

Commission to Develop the Maryland Model for Funding Higher Education

Capital Investment Workgroup Recommendations

The Capital Investment Workgroup is one of four workgroups of the Commission to Develop the Maryland Model for Funding Higher Education and was formed with the intention of studying many issues related to how Maryland has funded capital projects at higher education institutions. While being charged to study seven specific topics, many involved similar analysis. Thus, the seven charges were combined into four topic areas. Over the period of one year the workgroup met several times to examine and discuss these topic areas. The following report contains an analysis of pertinent data that was examined as to each of the topic areas as well as the resulting findings and recommendations. This executive summary contains a brief description of the recommendations. Further details can be found in the full report.

Topic 1: Current and Future Capacity Issues to Accommodate Enrollment Growth

- Include an analysis of academic space needs at each public four-year institution and community college in all stages of the capital budget deliberation process beginning with the institution's capital request. There is significant data to inform this analysis, though the ultimate decision regarding project selection is, in many cases, up to a governing board. The institutions and the State should consider giving priority to projects that target the identified areas of significant academic space deficits at each campus. The institutions and the State should also consider giving priority to projects that address the programmatic quality and building system quality of existing space.
- Encourage all institutions to optimize the use of existing space. This can be achieved by incorporating night and weekend class schedules as well as using online class platforms whenever practicable.
- Encourage all institutions to decrease time-to-degree (increasing the graduation rate). This will decrease the need for space. Recent institutional efforts to increase the graduation rates have proven successful at most institutions. Institutions should maintain these efforts and strive for further improvements.
- Monitor the progress of Towson University's Trimester Pilot Program. Towson has created a trimester program to increase the utilization rate of class lab space, which is typically a more expensive type of space to construct and a type of space that is in great demand. The trimester program began in summer 2008 and annual reports on the program will need to be submitted by Towson University to the University System of Maryland Board of Regents.

- Monitor the impact on space deficits resulting from the increase in the Community College Capital Grant Program. For the fiscal 2009 capital program, the State has provided the community colleges with \$81 million for capital projects, roughly a 30 percent increase over the prior year. The State intends to continue this higher level of funding for at least the next five years. Also, the increase in State funding leads to an increase in the local contribution for capital projects. When including the local funding, the fiscal 2009 budget is close to \$150 million, roughly a 45 percent increase over the prior year. In light of this significant increase in support for community college capital projects, it would be prudent to monitor the impact of this spending on academic space needs.

Topic 2: Workforce Needs Relative to Capacity

- Continue to monitor the need and supply for trained individuals in areas identified as having the greatest need through the work of the Department of Business and Economic Development; the Governor's Workforce Investment Board; the Department of Labor, Licensing, and Regulation; and the Advisory Council on Workforce Shortage.
- If a need is identified, include an analysis on whether the need is short- or long-term and why the need should be considered in the capital planning process for the State.
- If a long-term need is identified, encourage institutions to place priority on capital projects that will meet the demands of those areas.
- Capital planners should consider how to increase the flexibility of space for use by multiple programs or courses to increase the usefulness of the space. Planners should also consider how to increase the flexibility of space to accommodate changing needs and technology for the specific programs and disciplines for which the building is designed.

Topic 3: Prioritization Principles for Capital Investment

- The feasibility of and the mechanism for creating a separate funding category in the *Capital Improvement Program* for research space should be examined. This examination should include whether State funding can be augmented with other sources to enhance the State's capacity to fund projects that provide academic research space. While there are some alternative sources that may be tapped to help fund academic research, it is critical to the economic vitality of the State that it also continue to directly support these research activities by building the required space. Any funding mechanism for research space should be aligned with current efforts that support an increase in State capital investments.
- Strongly encourage all institutions to adopt a policy to budget and spend 2 percent of the replacement value of capital assets at the institutions on facility renewal projects. Currently, USM is requiring its institutions to incrementally reach the 2 percent operating

spending target and to use these funds to maintain its facilities. Additionally, all public institutions should annually report the progress toward reaching this goal. If a private institution requests State funding for a project that is primarily facility renewal related, the private institution must report its facility renewal budget practices and policy.

- Institutions are encouraged to start using the Facility Condition Index as an additional analytical tool for the capital budget process. This should be used in addition to the dollar amount of facility renewal backlog that has accrued. Combined, these two analytical tools would assist in measuring and understanding the facility renewal problem at institutions of higher education.
- Require the community colleges and public four-year institutions to maintain a 10-year capital plan as is the current practice of USM. This would improve the predictability of the process and indicate the priority of the projects over the long-term.
- State funding for capital projects at the private colleges should continue to be used for buildings that support the State's needs.
- Current and projected space deficiencies should have equal prioritization weight. Additionally, institutions and their governing boards should be encouraged to consider funding projects that address space deficiencies and quality of space issues.
- The State should maintain the increased funding in the community college capital grant.

Topic 4: Alternative Funding Options

- The State should consider providing a specified percentage of project costs if the remaining can be raised through private donations. Development offices at the institutions can use this specified split funding as a target for raising the private funds. A potential mechanism for achieving this is to have two separate funding allocations. One as incentive funding and the other would be the current method of funding projects.
- The Higher Education Investment Fund should be reauthorized. The fund is currently authorized for fiscal 2008 and 2009 only. Legislation is required to reauthorize the fund for fiscal 2010 and beyond.
- The workgroup supports the authorized use of the Education Trust Fund to fund capital projects for higher education.
- All segments of higher education should explore other alternative funding sources and the State is encouraged to provide incentives in order to maximize the potential for building capital projects.