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RECOMMENDATIONS FOR IMPROVING THE HIGHER EDUCATION FACILITIES APPROVAL PROCESS

In March 2006, the Committee on Finance and Facilities discussed a number of concerns about the length of time currently required for the approval of capital projects. The current approval process requires a significant amount of time between the planning and delivery of construction projects which can be up to a year in some cases. The Committee believes that if the timeframe were shortened, it would allow the institutions to develop more accurate budgets and reduce cost increases caused by delays. In May 2006, the Finance and Facilities Committee appointed a subcommittee to review the higher education facilities approval process. The goal of the subcommittee was to examine ways in which to make the approval process more efficient when addressing issues such as deferred maintenance, project delays and budget increases, and the overall approval timeline. The subcommittee members were:

Ms. Rosemary Byerly, CHE Commissioner
Mr. Dan Ravenel, CHE Commissioner
Mr. Jim Sanders, CHE Commissioner
Mr. Neal Workman, CHE Commissioner
Mr. Walter Hardin, Winthrop University
Mr. Rick Puncke, Jr., USC Upstate
Mr. Thomas Suttles, Clemson University (initially Lander University)
Mr. Dale Wilson, Piedmont Technical College
Mr. Charles Shawver, Budget and Control Board
Ms. Lynn Metcalf, CHE Staff
Dr. John Sutusky, CHE Consultant & former Director of Planning & Special Projects at MUSC

The subcommittee met four times to identify and clarify the issues and to develop appropriate recommendations. The subcommittee received input and advice from Interim State Engineer Allen Carter and several facilities officers at the institutions. The recommendations are presented in institutional priority order.

The Commission on Higher Education approved the recommendations on August 2, 2006.

OVERALL OBJECTIVES: To improve State planning, streamline the State-approval process, improve institutional planning, and establish an effective alternative delivery system.

1.) RECOMMENDATION: The State's Comprehensive Permanent Improvement Plan (CPIP) process should be made meaningful.

RATIONALE: CPIP, as initially conceived, has much to offer in support of rational planning and the timely approval of permanent improvement projects. What is largely lacking is a commitment from the State to consider CPIPs, especially projects for the ensuing fiscal year, in a timely manner. The untimely consideration of CPIPs has resulted in a process that has become ineffective.

It is counterproductive for the State to require CPIPs and then approve them midway through the fiscal year the plan addresses. In recent years, CPIPs have not been presented to the State's Budget and Control Board for review and approval.

CPIP was established in part to ensure the one-time State approval of an institution's work plan for the ensuing fiscal year (Year 1). Adherence to this principle would allow most of the routine interim permanent approval requests to be processed at staff level.

A reinvigorated CPIP process would have the following benefits:

- Review and approval of all permanent improvement projects for the ensuing fiscal year could be obtained prior to the beginning of the fiscal year. The CPIP process should follow the timeline of the State budget cycle.
- Institutions would annually assess the extent of their deferred maintenance problem and progress.
- Institutions would address how they will maintain existing facilities in an acceptable manner.
- Institutions would define their construction needs.

Year 2 requests in a CPIP constitute an institution's request for State Capital Improvement Bond funds. The Year 2 projects requested need not be considered by the State on the same timeline as Year 1 projects. Year 2 requests, however, are to be supported with feasibility/planning studies as described above. Further, no request would be approved unless it is consistent with the institution's facilities master plan and the institution's approved mission.

Year 3, 4 and 5 projects are more conceptual and give evidence of an institution's future facility planning.

2.) RECOMMENDATION: Eliminate the project approval requirement for routine repair, maintenance, and replacement of building systems provided the Office of State Engineer and State Procurement requirements remain intact.

RATIONALE: Institutions should be permitted to proceed with identified repair, maintenance, and replacement of building systems detailed in their reinvigorated CPIP without requiring additional State-level approvals of individual projects.

3.) RECOMMENDATION: Adopt code changes allowing institutions to conduct feasibility/planning studies up to and including design development without requiring State-level approvals to plan.

RATIONALE: Currently, institutions must seek State approval to do such planning if the planning exercise will likely result in a project. This costs valuable time and money and requires institutions to establish projects based on very limited knowledge. Institutional project planning should occur before the State-level project approval process is initiated.

Therefore, institutions should be allowed to complete a feasibility/planning study up to and including design development prior to seeking State project approval. This study should include: space program; schematics; cost estimate; funding plan, including a funding timeline if all funds are not currently available; a project timeline through occupancy; and a declaration of a procurement methodology.

Institutions are strongly encouraged to pursue a complete architectural and engineering selection process, in accordance with State regulations, to select a firm to conduct the aforementioned feasibility/planning study. This will allow the institution to continue with the same architectural and engineering firm for actual design, thereby realizing efficiencies.

4.) RECOMMENDATION: Eliminate the duplication of forms to the Office of State Budget for capital projects through both the CPIP and its “Detailed Justification for Capital Budget Priorities” portion of the annual State Budget Request.

RATIONALE: The same information is required to be submitted twice by institutions (in somewhat different formats) to the Office of State Budget.

5.) RECOMMENDATION: Require each higher education institution to develop and submit for CHE approval a funding plan to bring its *deferred maintenance* to an acceptable level.

RATIONALE: Due to the magnitude of deferred maintenance at some institutions, a multi-year plan may be required to reach this goal. Each plan developed must take into account the current deferred maintenance level plus the projected annual growth (life-cycle replacement). Most are generally aware of the critical deferred maintenance issue facing our institutions. The Comprehensive Permanent Improvement Plan (CPIP) requires that deferred maintenance be addressed. Too often these plans are incomplete or simply statements of the problem offering no long-term solution. The State needs to take this issue seriously as evidenced through its review and acceptance of CPIPs.

6.) RECOMMENDATION: The Governor, in consultation with Senate and House leadership, should appoint a Blue Ribbon Committee to study and provide recommendations to enable South Carolina to implement an effective alternative construction delivery system – such as design build, Construction Management at Risk, Construction Management/General Contracting – for State agencies. The Blue Ribbon Committee should complete its report no later than March 1, 2007.

RATIONALE: Alternative delivery systems – alternatives to design-bid-build – are used in more than 70 percent of non-residential European construction and well over 50 percent in Japan.

During the past two decades, because of the inherent advantages of alternative delivery, the use of design-build and its variations has greatly accelerated in the United States' public and private sectors.

The benefits of alternative delivery systems include: single entity responsibility for architectural, engineering, design, and construction services; improved project definition through the collaborative planning efforts of designers, engineers, contractors, and owners at the earlier stages of project conceptualization; enhanced project quality; cost savings, time savings, and reduced State Agency administrative burden; realization of "best value" rather than "low bid;" and perhaps most importantly, the early knowledge of realistic construction costs.

For many State construction projects, there are inarguable advantages with alternative delivery as contrasted to conventional design-bid-build.

The State has a process in place that makes alternative delivery permissible in South Carolina. However, further examination reveals that the process, as it now exists, is inconsistent with sound alternative delivery methods. The existing State process needs to be evaluated and made consistent with current accepted practices used in private and other governmental sectors.