

MINUTES
SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
Finance and Facilities Committee Meeting
June 27, 2005
10:00 a.m.
CHE Conference Room

CHE Members Present

Ms. Rosemary Byerly, Chair
Mr. Larry Durham
Dr. Douglas Forbes
Mr. Dan Ravenel
Mr. Jim Sanders
Mr. Neal Workman

Mr. Scott Ludlow
Ms. Marla Mamricle
Mr. Gary McCombs
Ms. Diane Newton
Ms. Jennifer Pearce
Mr. Charles Shawver
Ms. Christine Smalls
Dr. John Sutusky
Col. Don Tomasik
Mr. Dale Wilson

Guests Present

Mr. Tony Ateca
Mr. Bill Bragdon
Ms. Kathy Coleman
Ms. Donna Collins
Mr. Robert Connelly
Mr. Tom Covar
Ms. Lynn Defiori
Ms. Whitney Elliott
Mr. Walter Hardin
Mr. Craig Hess
Mr. Bryan Hill
Dr. Sally Horner
Mr. Jay Kispert
Mr. David LeGrande

Staff Present

Ms. Camille Brown
Mr. Mike Brown
Mr. Tony Brown
Ms. Alyson Goff
Dr. Lynn Kelly
Ms. Lynn Metcalf
Ms. Jan Stewart

For the record, notification of the meeting was made to the public as required by the Freedom of Information Act.

Ms. Byerly, chair of the Committee on Finance and Facilities, called the meeting to order at 10:05 a.m. Mr. Tony Brown introduced the guests in attendance. The following matters were reported on:

I. Approval of Minutes of Meeting on May 18, 2005

Since there were no additions or corrections to the Minutes of the meeting on May 18, 2005, the minutes were approved as written.

II. Consideration of Interim Capital Project

Ms. Byerly asked Ms. Metcalf to describe the project and noted there was an institutional representative present to answer questions. The following project was presented and discussed:

MUSC

Helipad Relocation	\$1,200,000	-establish project
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It was moved (Durham), seconded (Ravenel), and voted to approve the above interim capital project as presented.

III. Deferred Maintenance Bonds Authorized by Act 187 of 2004

Ms. Byerly explained the Committee was reviewing the deferred maintenance projects to be funded through Act 187 of 2004, and asked Ms. Metcalf to provide more information about the Act. Ms. Metcalf explained the background information and the methodology used to calculate the allocations.

Mr. Ravenel expressed his concerns about the increasing amount of deferred maintenance in the state and asked for a list of deferred maintenance projects. Mr. Sanders asked Col. Tomasik for information about The Citadel's deferred maintenance projects regarding the amount of funding allocated to projects deemed as critical. Col. Tomasik answered that approximately half of the funds would be used for critical deferred maintenance projects. Mr. Workman asked Col. Tomasik what percentage of the budget The Citadel allowed for work order changes and/or cost overruns. Col. Tomasik stated two to three percent of the budget was allowed for work order changes and contingencies, but the institution may not go over the total approved budget.

Mr. Sanders presented the same question to the Winthrop representative. Mr. Hardin responded the majority of Winthrop's projects were related to roof problems. Mr. Workman asked if institutions were simply fixing the problems or if institutions were rethinking structure design. Mr. Hardin answered that, where possible, up-to-date designs and technology were used. For example, Winthrop is removing the original 1894 slate roof on Tillman Hall, water-proofing, adding an under-layer, and replacing the original slate. This allows Winthrop to take advantage of more recent technology while maintaining the historic properties of the building. Mr. Hardin also stated Winthrop's projects included a five percent contingency, but the actual percentage is usually around three percent. He noted the contingency for new construction is between two and three percent and about five percent for renovations.

The Committee agreed to submit the requests to the Budget and Control Board for Approval.

IV. Capital Funding Goals and Priorities

Ms. Byerly noted the Commission used to rate and prioritize capital project requests on a statewide basis in compliance with its legislative mandate. The Commission changed to a different rating system in 2001 and currently submits capital projects to the Legislature in institutional priority order. CHE staff and the Advisory Committee have proposed changes to the current criteria. Ms. Byerly asked Ms. Metcalf to explain the process and recommendations. Ms. Metcalf stated that capital project requests have increased significantly over the past several years, but little or no capital funding has been provided. The requests for the prior year were almost \$1 billion, and the most recent deferred maintenance report identified a \$640 million backlog. Ms. Metcalf explained that one of the reasons for the large amount of deferred maintenance is that institutions' operating budgets are currently funded at an average of forty percent. With funding for operations and routine maintenance limited, institutions have chosen to defer maintenance in favor of more pressing instructional needs. This situation has caused the amount of deferred maintenance on campuses to escalate.

It is not likely the state will soon be able to fund all the capital requests, including deferred maintenance needs. Ms. Metcalf explained the Facilities Advisory Committee met and discussed these concerns, including revision of the 2001 rating criteria and concerns about prioritizing the requests. Institutions generally believe the 2001 criteria are not as fair to all institutions as they should be. In addition, using the 2001 criteria, projects cannot be easily ranked in priority order. Ms. Metcalf noted the Advisory Committee developed statewide capital funding goals, which allow institutions to link capital projects to

statewide goals. The Advisory Committee also wanted to address several issues that had not been addressed in the earlier criteria.

Dr. Sutusky, representing the Facilities Advisory Committee, noted that all sectors were represented during the discussions. Dr. Sutusky also noted that all institutions were provided an opportunity to provide input and review the finished product prior to submission to the Standing Committee. Dr. Sutusky stated the Advisory Committee reviewed CHE's past rating system, as well as rating systems from other states in considering the proposed criteria.

Mr. Ravenel asked how efficiency would be rated under the new rating system. Ms. Metcalf answered that standard three in the proposed system draws on utilization standards and efficiency ratings to address the issue. Mr. Ravenel asked if the new system recognized whether a project should be new construction or a renovation. Ms. Metcalf answered that standard six would address that issue. It requires documentation that all alternatives have been explored and that the proposed project was the best option.

Mr. Sanders asked if the new system recognized whether a project was needed in order to receive appropriate accreditation. Ms. Metcalf answered that standard one would address the issue, since it requests documentation of issues critical and central to an institution's mission. Mr. Ravenel mentioned a previous library project at The Citadel that received a lower rating than an athletic facility using the old rating system. Mr. Ravenel expressed his concerns about the critical need for libraries for commuting students.

Ms. Metcalf stated not all institutions would score well on every criterion, and it would be very difficult for an institution to receive the total amount of points available. However, staff and members of the Facilities Advisory Committee believe the proposed criteria are more fair and appropriate for institutions overall.

There was a lengthy conversation addressing the need for funding of deferred maintenance. Mr. Workman and Mr. Sanders stated the need to identify the responsible parties and the need to enter into discussions regarding the problem of deferred maintenance. Mr. Ravenel stated there is not a clear understanding between the money allocated for higher education, including scholarships and operating money, and the actual cost of operating the institutions. He stated this might be an issue the full Commission would want to address.

Mr. Workman asked who would review the capital projects and score them under the new system. Ms. Metcalf answered that she would. Mr. Sanders asked if staff would be able to easily receive and evaluate the information and was assured by staff that it could be done with minimal additional paperwork.

Mr. Sanders stated his concern about the perceived lack of coordination between the Budget and Control Board, State Engineer, CHE, etc. He asked about work order changes and contingency costs in South Carolina as compared with other states. Ms. Metcalf noted the State Engineer said the State's change orders and contingencies were averaging around five to six percent. The State Engineer had noted that as very reasonable when compared to averages in other states which are often in the double digits.

Ms. Byerly stated the Committee should adopt the new rating criteria because it was a product of a coordinated effort between CHE staff and institutional representatives. Ms. Byerly again noted the legislative authority CHE has to prioritize capital projects.

It was moved (Forbes), seconded (Sanders), and voted to adopt the proposed rating criteria for capital projects.

The discussion continued as Dr. Sutusky suggested the rating system could identify logical breaks for projects to be grouped as critical, serious, etc. Col. Tomasik expressed The Citadel's concerns about the economic development and growth components of the new criteria.

Mr. Workman asked about projects which receive only a portion of the funding needed. Ms. Metcalf noted that several projects have been partially funded in the past because the Legislature tries to give a little money to every institution. Ms. Metcalf noted the institutions cannot move forward with the projects until all funds have been secured. A priority list would assist the Legislature in determining which projects are most important to CHE on a statewide basis.

Ms. Byerly suggested the Committee move to use the new rating system for setting statewide priorities.

It was moved (Durham), seconded (Workman), and voted to utilize the new rating system in setting priorities on a statewide basis.

Mr. Ravenel asked when the priority ranking would be available. Ms. Metcalf answered the document should be ready mid to late-August.

V. Report on State Construction Cost Standards

Mr. Hardin presented information to the Committee on state construction cost standards. He noted that public institutions are competing with out-of-state institutions for S.C. students and said seven out of 10 students who attend school out-of-state do not return. Mr. Hardin stated institutions must compete for students the same as businesses in the private sector compete for consumers. He said that competition for students keeps the institutions keenly aware of the need to maintain existing facilities and to renovate and build to the latest technology. Mr. Harden provided Committee members with a copy of Winthrop's facilities master plan.

Mr. Hardin described the lengthy and extensive process institutions must complete in order to begin capital projects. Mr. Hardin stated that because of the difficult process, projects take longer to begin and are subject to the free market system through out the bid process. Mr. Hardin noted the difficulties in developing a firm estimate until very late in the process. He discussed the requirements of the State Engineer's Office and the State Procurement Code.

Mr. Hardin suggested Committee members could get a better perspective about institution's capital expenditures by visiting the various campuses. He said he would be pleased to have the Committee visit Winthrop. Mr. Hardin also mentioned the difficulty in setting a cost-per-square-foot standard across the state. As an example, he noted the cost of a capital project in Rock Hill is lower than a similar project in Charleston.

There was some discussion regarding requirements of the State Procurement Code and possible changes.

VI. Change in Capital Project Definition

Ms. Metcalf explained the change in the definition of permanent improvement projects adopted by the Legislature in this Session. Ms. Metcalf noted the new definition means that any permanent improvement that is under \$500,000 and does not meet certain definitions no longer requires approval by CHE, the Joint Bond Review Committee, or the Budget and Control Board.

VII. Other Business

Ms. Byerly asked Mr. Ravenel to serve as Vice Chair. Ms. Byerly stated there was no precedent for appointing a Vice Chair for the Committee but said she believes it is important that someone be prepared to serve if she is absent. The Committee agreed by consensus that Mr. Ravenel should serve as Vice Chair for the Finance and Facilities Committee.

There being no other business, the meeting was adjourned at 11:50 a.m.

Respectfully Submitted,

Alyson M. Goff
Recorder

*Attachments are not included in this mailing, but will be filed with the permanent record of these minutes and are available for review upon request.