provisions of Board of Regents Policy VIII-17.00 (Policy on Public-Private Partnerships).
 - d. Business Entities that are specifically exempted from this Policy by the Board of Regents.
3. This Policy shall also not apply ~~when an institution takes~~ to the following:
 - a. The receipt of an equity interest in a ~~company~~Business Entity or ~~receives~~ a license to use ~~company-owned~~the Business Entity's intellectual property as a condition of the ~~company's~~Business Entity's participation in an ~~institution~~Institution's business incubator program, ~~or when an institution takes~~;
 - b. The receipt of an equity interest in a ~~company~~Business Entity in consideration for the licensing of ~~institution~~Institution-owned intellectual property, ~~provided that the institution~~;

- c. Investments and financings made according to the provisions of Board of Regents Policy VIII-14.00 (Policy on Investments and Loans to Maryland-based Businesses that are Affiliated with USM Institutions); and
- d. Provided, however, that in each of D.3.a, b, and c, the Institution provides no other investment or financing for the company Investment in, Management of, provision of more than one director, trustee or manager, to or Financing for, the Business Entity.

~~An institution may seek~~**E. Prior Approval Required by the Board of Regents for Establishing, Operating, Investing in, or Financing a Business Entity**

- 1. USM and USM Institutions must obtain prior Board of Regents approval for a proposal in order to establish, invest in, finance, or operate:
 - a. ~~nonprofit business entity, incubator company.~~ Establish a new Business Entity,
 - b. Operate a Business Entity, or technology company. Any such entity
 - c. Invest in or company for which Board Finance a Business Entity as further provided in Section F below.
- 2. However, no new approval is sought shall be required with respect to the establishment or operation of any Business Entity which was approved by the Board of Regents prior to December 31, 2022. All Business Entities whenever established are subject to the reporting requirements of this policy set forth in Section J below.

~~The reporting provisions of this policy also apply to the USM Office or any institution that has received~~3. In addition, no new approval shall be required with respect to the establishment by a previously approved Business Entity of a subsidiary or affiliate, if it is (a) consistent with the initial approval of the purpose and intended operations of the Business Entity, and (b) not considered an agency or instrumentality of the State or unit of the Executive Branch, including USM, for any purpose, and its debts and obligations are not considered debts or obligations of the State or USM. For example, a real estate development Business Entity may create single-purpose entity (SPE) subsidiaries for acquiring parcels of real estate, in order to shield the Business Entity from the liabilities of the SPE. All subsidiaries and affiliates are subject to the reporting requirements set forth in Section J below.

F. Approval Required for Investments or Financings

- 1. USM and USM Institutions must obtain Board of Regents approval since 7/1/99 even if their order to make an investment in, or provide financing to, a Business Entity of \$5,000,000 or more.
- 2. USM and USM Institutions must obtain specific written approval was prior to the effective date of this policy.

~~Process for Seeking Section 12-113 Authorization from the Board of Regents~~

- 1. ~~A President (or of the Chancellor for the USM Office) may request through the (or designee), in order to make an investment in, or provide financing to, a Business Entity of \$1,000,000 or more but less than \$5,000,000. The Chancellor that the Board of Regents authorize his or her~~

~~institution to establish, invest in, finance, or operate a business entity when it (or designee) shall have determined that the investment in the Business Entity furthers one or more goals of the institution~~ USM or Institution and is related to the mission of ~~the institution~~.

~~2. The following official shall be the System official responsible for seeking USM or Institution. Prior Board of Regents approval through the Chancellor and monitoring compliance with System policies for business entities at his or her institution; shall be necessary for investments in or financing to any Business Entity as soon as the cumulative investments and financings is to exceed \$5,000,000 outstanding at any one time.~~

~~a. The University System of Maryland or USM Office the Chancellor;~~

~~b. The 13 institutions and any component of the institutions the appropriate President unless otherwise approved by the Board of Regents.~~

~~These officials shall hereinafter be referred to as the "Responsible Official".~~

~~3. Any investment or financing in an amount less than \$1,000,000 shall not require Chancellor (or designee) approval, but the Institution shall report it to the Chancellor in accordance with Section J of this Policy. The Responsible Official shall have determined that the investment in the Business Entity furthers one or more goals of the Institution and is related to the mission of the Institution. Prior written approval by the Chancellor shall be necessary for investments in or financing to any Business Entity as soon as the cumulative investments and financings is to exceed \$1,000,000 outstanding at any one time.~~

G. Process for Seeking Approval from the Board of Regents

~~3. 1. When seeking approval from the Board of Regents under Sections E or F of this Policy, the Responsible Official shall submit a business opportunity assessment prepared with assistance from independent experts. The assessment shall include a description of the product or service; the potential market for the product or service to be offered by the business entity; Business Entity; the business opportunities; and the financial risks. The assessment shall also include a plan that describes the financial relationship between the business entity Business Entity and the institution; Institution; operating capital requirements; any anticipated State funding through economic development grant or loan programs; any venture capital relationships; the start-up period of operation and funding; and a financial pro forma for at least five years. Additionally, the Responsible Official shall recommend appropriate performance indicators for the business entity Business Entity.~~

~~4. 2. The Responsible Official shall also:~~

~~a. describe. Describe the legal form of the business entity; Business Entity;~~

~~b. explain. Explain why a separate business entity Business Entity is needed or is preferable;~~

~~c. explain. Explain how the business entity Business Entity will further one or more goals of the institution Institution or the USM;~~

- d. ~~explain~~. Explain how the ~~business entity~~Business Entity is related to the mission of the ~~institution~~Institution or the USM;
- e. ~~explain~~. Explain how the ~~business entity~~Business Entity will compete, if at all, with the ~~institution~~Institution or the USM;
- f. ~~define~~. Define the composition of the ~~business entity's~~Business Entity's governing body, addressing specifically, any role of the ~~institution~~Institution or USM in appointing and removing members of the governing body;
- ~~describe any~~. List the names of any and all USM or Institution employees who will have a role in creation, operation, or management of the Business Entity, along with a description of their respective roles;
- ~~g~~. h. Describe any Public Ethics Law issues presented by the proposal and how they will be resolved, including a specific reference to and addressing matters included in Section 5-525 of the General Provisions Article of the Annotated Code of Maryland;
- ~~h~~. i. Describe any other potential conflict of interest or other problems which might be anticipated at the time Board's approval is sought, e.g., individuals who have potential conflicts regarding compensation; members of the governing board who stand to financially benefit from the activities of the Business Entity; and if the Business Entity might receive goods or services at a below market price as a result of actions of a member of the governing board; and
- ~~i~~. Comply with any Board of Regents approved due diligence requirements.

~~Unless otherwise~~3. A copy of the articles of incorporation or organization must be sent to the Chancellor when the Business Entity files them with the Maryland State Department of Assessments and Taxation or other appropriate government filing office.

H. Compliance with Board of Regents Policy Requirements and State of Maryland Public Ethics Requirements

1. USM and Institutions must operate their Business Entities in compliance with all requirements of this Policy and applicable laws.
2. USM and Institution employees may participate in the operation or governance of a Business Entity only in such circumstances where approved by the Board of Regents, the business entity must be established Responsible Official and in compliance with Public Ethics laws.
3. Pursuant to State law, a Business Entity shall not offer an educational program (i.e., an organized course of study that leads to the award of a certificate, diploma, or degree) unless it has obtained a certificate of approval from the Maryland Higher Education Commission (MHEC) to operate as an institution of postsecondary education. A Business Entity shall not apply for a certificate of approval from MHEC without first obtaining written approval from the Chancellor (or designee).

4. Without specific approval by the Board of Regents, an Institution may not use a Business Entity to engage in education, research, or service activities in place of the Institution that would ordinarily be performed by the Institution.
5. An Institution may not use a Business Entity for the principal purpose of circumventing law, USM procurement requirements, or any other policy of the Board of Regents.
6. A Business Entity may acquire personal property or real property for the eventual transfer to, or purchase by, the USM or an Institution. However, the Business Entity may not make such acquisitions in a manner inconsistent with Public Ethics Laws that would apply if the USM or its Institutions were directly acquiring said property.
- 5- 7. An Institution should only establish or manage Business Entities that are organized under Maryland law and that have their primary place of business in Maryland. However, an Institution may seek approval from the Board of Regents to establish or manage a Business Entity to be organized under another jurisdiction's laws or to have its primary place of business in Maryland outside of Maryland, e.g. where the Business Entity will be created for the purpose of operating in a foreign country and is required by a foreign government to be organized under the laws of the foreign country and/or to have its primary place of business in the foreign country.
- 6- ~~A copy of the articles of incorporation must be sent to the Chancellor as the business entity files them with the Maryland State Department of Assessments and Taxation, or other appropriate government filing office.~~

I. Termination of Business Entity status

Upon notice to the subject Institution, the Board of Regents may act to rescind and revoke the approval of an Institution to operate a Business Entity. The loss of such approval will require that the Institution end its support or provision of resources, including personnel, to the Business Entity.

J. Reporting to the Chancellor ¹

7. 1. Within 120 days after the end of ~~the System's~~USM's fiscal year, the President of ~~the institution~~each Institution shall provide to the Chancellor a report of:
 - a. ~~the business entities~~a. The Business Entities established by the ~~institution~~in accordance with Section 12-113Institution and this policy; any and all subsidiaries and affiliates thereof;
 - b. ~~the~~b. The funds invested in, or financing provided by, the ~~institutions~~Institution or any affiliated foundation to ~~business entities in accordance with Section 12-113 and this policy;~~ Business Entities;
 - c. ~~ownership~~c. Ownership interests acquired by an ~~institution in a business entity in accordance~~Section 12-113 and with this policy; and ~~Institution or any affiliated foundation in~~ Business Entities;
 - d. ~~the~~d. The current status of the ~~business entities~~Business Entities and subsidiaries and affiliates;

- e. Annual financial audit report for those Business Entities with more than \$1,000,000 in assets or annual revenues at the end of the previous fiscal year end; or a compilation or review of financial statements for those Business Entities with both less than \$1,000,000 in assets and annual revenues at the end of the previous fiscal year end;
 - f. A list of officers and directors of all Business Entities and subsidiaries and affiliates;
 - g. A list of USM or Institution employees who received compensation or other payments, services, or gifts from the Business Entities and subsidiaries and affiliates during the fiscal year and the amount of that compensation or payment, service or gift (but excluding reimbursement of travel or other expenses) as well as a list of USM or Institution employees who provided services to Business Entities and affiliates without compensation; and
 - h. A list of all state and federal contracts and grants managed by the Business Entity and subsidiaries and affiliates during the fiscal year.
2. For good cause, the President of an Institution may request from the Chancellor (or designee) a waiver of the foregoing reporting requirements, or additional time in which to provide such reports. For example, if the Business Entity is a foreign corporation, additional time may be required in order to receive the audit report or financial statements required by Section J.1.e.
3. The President shall submit with the report an annual audited financial statement, if available, and an updated five-year plan for each business entity, including an evaluation of whether the entity Business Entity met the performance indicators recommended to or adopted by the Board of Regents. An institution A President may present alternative information if approved by the Board of Regents or Chancellor (or the Board designee).

K. Reporting by the Chancellor

g. The Chancellor shall provide to the Board of Regents, Governor, and the General Assembly within 180 days after the end of ~~the System's~~ USM's fiscal year a report of:

- ~~the business entities~~1. The Business Entities established in accordance with this Policy;
 - 2. The funds invested in, and financing provided to, Business Entities in accordance with this Policy;
 - 3. Ownership interests in any Business Entities established in accordance with this Policy; and
 - a. 4. The current status of the Business Entities established in accordance with Article 12-113 of the Annotated Code of Maryland; this Policy.
 - b. ~~the funds invested in, and financing provided to business entities established in accordance with Article 12-113;~~
 - c. ~~ownership interests in any business entities established in accordance with Article 12-113; and~~
- ~~the current status of the business entities.~~

d. ¹ The reporting provisions of this Policy also apply to the USM Office or any Institution that received Board of Regents approval for establishing, investing in, financing, or operating a Business Entity since July 1, 1999, even if the approval was prior to the effective date of this Policy.

Business Entities – FIN COM ACTION TODAY

- ▶ Section 12-113 of the Education Article of the Maryland Code allows the Board of Regents "to **establish, invest in, finance, and operate** business entities when the Board finds that doing so would further one or more goals of the University and is related to the mission of the University."
- ▶ Such an entity **may not be considered an agency or instrumentality of the State** or a unit of the Executive Branch for any purpose, and **any financial obligation or liability of such business entity may not be a debt or obligation of the State or University.**

USM XIII-13.00 Policy on Business Entities*

Any legal entity separate from the University System of Maryland that an institution establishes, invests in, finances, or operates.

- ▶ Does not apply to activities/entities subject to other policies; e.g., Policy on High Impact Economic Development Activities (VIII-15.00) or investments made according to the provisions of Policy on Investments and Loans to Maryland-based Businesses that are Affiliated with USM Institutions (VIII-14.00)
- ▶ Approval requirement does not apply when an institution takes an equity interest in a company or receives a license to use company-owned intellectual property as a condition of the company's participation in an institution business incubator program

*amendment review in process

Examples:
FSU Research Park;
UMB Research Park
and MGIC;
UMBC Training
Centers and
Research Park
Corp.;
UMCP TDC

Business Entities

Accountability Measures:

- ▶ BOR prior approval required to establish or operate a business entity; BOR may revoke approval upon notice
- ▶ BOR prior approval required to invest \$5M or more in a business entity; Chancellor prior approval required to invest in or provide financing to a business entity of \$1M or more, but less than \$5M
- ▶ Institution employees may participate in the operation or governance only when permitted by Maryland Public Ethics Law
- ▶ Entity shall not offer an education program without MHEC approval
- ▶ Annual reporting to Chancellor required, including information re:
 - ▶ *Business entities established; funds invested in, or financing provided to, business entities; ownership interest acquired in business entities; list of officers and directors; annual financial statements of business entity; list of USM or institution employees who received compensation from or provided services to a business entity or its subsidiary; list of all state and federal grants and contracts managed by the business entity*

Affiliated Fundraising Foundations – FOR INFO

- ▶ Education Article Section 15-104 permits **USM presidents to establish campus-based foundations without approval of the BOR, provided such entities operate subject to USM policies.** However, BOR policy prohibits use of an institution's name or resources unless the foundation is recognized by the BOR.
- ▶ The foundation **may not be considered an agency or instrumentality of the State** or a unit of the Executive Branch for any purpose and any financial obligation or liability of such business entity **may not be a debt or obligation of the State or University.**
- ▶ Foundation funds must be used in accordance with the wishes of the donors and **may not be used as a substitute for State General Fund appropriations.** Institutions may only accept funds from affiliated foundation if the foundation's finances are audited annually by an independent CPA.

USM IX-2.00 Policy on Affiliated Foundations

(Amended Policy on Affiliated Philanthropic Support Foundations will be presented to the Board in February 2023.)

- ▶ Applies to Maryland 501(c)(3) organizations created and operated with one or more of the following purposes:
 - ▶ To support fundraising programs and contributions from private sources to foster, support, and promote the general welfare of the USM; and/or
 - ▶ To manage and invest private gifts and/or property for the benefit of the USM.
 - ▶ Entities engaged in additional activities are not covered by this policy and will be subject to the Business Entities Policy or other BOR policies.

Examples:

BSU Foundation,
TU Foundation,
CSU Development
Foundation,
SU Foundation,
UBalt Educational
Foundation,
UMCP Foundation,
UMB Foundation

Affiliated Fundraising Foundations

Accountability Measures:



Institution must have a conflict-of-interest management plan for each USM employee who performs operational duties.



Scope of activities limited to those that are outside the normal scope of institution operations; e.g., may not accept grants or contracts on behalf of the institution.



Foundation must enter into an agreement with the Board of Regents formalizing the Board's recognition of the affiliation status and report annually to the Chancellor



The Board may revoke recognition and rescind the institution's ability to permit use of facilities and staff resources.



The foundation's acquisition of personal or real property intended to be transferred eventually to the institution must be conducted in compliance with any requirements of the Maryland Public Ethics Law that would govern the institution's acquisition of such personal or real property.



Institution may annually inspect foundation documents



PROVIDED FOR INFORMATION PURPOSES

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Proposed Amendment to BOR IX-2.00 – Policy on Affiliated Philanthropic Support Foundations

COMMITTEE: Audit

DATE OF COMMITTEE MEETING: January 13, 2023

SUMMARY: Amendments substantially revising the Board of Regents policy on affiliated foundations and amending the name to “Policy on Affiliated Philanthropic Support Foundations” are presented for approval.

One primary purpose in amending the policy is to restrict its applicability only to affiliated foundations engaged in fundraising and fundraising support activities. Certain affiliated business entities engaged in activities beyond the traditional fundraising activities conducted by affiliated foundations will no longer be governed by the policy; instead, they will be subject to a revised BOR policy on business entities.

Additional substantive amendments to the policy will accomplish the following:

- Require each affiliated foundation to enter into an agreement with the Board of Regents formalizing the Board’s recognition of the affiliation status. A draft model agreement is attached as Appendix A.
- Require that each affiliated foundation’s organizational documents include a provision assuring that any assets remaining upon dissolution of the foundation will be transferred to another USM affiliated fundraising organization.
- Require that any revision to organizational documents or changes to the foundation’s exempt purpose be shared with the Chancellor within thirty days.
- Expand provisions associated with revocation of the affiliation status, including rescinding the institution’s ability to extend use of facilities and staff resources.
- Deleting provisions permitting assignment of university staff to roles associated with the foundation.
- Require the institution to develop a conflict-of-interest management plan for each institution or USM Office employee who performs operational duties for a foundation to ensure that all parties interacting with the foundation understand the role and capacity of the institution or USM Office employee.
- Limit the acceptable scope of foundations to activities that are outside the normal scope of operations of the USM institution.
- Require that the foundation’s acquisition of personal or real property intended to be transferred eventually to the institution be conducted in compliance with any requirements of the Maryland Public Ethics Law that would govern the institution’s acquisition of such personal or real property.
- Delete the provisions enabling foundations to accept grants and contracts on behalf of the institution.
- Amend the provision requiring foundations to employ an internal auditor to a recommended “best practice.”
- Require the foundation annually to provide the Chancellor with a copy of the IRS Form 990.
- Require the institution’s president and the foundation’s board chair and executive director to provide an affirmation that each have reviewed the policy and have complied with all policy requirements.

This proposed policy amendment was presented to the Advancement Committee on October 25, 2022; it has been reviewed and approved by the Office of Attorney General for legal sufficiency.

A draft copy of BOR Policy VIII - 13.00 Business Entities is attached for comparison.

attachments

ALTERNATIVE(S): The Committee could decline to endorse the policy amendments as presented or provide alternative guidance.

FISCAL IMPACT: None.

CHANCELLOR'S RECOMMENDATION: That the Audit Committee endorse the proposed policy amendments.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: David Mosca 443.367.0035

IX - 2.00 - POLICY ON AFFILIATED PHILANTHROPIC SUPPORT FOUNDATIONS

(Approved by the Board of Regents on March 1, 1989; amended on November 29, 1990; amended on October 1, 1999 and amended on _____, 2022)

I. Purpose and Scope

The Board of Regents of the University System of Maryland (USM) recognizes the importance of philanthropy and encourages private support (1) for the benefit of the USM and its constituent institutions and components (herein collectively referred to as “USM”) and (2) for education and support activities operated by the USM. The Board also recognizes the important role of affiliated philanthropic support foundations (foundation) in supporting philanthropic activities across the USM. This policy governs the formation and operation of affiliated philanthropic support foundations and the respective rights and responsibilities of the Board of Regents, USM institutions, and foundations.

This policy applies to existing or prospective Section 501(c)(3) organizations that are created and operated with one or more of the following purposes:

- To support fundraising programs and contributions from private sources to foster, support, and promote the general welfare of the USM; and/or
- To manage and invest private gifts and/or property for the benefit of the USM.

The USM, its institutions, and such other components of the USM as the Board of Regents may determine may have an affiliation with such an entity.

A subsidiary legal entity formed or owned by an affiliated foundation may use the name, personnel or facilities of the USM only if it is separately recognized by the Board of Regents pursuant to this policy or a Board of Regents policy applicable to non-fundraising affiliates.

Entities with the primary purpose of economic development or research activities are governed by Board of Regents Policy VIII-13,00 Policy on Business Entities.

II. Responsible USM Official

A Responsible Official is accountable for the relationship between the foundation and the institution or component with which it is affiliated. The Responsible Official shall monitor compliance with USM policies and agreements between the foundation, the USM, and the institution or component.

- A. The chancellor is the Responsible Official for the University System of Maryland Foundation and any other System-wide or multi-institution philanthropic foundation.
- B. The institution president is the Responsible Official for a foundation affiliated with the institution, including any components of that institution.

The Responsible Official shall be evaluated annually to determine whether they have ensured that the foundation has complied with Board of Regents policies and reasonable prudent business practices.

III. Establishment and Recognition of a New Affiliated Philanthropic Support Foundation

Launching a new foundation requires (1) establishment of the legal entity, (2) completion of an operating agreement between the foundation and the institution and (3) recognition by the Board of Regents as an affiliated philanthropic support foundation. Although institution presidents may establish a foundation without Board of Regents approval, Board recognition is required in order for the foundation to use the institution's name or resources. It is recommended that these three steps be addressed concurrently or in close succession.

A. Establishment

In accordance with § 15-104 of the Education Article, Annotated Code of Maryland, the president of a USM institution may establish campus-based foundations without the approval of the Board of Regents, provided that such entities must operate subject to this USM Board of Regents' policy and any others adopted by the Board of Regents with provisions explicitly applicable to affiliated philanthropic support foundations.

A president shall give the chancellor notice of the establishment of any new foundation in conjunction with the signing of an operating agreement and a request for Board of Regents recognition. Such notice shall include: The (proposed) name of the foundation, its mission statement, its initial Board members, copies of its articles of incorporation and corporate bylaws, and, if available, the IRS Form 1023 and any IRS determination letters.

B. Operating Agreement

The institution and the foundation shall enter into an annual operating agreement, to be signed by the Responsible Official and the foundation officer authorized to sign such agreements. The agreement shall establish the relationship between the parties, describe the purpose of the foundation, and acknowledge the applicability of Board of Regents policies. The agreement shall also condition the organization's use of the institution's name or any other name, emblem, or mark to which the institution has any legal right upon the foundation's continuing compliance with all Board of Regent policies on foundations. The agreement shall be approved by the chancellor or the chancellor's designee to ensure consistency with all applicable Board of Regents policies. A sample operating agreement is included as appendix A of this policy.

C. Board of Regents Recognition of Affiliation Status

The Responsible Official and the foundation shall obtain Board of Regents recognition of status as an affiliated foundation before the foundation can use the institution's name or any other name, emblem, or mark to which the institution has any legal right. This request, to be submitted by the Responsible Official to the chancellor, shall include the following:

1. Notification of establishment (see item III.A)

2. Operating agreement between the institution and the foundation (see item III.B)
3. Draft affiliation agreement between the foundation and the Board of Regents to be signed after final approval of affiliation status by the full Board of Regents (see Appendix A for a sample agreement).
4. Business plan narrative for the new entity, including use of institution staff or resources, if any, and information on how the fundraising foundation will achieve a scale sufficient to satisfy all reporting and compliance requirements for tax-exempt organizations and appropriately manage organizational risks.

The chancellor shall review this request and provide any feedback to the Responsible Official within 45 days of submission. The chancellor may reject the request without Board of Regents consideration if feedback is not addressed. Following chancellor approval, requests shall be considered first by the Board of Regents Committee on Advancement and then by the full Board of Regents.

Any dispute about the propriety or right to a foundation's name related to the institution's name or intellectual property shall be resolved by the Board of Regents.

IV. Recognition of Existing Affiliated Foundations

For those philanthropic support foundations identified in Board of Regents Policy IX-2.01: Recognition of Affiliated Foundations that are in compliance with reporting requirements as of the date of adoption of this policy, the Board of Regents shall verify their affiliated status upon receipt of the:

- A. Operating agreement between the institution and the foundation (see item III.B);
- B. Draft affiliation agreement between the affiliated fundraising foundation and the Board of Regents (see Appendix A for a sample agreement; to be signed after approval of affiliation status by full Board of Regents);
- C. Articles of incorporation and corporate bylaws, the IRS Form 1023 and any IRS determination letters for the affiliated philanthropic support foundation.

These documents shall be provided to the Board by December 31, 2023. Any dispute about the propriety or right to a foundation's name related to the institution's name or intellectual property shall be resolved by the Board of Regents.

V. Changes and Revocation of Affiliated Status

- A. Changes in foundation organizational documents, such as Articles of Incorporation, Bylaws or similar documents and agreements, or changes to the exempt purpose approved by the Internal Revenue Service, are to be communicated to the chancellor within 30 days of adoption and/or communication to the Internal Revenue Service.
- B. When changes to organizational documents or exempt purpose as approved by the Internal Revenue Service change the activities such that the organization becomes something other than a fundraising foundation, the organization will no longer have

recognized status as an affiliated foundation and will then be subject to policy appropriate for the form of relationship to the USM or its institutions.

- C. Failure to obtain a determination in a timely manner from the Internal Revenue Service that the foundation has been recognized as a publicly supported charitable organization exempt from tax under Section 501(c)(3) of the Internal Revenue Code, or a foundation's loss of IRS qualification as a publicly supported charitable organization exempt from tax under Section 501(c)(3) will result in the Board of Regents revocation of a foundation as an affiliated foundation within the scope of this policy.
- D. The Board of Regents may revoke its recognition of an affiliated foundation that fails to comply with this policy or the terms of the affiliation and/or operating agreements. In such case, the foundation shall no longer be entitled to use the name, staff, resources or facilities of the USM. The Board of Regents may seek guidance of the Office of the Attorney General in seeking any appropriate legal remedies.

VI. Structure and Independence

- A. Each affiliated fundraising foundation shall operate as a Maryland charitable non-stock corporation that is legally separate from the USM and is recognized as a 501(c)(3) public charity by the Internal Revenue Service with a clearly articulated purpose of support of the USM or one or more of its institutions or components.
- B. Articles of Incorporation shall include provisions that in the event of termination, dissolution, or loss of affiliated status, all remaining assets, direct or indirect, of the entity shall be transferred to a Board of Regents recognized affiliated philanthropic support entity
- C. The management and control of a foundation shall rest with a board of directors (or board of trustees; in this policy, directors shall also refer to trustees.)
- D. Presidents may serve only as ex-officio and non-voting members of the foundation's board of directors. USM employees may serve as voting members of the board of directors of any affiliated foundation, provided that USM employees do not constitute more than 20 percent of the foundation's board of directors.
- E. With the approval of the Responsible Official, an officer or employee of the USM may also serve as an officer or employee of an affiliated philanthropic support foundation. An employee or officer of a foundation who is also an employee or officer of the USM may not represent both parties in any negotiation between the foundation and the USM. Institutions must develop and formalize conflict of interest management arrangements for each USM employee performing roles for an affiliated philanthropic support foundation. Any exemptions to the requirements of the Public Ethics Law are to be documented in a manner consistent with that required under Board of Regents Policy III-1.10 Policy on Conflicts of Interest in Research and Development.

- F. Officers and staff members of a foundation and USM staff assigned to carry out functions of a foundation shall be bonded, and liability insurance for directors and officers shall be obtained by the foundation, in amounts to be determined by the board of directors.
- G. An affiliated fundraising foundation may use non-staff resources (e.g., space, equipment, facilities) of its affiliated institution without direct, dollar for dollar reimbursement to the institution.

VII. Scope of Activities

- A. Foundations shall comply with applicable Internal Revenue Code provisions and regulations and all other applicable policies and guidelines. Foundations may not engage in activities that conflict with federal or state laws, rules and regulations, USM policies, or the role and mission of the USM.
- B. Other than fundraising, fundraising support, gift management and investment management, after December 31, 2023 foundations may not engage in activities on behalf of the USM or institutions or components that the USM or its institutions or components could perform, without specific written approval by the Board of Regents.
- C. Foundations may acquire personal or real property assets for the eventual transfer to, or purchase by, the USM or its institutions; however, foundations may not make such acquisitions in a manner inconsistent with public ethics laws that would apply if the USM or its institutions were directly acquiring said property.
- D. All activities of foundations shall be in conformance with Section 501(c)(3) of the United States Internal Revenue Code. This includes but is not limited to the restriction that "[n]o substantial part of the activities (of a foundation shall be) carrying on propaganda, or otherwise attempting to influence legislation." Furthermore, no foundation shall directly or indirectly "participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office." In particular, a foundation may not make any contribution, whether in money or in kind, to any candidate for public office. The purchase of tickets to an event intended to raise money for use by a candidate in a political campaign is a violation of this policy.

VIII. Financial Activities and Business Operations

- A. The directors of each foundation board have the fiduciary responsibility to oversee the adequacy of the foundation's internal controls, as well as the sufficiency and appropriateness of its financial reporting. In fulfillment of these responsibilities, directors shall foster direct and private communications with the foundation's independent accountants on a regular basis and shall assure direct access to its internal audit function for independent accountants.
- B. The foundation shall ensure that it clearly presents itself as an independent entity separate and distinct from the USM and its constituent institutions and components. All

correspondence, solicitations, activities, and advertisements on behalf of a foundation shall use the name of that foundation and shall be clearly identified as an activity of that foundation to ensure that the public is aware that the activities undertaken by the foundation are separate and distinct from those of the USM. The letterhead of a foundation shall carry the complete legal name of the foundation or a registered Doing Business As (DBA) name (e.g., The University System of Maryland Foundation, UMBC Foundation, USG Foundation, etc.).

- C. Trademarks, service marks, logos, seals, or the name of the USM or any of its constituent institutions or components may be used by the foundation only with the prior written approval of the Responsible Official.
- D. In all negotiations and transactions with third parties, for fundraising and all other activities, foundation officers and employees shall take care to ensure that all parties involved are aware that the foundation is an independently established and separately operated legal entity from the USM. Obligations of foundations shall not be obligations of the USM or the State of Maryland.
- E. Foundation funds shall be kept separate from USM funds. USM funds shall not be transferred to foundations for any purpose except, when appropriate, by action of the Board of Regents after review by the Office of the Attorney General. Funds or gifts payable to the Board of Regents, the USM, one of its constituent institutions, or to any other USM component shall not be deposited with a foundation.
- F. Acceptance of gifts by the USM or a foundation is subject to applicable USM policies on gifts, including Board of Regents Policy IX-5.00 Policy on Ethical Practices in Charitable Giving. Fundraising campaigns and solicitations of major gifts for the benefit of the USM shall be approved in advance by the Responsible Official and should be compatible with the plans and needs of the USM. Before accepting contributions or grants for restricted or designated purposes that may require administration or direct expenditure by a constituent institution or other component of the USM, a foundation must obtain the prior approval of the Responsible Official. The foundation shall assure that each gift shall be used in accordance with the legally enforceable terms and conditions attached to such gift.
- G. Financial activities of an affiliated fundraising foundation shall be administered in accordance with prudent business practices. Each foundation's board of directors shall adopt an expense authorization and reporting process. The process shall define the dollar threshold and nature of expenses requiring approval of a member of the board of directors, who shall not be a USM employee, and it shall define the type and frequency of expense reporting to the board of directors. An adequate and effective system of internal control designed to reduce the risk of loss, ensure appropriate attention to compliance obligations, and formalize approvals and lines of authority, is an important and necessary part of prudent business practices.

- H. Foundations are encouraged to use the professional investment management resources and infrastructure provided by the University System of Maryland Foundation (or its successor(s)). In the circumstance where a foundation chooses another entity to perform investment management services, should the foundation's investments underperform appropriate market indices for three consecutive years, the Board of Regents may request from the foundation an independent review of its investment strategies along with plans for corrective action.
- I. All USM affiliated foundations may be assessed an annual overhead charge that shall be determined by the Board of Regents in consultation with the Presidents. The charge shall be transferred to the University System of Maryland Foundation (or its successor(s)) to cover certain costs incurred by the University System of Maryland Foundation on behalf of the Board of Regents and the Chancellor.

IX. Audits, Inspection and Reports

A. Audits and Inspection

- 1. Each foundation shall be audited annually by an independent certified public accountant who is not a director or officer of the foundation and who is approved by the Responsible Official. Each foundation should conduct its fiscal operations to conform to the USM's fiscal year. Each foundation shall prepare its annual financial statements in accordance with generally accepted accounting principles. The independent audit shall be performed in accordance with generally accepted auditing standards. As part of the audit, the auditor shall verify a summary annual report of transfers of funds made to the USM or its institutions.
- 2. Each year each foundation shall provide a separate audit, to be performed by either the foundation's independent auditor, or the USM Office of Internal Audit, of all unrestricted funds available to the Chancellor and/or the President(s).
- 3. Annually, the Responsible Official, directors and chief officers of each foundation should review their responsibilities, and the business and operational risks facing the foundation.
- 4. A foundation shall permit the Responsible Official or their designee to inspect, at reasonable times, the following documents: the foundation's books and records; its most recent federal and state tax returns; and a list of employees, consultants, and legal counsel for the fiscal year. At the request of the Chancellor or the Chairperson of the Board of Regents, the foundation shall permit the internal auditors of the Board of Regents access to all books and records of the foundation.

B. Reports

- 1. Within 120 days after the close of the USM's fiscal year, each foundation shall provide the Responsible Official with copies of the following, which are to be

transmitted to the Office of the Chancellor along with a set of assertions as to affiliated fundraising foundation compliance with Board of Regents policy requirements:

- a. annual financial audit report;
 - b. annual audit report of transfers made to the USM, institution and components;
 - c. annual audit report of unrestricted funds available to the Chancellor and/or the President;
 - d. a list of foundation officers and directors;
 - e. a list of USM employees who received compensation or other payments from the foundation during the fiscal year and the amount of that compensation or payment, detailed into compensation for services, and other payments;
 - f. IRS Form 990 and any related State or other regulatory compliance reports (when filed or available);
 - g. a list of all state and federal contracts and grants managed by the foundation; and
 - h. A written affirmation of the foundation board chair, executive director and the Responsible Official that they have read, understand and have complied with the provisions of the Board of Regents Policy on Affiliated Philanthropic Support Foundations.
2. Should the foundation not submit the required documents and reports within the required time period, the Chancellor and the Responsible Official (if other than the Chancellor) shall issue a joint warning to the foundation. Should the foundation not demonstrate satisfactory progress toward immediate compliance, the Board of Regents may revoke its affiliated status or take other appropriate action.
 3. The Chancellor may request from the Responsible Official information on foundations according to the schedule and format specified by the Chancellor.
 4. The Chancellor shall annually send any revised Board of Regents' policies relating to affiliated foundations to the Department of Legislative Services within 180 days of the end of the USM's fiscal year.
 5. The Board of Regents shall issue an annual report to the Legislative Joint Audit and Evaluation Committee regarding the operations of the affiliated foundations. The report shall be available no later than 180 days after the end of the USM's fiscal year.



Appendix A

**Model Affiliation Agreement between the University System of Maryland
Board of Regents and Affiliated Philanthropic Support Foundation**

Board of Regents Policy IX-2.00 Policy on Affiliated Philanthropic Support Foundations, Section III C. requires:

The Responsible Official and the foundation shall obtain Board of Regents recognition of status as an affiliated foundation before the foundation can use the institution's name or any other name, emblem, or mark to which the University has any legal right.

and in the same section #3, including a:

Draft affiliation agreement between the foundation and the Board of Regents...

This agreement is to remain in force for as long as the affiliation status is maintained and recognized by the Board of Regents. The affiliated philanthropic support foundation named above agrees and acknowledges that:

1. The above-named affiliated philanthropic support foundation commits to maintaining an operating agreement with the affiliated university that reflects best practices and the requirements of the BOR policy.
2. The BOR acknowledges that the named affiliated philanthropic support foundation is an independent 501 (c) 3 entity with its own governing board and financial systems.
3. The above-named affiliated philanthropic support foundation commits to compliance with all applicable BOR policies.
4. The above-named affiliated philanthropic support foundation understands and agrees to the consequences of failing to comply with the BOR policy governing affiliated philanthropic foundations, including but not limited to denial of the right to use the name and resources of the university.
5. The above-named affiliated philanthropic support foundation acknowledges that its dissolution will result in transfer of its funds to a BOR-recognized foundation for the benefit of the affiliated university.

6. The above-named affiliated philanthropic support foundation agrees to follow all applicable laws pertaining to their 501 (c) 3 status.
7. The above-named affiliated philanthropic support foundation agrees that any changes to corporate documents or purpose must be communicated to the BOR within 60 days, and that certain changes may result in revocation of recognition.
8. The above-named affiliated philanthropic support foundation agrees that it will cease using the institution or USM name or any other name, emblem, or mark of the university or USM in the event of a Board of Regents action to revoke its recognition as an affiliated philanthropic support foundation upon formal communication of such action.

We the undersigned, do hereby agree to, and acknowledge the terms of this affiliation agreement:

Executive director, President or Chief Executive Affiliated philanthropic support organization	Date
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Responsible Official USM institution	Date
---	------

Chancellor (on behalf of the Board of Regents) University System of Maryland	Date
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TOPIC: FY 2022 Audited Financial Statements and USM Financial Planning

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: February 2, 2023

SUMMARY: This item is a brief review of the audited University System of Maryland basic financial statements for the year ended June 30, 2022, for which CliftonLarsonAllen LLP (CLA)—the USM’s independent auditors—provided an unqualified opinion.

A set of key points to be taken from the System’s financial statements appears on the first page of the attached materials. The statement of net position (balance sheet), along with the statement of revenues, expenses, and changes in net position follows on pages two and three.

The “Financial Snapshot” on page four summarizes the System’s key financial health ratio used by rating agencies—available resources to debt outstanding—using the figures reflected in the financial statements, to provide a comparison between June 30, 2022 and 2021. The lower part of the Financial Snapshot displays adjustments to the publicly reported balances for Board-approved claims and authorizations not yet expended or reflected in the financial statements to arrive at a “true” financial health ratio for internal management and decision-making purposes.

A discussion, aided by a set of presentation slides, about the System’s approach to financial planning will be used to complement the review of the audited financial statements.

NOTE: The University System of Maryland Financial Statements and Supplemental Schedules for FY 2022 can be viewed online at <http://www.usmd.edu/usm/adminfinance/finafair/fsssch.html>

ALTERNATIVE(S): This item is presented for information and discussion.

FISCAL IMPACT: This item is presented for information and discussion.

CHANCELLOR’S RECOMMENDATION: This item is presented for information and discussion.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923



Key points associated with FY 2022 audited financial statements:

1. The total net position increase of \$220M is comprised of an increase of \$98M in unrestricted net position, \$116M increase in net invested in capital assets and \$6M increase in restricted net position.
2. USM implemented GASB Statement No. 87, Leases in FY22. The impact on the financial statement was \$60M in Lease Receivables and \$101M in Lease Obligations as of June 30, 2022.
3. Institutions were awarded \$574M in HEERF/CARES Act Funds from the Department of Education in FY20 and FY21. As of June 30, 2022, institutions had expended \$494 in HEERF Funds. All institutions have plans to spend the remainder of the HEERF funds by June 30, 2023
4. The net pension liability and related deferred balances as of June 30, 2022 and 2021 was \$977M and \$1.3995M, respectively. The net impact of pension related adjustments not including required contributions was an additional expense of \$43M in FY22 and \$104M in FY21.
5. The audited financial statements include the basic financial statements of the University System of Maryland, but also affiliated, separately governed organizations that are recognized as affiliated entities. Unrestricted net position of position attributable to the affiliated foundations is \$205M as of June 30, 2022, compared to \$204M as of June 30, 2021.
6. As shown on the 'Financial Snapshot', the financial statements report the key Balance Sheet strength ratio used by the rating agencies. Balance Sheet strength, defined as the ratio of 'available resources' (USM unrestricted net position + unfunded pension amounts + accrued leave liability + affiliated foundation unrestricted net assets) to debt outstanding, was 203% as of June 30, 2022 compared to 206% at June 30, 2021.

Adjusting for Board-approved commitments and authorizations to spend not yet reflected in the financial statements, FY21 resulted in a slight increase in overall 'true' financial standing, with the ratio of available resources to debt outstanding on an adjusted basis, changing from 136% in FY21 to 121% in FY22.

Included in the analysis, is a Pro Forma column. Our financial advisors have informed us that the rating agencies are no longer distinguishing between direct and indirect debt. The impact of this change is that rating agencies are now including obligations associated with our housing 'P3' projects are included with our revenue bonds to determine total debt outstanding. Including this change, the ratio of available resources to debt outstanding as of June 30, 2022 is 107%.

UNIVERSITY SYSTEM OF MARYLAND
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,043,519,564	\$ 2,681,608,525
Accounts receivable, net	349,952,225	333,521,863
Leases receivable, current portion, net	12,935,917	
Notes receivable, current portion, net	4,351,323	3,870,228
Inventories	9,194,059	9,015,105
Prepaid expenses and other	<u>20,132,560</u>	<u>22,589,607</u>
Total current assets	<u>3,440,085,648</u>	<u>3,050,605,328</u>
Noncurrent assets:		
Restricted cash and cash equivalents	88,154,401	104,319,389
Endowment investments	434,364,389	436,809,838
Other investments	40,831,935	40,508,406
Leases receivable, net	47,513,791	
Notes receivable, net	12,193,043	19,075,445
Capital assets, net	<u>7,326,736,884</u>	<u>7,089,300,818</u>
Total noncurrent assets	<u>7,949,794,443</u>	<u>7,690,013,896</u>
Total assets	<u>11,389,880,091</u>	<u>10,740,619,224</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refundings of debt	6,034,722	9,376,625
Asset retirement obligations	11,741,954	12,276,398
Deferred changes, pension expense	<u>380,707,864</u>	<u>373,714,162</u>
Total assets and deferred outflows of resources	<u>\$ 11,788,364,631</u>	<u>\$ 11,135,986,409</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 410,362,411	\$ 364,305,655
Accrued workers' compensation, current portion	4,522,350	4,794,150
Accrued vacation costs, current portion	130,262,070	129,718,324
Revenue bonds and notes payable, current portion	96,971,293	92,180,951
Lease obligations, current portion	17,732,713	2,768,159
Unearned revenues	<u>519,855,439</u>	<u>376,540,915</u>
Total current liabilities	<u>1,179,706,276</u>	<u>970,308,154</u>
Noncurrent liabilities:		
Accrued workers' compensation	25,626,650	27,166,850
Accrued vacation costs	181,624,240	176,068,088
Revenue bonds and notes payable	1,254,836,154	1,226,264,284
Lease obligations	83,383,979	35,892,193
Net pension liability	<u>977,354,142</u>	<u>1,395,144,942</u>
Total noncurrent liabilities	<u>2,522,825,165</u>	<u>2,860,536,357</u>
Total liabilities	<u>3,702,531,441</u>	<u>3,830,844,511</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement receipts	266,747,515	233,863,349
Deferred inflows related to leases	58,909,984	-
Deferred changes, pension expense	<u>546,879,512</u>	<u>78,780,716</u>
Total deferred inflows of resources	<u>872,537,011</u>	<u>312,644,065</u>
NET POSITION		
Unrestricted	1,285,983,924	1,187,863,054
Net investment in capital assets	5,696,432,526	5,580,081,931
Restricted:		
Nonexpendable:		
Scholarships and fellowships	21,267,637	18,367,468
Research	7,636,377	7,636,277
Other	16,928,309	16,927,705
Expendable:		
Scholarships and fellowships	46,686,730	46,303,581
Research	71,756,398	62,227,723
Loans	27,800,658	34,623,545
Capital projects	4,633,279	3,659,537
Other	<u>34,170,341</u>	<u>34,807,012</u>
Total net position	<u>7,213,296,179</u>	<u>6,992,497,833</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 11,788,364,631</u>	<u>\$ 11,135,986,409</u>

**UNIVERSITY OF SYSTEM OF MARYLAND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>		<u>2021</u>	
OPERATING REVENUES:				
Tuition and fees	\$ 1,763,780,683		\$ 1,737,544,199	
Less: scholarship allowances	<u>(399,706,090)</u>		<u>(374,251,026)</u>	
Federal grants and contracts		\$ 1,364,074,593		\$ 1,363,293,173
State and local grants and contracts		871,536,573		774,627,139
Nongovernmental grants and contracts		232,407,684		228,853,058
Sales and services of educational departments		278,725,575		280,670,286
Auxiliary enterprises:		400,319,333		362,668,277
Residential facilities	198,025,714		108,811,825	
Less: scholarship allowances	<u>(11,039,449)</u>	186,986,265	<u>(6,506,601)</u>	102,305,224
Dining facilities	128,954,082		50,868,506	
Less: scholarship allowances	<u>(6,419,028)</u>	122,535,054	<u>(3,155,203)</u>	47,713,303
Intercollegiate athletics	132,226,377		86,556,363	
Less: scholarship allowances	<u>(1,987,735)</u>	130,238,642	<u>(6,166,541)</u>	80,389,822
Bookstore	28,215,539		11,706,188	
Less: scholarship allowances	<u>(4,550,328)</u>	23,665,211	<u>(1,393,925)</u>	10,312,263
Parking facilities	38,232,144		23,998,707	
Less: scholarship allowances	<u>(1,248,965)</u>	36,983,179	<u>(149,932)</u>	23,848,775
Other auxiliary enterprises revenues	155,481,618		128,285,524	
Less: scholarship allowances	<u>(50,127)</u>	155,431,491	<u>(58,014)</u>	128,227,510
Other operating revenues		<u>64,933,123</u>		<u>51,515,174</u>
Total operating revenues		<u>3,867,836,723</u>		<u>3,454,424,004</u>
OPERATING EXPENSES:				
Instruction		1,469,203,096		1,420,144,490
Research		1,117,448,187		1,050,765,878
Public service		571,068,805		575,995,384
Academic support		535,209,518		520,704,936
Student services		329,216,282		326,370,905
Institutional support		618,297,026		578,360,851
Operation and maintenance of plant		411,381,014		401,520,485
Scholarships and fellowships		225,089,117		173,157,118
Auxiliary enterprises:				
Residential facilities		187,999,542		156,860,896
Dining facilities		126,247,532		70,506,748
Intercollegiate athletics		155,492,122		108,209,011
Bookstore		14,417,486		13,706,606
Parking facilities		25,308,991		25,233,098
Other auxiliary enterprises expenses		<u>141,174,657</u>		<u>123,268,514</u>
Total operating expenses		<u>5,927,553,375</u>		<u>5,544,804,920</u>
Operating loss		<u>(2,059,716,652)</u>		<u>(2,090,380,916)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations		1,574,884,395		1,505,429,509
Pell grants		167,701,242		163,278,977
Other nonoperating grants		269,784,264		196,776,455
Gifts		53,354,623		45,136,501
Investment Income	26,289,922		108,712,589	
Less: investment expense	<u>(1,505,288)</u>	24,784,634	<u>(1,465,896)</u>	107,246,693
Interest on indebtedness		<u>(39,248,619)</u>		<u>(35,369,712)</u>
Other revenues, (expenses), gains and (losses)		<u>5,735,208</u>		<u>4,994,458</u>
Total nonoperating revenues		<u>2,056,995,747</u>		<u>1,987,492,881</u>
Income (loss) before other revenues		<u>(2,720,905)</u>		<u>(102,888,035)</u>
OTHER REVENUES:				
Capital appropriations		179,148,592		160,457,476
Capital gifts and grants		41,469,786		52,323,700
Additions to permanent endowments		<u>2,900,873</u>		<u>1,213,208</u>
Total other revenues		<u>223,519,251</u>		<u>213,994,384</u>
Increase in net position		220,798,346		111,106,349
Net position - beginning of year		<u>6,992,497,833</u>		<u>6,881,391,484</u>
Net position - end of year		<u>\$ 7,213,296,179</u>		<u>\$ 6,992,497,833</u>

**University System of Maryland
Financial Snapshot
June 30, 2022 and 2021**

Attachment C

	<u>ProForma June 30, 2022</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
From the June 30, 2022 and 2021 financial statements			
USM unrestricted net position	\$ 1,285,983,924	\$ 1,285,983,924	\$ 1,187,863,054
Net pension liability and deferred balances	1,143,525,790	1,143,525,790	1,100,211,496
USM accrued leave	311,886,310	311,886,310	305,786,412
Affiliated foundations unrestricted net assets	<u>204,924,458</u>	<u>204,924,458</u>	<u>203,823,948</u>
Available funds	<u>\$ 2,946,320,482</u>	<u>\$ 2,946,320,482</u>	<u>\$ 2,797,684,910</u>
Debt outstanding	\$ 1,452,924,139	\$ 1,452,924,139	\$ 1,357,226,192
Ratio of available resources to debt outstanding per financial statements	203%	203%	206%
Claims against the June 30 available resources not reflected in financial statements:			
Available funds per financial statements	\$ 2,946,320,482	\$ 2,946,320,482	\$ 2,797,684,910
Cash-funded capital projects not fully spent at June 30,	(186,852,870)	(186,852,870)	(215,994,358)
Future years cash-funded capital projects committed but not yet authorized	(255,578,000)	(255,578,000)	(275,836,258)
Noncapital cash-funded projects not yet authorized	<u>(68,486,443)</u>	<u>(68,486,443)</u>	<u>(88,618,761)</u>
Adjusted available funds	<u>\$ 2,435,403,170</u>	<u>\$ 2,435,403,170</u>	<u>\$ 2,217,235,533</u>
Debt outstanding per financial statements	\$ 1,452,924,139	\$ 1,452,924,139	\$ 1,357,226,192
Revenue bond-funded projects authorized but debt not yet issued	184,888,969	184,888,969	276,532,257
Deferred service obligations (Student Housing P3s)	266,747,515	-	
Future obligations pending approval (Future P3 and lease obligations)	<u>375,000,000</u>	<u>375,000,000</u>	
Adjusted total debt outstanding	<u>\$ 2,279,560,623</u>	<u>\$ 2,012,813,108</u>	<u>\$ 1,633,758,449</u>
Ratio of available resources to debt outstanding, adjusted	107%	121%	136%

While rating agencies base their assessments based on financial statement balances, the System manages the ratio of available funds to debt outstanding to not fall below 1:1 ratio to ensure that financial health does not fall below medians for Aa1 rating category.

Overview of Financial Statements and Financial Planning

Sr. Vice Chancellor for Administration and Finance

Ellen Herbst

Associate Vice Chancellor for Financial Affairs

Celeste Denson

Director Financial Planning and Analysis

Samantha Norris

Director of Financial Reporting/Comptroller

Brian Acton

February 2, 2023



Overview of Financial Statements and Financial Planning



System financial statements



System financial health inputs and processes



BOR financial planning metrics



Bond ratings

System financial statements

Required by statute and necessary to access capital financing

Include financial health and operating results for the University System and for its component units

Detail financial statements by institution, and component units included in

System financial statements are included in State-wide financial statements

Management's discussion and analysis is intended to be high-level and summarized financial info helpful in understanding the System's finances

How are System finances managed?

Institutional leadership:

- Operating budget and capital spending under \$1M – *institution fund balance goal requires saving \$1 out of every \$100 spent*

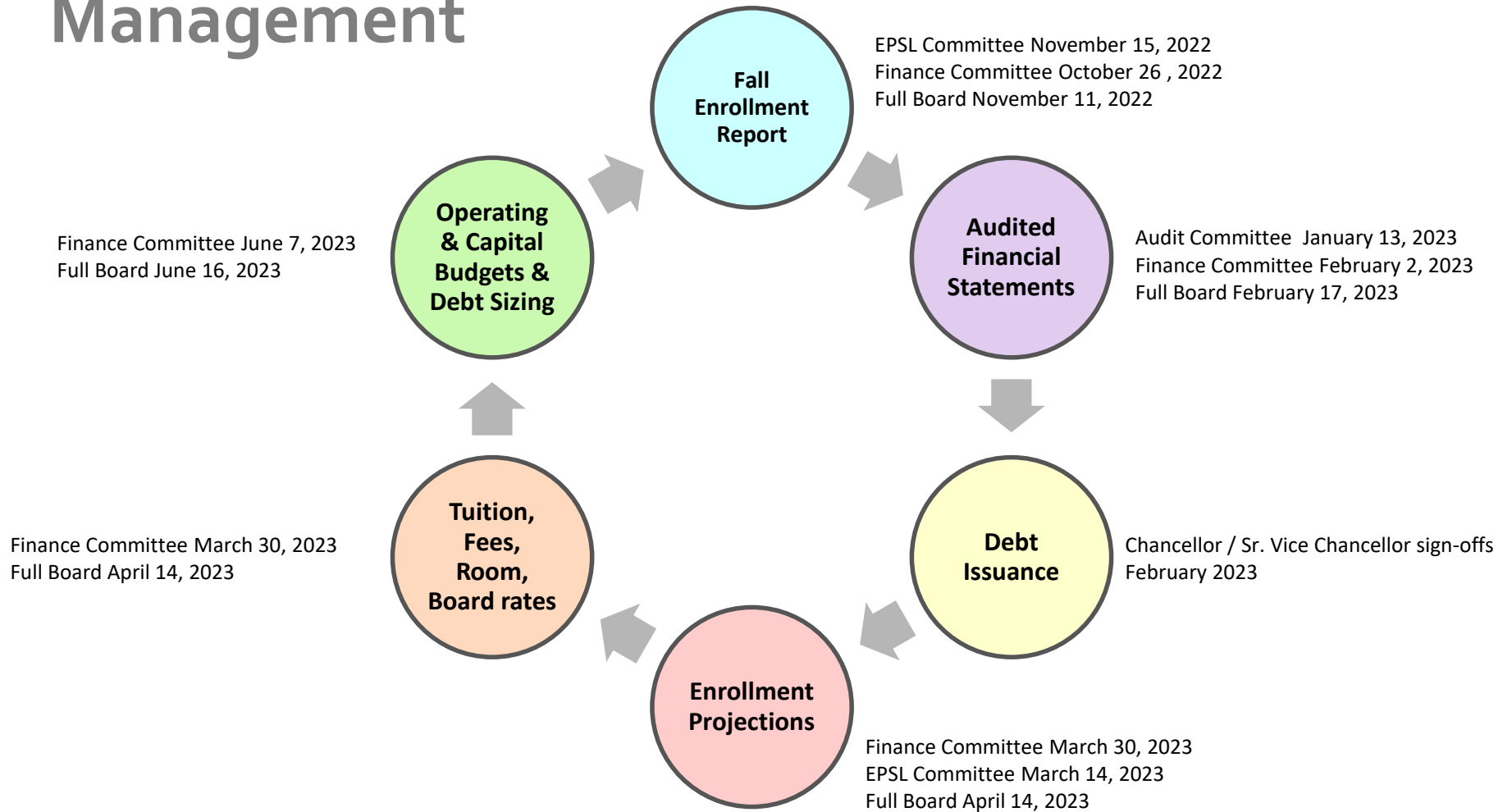
Chancellor and Board of Regents discipline:

- Capital spending over \$1M – *spending progress tracked, considered outside of institution fund balance goals*
- Bond authorizations approvals based on institution and USM affordability
- The fund balance goal is set annually to maintain ratio of reserves to debt

USM financial planning annually takes into consideration externalities:

- Pension liability
- Investment returns
- Pandemic or other crisis
- Fund balance reversions

Annual Cycle for Inputs into Financial Management



Other off cycle processes and impacts:

- Campus master plans (rotating cycle every 5 years)
- Out of cycle project approvals (ongoing)
- Externalities (investment returns, pension changes, pandemic)

USM-wide Financial Planning Metrics

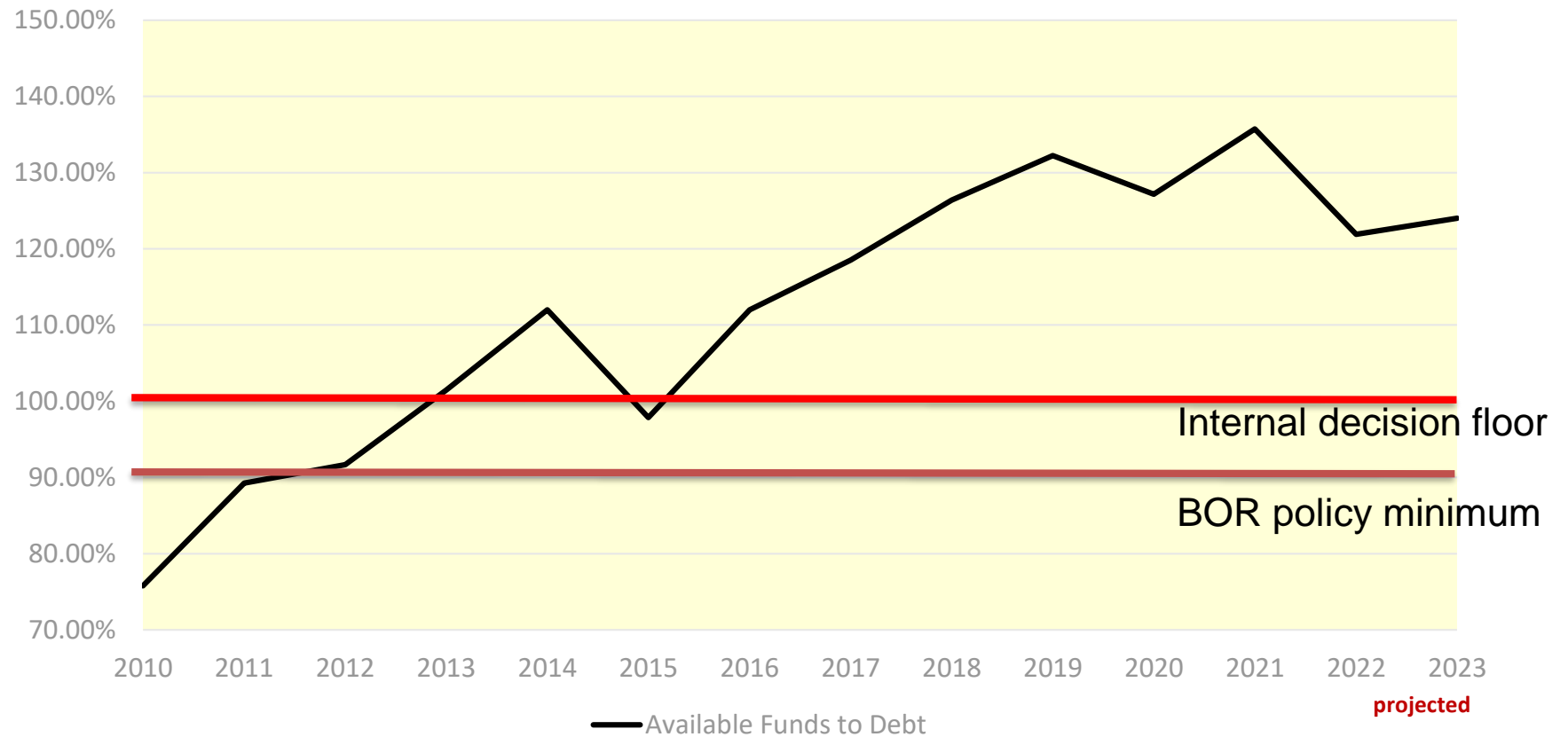
Board of Regents Policy on Debt Management (VIII-12.00)

- Minimum 'Available Funds to Debt' of 90% on an 'adjusted' basis
(internally managed to 100% to provide cushion)
- Maximum debt service ratio of 4% (currently just over 3%)
- Standards are designed to ensure institutions have reserves for:
 - Opportunistic initiatives
 - Crisis like the pandemic where revenues temporarily decline
 - To satisfy obligations when due

Institution fund balances are not a 'rainy day fund' – fund balances are the result of hundreds of business managers across the System making prudent decisions to meet long-term needs – when an unanticipated challenge arises requiring use of fund balances, institution presidents need to make difficult choices

Trend in USM financial health

Available Funds to Debt Outstanding - Adjusted
FYE 2010 - 2023 (projected)
Ratio of 'Adjusted' Available Funds to Debt



USM Bond Ratings



Moody's Aa1
(since September 2010)



S&P AA+
(since June 2008)



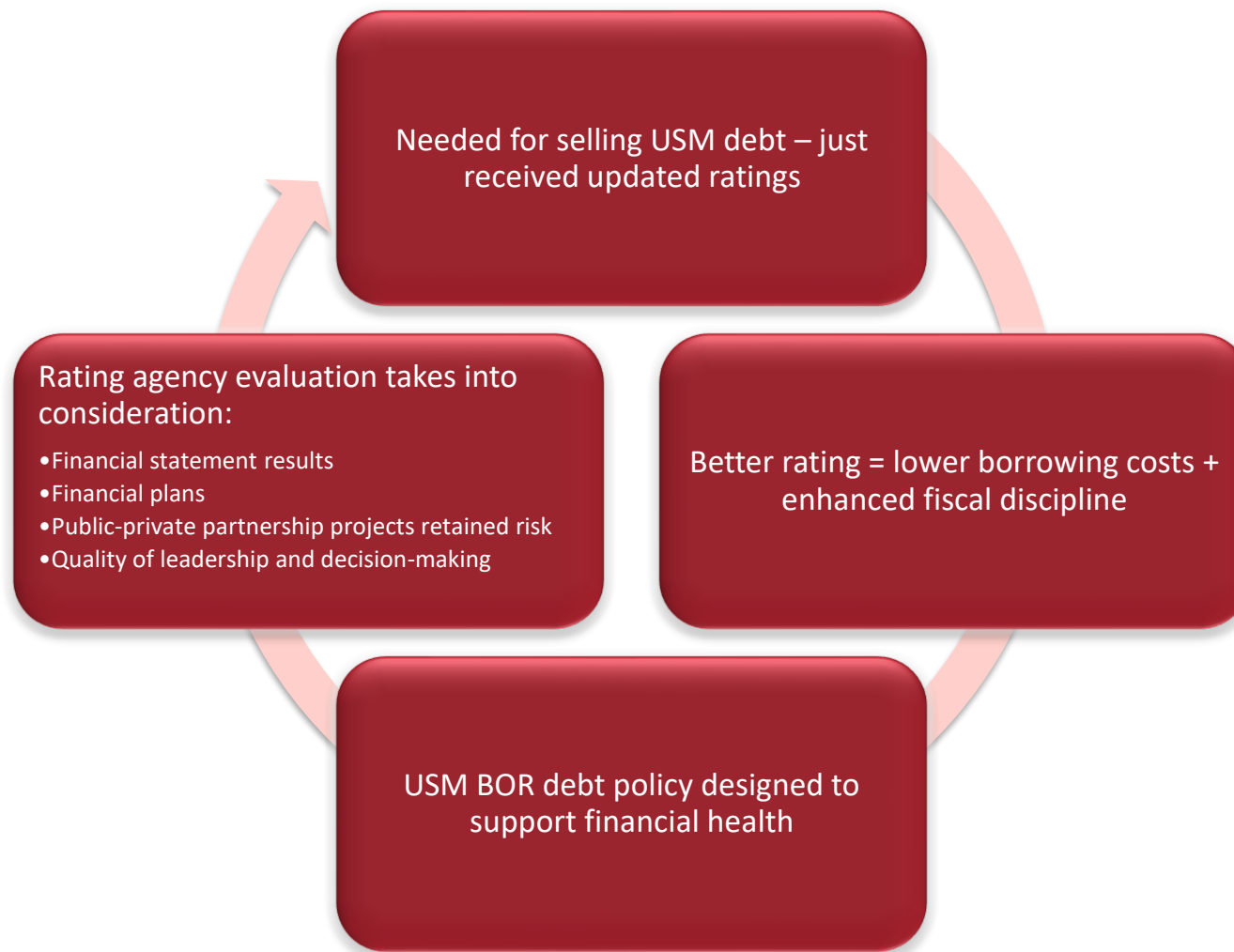
Fitch AA+
(since December 2010)

- *Currently under annual surveillance review process*

Implications for USM-wide Financial Management:

1. Lower interest rates
2. Access to refinancings of previously issued debt
3. Partnership opportunities associated with credit strength
4. Requires financial strength to be maintained (lower borrowing)

The Rating Agency Evaluation



Bond Issuance Practices

- Issue annually to fund anticipated project spending for upcoming 12-month period
 - *project authorization is done through System-funded Capital Program and Capital Improvement Plan budget processes*
- Level debt service to provide budgetary predictability
- 3% to 5% coupon rates against a 3% to 4% true interest cost yields bond premiums (cash proceeds in excess of 'par' value of debt)
- Refinancing lower debt portfolio-wide interest spending, historically
- 10, 20 and 30-year term borrowings to match project lives
- Auxiliary projects pay proportionate amount of debt service
- Academic projects debt service paid from USM-wide pool



TOPIC: University of Maryland Global Campus: Transfer of 2.22 acres of Land to the University of Maryland, College Park

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: February 2, 2023

SUMMARY: The University of Maryland Global Campus (UMGC) seeks approval to transfer to the University of Maryland, College Park (UMCP) an approximately 2.22-acre parcel of land located at the southwest corner of Adelphi Road and Campus Drive, improved only with a surface parking lot. A location map is attached as Exhibit A.

The property transfer offers the two institutions a mutually beneficial transaction. Prior to the COVID-19 pandemic, UMGC used the surface lot for overflow parking and viewed it as a future expansion opportunity. Since the beginning of the pandemic, UMGC has been operating in a hybrid office/remote work arrangement, where most of its employees work from home and only come on-site for essential functions or team collaboration and engagement. This hybrid work arrangement has allowed UMGC to consolidate its operations at its Adelphi location and reduce the office square footage required for its operations. For this reason, UMGC no longer requires the overflow parking lot. In addition to creating a more efficient use of its Adelphi location, the new hybrid work arrangement advances UMGC's sustainability goals by cutting carbon emissions related to employee commuting (the reduction is calculated at 60% or approximately 7,680 kg of CO₂ per day).

This property is located immediately adjacent to the future Adelphi Road-UMGC-UMD Purple Line Station, scheduled to open in 2026. UMCP anticipates that the opening of the Purple Line will, over time, transform this campus entrance into a far more prominent gateway entrance. In the short term, UMCP seeks to maintain this key gateway entrance for purposes of aesthetics and signage. Much longer term, UMCP views this key corner location as a potential development site.

UMGC believes this property transfer is consistent with its strategic goals. Likewise, UMCP believes acquiring this property to be consistent with its strategic goals and its *Facilities Master Plan*, although not specifically identified in the master plan.

The property will continue to remain in the name of the "State of Maryland for the use of the University System of Maryland," with the identifying institution language "on behalf of its constituent institution, the University of Maryland, College Park" being added in the confirmatory deed to be transferred from UMGC to UMCP. Board of Public Works action is not required to affect this internal administrative transfer.

ALTERNATIVE(S): UMGC could continue to otherwise own the parking lot, without any anticipated need for its parking capacity, while UMCP would lose the opportunity to control a key gateway campus entry.

APPRAISALS: \$5,800,000, Phillip R. Lamb & Co, Inc. (UMCP)
\$5,400,000, John R. Fowler, Inc. (UMGC)

FISCAL IMPACT: The universities have agreed to a sales price of \$5,121,586. That valuation took into account that a 0.64-acre portion of this property will be conveyed to the Maryland Transit Administration (MTA) as part of the Purple Line acquisition. UMCP and MTA had previously agreed upon a real property valuation of \$1,775,000/acre for that taking. Accordingly, UMCP and UMGC calculated the sales price using a blended rate (applying the per acre average value of the two appraisals, \$2,522,523, to 1.58 acres of the property to be retained by UMCP and applying the UMCP-MTA valuation per acre of \$1,775,000 to that 0.64-acre parcel to be later conveyed to MTA).

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve the transfer of the 2.22-acre property as described above from UMGC to UMCP for the consideration of \$5,121,586, consistent with USM Policies and Procedures for the Acquisition and Disposition of Real Property.

COMMITTEE RECOMMENDATION:	DATE:
---------------------------	-------

BOARD ACTION:	DATE:
---------------	-------

SUBMITTED BY: Ellen Herbst (301) 445-1923

Exhibit A
Location Map





BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: University System of Maryland: Review of Capital Improvement Projects

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: February 2, 2023

SUMMARY: This report provides information on the status of capital improvement projects systemwide. Included are contract awards, completions, and detailed project schedules. The attached report reflects activity for the twelve-month period starting December 1, 2021 and ending November 30, 2022. The attached also includes a summary sheet highlighting key facilities milestones for the same time period.

ALTERNATIVE(S): This is an information item.

FISCAL IMPACT: This is an information item.

CHANCELLOR’S RECOMMENDATION: This is an information item.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923



SUMMARY: USM PROJECT STATUS REPORT ON MAJOR CONSTRUCTION PROJECTS
AS OF NOVEMBER 30, 2022

This report provides information on major (\$1M or larger) capital projects System-wide, excluding maintenance and energy performance contracts. Projects are funded through a variety of sources: State capital and operating funds, including facilities renewal; internal funding through the System Funded Construction Program (SFCP); private funds; and federal grants. This report is a summary of contract awards, project completions and project schedules for the twelve-month period beginning Dec 1, 2021 and ending November 30, 2022.

CAMPUS FACILITIES HIGHLIGHTS:

At any given time, there are as many as \$2-2.5 billion worth of projects in design or construction System-wide. The State estimates that capital investment supports more than 4,500 full-time positions in the Maryland economy. From concept and budget through ribbon cutting, the goal of the USM Capital Program is to provide the most advanced, effective facilities and deliver them in the most efficient, cost-effective way.

It is important to add that, over the last decade or so, more than 80 USM projects have been certified by the US Green Building Council as LEED "Silver" or "Gold" (or higher!). During the same timeframe, institutions have made significant progress toward reductions in energy use and have logged nearly a 40% reduction in greenhouse gas emissions. New project highlights for 2022 include:

- **Towson University** launched a major renovation of Smith Hall (a 220,000 GSF former science building) for Visual and Communication Technology. The adaptive reuse and renovation of this building will address the campus' current and projected spaces deficits at cost that is the 30-40% less than constructing a new building.
- **University of Maryland, College Park** will fit out approximately 141,000 GSF of shelled space in New Cole Field House to create a Health and Human Sciences Complex to include the newly created Brain and Behavior Institute and two units in the School of Public Health, the Department of Kinesiology, and the Maryland Institute for Applied Health.
- **Salisbury University** will renovate their former library, Blackwell Hall, to become a Student Services Center.

Completed highlights include two major additions to the State's technology infrastructure:

- The System officially opened the innovative "SMART" Building at the **USM at Southern Maryland** regional higher education center located in St. Mary's County.
- **University of Maryland, College Park** opened its innovative The E. A. Fernandez IDEA Factory to promote innovation, collaboration and creativity; entrepreneurship; and interdisciplinary design.

ONGOING PROJECTS:

As of November 30, 2022, there are a total of 74 major projects System-wide either pending design, or in design or construction, that are managed by the service centers or delegated to the institutions. The attached information includes schedules and project data for ongoing activities, including the following new projects. A list of completed or cancelled projects (from the last report) is also added below.

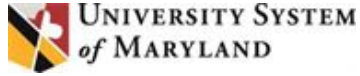
NEW PROJECTS ADDED TO LIST (PRE-PLANNING AND DESIGN):

Campus	Project Name	Architect/Engineer or TBD	Project Cost
		Name (State Abbrev)	Est Total Proj
UMCP	Animal Sciences - Wing 4 - Replacement of AHU #12 And 13	TBD	\$2,200,000
UMCP	Cambridge Quad Water Line Replacement	TBD	\$1,500,000
UMCP	Cole Academy for Innovation and Entrepreneurship Fit Out	Murphy & Dittenhafer Inc (MD)	\$3,600,000
UMCP	Graduate Student Housing	TBD	\$5,050,000
UMCP	Health and Human Sciences Complex	TBD	\$85,050,000
UMCP	Union Lane Water and Sanitary Line	Hord, Coplan, Macht, Inc.(MD)	\$1,700,000
UMES	Carver Hall Renovation	Murphy & Dittenhafer Inc (MD)	\$2,500,000
FSU	Cordts PE Renov/Regional Recreation Complex	TBD	\$38,300,000
SU	Blackwell Hall Renovation	TBD	\$47,984,000
TU	Smith Hall Renovation	Shepley Bulfinch (MA), JMT (MD)	\$133,030,000
CSU	New Residence Hall	TBD	\$56,441,000
		Total	\$377,355,000

PROJECTS COMPLETED [OR CANCELLED] AND REMOVED FROM LIST:

Campus	Project Name	Construction Mgr/Contractor Name (State Abbrev)	Project Cost
UMBC	Retriever Athletics Center Renewal	J Vinton Shafer (MD)	\$28,200,000
UMBC	Stadium Improvements	Musco Sports Lighting (IA), Plano- Coulton (MD)	\$7,000,000
UMBC	Sherman Hall Temporary Façade Repair	Marshall Craft, Brawner (MD)	\$1,102,500
SU	Guerrieri Center Renovation (postponed)	n/a	
UMCP	HJP Wing 2 Mech Rm. (Phase of Campuswide Infrastructure)	J Vinton Shafer (MD)	\$16,167,000
UMCP	Idea Factory Building	Clark Construction Group (MD)	\$63,641,000
UMCP	New Residence Hall (900 Beds)	Holder (VA)	\$119,300,000
UMCP	North Dining Hall Replacement	Holder (VA)	\$56,750,000
UMCP	Regents Drive Street Lighting Upgrades	Electrico Inc (MD)	\$1,550,000
UMCP	SCUB 1 Renewal	Chappelle Mechanical (VA)	\$1,000,000
UMCP	Track & Field (postponed)	A. Morton Thomas and Associates (MD)	
USM	Southern Maryland Academic Research and Technology (SMART) Building	Whiting-Turner (MD)	\$87,070,513
TU	Practice Field Improvements	Field Turf USA (PA), AR Marani (MD)	\$4,900,000
Total (completed)			\$386,681,013

Data reported by institutions and Service Centers to the USM Office of Capital Planning, revised 1/10/23



STATUS REPORT ON MAJOR CONSTRUCTION PROJECTS

Revised 1/9/23
Data as of 11/30/2022

KEY: STATE-FUNDED CIP PROJECTS
SYSTEM-FUNDED NON-STATE/AUXILIARY OR FACILITIES RENEWAL PROJECTS

Institution	Project	Code	Estimated Total Project Cost	Design Start	Delivery Method	Construction Start	Substantial Completion	Total Appropriations To-Date	Funding Source	Architect (Location)	Contractor (Location)
BSU	Comm Arts & Humanities Bldg. (MLK Replacement)	1	\$164,164,000	04/20	D/B	03/22	06/24	\$88,047,000	GO Bonds	Whiting-Turner (MD)	Whiting Turner (MD)
BSU	Robinson Hall	5	\$5,650,000	10/21	DB	06/23	01/24	\$5,200,000	GO Bonds, Cash, PAYGO	Jeffrey Brown Contracting, LLC (MD)	Jeffrey Brown Contracting, LLC (MD)
CSU	Percy Julian Bldg. Renovation for the College of Business	3	\$45,834,000	1/19	CM	07/20	04/23	\$45,834,000	GO Bonds, PAYGO, NBF	Quinn Evans & Goody Clancy	Barton Malow (MD)
CSU	New Residence Hall	1	\$56,441,000	TBD					GO Bonds, USM Bonds	TBD	
FSU	Challenger Center	1	\$6,000,000	07/23	GC	03/24	01/25	\$3,000,000	Go Bonds, Cash	TBD	TBD
FSU	Education and Health Sciences Center	1	\$93,424,000	05/18	CM	04/20	01/23	\$93,424,000	GO Bonds, ARB, PAYGO	Ayers St. Gross (MD)	Barton Mallow (MD)
FSU	Five Dorm Renovation	3	\$14,400,000	07/20	TBD	07/21	08/22	\$12,100,000	USM Bonds, Cash	In-House (FSU)	TBD
FSU	New Residence Hall	1	\$42,895,000	05/17	D/B	06/18	07/20	\$42,895,000	USM Bonds, Cash	Perkins Eastman (DC)	PJ Dick (PA)
FSU	Cordts PE Renov/Regional Recreation Complex	1/3	\$38,300,000	TBD	TBD	TBD	TBD	\$5,000,000	PAYGO, GO Bonds	TBD	TBD
SU	Blackwell Hall Renovation	3	\$47,984,000	02/23	D/B	10/24	09/26	\$1,940,000	PAYGO	TBD	TBD
TU	Smith Hall Renovation	1	\$133,030,000	09/22	CM	10/23	04/26	\$6,066,000	PAYGO, NBF	Shepley Bulfinch (MASS), JMT (MD)	Consigli (MASS)
TU	College of Health Professions Bldg.	1	\$184,659,000	9/17	CM	7/21	02/24	\$151,354,000	GO Bonds, PAYGO, NBF	Perkins Will (DC) JMT (MD)	Gilbane (MD)
TU	Union Addition/Renovation	2/3	\$120,770,000	12/16	CM	10/18	8/21-Add'n 8/22-Renov	\$120,770,000	USM Bonds, Cash	Design Collective (MD)	Barton Mallow (MD)
TU	Glen Towers and Plaza Renovation	3/5	\$58,160,000	8/18	TBD	5/20	07/25	\$45,100,000	USM Bonds, Cash	Design Collective (MD)	Barton Mallow (MD)
TU	Glen Dining Hall Renovation	3	\$12,500,000	1/18	GC	1/19	3/20	\$12,500,000	Cash	GWWO (MD)	Turner (MD)
TU	Practice Field Improvements	5	\$4,900,000	11/17	D/B	11/18	7/19	\$4,900,000	GO Bonds, NBF	Clark Company Phase 1, ASG Architects Phase 2	Field Turf USA (PA) Phase 1, AR Marani, Phase 2
UMB	Central Elec Substation and Elec Infrastructure Upgrades, Phased	5	\$74,920,000	3/17	GC/CM	5/19-ph1A	2/23-ph 1A-C	\$49,864,000	GO Bonds, NBF, FR Funds	RMF Engin'g (MD)	Highlander, JBC, Cianbro, Pipeway, etc.
UMB	Howard Hall/Bressler Research Bldg. Substation	5	\$13,000,000	8/17	GC	9/19	07/23	\$13,000,000	Cash	RMF Engin'g (MD)	Cianbro (MD)

BOR Finance Committee - Public Session

Institution	Project	Code	Estimated Total Project Cost	Design Start	Delivery Method	Construction Start	Substantial Completion	Total Appropriations To-Date	Funding Source	Architect (Location)	Contractor (Location)
UMB	Replacement of Sanitary Drain Piping and Assoc Systems in BRB	5	\$5,900,000	7/18	GC	10/19	03/23	\$5,900,000	Cash	In-House (UMB)	Emjay (MD)
UMB	Elev/Fire Alarm Improve in Various Garages (including Pearl St.)	5	\$4,130,000	7/13	GC, D/B	1/14	12/22	\$4,130,000	USM Bonds, Cash	In-House (UMB)	Maranto, QSS, Brawner, Emjay
UMB	Bressler Research Bldg. Electrical Substations 4 - 7 Renewal	5	\$5,900,000	2/19	GC	2/20	12/23	\$5,900,000	FR Funds, Cash	Marshall Craft (MD)	Cynergy (MD)
UMB	IHV Façade Stabilization	4	\$6,100,000	6/13	GC	4/20	11/21	\$6,100,000	FR Funds, Cash	Hord Coplan Mact (MD)	Plano-Coudon (MD)
UMB	School of Pharmacy Bldg. Electrical System Renewal	5	\$4,000,000	5/19	GC	5/20	08/23	\$4,000,000	Cash	RMF Engin'g (MD)	Cynergy (MD)
UMB	Howard Hall Exhaust System	5	\$2,000,000	4/18	GC	5/19	2/23	\$2,000,000	Cash	BKM (MD)	TBD
UMB	School of Pharmacy Window Replacements	5	\$1,300,000	10/20	GC	4/22	06/23	\$1,300,000	FR Funds, Cash	Design Collective (MD)	Emjay (MD)
UMB	Howard Hall 4th Floor Lab Renovations	4	\$1,500,000	2/21	GC	9/21	07/23	\$1,500,000	Cash	Design Collective (MD)	Emjay (MD)
UMB	North Campus Chilled Water Loop	5	\$6,195,000	6/19	GC	4/22	10/23	\$6,195,000	FR Funds, Cash	RMF Engin'g (MD)	Emjay (MD)
UMB	SON Student Services Renovation	4	\$8,800,000	3/19	CM	9/20	04/23	\$8,800,000	Cash	Marshall Craft (MD)	Kinsley (MD)
UMB	Assorted Roofs (HS/HSL, SSW)	5	\$1,400,000	6/19	DB	10/20	01/23	\$1,400,000	FR Funds, Cash	Tremco	Tremco (MD)
UMBC	Utility Upgrades	5	\$20,840,000	7/19	GC	08/20	02/23	\$20,840,000	GO Bonds, ARB, NBF, Cash	RMF Engin'g (MD)	Whiting Turner (MD)
UMBC	Sherman Hall Renewal	3	\$94,144,000	3/22	CM	6/23	5/26	\$21,886,000	GO Bonds	Einhorn Yaffee Prescott (DC)	Whiting Turner (MD)
UMBC	Spring Grove Utility Upgrades and Site Improvements	5	\$27,000,000	02/23	CM	5/23	04/26	\$27,000,000	GO Bonds	TBD	TBD
UMCES	Chesapeake Collaborative Building	1	\$21,870,000	10/21	D/B	04/23	09/24	\$10,837,000	GO Bonds, PAYGO	Barton Malow Co. (MD)	Barton Malow Co. (MD)
UMCP	Animal Sciences - Wing 4 - Replacement of AHU #12 And 13	3	\$1,500,000	05/22	GC	10/22	10/23	\$1,500,000	FR Funds, ARB	In-House (UMCP)	M & M Welding & Fabricators (MD)
UMCP	Campus Farm Upgrades Phases I, II, III	1/3	\$23,000,000	TBD	TBD	TBD	TBD	\$613,000	Cash	TBD	TBD
UMCP	Cambridge Quad Water Line Replacement	5	\$2,200,000	05/23	TBD	02/24	06/24	\$2,200,000	FR Funds, PAYGO	TBD	TBD
UMCP	Chemistry Building Ph 3, Wing 1 Replacement	3	\$141,300,000	05/19	D/B	01/21	11/23	\$139,570,000	GO Bonds, NBF	Whiting-Turner (MD)	Whiting Turner (MD)
UMCP	Clark Hall - MRI First Floor	3	\$5,891,301	03/19	CM	07/20	02/21	\$5,891,301	GO Bonds, NBF	Ballinger (PA)	DPR Construction (CA)
UMCP	Cole Fieldhouse Conversion/ Expansion	2/3	\$210,000,000	06/15	CM	12/15	06/21	\$210,000,000	GO Bonds, NBF	Cannon Design (MD)	Gilbane (MD)
UMCP	Cole Head House Renovation	3	\$17,200,000	03/22	CM	09/23	05/24	\$8,138,465	PAYGO, Cash	Murphy & Dittenhafer Inc (MD)	TBD

BOR Finance Committee - Public Session

Institution	Project	Code	Estimated Total Project Cost	Design Start	Delivery Method	Construction Start	Substantial Completion	Total Appropriations To-Date	Funding Source	Architect (Location)	Contractor (Location)
UMCP	Cole Academy for Innovation and Entrepreneurship Fit-Out	3	\$3,600,000	03/22	GC	05/23	11/23	\$2,100,000	Cash	Murphy & Dittenhafer Inc (MD)	TBD
UMCP	Ellicott Residence Hall Renovation	3	\$49,770,000	TBD	TBD	TBD	TBD	\$1,000,000	USM Bonds	TBD	TBD
UMCP	ERC Natatorium Pump Room Renovation	3	\$5,600,000	03/22	CM	05/23	08/23	\$3,780,000	Cash	MS Engineers (MD)	Plano-Coudon (MD)
UMCP	Field Hockey and Lacrosse Complex Renovation	3	\$16,000,000	04/21	D/B	06/22	08/23	\$11,100,000	Cash	Jeffrey Brown Contracting (MD)	Jeffrey Brown Contracting (MD)
UMCP	Graduate Student Housing	3	\$5,050,000	TBD	TBD	TBD	TBD	\$5,050,000	GO Bonds, Cash	TBD	TBD
UMCP	Health and Human Sciences Complex	1	\$85,050,000	07/23	D/B	08/24	08/26	\$25,000,000	Go Bonds	TBD	TBD
UMCP	ICA Basketball Practice Facility	1	\$52,000,000	01/21	D/B	08/23	02/25	\$6,454,733	NBF, GO Bonds	Clark Construction Group(MD)	Clark Construction Group(MD)
UMCP	Interdisciplinary Engineering Building	1	\$232,300,000	12/21	D/B	01/23	01/26	\$11,000,000	Go Bond, NBF	Whiting Turner (MD)	Whiting Turner (MD)
UMCP	Jimenez Hall, South Wing - 2nd, 3rd, & 4th Floor - HVAC Renovation	5	\$4,500,000	07/21	CM	06/23	01/24	\$4,500,000	ARB, FR Funds	Henry Adams (MD)	DPR Construction (CA)
UMCP	John S. Toll Physics Bldg. - AHUs 13, 14, 15	5	\$3,124,693	10/17	GC	12/21	12/22	\$3,124,693	Cash, Deficiency Appropriation	Bowman Consulting Group, Ltd.(VA)	W.L. Gary Co. (DC)
UMCP	LPS Clean Room & Building Chillers	3	\$2,056,000	11/20	GC	11/21	12/22	\$2,056,000	Cash	Whitman Requardt & Assoc. (MD)	W.L. Gary Co. (DC)
UMCP	LPS RTU 2, 3, 4, 5 REPLACEMENT	3	\$3,696,863	10/20	GC	03/22	04/23	\$3,696,863	Cash	In-House (UMCP)	M & M Welding & Fabricators (MD)
UMCP	Maryland Stadium Videoboard	3	\$15,000,000	03/21	D/B	06/21	11/21	\$15,000,000	Cash	Daktronics, Inc.	Daktronics, Inc.
UMCP	MFRI Western Maryland Training Ctr Renovation	3/4	\$8,765,000	04/20	GC	10/21	02/23	\$8,765,000	GO Bonds, NBF	GWWO (MD)	Carl Belt, Inc.(MD)
UMCP	Miller Building Ground Floor Renovation	3	\$2,044,800	04/20	GC	07/22	03/23	\$2,044,800	Cash	Whitman Requardt & Assoc. (MD)	Jeffrey Brown Contracting (MD)
UMCP	MS4 Permit Implementation	?	\$5,500,000		TBD			\$1,155,000	Cash	Whitney Bailey Cox & Magnani (MD)	TBD
UMCP	New Office Bldg. for Central MD Res/Educ. Ctr., Clarksville	1	\$9,000,000	08/20	GC	05/22	06/23	\$9,000,000	Cash	Johnson Mirmiran & Thompson (MD)	North Point Builders (MD)
UMCP	Oakland Residence Hall SCUB Ph 2	5	\$5,145,000	TBD	TBD	TBD	TBD	\$500,000	USM Bonds	TBD	TBD
UMCP	Quantum and Advanced Computing Infrastructure (Multiple Buildings)	1	\$20,000,000	04/23	GC; CM	TBD	TBD	\$20,000,000	GO Bonds	TBD	TBD
UMCP	RPB1: Renovation for GATR	3	\$2,295,000	01/20	GC	01/23	05/23	\$2,295,000	Cash	HDR (VA)	Jeffrey Brown Contracting (MD)
UMCP	School of Public Health Building Roof and AHU-23 Replacement	5/3	\$5,700,000	11/22	DB	05/23	10/23	\$5,700,000	Deficiency Appropriation, FR Funds (ARB and PAYGO)	Jeffrey Brown Contracting (MD)	Jeffrey Brown Contracting (MD)
UMCP	School of Public Policy Bldg.	1	\$64,775,663	07/17	CM	12/19	07/22	\$63,762,110	GO Bonds, NBF, FR	Leo Daly (DC)	J Vinton Shafer (MD)

BOR Finance Committee - Public Session

Institution	Project	Code	Estimated Total Project Cost	Design Start	Delivery Method	Construction Start	Substantial Completion	Total Appropriations To-Date	Funding Source	Architect (Location)	Contractor (Location)
UMCP	SCUB 3 Heating Water Pipe Relocation	5	\$11,786,658	03/19	CM	05/23	12/25	\$11,786,658	ARB, FR Funds, Deficiency Appropriation	Rummel Klepper & Kahl (MD)	Gilbane (MD)
UMCP	Stadium Drive Garage Renovations	3	\$2,360,000	11/21	GC	05/22	08/23	\$2,360,000	Cash	Rummel Klepper & Kahl (MD)	A.R. Marani, Inc.(MD)
UMCP	Underground Utilities Project	3	\$10,205,000	08/21	D/B	02/23	09/24	\$10,205,000	GO Bonds, ARB, Cash, Pago	J Vinton Schafer & Sons Inc (MD)	J Vinton Schafer & Sons Inc (MD)
UMCP	Union Lane Water and Sanitary Line	5	\$1,700,000	10/22	GC	05/24	08/24	\$700,000	PAYGO, FR Funds	Hord, Coplan, Macht, Inc.(MD)	TBD
UMCP	Woods Hall HVAC Renovation	5	\$5,685,000	07/21	CM	05/22	12/22	\$5,685,000	GO Bonds, FR Funds	Henry Adams LLC (MD)	DPR Construction (CA)
UMES	Agricultural Research and Education Center (On-Hold)	1	\$31,244,000	07/20	D/B	TBD	TBD	\$15,187,783	TBD/ Grants, Insurance Proceeds	TBD	TBD
UMES	Flood Mitigation	5	\$13,200,000	07/19	GC	07/22	07/23	\$13,200,000	ARB	Whitney Bailey Cox & Magnani (MD)	Chesapeake Turf, LLC (MD)
UMES	Natural Gas Pipeline/Retrofit	5	\$8,045,430	07/20	GC	06/21	06/23	\$8,045,430	Grants, Cash, FR Funds	Whitney Bailey Cox & Magnani (MD); MS Engineers (MD)	Paige Industrial Services, Inc.(MD); Chesapeake Turf, LLC (MD)
UMES	School of Pharmacy and Allied Health	1	\$105,680,068	12/17	CM	03/20	08/22	\$105,680,068	GO Bonds, USM Bond, Cash, PAYGO	Ayers St. Gross (MD)	Gilbane (MD)
UMES	Nuttle Residence Hall Renovation	3	\$10,800,000	03/23	GC	10/23	10/24	\$800,000	Fed Grant/USM Bonds	TBD	TBD
UMES	Carver Hall Renovation	3	\$2,500,000	12/21	GC	01/23	07/23	\$0	Fed Grants/Bridge funds	Murphy & Dittenhafer Inc (MD)	TBD
USM	USG Building 1 School of Nursing Expansion	4	\$8,700,000	05/21	CM	04/22	03/23	\$8,700,000	USM Bonds, Cash	Hord Coplan Mact (MD)	J. Vinton Schafer & Sons, Inc.(MD)
Total Program (State and non-State/ Auxiliary)			\$2,542,080,476				4,766	Jobs supported by the capital program per DBM formula of 7.5 FTE direct (construction-related) jobs per \$1M investment, divided by a rough average duration of construction from design award through construction completion of 4 years			

Codes:
 1 New facility
 2 Addition/Expansion/Extension
 3 Renovation or Replacement
 4 Alterations and Addition
 5 Infrastructure

*** Definitions:**
 Total Project Cost: Total estimated project cost including planning, construction and equipment.
 Design Start: Date of BPW approval of architect/engineer.
 Construction Start: Date of BPW approval of contractor.
 Completion: Date of substantial completion/beneficial occupancy.

Abbrev. CM = Construction Management
 D/B = Design/Build
 GC = General Contractor
 JOC= Job Order Contractor

Funding: NBF = Non-budgeted funds (e.g., donor funds); GO Bonds = State General Obligation Bonds or Bond Premium funds;
 ARB = Academic Revenue Bonds (approved by State); FR = Capital Facilities Renewal
 USM Bonds = USM Auxiliary Revenue Bonds; CASH = Institutional funding, including cash, donor funding and plant funds



BOARD OF REGENTS

SUMMARY OF ITEM FOR ACTION,
INFORMATION OR DISCUSSION

TOPIC: Convening Closed Session

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: February 2, 2023

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 Finance Committee 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 Committee determines should be discussed in open session or added to the closed session agenda for discussion. In that event, the Committee 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 Board of Regents Committee on Finance vote to reconvene in closed session.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Ellen Herbst (301) 445-1923



UNIVERSITY SYSTEM
of MARYLAND

STATEMENT REGARDING CLOSING A MEETING
OF THE COMMITTEE ON FINANCE
OF THE USM BOARD OF REGENTS

Date: February 2, 2023

Time: 10:30 a.m.

Location: Video Conference

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) [] To consult with counsel to obtain legal advice on a legal matter.
- (8) [] 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.

CONVENING CLOSED SESSION

- (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.
- (15) To discuss cybersecurity, if the public body determines that public discussion would constitute a risk to:
- (i) security assessments or deployments relating to information resources technology;
 - (ii) network security information, including information that is:
 1. related to passwords, personal identification numbers, access codes, encryption, or other components of the security system of a governmental entity;
 2. collected, assembled, or maintained by or for a governmental entity to prevent, detect, or investigate criminal activity; or
 3. related to an assessment, made by or for a governmental entity or maintained by a governmental entity, of the vulnerability of a network to criminal activity; or
 - (iii) deployments or implementation of security personnel, critical infrastructure, or security devices.

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

- Administrative Matters

TOPICS TO BE DISCUSSED:

To consider the awarding of new contracts for scientific supplies and equipment.

REASON FOR CLOSING:

To maintain confidentiality of discussions of bid proposals prior to BOR approval and the awarding of new contracts (§3-305(b)(14)).