

**SB426\_USM\_FAV\_APP.pdf**

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**HOUSE APPROPRIATIONS COMMITTEE**

**Senate Bill 426**

**University System of Maryland – Board of Regents- Quasi-Endowment Funds**

**March 30, 2023**

**Favorable**

Chair Barnes, Vice Chair Chang and members of the committee, thank you for the opportunity to testify in support of Senate Bill 426. The bill authorizes the USM Board of Regents to establish quasi-endowment funds and use investment income produced to provide student financial aid.

A quasi-endowment is an investment established by the governing board with the expectation that the fund be managed to produce spendable income annually that would be used for a specific purpose. Like other types of endowments, the expectation is that the original invested amount be invested and managed to last in perpetuity, with only the income used annually for the specified purpose.

The USM places access and affordability of a higher education as a high priority. Attending USM schools are over 41,000 students eligible to receive Federal Pell Grants. These grants (which do not have to be repaid) are awarded to undergraduate students who display exceptional financial need. For 2022-2023, the maximum award that a recipient could receive totaled \$6,895. On average, eligible students receive \$4,400 in Pell Grants. The average direct cost of education (tuition, fees and housing) for 2022-2023 is \$25,808 at UMCP, \$25,984 at UMBC and \$24,460 at Towson

In the fall of 2022 the University of Maryland College Park (UMCP), launched the Terrapin Commitment. This program, the largest single-year new investment in need-based financial aid, will provide up to \$20 million annually for full-time Pell-eligible students from the State of Maryland. While the \$20 million commitment will cover all tuition and fees for thousands of these students, there continues to be a significant remaining unmet need among this group. President Pines' ultimate goal is to meet 100% of unmet need up to direct costs of our low-income Maryland students, thus greatly reducing students' reliance on loans. In addition to better supporting the lowest income students, the intent of the Terrapin Commitment is to address affordability inequities to increase the enrollment of students whose families believe attending UMCP is out of reach financially.

The proposed Senate Bill 426 will allow USM to establish a quasi-endowment of no more than \$150,000,000 from balances held and invested by the State Treasurer. Spendable income, by direction of the Board, will be used to provide scholarships to our students.

Senate Bill 426 would provide a funding stream of over \$6,000,000 to fund scholarships to students.

The System, along with affiliated fund-raising foundations have pooled their endowment funds and invest them in a single portfolio that is managed to last into perpetuity. The spending from the funds is guided by a policy that determines how much can be taken out of the funds. The spending rate is a target of 4.25% of market value each year. The combination of the investment and spending policies are designed to ensure that the fund grows in value each year and is managed to maintain its purchasing power into the future.

The USM urges a favorable report on Senate Bill 426.



### **About the University System of Maryland**

The University System of Maryland (USM)—one system made up of twelve institutions, three regional centers, and a central office—awards eight out of every ten bachelor’s degrees in the State of Maryland. The USM is governed by a Board of Regents, comprised of twenty-one members from diverse professional and personal backgrounds. The chancellor, Dr. Jay Perman, oversees and manages the operations of USM. However, each constituent institution is run by its own president who has authority over that university. Each of USM’s 12 institutions has a distinct and unique approach to the mission of educating students and promoting the economic, intellectual, and cultural growth of its surrounding community. These institutions are located throughout the state, from western Maryland to the Eastern Shore, with the flagship campus in the Washington suburbs. The USM includes Historically Black Colleges and Universities, comprehensive institutions, research universities, and the country’s largest public online institution.

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# **SB 426- Amendment Submitted by Sponsor**

Uploaded by: Senator Nancy King

Position: FAV



**SB0426/313228/1**

AMENDMENTS  
PREPARED  
BY THE  
DEPT. OF LEGISLATIVE  
SERVICES

24 MAR 23  
12:42:33

BY: Senator King  
(To be offered in the Appropriations Committee)

AMENDMENT TO SENATE BILL 426  
(Third Reading File Bill)

On page 4, in line 5, strike “SUBPARAGRAPH (IV)2” and substitute “SUBSUBPARAGRAPH 2”; and in line 6, strike “PARAGRAPH” and substitute “SUBPARAGRAPH”.

# **SB426 Sponsor House Testimony.pdf**

Uploaded by: Senator Nancy King

Position: FAV

NANCY J. KING  
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MAJORITY LEADER

Budget and Taxation Committee

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THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

**SPONSOR STATEMENT**

**SB 426 – University System of Maryland – Board of Regents –  
Quasi-Endowment Funds**

March 28, 2023

Mister Chairman and Members of the House Appropriations Committee:

Under current law, state agencies are required to maintain all cash and investments with the State Treasurer. The Treasurer invests and manages these funds on a state-wide basis.

In 2013 the General Assembly passed legislation to allow the University System of Maryland's Board of Regents to establish and maintain a quasi-endowment fund to support their fund-raising efforts and in 2017 the General Assembly allowed USM move an additional \$50 million from the cash held by the State Treasurer on behalf of the System to the USM Foundation to develop a source of funding for ongoing facilities renewal and deferred maintenance needs.

Senate Bill 426 will authorize USM's Board of Regents to transfer no more than \$150 million from fund balances to establish a quasi-endowment which will be used to fund investments in need based financial aid. This will target those students who are just above Pell Grant eligibility so cannot access those federal funds.

This endowment will be another tool in USM's toolbox to meet the important goals of access and affordability at our USM schools.

I respectfully request a favorable report on Senate Bill 426.