
Alternative Funding

**Presentation to the Capital Investment Workgroup of the
Commission to Develop the Maryland Model for Funding
Higher Education**

**Department of Legislative Services and
Maryland Higher Education Commission
Annapolis, Maryland**

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Private Donation Incentive Program

- Created by the General Assembly in 1990 for a seven-year period
 - Endowments increased \$47 million
 - \$34 million from private donations
 - \$13 million from State matching funds
- Reauthorized for additional six-year period in 1999: FY 1999-2004
 - Sections 17-301 to 17-306, Education Article, Annotated Code of Maryland
 - In 2001, extended eligibility period for Bowie State University, Coppin State University, Morgan State University and University of Maryland Eastern Shore through January 2010
- Provides State-matching funds
 - Promote private fundraising within Maryland's public colleges and universities
 - Encourage public institutions of higher education to increase the public's level of gifts and donations to the institutions' endowments
 - Open to public two- and four-year colleges and universities
- Only donations designated as endowment gifts to be made and used for academic purposes consistent with the role and mission of the institution qualify

Private Donation Incentive Program

- 1999 Reauthorization – Maximum State Matching Funds
 - \$250,000 – Community Colleges
 - \$1,500,000 – Bowie State University, Coppin State University, University of Maryland Eastern Shore, Morgan State University
 - Raised from \$750,000 to \$1,500,000 in 2001
 - \$1,250,000 – University of Maryland, College Park; University of Maryland, Baltimore; University of Maryland Baltimore County
 - \$750,000 – Remaining Eligible Public Four-year Institutions

- State funding was provided in the following ratios and thresholds

<u>Ratio</u>	<u>Threshold</u>
1:1	First \$250,000, or any portion thereof;
1:2	Next \$1,000,000, or any portion thereof; and
1:3	Next \$1,250,000

- Historically Black Institution ratios and thresholds as revised in 2001

<u>Ratio</u>	<u>Threshold</u>
2:1	First \$250,000, or any portion thereof; and
1:1	Next \$1,000,000, or any portion thereof

Private Donation Incentive Program

- Institutions raised \$46.7 million between FY 1999 and 2007
- State has matched \$16.4 million in general funds during that time
 - FY 2009 payment is expected to total \$2.3 million
- All institutions except for Bowie State University have completed their qualified fundraising. Bowie State University has until January 2010 to complete raising qualified donations

Source: All Private Donation Incentive Program data is from the Maryland Higher Education Commission.

Private Donation Incentive Program

Eligible Matching Maximum	Colleges and Universities	Donations Received FY 1999-2007	Total Eligible State Match	Total State Fund Paid FY 2001-2008	Budget FY 2009	Balance Available
Community Colleges						
\$250,000	Allegany	\$252,547	\$250,000	\$229,935	\$20,065	-
250,000	Anne Arundel	350,626	250,000	204,886	45,114	-
250,000	Baltimore City	180,478	180,478	139,292	41,186	-
250,000	Carroll	250,000	250,000	203,696	46,304	-
250,000	Cecil	292,084	250,000	193,923	56,077	-
250,000	Chesapeake	250,000	250,000	199,795	50,205	-
250,000	CCBC-Catonsville	282,931	250,000	188,912	61,088	-
250,000	CCBC-Dundalk	248,130	248,130	191,366	56,764	-
250,000	CCBC-Essex	457,411	250,000	188,912	61,088	-
250,000	CSM-Calvert	250,000	250,000	207,389	42,611	-
250,000	CSM-Charles	276,758	250,000	227,602	22,398	-
250,000	CSM-St. Mary's	252,614	250,000	207,710	42,290	-
250,000	Frederick	275,246	250,000	194,843	55,157	-
250,000	Garrett	250,100	250,000	188,912	61,088	-
250,000	Hagerstown	690,387	250,000	220,292	29,708	-
250,000	Harford	764,226	250,000	195,776	54,224	-
250,000	Howard	250,038	250,000	199,382	50,618	-
250,000	Montgomery CC-Germantown	252,766	250,000	196,409	53,590	-
250,000	Montgomery CC-Rockville	1,647,456	250,000	250,000	-	-
250,000	Montgomery CC-Takoma Park	279,948	250,000	204,482	45,518	-
250,000	Prince George's	319,991	250,000	202,044	47,956	-
250,000	Wor-Wic	265,390	250,000	207,989	42,011	-
\$5,500,000	Total Community Colleges	\$8,339,127	\$5,428,608	\$4,443,546	\$985,060	-

Private Donation Incentive Program

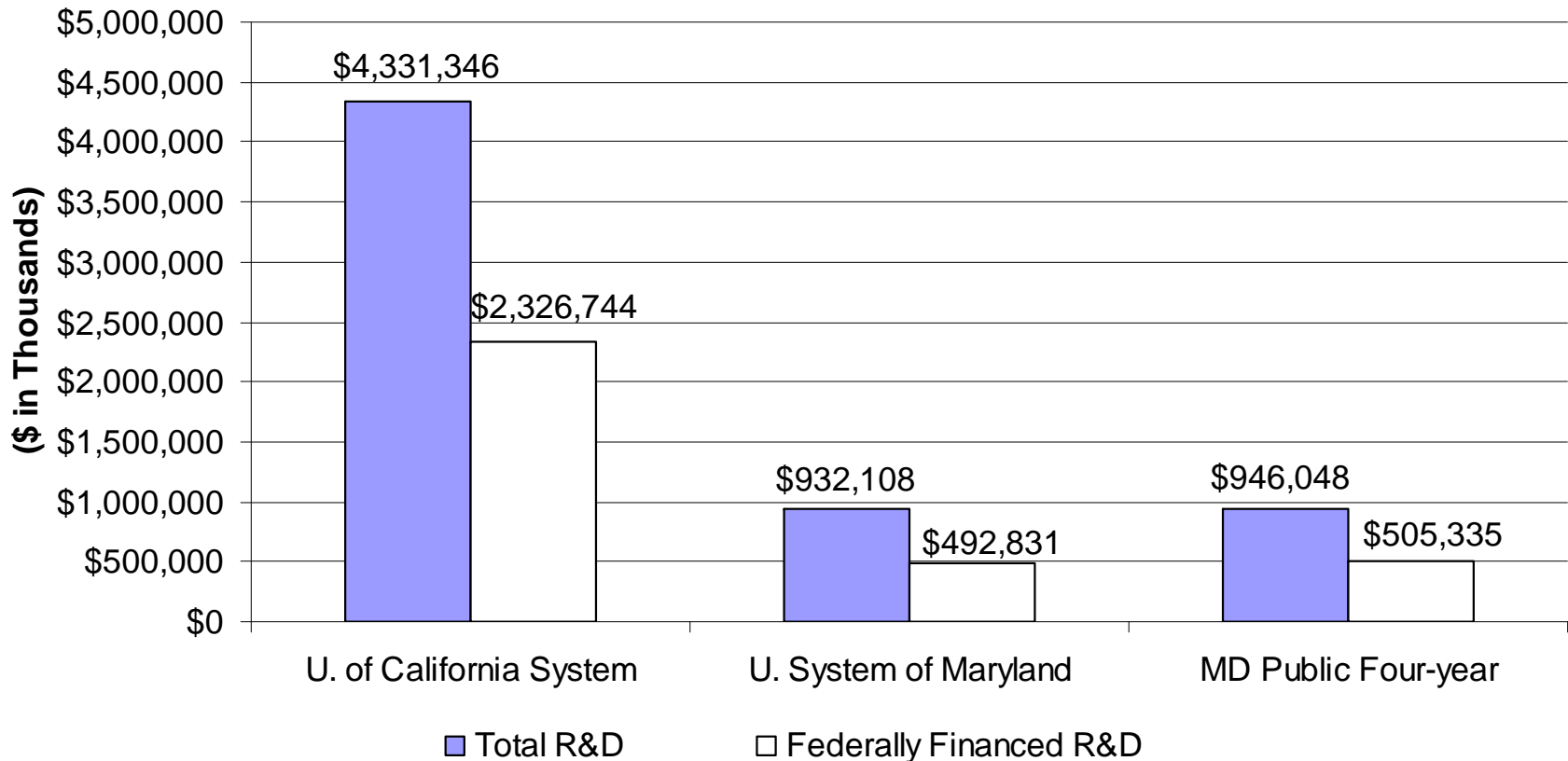
Eligible Matching Maximum	Colleges and Universities	Total Donations Received FY 1999-2007	Total Eligible State Match	Total State Fund Paid FY 2001-2008	Budget FY 2009	Balance Available
	Public Four-year Institutions					
\$1,500,000	Bowie State University	\$497,908	\$747,908	\$628,178	-	\$871,822
1,500,000	Coppin State University	1,409,957	1,500,000	1,500,000	-	-
1,500,000	Morgan State University	3,469,766	1,500,000	1,500,000	-	-
1,500,000	UM Eastern Shore	2,659,090	1,500,000	1,500,000	-	-
\$6,000,000	HBI's	\$8,036,721	\$5,247,908	\$5,128,178	-	\$871,822
\$750,000	Frostburg State University	\$2,201,269	\$750,000	\$566,737	\$183,263	-
750,000	St. Mary's College of Maryland	2,434,855	750,000	606,536	143,464	-
750,000	Salisbury University	1,004,717	627,359	474,063	153,296	-
750,000	Towson University	1,756,407	750,000	633,597	116,403	-
750,000	University of Baltimore	2,427,898	750,000	651,531	98,469	-
750,000	UM University College	1,821,680	750,000	599,752	150,248	-
\$4,500,000	Subtotal Four-year Institutions	\$11,646,826	\$4,377,359	\$3,532,217	\$845,141	-
	Public Four-year Research Institutions					
\$1,250,000	UM, Baltimore	\$2,806,971	\$1,250,000	\$1,052,662	\$197,338	-
1,250,000	UM Baltimore County	11,617,698	1,250,000	1,041,526	208,474	-
1,250,000	UM, College Park	4,244,665	1,250,000	1,213,773	36,227	-
\$3,750,000	Subtotal Research Institutions	\$18,669,334	\$3,750,000	\$3,307,961	\$442,039	-
\$19,750,000	Total	\$46,692,008	\$18,803,874	\$16,411,902	\$2,272,241	\$871,822

Garamendi Bonds

- Used in California since 1989 to finance faculty research space.
- They are lease-payment bonds backed by the University of California (UC) research revenue (indirect costs) that will be earned by the faculty that use the new space.
- There is also a second type of bond that is backed by general research revenue.
- Using both types of bonds, UC has funded about \$700 million in faculty research space and \$1 billion in other buildings.
- UC negotiates with the federal government 46-53% of the direct research costs for overhead.

Research and Development Expenditures

Fiscal 2006



Source: The Integrated Postsecondary Education Data System

Capital Surcharge on Donations

- John Hopkins University (JHU) has found that only 10-11% of donations is for bricks and mortar. This was not enough to support the capital needs. So they created this surcharge.
- For every significant donation, 13-20% is charged for use on capital needs such as infrastructure, outfitting space, and others.
- Donors are informed of this charge and JHU has received very little resistance.
- No exceptions to this charge unless the donation is for capital needs or donation is small (below \$1 million).
- Flexibility to allow departments that will receive the donation to pay the surcharge in lieu of the donor or share the payment with the donor. Either way, JHU receives the money for the capital needs.
- They have raised about \$7-10 million per year.
- The surcharge during the next campaign will to be used for soft costs such as research bridge funding for new researchers, established researchers that have trouble getting necessary funding, start up packages, etc.

Possible Workgroup Recommendations

- Reauthorize the Higher Education Investment Fund and ensure its use for capital projects.
 - Specify use of funds for capital project types
 - Facilities Renewal and Maintenance
- Incorporate capital surcharge program on donations to be used for facility renewal, new construction, and other capital needs.
- The State should consider developing an incentive program to encourage donations for capital projects similar to the Private Donation Incentive Program (PDIP).
 - Reauthorize PDIP with legislation modifying use of the funds from endowments to capital project endowment.
- The State should consider researching issues related to indirect cost recovery, specifically:
 - current use of indirect cost recovery by Maryland institutions, including cost recovery rates achieved by each institution; and
 - potential to fund bonds for research space construction.