

## **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 staff, 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). Staff 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).

*Recommended by the Facilities Advisory Committee*  
**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION**  
**CAPITAL FUNDING GOALS**  
**FOR**  
**PUBLIC HIGHER EDUCATION INSTITUTIONS**

The following goals have been formulated to guide the Commission on Higher Education in making capital funding recommendations to the Governor and the General Assembly.

**STATEWIDE GOALS**

- To ensure campus health and safety by supporting projects designed to remedy existing issues that adversely affect human well being
- To address critical deferred maintenance needs of the institutions, thereby protecting the State's capital investment in higher education
- To alleviate problems resulting from critical enrollment and/or programmatic growth, including needs for state-of-the-art academic space.
- To support needs that are significant to continuing economic development in the state or service area

Points will be assigned on related standards and rating criteria. A maximum of 100 points may be generated through related standards and a maximum of 100 points may be generated through the rating criteria. Projects will be rated according to the total combined number of points generated, up to a maximum of 200 points overall.

**Related Standards applicable to all projects:**

Each proposed project will be reviewed and rated for consistency and compatibility with the following related standards.

1. The degree to which the proposed project is critical and central to the institution's approved mission – **up to 24 points.**
2. The degree to which the proposed project's ultimate outputs (e.g., degrees awarded by discipline, number of graduates, type and volume of research, etc.) are adding critical capacity and functionality to address defined state needs – **up to 24 points.**
3. The degree to which the need for the quantity and type of space can be defended through the application of objective space analysis, including space guidelines and appropriateness of offerings – **up to 20 points.**
4. The degree of non-capital improvement bond funding included in the project and/or documented savings and/or operational cost increase avoidance – **up to 12 points.**
5. The proposed project is consistent with the institution's Facilities Master Plan – **up to 10 points.**
6. Documentation that all alternatives have been explored and that the proposed remedy is the best option available – **up to 10 points.**

**Maximum points available through related standards – 100**

**Rating Criteria:**

**Health and Safety – Up to 25 points**

1. The degree to which an existing condition can be documented to be unsafe and unhealthy for human well being.
2. The appropriateness of the proposed solution to the defined health or safety issue.
3. The degree that the institution's and the State's well being would be adversely impacted through discontinuance of activities if the defined health and safety issues are not addressed.

**Deferred Maintenance – up to 25 points**

1. The degree to which the proposed project addresses deferred maintenance needs as reported in the institution's CHEMIS submission using a rolling average over the most recent three-year period.
2. The degree to which the institution's expenditures for building maintenance compare with the amount generated for building maintenance in the MRR (according to the percent funded) using a rolling average for the most recent three-year period.

**Enrollment and Programmatic Growth – up to 25 points**

1. The degree to which a space shortage can be objectively supported through space analysis both on an institutional macro level as well as the micro level of a particular program(s).
2. The degree to which the need for the outputs of the additional proposed space cannot be met through alternative delivery systems (e.g., distance learning technologies, etc.).

**Economic Development – up to 25 points**

1. The degree to which the proposed project can be shown to be consistent with the State's and/or service area's priorities for continuing economic development as defined by appropriate economic development entities (e.g., the State, Local, or Regional Departments of Commerce).
2. The degree to which the proposed project is a critical component of an articulated State, regional, or community comprehensive economic development plan.
3. The proportion of other overall economic development project funding commitments made by external parties to the institution that are critical to the overall success of the proposed economic development initiative.

**Maximum points available through rating criteria – 100**

**Other considerations: Essential Sequencing of Multiple Projects**

Projects that require a phasing sequence with other projects in the ranking list will be listed in the order required. An example of a phasing requirement would be a utility plant expansion request that would need to be completed before a new building request could come on line due to insufficient existing utilities capacities. If the rankings established by the process outlined in this document do not place projects in the appropriate phasing sequence, then the project rankings will be revised accordingly. This would be accomplished by ranking all other projects involved in the phasing sequence behind the initial phase project. If the second phase project has a higher percentage point total, then it will be moved to immediately after the first phase project. The rationale would continue for the third and subsequent phase projects as necessary. *(This may be used for projects that have received partial funding and for which the institution can document a continuing critical need and/or to differentiate between projects that have the same scores.)*

**LEGISLATIVE AUTHORITY FOR PRIORITIZING CAPITAL PROJECT REQUESTS**

The Commission's charge for prioritizing capital project requests is stated in Section 2-47-40, paragraph 2, SC Code of Laws, and reads as follows:

“All institutions of higher learning shall submit permanent improvement project proposal and justification statements to the Board [JBRC] through the Commission on Higher Education which shall forward all such statements and all supporting documentation received to the Board with its comments and recommendations. The recommendations of the Commission on Higher Education, among other things, shall include all of the permanent improvement projects requested by the several institutions listed in the order of priority deemed appropriate by the Commission on Higher Education without regard to the sources of funds proposed for the financing of the projects requested.”

*(Recommended for Replacement by Facilities Advisory Committee)*

**2001 RATING CRITERIA**  
 (Currently Used by CHE for Capital Project Funding Requests)

	<u>Maximum Points</u>												
1. Type of space represented by the project:	up to 30												
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 20%; text-align: right;"><u>Points by Type of Space</u></th> </tr> </thead> <tbody> <tr> <td>a. Instruction, Library Research, Infrastructure</td> <td style="text-align: right;">30</td> </tr> <tr> <td>b. Academic Support</td> <td style="text-align: right;">20</td> </tr> <tr> <td>c. Student Services</td> <td style="text-align: right;">15</td> </tr> <tr> <td>d. Institutional Support</td> <td style="text-align: right;">10</td> </tr> <tr> <td>e. Non-E&amp;G</td> <td style="text-align: right;">00</td> </tr> </tbody> </table>		<u>Points by Type of Space</u>	a. Instruction, Library Research, Infrastructure	30	b. Academic Support	20	c. Student Services	15	d. Institutional Support	10	e. Non-E&G	00	
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Application:

- Points are assigned based on the percentage of proposed use

2. The degree to which the proposed project addresses the deferred maintenance needs as defined and included in the CHE’s most recent Study of Deferred Maintenance.	up to 25
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Application:

- Points are assigned based on the respective facilities scores in the study.

<u>Facility Score</u>	<u>Points Assigned</u>
90-100	10
80-89	15
70-79	20
Less than 70	25
Infrastructure Project	25
Not addressed in the study	0

3. Documentation that the institution meets:	up to 25
A. efficiency rating based on space utilization for instructional purposes; and B. Guidelines for Assignable Square Feet (ASF) of academic space per FTE or C. ASF of research space per \$ of research expenditures. <i>Note: Application of Criterion 3 may be waived and the full 25 points awarded for Libraries if the institution has received a negative accreditation recommendation and scores less than 25 points; or if the project is a required historical project and the institution scores less than 25 points.</i>	

Application:

- Efficiency rating<sup>2</sup> : a space utilization factor at or below the space factor guideline of 1.22 will generate 12.5 points. For space utilization factors above the 1.22, points will be deducted from the 12.5 maximum for part A on a percentage basis.
- Growth Rating: Research Institutions – at or below 9,000 ASF per \$1,000,000 of restricted research expenditures = 12.5 points; for Teaching Institutions – at or below 93 ASF of Academic Space per FTE = 12.5 points; and for two-year institutions – at or below 70 ASF per FTE = 12.5 points. For institutions above the guidelines, points will be deducted from the 12.5 maximum on a percentage basis.

4. Documentation that all reasonable alternatives to the project have been considered, that the project represents the best long-term resolution of the problem, and that the total estimated cost, including each component, can be documented as realistic. up to 10

Application:

- Institutional/external documentation, and project has score of 80 or less in in deferred maintenance study – 10 points
- Project is infrastructure or mechanical repair/replacement (etc) – 10 points
- Internal/external documentation, and project has score greater than 80 in deferred maintenance study, was not addressed in study, or significant deterioration since study – 7 points

5. Documentation that the space programmed for the proposed project is based on the application of objective space planning guidelines (i.e., Space Planning Guidelines for Public Colleges and Universities, CHE, revised 1997). up to 10

Application:

- Institutional/external documentation provided - 10 points
- Infrastructure/Repair/Replacement (mechanical) - 10 points
- Not addressed – 0 points

Total up to 100

Extra Points: Health and Safety Issues up to 10

Application:

- Documentation through external reports (CHE consultants, institutional consultants, specialized accreditation reports, CHE staff evaluation, etc.) that existing space is unsatisfactory and/or unsuitable in terms of quality or quantity because of health and/or safety concerns – 10 points

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<sup>2</sup> Does not apply to MUSC or the USC School of Medicine, up to 25 points are allocated by ASF/Research Expenditures only.

- Documentation by the institution without external documentation (66 percent of available points, rounded up) – 7 points
- Not applicable or not addressed – 0 points

Grand Total

up to 110

Examples of Health and Safety Concerns:

Documented Health Concerns

Exposure to asbestos or other harmful substances; documented problems associated with air quality, etc.

Documented Safety Concerns

Threat of physical danger associated with condition of the facility; life/safety issues (egress, fire-code compliance, etc.)

RATING PROCESS

- Institutions may determine the priority of their respective projects through the CPIP submission process.
- Institutions will provide the appropriate documentation required by the rating criteria for all of the projects they choose to have included in the process. If appropriate documentation for one or more of the criteria has already been included in the original submission, the institution will not have to resubmit the documentation. However, institutions should submit any additional documentation that they believe would assist the staff in determining that a criterion has been met.
- Library Exemption: application of Criterion 3 may be waived for library projects responding to recommendations from an accrediting body and where the institution scored fewer than 25 points. For these projects, the full 25 points will apply.
- Required Historical Facility Exemption: application of Criterion 3 may be waived for projects which are uninhabitable and unsafe for use which the institution is required to maintain because of historical status.
- Because legislative requests have specifically stated that safety concerns should be a primary criterion, up to an additional 10 points may be assigned to projects that address specific documented health and/or safety needs.
- CHE staff will determine if the projects have met the basic criteria for rating, and the degree to which the criteria have been met.
- Scores will be assigned up to the maximum number of points for each criterion.
- Scores for all criteria will be totaled for a single comprehensive score for each project.