

### Interim Capital Project

#### Medical University

Helipad Relocation                      \$1,200,000     -establish project

Source of Funds:                      \$1,200,000     -hospital revenue

#### Description

MUSC requests approval of construction of Phase 1 of the MUSC Hospital Authority's (MUHA) relocation of the helipad. The Helipad is used for the Meducare Air BK 117 helicopter for transporting patients within a 150 mile radius of Charleston, SC.

The hospital replacement project will displace the use of the existing helipad. In planning for this displacement, a feasibility study determined the most suitable site alternative was a portion of the roof of MUSC's Parking Garage II. This site was chosen because of its proximity to the trauma center and emergency services, the flexibility of aircraft approach routes, structural load capacity, and budget considerations.

There was some ambiguity concerning whether this work required state approval as a permanent improvement project since the MUHA is a separate entity. However, state officials have advised MUSC and the Hospital Authority that, because the MUHA work is being done on an MUSC parking garage, a permanent improvement project should be established for conducting the work. This does not apply to other MUHA work conducted in MUHA buildings.

#### Recommendation

The Committee on Finance and Facilities recommends approval of this project as proposed.

## **CAPITAL FUNDING GOALS AND PRIORITIES**

### Background

During the past several years, institutional capital needs and requests have increased significantly but there has been little or no state capital funding available. The institutions' Comprehensive Permanent Improvement Plans (CPIP) for 2005-2006, included capital improvement bond (CIB) requests of almost \$1 billion. The requests included projects for capital repairs or replacements, renovations and new construction. The CPIP requests also included some projects which would address the institutional backlog of deferred maintenance, which has grown to more than \$640 million for educational and general (E&G)<sup>1</sup> facilities over the past decade.

### Funding Levels and Annual Maintenance Costs

The cost of annual maintenance for E&G facilities at public colleges and universities is approximately \$33 million, excluding the 14 technical colleges which are required to use local funds for maintenance. CHE's funding recommendations for colleges and universities are calculated to cover the E&G operating expenses of the institutions, including routine maintenance. Since 1990, however, state appropriations as a percent of CHE recommendations have decreased from an average of 87.7 percent in 1990-91 to an average of 40.0 percent in 2004-2005. Without sufficient funds to cover operating costs, institutions have chosen to defer routine maintenance in favor of more pressing instructional needs. The cumulative effect of this deferred maintenance is a serious problem for higher education institutions in South Carolina.

It is unrealistic to assume that the state will soon be able to fund all of the capital requests or deferred maintenance. Only seven CIB bills have been implemented in the past 20 years, with the most recent totaling \$89 million in 2000. The cumulative total of all CIB bills since 1994 is approximately \$738.2 million, with just over \$7 million specifically designated for deferred maintenance. This is far less than the documented needs of the institutions for deferred maintenance and requests for new capital projects.

### Existing Process for CIB Requests

In the years up to and including 2000, the Commission on Higher Education (CHE) submitted institutional capital requests to the Budget and Control Board (B&CB) and the Legislature in statewide priority order. After the 2000 CIB recommendations, however, CHE adopted a process of rating, scoring, and submitting capital requests in institutional priority order. Currently, CHE reviews, scores and recommends all CIB requests using a set of criteria that generally give more weight to academics and deferred maintenance (Attachment 3, pp 6-8). However, the current process allows for multiple projects to receive the same overall score and CHE submits the requests by individual institutional priorities.

Given the large amount of capital need and the state's limited ability to provide funding for all of it, staff believes a different approach is needed; one that recognizes statewide goals and priorities. A renewed capital funding prioritization plan would represent a measured fiscal approach to meeting the most critical capital needs of higher education in the state. The current process of rating and scoring capital project requests does not lend itself to prioritizing on a statewide basis.

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<sup>1</sup> Auxiliary facilities are required to be self-supporting by Legislative Proviso.

#### Facilities Advisory Committee Agreement on Revised Criteria

The staff and the Facilities Advisory Committee began working together in March to develop a better set of rating criteria that could also be used to prioritize on a statewide basis. The proposed criteria (Attachment 1) address broad statewide goals concerning health and safety, deferred maintenance, critical growth, and economic development. Project standards and rating criteria provide opportunities for institutions to relate individual projects to the statewide goals. The staff and the Facilities Advisory Committee believe the revised criteria are fair to all institutions and provide a rational mechanism for scoring and rating capital project requests.

#### Recommendations

The Committee on Finance and Facilities, with the concurrence of the Facilities Advisory Committee, recommends the adoption of the proposed criteria, including statewide goals, related standards and rating criteria (Attachment 1, pp 3-4). The Committee further recommends that capital projects be submitted to the B&CB in statewide priority order as authorized by Section 2-47-40, SC Code of Laws (Attachment 2, p 5).