



South Carolina Commission on Higher Education

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Mr. Daniel Ravenel, Vice Chairman
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Mr. James Sanders
Mr. Hood Temple
Mr. Randy Thomas
Mr. Kenneth B. Wingate
Mr. Neal J. Workman, Jr.
Dr. Mitchell Zais

Dr. Garrison Walters, Executive Director

September 27, 2007

TO: Mr. Daniel Ravenel, Chair, and Members of the Committee on Finance & Facilities
FROM: Mr. Gary S. Glenn, Associate Director of Finance, Facilities, & MIS
SUBJECT: Committee Meeting, October 4

A meeting of the Committee is scheduled to be held in the Commission's Conference Room at 9:00 a.m. on Thursday, October 4. Attached are an agenda and materials for the meeting.

As a note, the appendices for the report on the *Assessment of SC Higher Education Facilities Conditions & Measuring Deferred Maintenance* (agenda item 4) are not included in this mailing but are available upon request.

If you have any questions about the materials, please contact me at (803) 737-2155. We look forward to meeting with you on October 4.

Enclosures

AGENDA

COMMITTEE ON FINANCE & FACILITIES

OCTOBER 4, 2007

9:00 A.M.

CONFERENCE ROOM

SC COMMISSION ON HIGHER EDUCATION

1333 MAIN STREET, SUITE 200

COLUMBIA, SC 29201

1. Introductions
2. Minutes of September 5 Meeting
3. Interim Capital Projects
 - A.) Clemson University
 - a. Kinard Laboratory – HVAC Renovation
-increase budget
 - B.) USC Columbia
 - a. Baseball Stadium Construction
-increase budget
 - C.) USC Upstate
 - a. Residence Hall Acquisition
-increase budget, revise scope
4. Report on the *Assessment of SC Higher Education Facilities Conditions & Measuring Deferred Maintenance*
5. Other Business
6. Information Items
 - a. Review of the SC Manufacturing Extension Partnership (SCMEP) Materials
 - b. List of Staff Approvals for August 2007

MINUTES

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION
COMMITTEE ON FINANCE AND FACILITIES

SEPTEMBER 5, 2007

3:00 P.M.

CHE CONFERENCE ROOM

Committee Members Present

Dr. Doug Forbes (via telephone)

Dr. Louis Lynn

Mr. Daniel Ravenel

Mr. Jim Sanders

Mr. Neal Workman

Mr. John Malmrose

Ms. Lynn Metcalf

Mr. John McEntire

Ms. Diane Newton

Ms. Jennifer Pearce

Mr. Tom Quasney

Mr. Charles Shawver

Mr. Tim Sinclair

Ms. Sandy Williams

Committee Members Absent

Mr. Ken Wingate

Guests Present

Dr. Kathy Coleman

Ms. Donna Collins

Mr. Ron Fulmer

Mr. Will Garland

Mr. John Irion

Mr. Gray Ladd

Mr. Scott Little

Mr. Scott Ludlow

Ms. Amanda Maghsoud

Staff Present

Ms. Camille Brown

Ms. Julie Carullo

Mr. Gary Glenn

Ms. Alyson Goff

Dr. Lynn Kelley

Ms. Nicole Rowland

Dr. Garrison Walters

Ms. Karen Wham

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

I. Introductions

Mr. Ravenel called the meeting to order at 3:00 p.m. Ms. Goff introduced the guests in attendance.

The following matters were considered:

II. Approval of Minutes of Meeting on August 2, 2007

Since there were no additions or corrections to the Minutes of the meeting on August 2, the Minutes were approved as written.

III. Interim Capital Projects

The following projects were presented and discussed:

A.) Medical University of South Carolina

- a) 2007 Energy Performance Contract \$20,000,000 -establish project

Mr. Sanders asked why the University could not finance this project themselves, and Mr. Malmrose of the Medical University of South Carolina responded that there was a cash flow issue. He stated by going through the State Treasurer's office, the institution's bonding capacity would not be affected.

It was moved (Workman), seconded (Sanders), and voted to approve the project.

- b) Air Emissions Permit Compliance Project \$1,000,000 -establish project

It was noted by Mr. Glenn that compliance is required before any new construction can be performed. Dr. Forbes asked why the Department of Health and Environmental Control (DHEC) did not provide the service and also noted it was something new the Committee had not seen before. Mr. Malmrose stated the University had to comply with DHEC and the Environmental Protection Agency (EPA) air emissions requirements, and the regulations changed in May. The new requirement is that compliance is regulated within the property boundaries. Mr. Ravenel asked if the Hospital would be contributing to the project as it shared resources with the University. Mr. Malmrose responded the cost would be split with the Hospital.

- c) Campus Buildings Humidity Control \$1,000,000 -establish project
 Improvements

Mr. Ravenel asked Mr. Malmrose to tell the Committee why this project was a good idea. Mr. Malmrose responded the project is for animal facilities which receive a certification from the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC). He stated the current humidification system cannot meet current needs. Dr. Forbes asked why this was never a problem in the past. Mr. Malmrose stated that in the past the institution has been cited by AAALAC, and now it was on the borderline. Dr. Forbes also asked if the dollar amount was substantiated with CHE staff because it seems to be without much validation. Mr. Malmrose responded that it is a guess, and he stated that there are seven facilities involved. Two facilities require complete replacement of the humidification systems, and the other five will be modified. The detail of the design has not been started because project approval is necessary to begin work. Mr. Sanders pointed out that this is part of the procurement sequence that the Committee has been working on through the Commission's recommendations to improve the facilities approval process. Mr. Malmrose stated the estimate is fair but hopes it can be done for less.

- d) Psychiatric Institute Third Floor Main \$2,000,000 -establish project
 Data Center System Upgrades

Mr. Glenn briefly explained the project which is to make necessary upgrades to the institution's main data center because the existing HVAC, electrical, and generator systems are not adequate to support the expected growth and equipment additions planned.

- e) Thurmond/Gazes Research Building \$2,500,000 -establish project
 Air Handler Unit Replacement

Mr. Glenn explained the project is to replace four air handlers which serve floors one through six. The existing air handler is unreliable and severely corroded.

Mr. Malmrose stated these projects are presented at once because the University is trying to plan ahead for the year.

It was moved (Workman), seconded (Lynn), and voted to approve projects b) through e).

IV. Lease

A.) Medical University of South Carolina

- a) Rutledge Tower 11th & 12th Floors \$624,750 -lease renewal

It was moved (Lynn), seconded (Workman), and voted to approve the lease.

V. Budget Requests for FY 2008-09

- a. Requests in support of higher education institutions, below-the-line items, and capital projects were discussed in a roundtable format.

Mr. Ravenel commended South Carolina State University for prioritizing the Whittaker Library renovation and expansion.

It was moved (Workman), seconded (Lynn), and voted to approved the higher education budget request for FY 2008-09 as broadly defined in the attachments with the understanding that as the budget process unfolds, changes to structure and content are likely.

- b. The agency budget request was discussed in a roundtable format.

It was moved (Sanders), seconded (Workman), and voted to approve the proposed agency budget request for FY 2008-09.

VI. Other Business

- a. An update on the CHE recommendations to improve the higher education facilities approval process was presented by Mr. Workman, Ms. Lynn Metcalf, and Mr. Gary Glenn. It was relayed that their previous meeting with the Budget and Control Board officials went well and keeping the topic in the forefront is important.

- b. The upcoming campus facilities tour dates were deferred for discussion at the Commission meeting on September 6.

VII. Information Items

- a. The list of staff approvals for July 2007 was presented for information.

With no further business, the meeting was adjourned at 5:15 p.m.

Respectfully submitted,

Nicole J. Rowland
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.*

DESCRIPTION OF INTERIM CAPITAL PROJECTS FOR CONSIDERATION

October 4, 2007

Clemson University

| | | |
|--|--------------|--------------------------------------|
| Kinard Laboratory – HVAC Renovation (Previous Budget = \$325,000) | \$3,000,000 | -increase budget |
| Source of Funds: | \$3,000,000 | -institutional capital project funds |
| Proposed Budget: | \$2,160,000 | -utilities renovation |
| | 500,000 | -new construction (2,100 GSF) |
| | 300,000 | -professional services fees |
| | 300,000 | -contingency |
| | 60,000 | -labor costs |
| | <u>5,000</u> | -builders risk insurance |
| Total: | \$3,325,000 | |

Description

The University requests approval to increase the project budget to replace and expand the capacity of the current air handler, install additional ductwork for better air distribution, and provide new controls in Kinard Hall. The existing system does not function adequately and does not meet current requirements for advanced research being conducted in the facility. The building was constructed in 1961 and has had no significant renovations to the building or its systems since it was built.

During the design phase, it was determined that the single air handling unit should be replaced with a single air handling unit for each of the four floor. Due to limited space, a 2,100 GSF tower will be constructed to handle the units on the first, second, and third floors. Once complete, the building's fresh air and hood exhaust systems will meet all current code requirements.

The University bid the project in March 2007 and only received two bids which were over budget by 25 percent. The facility must be renovated during the summer to minimize class and faculty displacement because of the overall space needs on the campus. Therefore, due to the overrun on the bids, the summer schedule was missed, and the project was postponed until summer 2008. The A&E firm has made design changes, and the schedule has been reviewed to allow the necessary time to complete the renovations.

E&G Deferred Maintenance Reduction:

The project is to replace the current air handler with four air handling units which will address a portion of the building's deferred maintenance.

Annual Operating Costs/Savings:

Utilities and maintenance will require additional operating costs ranging between \$8,000 and \$12,000 in the three years following project completion. The costs will be absorbed into the existing budget.

Recommendation

Staff recommends approval of this project as proposed.

University of South Carolina Columbia

| | | |
|---|----------------|---|
| Baseball Stadium Construction (Previous Budget = \$28,036,000) | \$7,600,000 | -increase budget |
| Source of Funds: | \$4,000,000 | -institutional funds |
| | 3,600,000 | -athletic revenue bonds & anticipation notes |
| Proposed Budget: | \$22,400,000 | -new construction (57,000 GSF) |
| | 5,000,000 | -land purchase (12.5 acres) |
| | 3,000,000 | -site development |
| | 2,436,000 | -professional services fees |
| | 2,200,000 | -contingency |
| | <u>600,000</u> | -furniture, fixtures, and equipment |
| Total: | \$35,636,000 | |

Description

The University requests approval to increase the project budget due to increased excavation costs and additional costs associated with underground utilities. Completion of the facility has been delayed until the 2008-09 season.

In March 2007, a preliminary site investigation discovered rock in the construction area. Further testing determined that excavation of seven feet was necessary. Also, construction costs have increased since the project budget was established in June 2005. The University is increasing the contingency to prepare for future market conditions which an external construction company indicated to be an increase of seven to eight percent in the coming year. Funding is also needed to connect the stadium with the nearest institution communication hub which is approximately 6,300 feet away.

The project will not require an increase in tuition and fees.

E&G Deferred Maintenance Reduction:

N/A – New Construction/Auxiliary

Annual Operating Costs/Savings:

General services, utilities, equipment, grounds, custodial services, repairs and maintenance, insurance, and telephone/data services will require additional operating costs ranging between \$138,592 and \$184,790 in the three years following project completion. The costs will be funded through athletic revenue.

Recommendation

Staff recommends approval of this project as proposed.

University of South Carolina Upstate

Residence Hall Acquisition \$13,000,000 -increase budget, revise scope
(Previous Budget = \$50,000)

Source of Funds: \$13,000,000 -housing revenue bonds

Proposed Budget: \$13,000,000 -building purchase (105,000 GSF)

50,000 -professional services fees

Total: \$13,050,000

Description

The University requests approval to increase the project budget and revise the scope to include the acquisition of the existing Palmetto House residence hall from Carolina Piedmont Foundation Real Estate LLC. The facility was built in 2004 by the foundation for exclusive use by University students. The residence hall is 105,000 GSF with 348 beds, which are combined private and shared bedrooms in four-bed suites with two baths. The building also includes meeting and conference rooms, a computer lab, housing administrative offices, and a post office. The purchase price is \$124 per square foot.

The University currently manages and maintains the facility. With the purchase, the institution will be able to consolidate the accounting structure to better manage cost and revenue as well as make the bond indebtedness more manageable and stable. The purchase will also enable the University to integrate the operations and maintenance of the facility with the other campus housing assets for a more efficient and cost effective housing operation.

E&G Deferred Maintenance Reduction:

N/A – Building Purchase

Annual Operating Costs/Savings:

The project is not expected to generate additional operating costs at this time.

Recommendation

Staff recommends approval of this project as proposed.

**AN ASSESSMENT OF SOUTH CAROLINA HIGHER EDUCATION
FACILITIES CONDITIONS & MEASURING DEFERRED MAINTENANCE**

WHY FACILITIES ARE IMPORTANT

As provided in Section 59-103-15 of the South Carolina Code of Laws, as amended, the mission of higher education is “to be a global leader in providing a coordinated, comprehensive system of excellence in education by providing instruction, research, and life-long learning opportunities which are focused on economic development and benefit the State of South Carolina.” To accomplish this mission, our public institutions must have campuses that are modern, adequate, and safe. Institutions must have the necessary space to conduct instruction, research, student support, administrative, and service activities. Campus facilities are among the state’s most valuable assets and, as such, represent a significant taxpayer investment.

Routine maintenance of campus facilities has been directly affected by state appropriations that have not kept up with inflation and growth over the past several years. Consequently, a backlog of deferred maintenance and capital renewal has developed as institutions have implemented a “band-aid” approach to addressing their most critical needs. Nationwide, there is an estimated \$36 billion backlog of higher education deferred maintenance. More alarming is the fact that this does not include maintenance associated with utilities infrastructure, landscaping, and roads.¹

In order to remain competitive, South Carolina public colleges and universities must invest in their facilities. A 2006 study reinforced the notion that “facilities students see – or do not see – on a campus can mean the difference between whether they enroll or not.”² According to the study conducted by David Cain and Gary L. Reynolds entitled, *The Impact of Facilities on Recruitment and Retention of Students*, 73.6 percent of respondents named facilities related to their majors as “extremely important” or “very important” in choosing a college. In addition to student recruitment and retention, modern facilities can also provide opportunities for advancement in academic programs, research, and public service.

ASSESSING CURRENT CONDITIONS

For the current study, institutions evaluated education and general (E&G) buildings on their campuses using an assessment format established in the original deferred maintenance study conducted in 1994. The joint study, *Deferred Maintenance, An Analysis of South Carolina’s Facilities Portfolio*, conducted by the Commission on Higher Education (CHE) and the Budget & Control Board (B&CB) provided a way to measure the condition of the state’s higher education physical resources and to quantify the funding needed to maintain quality and correct deficiencies. (See Appendix 1 for a sample evaluation form.) A professional research analyst was employed to direct the study in which data were gathered by surveying institutions using criteria established by the Association of Higher Education Facilities Officers (formerly the Association of Physical Plant Administrators, APPA). State and institutional administrators considered the methodology developed to be fair and objective. CHE approved a proposal to conduct a study of deferred maintenance and requested \$300,000 in appropriated funds in FY 1999-2000 to support this important initiative. However, funds to conduct the study were not appropriated.

Recognizing the importance of building assessments and in the absence of a statewide study, institutions have been tasked to evaluate E&G buildings on their campuses on a three-year cycle. CHE updated the original study in 2003 using the same framework for analysis. That report indicated a backlog of approximately \$603 million.

Evaluations completed in spring 2007 are the basis for this report. The data are also submitted to the CHE Management Information System (CHEMIS) and used in evaluating requests for Capital Improvement Bonds and responding to legislative requests.

CALCULATING MAINTENANCE NEEDS

Data from CHEMIS have historically been used to calculate maintenance for E&G facilities using a factor based on construction type from the Markel Appraisal Chart Company and the building's replacement value as defined by the B&CB Office of Insurance Reserve Fund. CHE and institutional facilities officers determined that the use of an APPA average of three percent of a building's replacement value was more appropriate.

The effect of the previous calculation metric was that maintenance costs included in the Physical Plant step (Step 8) of the Mission Resource Requirements (MRR), the methodology used by CHE to determine the funding needs of public colleges and universities, did not measure funding needs at the current recommended level of three percent of building replacement cost. Accordingly, the 2008-09 MRR will be updated to reflect this change.

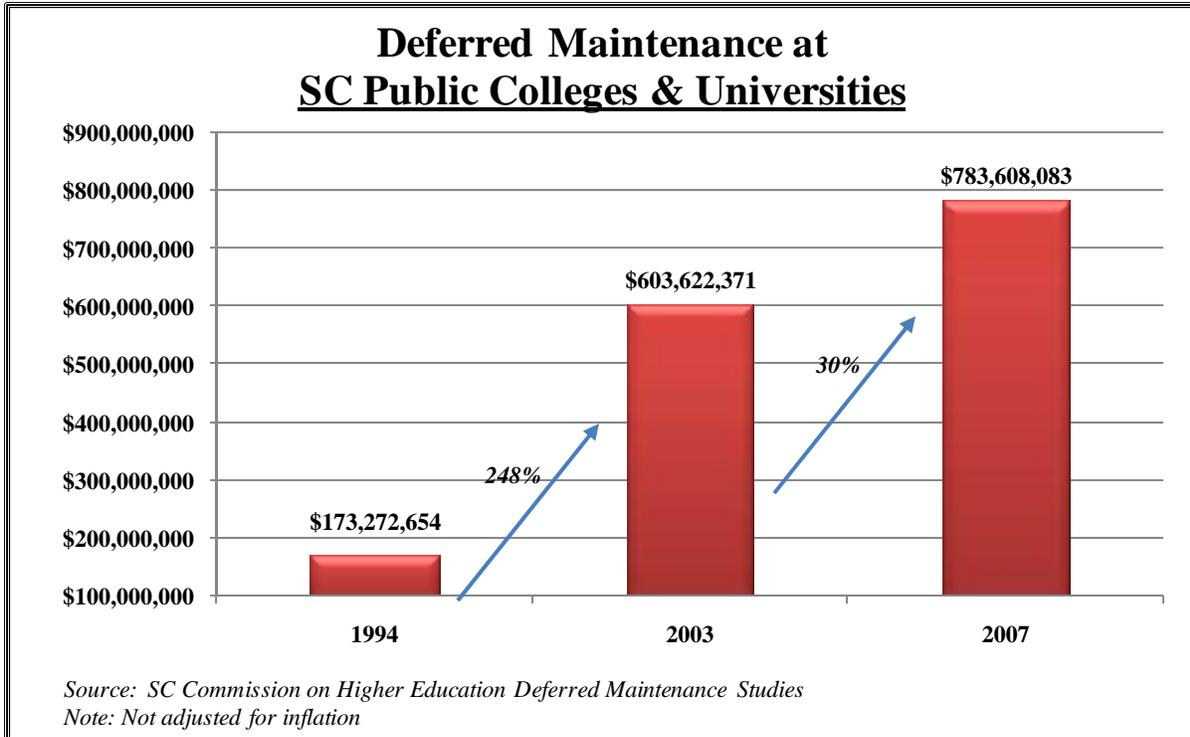
Of important note, technical colleges (with the exception of Denmark Technical College and Technical College of the Lowcountry) are not funded through the Physical Plant step as the counties these colleges serve rather than the state are expected to provide necessary maintenance funding. Many of the technical colleges have noted, however, that the county funds do not meet all of their needs throughout the fiscal year.

The 2007 survey identified a \$135,493,827 annual need to maintain all public colleges and universities facilities at an acceptable level (i.e. defined as a building condition of 90 or higher).

DEFERRED MAINTENANCE & INSTITUTIONAL PLANS

In a simple search of “deferred maintenance,” one would find many definitions. For the purpose of this report, Harvey Kaiser’s characterization is used: *maintenance and repair deficiencies that are unfunded or unplanned and are deferred to a future budget cycle or postponed until funds are available.*³ The current study identified \$783,608,083 in deferred maintenance at the state’s public colleges and universities. This is a 30% increase from the 2003 report and a 352% increase from the original 1994 study (Figure 1). (Note: This data is not adjusted for inflation.)

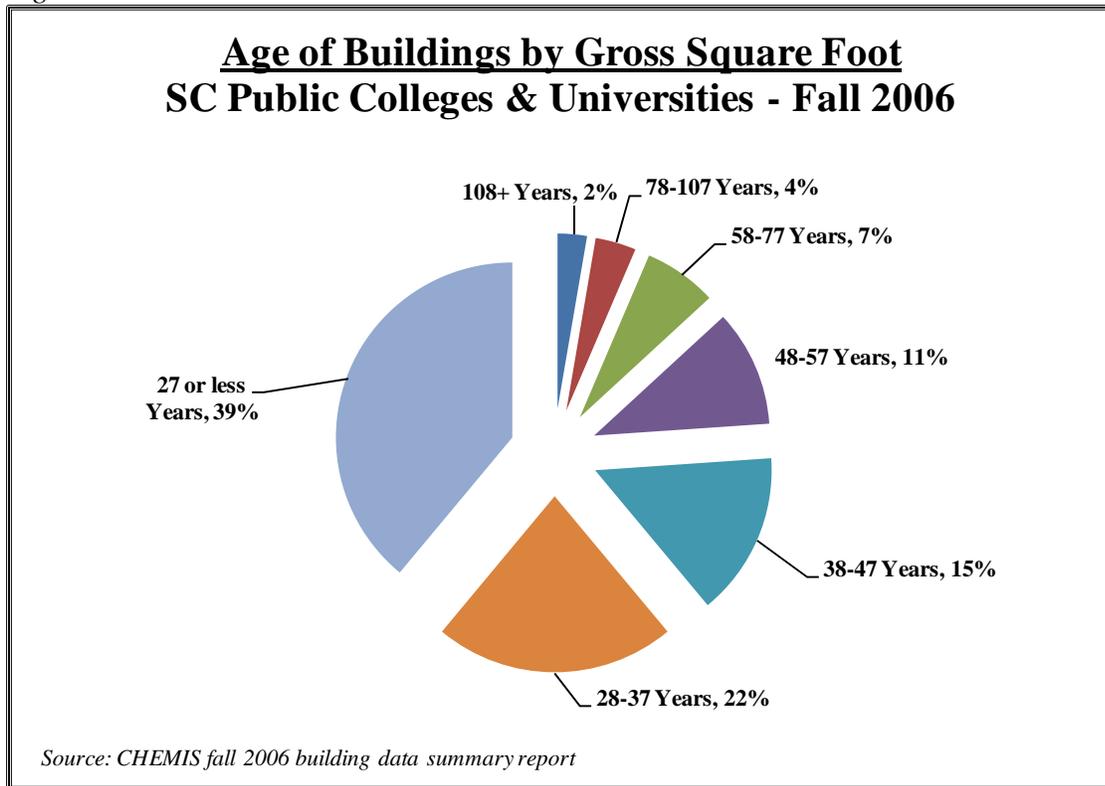
Figure 1



The problem of deferred maintenance is magnified by the age of campus facilities and infrastructure. Approximately 61 percent of South Carolina’s higher education facilities are 40 years old or less (Figure 2). This is similar to national data as more than half of the buildings across the country were constructed in the 1960s and 1970s during a period when enrollment nearly doubled.⁶

Although most buildings constructed in South Carolina have an expected life of over 50 years, the systems within those buildings must be replaced more frequently in order to maintain use of the facility as originally designed. (Systems’ life cycles have been estimated to be 33 years on average.) Two percent or roughly one million of the gross square feet of the state’s higher education facilities is 108 years or older. Institutions are challenged by the restoration costs associated with maintaining and repairing these historic facilities, many of which are on the National Historic Register. Institutions are also challenged in today’s rapidly-changing technological world as these changes require more frequent upgrades.

Figure 2



In May 2007, CHE adopted a policy which requires institutions to submit annual plans which identify the amount of funding needed to bring maintenance to an acceptable level (i.e. defined as a building condition of 90 or higher). These annual plans allow CHE to review ongoing maintenance needs in addition to the amount of maintenance that has been deferred. The plans also provide interested stakeholders with an understanding of the varying needs on each campus. (See Appendix 2 for the complete policy.)

These annual plans provide a snapshot of the needs of the institutions' and proposed approaches to address those needs. A more detailed approach is found in each institution's annual Comprehensive Permanent Improvement Plan (CPIP). The CPIP is a five-year planning document that includes requests for project approval where funding is reasonably available in the next fiscal year, requests for Capital Improvement Bond funds, and requests for long-term construction and renovation needs. For more information on the CPIP, go to: www.che.sc.gov/Finance/FacilitiesInformation/CPIP.htm.

Many of the state's colleges and universities are challenged by the lack of space to relocate classrooms, offices, and labs in order to perform necessary capital renewal. This concern is articulated by one institutional representative who stated: "a very real roadblock to effective capital renewal is the inability to vacate a building during an extensive renewal project. Most institutions are in this situation whereby all available space is fully utilized. Without [swing] space, major maintenance, upgrades, and renewals must be carefully chosen and tailored to avoid disrupting the primary missions of a university. The results are more numerous projects, more

expensive projects, postponement of projects, and re-prioritizing projects based on access rather than need.”

IN OTHER STATES

Across the country, higher education institutions are dealing with the issue of deferred maintenance. Four studies of note include:

- The Kansas Board of Regents released a report in fall 2006 identifying \$727 million in building, infrastructure, and utilities renewal needs. Through a “full court press,” the 2007 legislative session brought a small victory as the Kansas Legislature approved a five-year maintenance funding plan, dedicating \$90 million to address the backlog.
- The State University System in Florida released a similar report in November 2006 entitled, *Building Florida’s Future: Quality and Access or Business as Usual?* This report was the result of a task force focused on construction, maintenance, and deferred maintenance which made recommendations to the system chancellor “related to increasing efficiency, identifying and expanding revenue streams for investment, and improving processes in each category.”⁴ The report assessed capacity needs of the state’s higher education institutions and estimated there was a need for \$3.4 billion for new space.
- In April 2007, the Kentucky Council on Postsecondary Education received a final report on the condition of its educational facilities. The independent study assessed the current condition of campus buildings, measured their adequacy, and identified the need for additional space capacity to meet current and future needs. The study found the institutions needed: \$5.3 billion for system renewal, \$860 million for adequacy or fit-for-use improvements, and an additional \$6.4 billion in new building needs.⁵
- The North Carolina General Assembly called for a study in 1997 to look into the capital equity and adequacy of the University of North Carolina System’s facilities. The report identified \$6.9 billion in renovation and modernization, current capacity, future capacity, and other needs. The result was a \$3.1 billion bond bill passed by North Carolina voters in 2000.

THE BOTTOM LINE FOR SOUTH CAROLINA

The report just concluded identified current deferred maintenance needs at South Carolina public institutions of approximately \$784 million. It is important to note this estimate does not include infrastructure (i.e. water, electrical, communication, and sewer lines, lighting, roadways). CHE and the institutional facilities officers will work over the next year to identify parameters for reporting infrastructure needs. In addition to the needs associated with deferred maintenance, the report also identified annual routine maintenance needs of approximately \$135 million or three percent of the current building replacement value.

RECOMMENDATIONS

As shown in the examples above, states that have recognized the need to address deferred maintenance have done so with aggressive plans that have directed significant resources toward the problem. These needs have accumulated over several years. Likewise, the solution will take time. Accordingly, the Commission recommends a 20-year plan to reduce the backlog of deferred maintenance with approximately \$39 million a year dedicated to addressing these needs. (See Appendix 3 for institution-specific data.) The Commission also recognizes that institutions

must also have the resources to address routine maintenance and repair so that the backlog does not continue to grow. Accordingly, the Commission will continue to advocate for full funding of the MRR which would provide the operating funds needed to address routine maintenance needs. Given sufficient resources, the Commission and institutions stand willing and able to work with the appropriate state entities in finding viable solutions to reducing the existing deferred maintenance backlog, preserving facility quality, and serving the people of South Carolina.

REFERENCES

¹Rose, Rodney. "Buildings: The Gifts That Keep on Giving." Facilities Manager. March/April 2007: 18-23.

²June, Audrey Williams. "Facilities Can Play Key Role in Students' Enrollment Decisions, Study Finds." The Chronicle. 30 May 2006.

³Kaiser, Harvey. "Reviewing the State of Deferred Maintenance." Facilities Manager. November/December 2004: 14-21.

⁴State University System of Florida. *Building Florida's Future: Quality and Access or Business as Usual?* 15 November 2006.

⁵Wiseman, Bob. "Kentucky Receives Final Higher Education Facilities Audit Report. Society for College and University Planning Southern Regional May 2007 report. (www.scup.org/pubs/SEN/2007/May/scupso_20070504.html)

⁶Porter, Jane. "Halls of Ivy – And Crumbling Plaster." Business Week. 23 July 2007.

FOR INFORMATION
REVIEW OF THE SC MANUFACTURING EXTENSION PARTNERSHIP (SCMEP)
MATERIALS

Section 59-103-162 of the South Carolina Code of Laws requires the Commission to review annually the activities of the South Carolina Manufacturing Extension Partnership (SCMEP) and make a budget recommendation to the General Assembly. Below is a description of SCMEP, followed by a summary of the budget. SCMEP’s budget request for FY2008-09 was approved by the Committee and the Commission at their respective September meetings.

SCMEP is a private, non-profit 501 (c) 3 organization funded through a cooperative agreement with the United States Department of Commerce’s National Institute of Standards and Technology (NIST), matching state funds and revenue from clients and other grant sources. SCMEP is part of the nation’s manufacturing extension partnership system which is governed by a fiduciary board of directors. SCMEP is committed to serving small- to mid-sized manufacturers with resources and services to help them become more competitive and productive. SCMEP’s delivery of services is dependent upon relationships with partners, public agencies, non-profits, and numerous private consultants. The organization has formal, contracted relationships with the University of South Carolina, Clemson University, the South Carolina Technical College system, South Carolina Women’s Business Center, South Carolina Export Consortium, and SC Launch to support delivery to manufacturers in a coordinated manner.

Delivery of Services and Importance to the Economy of South Carolina

| Manufacturing Job Losses in SC | |
|---------------------------------------|--------|
| 2001 | 33,400 |
| 2002 | 12,700 |
| 2003 | 14,500 |
| 2004 | 1,900 |
| 2005 | 11,500 |
| 2006 | 9,100 |

The goal of SCMEP’s program is to provide technical consulting assistance to small and mid-sized manufacturers to increase their productivity, competitiveness, and new product development.

The program gauges results in measurable bottom line economic impact. According to the USDOL Bureau of Labor Statistics, South Carolina has lost almost 86,000 manufacturing jobs since January 2001. Most companies cite global competitiveness as the factor in precipitating their closures in US locations. Companies also cite production and overhead costs as significant factors in their ability to remain competitive, especially health care,

regulatory, legal, energy and production costs, as well as the overvalued dollar. SCMEP provides expertise in production cost reductions and quality improvements. In addition to these bottom

| Impact Data Collected | 2004 | 2005 | 2006 |
|---------------------------------|---------------|--------------|---------------|
| Total Economic Impact | \$96,400,000 | \$88,500,000 | \$441,000,000 |
| New and Retained Sales | \$137,200,000 | \$87,100,000 | \$304,000,000 |
| Cost Savings | \$23,900,000 | \$23,000,000 | \$8,600,000 |
| Capital Investment | \$23,700,000 | \$16,500,000 | \$48,000,000 |
| Jobs Created or Retained | 953 | 1,175 | 1,732 |

line cost saving services, SCMEP has innovation programs to help manufacturers stimulate top-line growth.

SCMEP reports activities on a quarterly basis. An independent survey is conducted to collect economic impact received from the services provided. This information is used to evaluate centers across the nation and to measure the return on federal investment. Economic impact drives the MEP program. Funding is predicated on a formula matching federal dollars with state and by charging clients for services (a 1/3, 1/3, 1/3 funding formula). Any decrease in state matching funds jeopardizes federal dollars and forces SCMEP to cut services. In 2005 and 2006, SCMEP received \$1,200,000 in non-recurring funds to restore state funding of the program to its formula level of \$2.4 million. With the additional monies, services grew significantly, resulting in a much higher economic impact for 2006. The table above displays the impact for years 2004, 2005, and 2006 and illustrates how state funding dramatically increases the impact of the program.

SCMEP is the managing entity of the apparel and composites clusters for the SC Competitiveness Council and is leading the state in developing a composites program for advanced manufacturing. The significance of the growth of composites materials cuts across a lot of the other clusters, including aerospace, automotive, marine and infrastructure, i.e. roads and bridges. This and other product development work would not be possible without state funds. State funding also links SCMEP’s field experts to our research and development resources within USC, Clemson, SC Research Authority, and the newly-formed SC Launch program.

Manufacturing continues to be the state’s value-added economic engine, and the long term vitality of the state is contingent on maintaining a healthy manufacturing base. Since 88 percent of South Carolina manufacturing is small- to mid-sized (hiring fewer than 250 persons) and therefore lacks the resources to hire private business consultants, the MEP model of manufacturing “extension,” like the agriculture extension model, is an essential tool in the state’s economic development portfolio.

SCMEP Fiduciary Board Members

| | |
|--|---|
| Mr. Henry Puckhaber Chairman (Retired-Bellsouth) | Mr. Roy Hawkins, President USCOA International Corp. |
| Mr. John Meister (Retired) WABCO Air Brake Co. | Dr. Christian Przirembel Vice-President of Research Clemson University |
| Mr. Joel Smith Dean, Moore School of Business University of South Carolina | Mr. Charles (Chuck) Bundy, Jr. Senior Manager, Business Solutions SC Department of Commerce |
| Mr. Robert Hurst Phoenix Specialty Manufacturing Co. | Dr. Ben Dillard Greenville Technical College |
| Mr. Barry Russell Executive Director State Board for Technical and Comprehensive Education | Mr. Lou Krause, CFO PBR Columbia, LLC |
| Mr. Dan Lilly NIST/MEP Account manger | |

| BUDGET | | | |
|--|--------------------|----------------|--------------------|
| Current Operating Period <i>July 1, 2007 – June 30, 2008</i> | | | |
| Category | Direct | In-Kind | Total |
| REVENUE | | | |
| (Federal and Non-Federal Cost Share) | | | |
| NIST MEP Funds (Federal Funds) | \$2,268,003 | \$0 | \$2,268,003 |
| State/Local Funds (Recurring) | \$1,200,000 | \$0 | \$1,200,000 |
| State/Local Funds (Nonrecurring) | \$1,200,000 | \$0 | \$1,200,000 |
| Project/Service Fees (Program Income Projected) | \$2,100,000 | \$0 | \$2,100,000 |
| Anticipated Un-Disbursed income from Prior Operating Year | \$0 | \$0 | \$0 |
| Other | \$129,506 | \$0 | \$129,506 |
| Interest & Dividends (Non-Federal) | \$6,500 | \$0 | \$6,500 |
| Third Party In-Kind Contributions (Declared Value) | \$0 | \$0 | \$0 |
| TOTAL REVENUE | \$6,904,009 | \$0 | \$6,904,009 |
| EXPENSES | | | |
| Personnel | \$1,671,500 | \$0 | \$1,671,500 |
| Fringe Benefits | \$450,021 | \$0 | \$450,021 |
| Travel | \$200,000 | \$0 | \$200,000 |
| Equipment | \$85,000 | \$0 | \$85,000 |
| Supplies | \$75,000 | \$0 | \$75,000 |
| Contractual Total | | \$0 | |
| Professional Services | \$30,000 | \$0 | \$30,000 |
| Fees Paid to 3 rd Party Providers | \$2,604,380 | \$0 | \$2,604,380 |
| Other | | \$0 | |
| Training | \$75,000 | \$0 | \$75,000 |
| Rent & Utilities | \$0 | \$0 | \$0 |
| Marketing & Bus. Develop. | \$0 | \$0 | \$0 |
| Office Expense | \$0 | \$0 | \$0 |
| Other Admin. & Operating/Other Expenses | \$864,486 | \$0 | \$864,486 |
| Total Direct Charges | \$6,055,387 | \$0 | \$6,055,387 |
| Indirect Costs | \$848,622 | \$0 | \$848,622 |
| TOTAL EXPENSES | \$6,904,009 | \$0 | \$6,904,009 |
| REVENUE – EXPENSES (if greater than \$0 then considered Excess Revenue) | \$0 | \$0 | \$0 |

**Agenda Item 6B
Finance and Facilities**

PERMANENT IMPROVEMENT PROJECTS APPROVED BY STAFF

August 2007

| Date Approved | Project # | Institution | Project Name | Action Category | Budget Change | Revised Budget |
|---------------|-----------|----------------------|---|--------------------------------|---------------|----------------|
| 8/2/2007 | 9816 | Aiken TC | 700 Building Renovation | close project | \$0 | \$3,491,242 |
| 8/2/2007 | 9946 | TC of the Lowcountry | Building 12 Renovation | increase budget, close project | \$7,945 | \$333,945 |
| 8/2/2007 | 9945 | TC of the Lowcountry | Building 12 HVAC Replacement | decrease budget, close project | (\$12,219) | \$177,781 |
| 8/10/2007 | 9801 | Clemson | Washdown Facility (Pesticide) Construction Site | decrease budget, close project | (\$4,281) | \$350,719 |
| 8/23/2007 | 9779 | MUSC | Campus Elevator Upgrades | increase budget | \$492,800 | \$1,850,000 |
| 8/23/2007 | 9732 | MUSC | College of Dental Medicine Building | source change | \$0 | \$51,000,000 |
| 8/23/2007 | New | MUSC | Arco Lane Warehouse Roof Replacement ¹ | establish project | \$0 | \$810,000 |
| 8/23/2007 | New | MUSC | Family Medicine Building HVAC Replacement ¹ | establish project | \$0 | \$1,250,000 |
| 8/23/2007 | New | MUSC | Psychiatric Hospital Building Exterior Waterproofing ¹ | establish project | \$0 | \$700,000 |
| 8/23/2007 | New | SC State | 2119/2233 Russell St Land Acquisition | establish project | \$0 | \$20,000 |
| 8/28/2007 | New | TC of the Lowcountry | Bluff Erosion Control ² | establish project | \$0 | \$680,000 |
| 8/30/2007 | 9829 | Clemson | Lee Hall Accessibility Improvements | decrease budget, close project | (\$1,563) | \$593,437 |
| 8/30/2007 | 9939 | USC Columbia | South Tower Fan Coil Upgrade | decrease budget, close project | (\$243,730) | \$1,270 |
| 8/30/2007 | 9796 | USC Columbia | Greek Housing Infrastructure | change source of funds | \$0 | \$3,000,000 |

¹ Routine repair, replacement, & maintenance projects are approved at the staff level.

² Approved as part of Year One projects in 2007 CPIP.

LEASES APPROVED BY STAFF

| Date Approved | Lease # | Institution | Project Name | Purpose/Additional Info | Rates | Term |
|---------------|---------|-------------|-----------------------|---|--|---|
| 8/23/2007 | Renewal | MUSC | Rutledge Tower Annex | 4649 sf, office and research space for various departments within College of Medicine | Annual Rate - \$72959.93; Monthly Rate - \$6,080; Cost per SF \$15.69 | 12/1/07-11/30/2012 (no extended terms; to be negotiated) |
| 8/23/2007 | Renewal | MUSC | 161 Rutledge Avenue | 4,000 sf, office space owned by the Medical University of South Carolina Foundation | Annual Rate - \$56,000; Monthly Rate - \$4666.67; Cost per SF \$14 | 8/9/2007-8/8/2008 (no extended terms; to be negotiated) |
| 8/23/2007 | Renewal | MUSC | 144-146 Cannon Street | 22 parking spaces | Annual Rate - \$26,400; Monthly Rate - \$2,200; Cost per parking space \$100 per month | 11/1/2007-10/31/2008; One (1) term of one (1) year; rate to be negotiated |