

Proposed Rating Criteria

Funding the construction of educational and general (E&G) facilities is primarily the responsibility of the State. This funding usually results from capital improvement bonds (CIB) where the State services the debt, or tuition bonds, where student tuition and fees are used to service the debt. In some cases, other sources of funds including federal grants and private funds are used. During the past several years, institutional capital needs and requests have increased significantly but there has been little or no state capital funding available.

Our most recent update of Deferred Maintenance indicated that public institutions have more than \$640 million in deferred maintenance needs. The funding of \$30 million for deferred maintenance through Act 187 will help, but institutions still face a significant problem.

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 include some projects which would address the institutional backlog of deferred maintenance. Requests for next fiscal year are estimated at about \$90 million.

The primary reason we have such a problem is because of the decrease in State operating dollars since 1990. 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. (Only Denmark TC and TC of the Low Country receive state funds for annual maintenance.) The MRR calculations generate funds to for E&G operating expenses of the institutions, including routine maintenance. However, with State appropriations at an average of 40% of what is recommended, institutions have chosen to defer routine maintenance in favor of more pressing instructional needs.

We cannot to assume that the state will soon be able to fund all of the capital requests or deferred maintenance. There have been only seven CIB bills 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. Obviously, this is far less than the documented needs of the institutions for deferred maintenance and requests for new capital projects.

For many years, the Commission submitted institutional capital requests to the Budget and Control Board (B&CB) and the Legislature in statewide priority order per statute. In 2001, however, CHE adopted a process of rating, scoring, and submitting capital requests in institutional priority order. The current rating and scoring process uses criteria that generally give more weight to academics and deferred maintenance. However, the current process allows for multiple projects to receive the same overall score and CHE submits the requests by individual institutional priorities. There have been a number of instances where institutions have complained that these criteria did not recognize the importance of different institutional missions and treated unfairly those institutions attempting to decrease the amount of deferred maintenance on campus.

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.

A sub-committee of the Facilities Advisory Committee was formed with representation from all sectors of institutions. The members included Dr. John Sutusky (MUSC), Dr. Sally Horner (Coastal), Mr. Walter Harden (Winthrop), and Mr. Dennis Rogers (Aiken TC). Dr. Sutusky served as Chair. The sub-committee's recommendations were adopted by the Facilities Advisory Committee in April.

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.

Members of the sub-committee are here to provide information on the proposed criteria and the process.

RE: Proposed Criteria

How will the scores be determined? In this case, the burden of justifying that a project meets the criteria will be on the institution. A particular project would be rated using an institution's justification and accepted guidelines and standards. Projects will be rated using a percentage of the total points for a particular standard or criterion. It is doubtful that an institution could receive the maximum number of points for any one project.

Rating standards would be applicable to all projects.

1. The degree to which the proposed project is critical and central to the institution's approved mission – **up to 24 points.**

Each institution has a unique mission that encompasses its purpose within its sector and the state. These missions are approved by CHE. Even though a project is important to an institution, the institution would need to justify the reasons a particular project is *critical* and *central* to its mission. And, I would think an institution would be able to do that.

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.**

Institutions should be able to provide data showing the need for certain activities addresses a critical state need. For example, if the state has a nursing shortage and the institution can document that a project will assist the state in meeting this critical shortage through its outputs, it might be seen as addressing state needs.

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.**

We would expect to apply objective space guidelines, including ones currently used in the existing criteria -- # of academic square feet per FTE; # square feet of research space per \$ spent on research; and efficiency measures using class hours per week, size of student stations, and percent station utilization. These guidelines differ between types of facilities (classrooms, labs, offices, libraries, research, etc.) but are generally accepted. A number of other states use these guidelines.

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.**

This would be based on existing information concerning the percentage of funding from other sources and information provided by the institution and the B&CB.

5. The proposed project is consistent with the institution's Facilities Master Plan – **up to 10 points.**

Each institution has a Master Plan. For those of you who have been on facilities tours, the master plan is probably the first item on the agenda. Obviously, a proposed project would have to be integral to an institution's Master Plan.

6. Documentation that all alternatives have been explored and that the proposed remedy is the best option available – **up to 10 points.**

This information must be provided to the Budget and Control Board as part of the CPIP and is readily available. Institutions conduct project planning studies to determine the best alternative for a project. This is used in the current criteria.

Rating Criteria may or may not apply, depending on the project:

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.

Institutions will furnish documentation concerning health and safety issues. These would be based on a percentage of the maximum number of points available. If all three criteria are successfully documented an institution would receive 25 points. If only one or two of the criteria are successfully documented, an institution would receive 1/3 or 2/3 of available points respectively.

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.

This criterion can be scored using CHE's deferred maintenance study and building condition ranges included in the CHEMIS. This is calculated in the current criteria. The addition, which allows credit for attempts to address deferred maintenance, will use primarily MRR calculation data and expenditure data from the institutions. All sources of funds used for maintenance are counted. Although the state doesn't fund annual maintenance for technical colleges, it is calculate each year. This again would be based on a percentage calculation using 1/2 of the total points for each part.

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.).

There are space planning guidelines available that apply to both of these categories, including ones used in the current criteria (related standard 3). This recognizes those institutions that can meet increased instructional needs through establishing interactive classrooms, etc. and also enrollment growth in certain programs.

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

Consistency, critical component, funding commitments by third parties.

Documentation that the project is part of a larger plan for economic development – Is it a “would be nice” project or does the larger plan actually depend on project for part of its success? How much funding has been committed by third parties? Is this funding critical to the overall success of the project?