

RQ00
University of Maryland Medical System

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	Prior Auth.	2019 Request	2020 Est.	2021 Est.	2022 Est.	2023 Est.	Beyond CIP
Capital Region Medical Center (Prince George's)	\$103.800	\$19.000	\$56.200	\$29.000	\$0.000	\$0.000	\$0.000
Neonatal Intensive Care Unit, Labor and Delivery Suite, Infrastructure Upgrades, and Outpatient Center	40.000	10.000	0.000	0.000	0.000	0.000	0.000
R Adams Cowley Shock Trauma Center Renovation – Phase II	15.500	2.000	0.000	0.000	0.000	0.000	0.000
R Adams Cowley Shock Trauma Center Renovation – Phase III	0.000	0.000	4.000	4.000	4.000	4.000	4.000
Comprehensive Cancer Center	0.000	0.000	3.000	25.000	25.000	25.000	47.000
Total	\$159.300	\$31.000	\$63.200	\$58.000	\$29.000	\$29.000	\$51.000

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Fund Source	Prior Auth.	2019 Request	2020 Est.	2021 Est.	2022 Est.	2023 Est.	Beyond CIP
GO Bonds	\$159.300	\$31.000	\$63.200	\$58.000	\$29.000	\$29.000	\$51.000
Nonbudgeted Funds	172.500	149.650	45.150	60.000	91.650	52.050	127.000
Total	\$331.800	\$180.650	\$108.350	\$118.000	\$120.650	\$81.050	\$178.000

GO: general obligation

Summary of Recommended Bond Actions

1. Capital Region Medical Center
Approve funding for the Capital Region Medical Center.
2. Neonatal Intensive Care Unit and Outpatient Center Building
Approve \$10,000,000 in general obligation bonds.
3. R Adams Cowley Shock Trauma Center Phase II
Approve \$2,000,000 in general obligation bonds.
4. SECTION 2 – Miscellaneous – Prince George’s Hospital System 1
Strike language authorizing the use of funds for a New Capital Region Medical Center.
5. SECTION 2 – Miscellaneous – Prince George’s Hospital 2
Approve amendments to Chapter 444 of 2012, as amended by Chapter 424 of 2013, to change the grantee and remove a reporting requirement.
6. SECTION 2 – Miscellaneous – Prince George’s Hospital System 3
Approve an amendment to Chapter 424 of 2013 to change the grantee.
7. SECTION 2 – Miscellaneous – Prince George’s Hospital System 4
Approve an amendment to Chapter 424 of 2013, as amended by Chapter 22 of 2017, to change the grantee.

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8. SECTION 2 – Miscellaneous – Prince George’s Hospital System 5

Approve an amendment to Chapter 463 of 2014, as amended by Chapter 22 of 2017, to change the grantee.

9. SECTION 2 – Miscellaneous – Prince George’s Hospital System 6

Approve an amendment to Chapter 495 of 2015 to change the grantee.

10. SECTION 2 – Miscellaneous – Prince George’s Hospital System 7

Approve an amendment to Chapter 27 of 2016 to change the grantee.

11. SECTION 2 – Miscellaneous – Prince George’s Hospital System 8

Approve an amendment to Chapter 22 of 2017 to change the grantee.

Budget Overview

The fiscal 2019 capital budget funds three projects for the University of Maryland Medical System (UMMS) in the aggregate amount of \$31.0 million in general obligation (GO) bonds. Each of the three projects have previously received State support.

Capital Region Medical Center (Prince George’s Regional Medical Center)

The new University of Maryland Capital Region Medical Center (CRMC) (formerly the Prince George’s Regional Medical Center) will be built at Largo Town Center. The center will include 205 acute-inpatient beds and offer services available at the current hospital, including a 15-bed special pediatric unit at the Mt. Washington Pediatric Hospital that is part of the current hospital center complex. In addition to the hospital building, the project incorporates an ambulatory care center that will be adjacent to the new hospital.

Authorization Uses (\$ in Millions)

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
Acquisition	\$18.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Planning	30.200	0.000	0.000	0.000	0.000	0.000
Construction	168.600	138.200	56.200	29.000	0.000	0.000
Equipment	0.000	0.000	30.200	39.100	0.000	0.000
Total	\$216.800	\$138.200	\$86.400	\$68.100	\$0.000	\$0.000

Authorization Sources (\$ in Millions)

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
GO Bond	\$103.800	\$19.000	\$56.200	\$29.000	\$0.000	\$0.000
Nonbudgeted	113.000	119.200	30.200	39.100	0.000	0.000
Total	\$216.800	\$138.200	\$86.400	\$68.100	\$0.000	\$0.000

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The fiscal 2019 capital budget includes \$19.0 million in GO bonds to continue the State’s multi-year commitment to the construction of a new regional medical center in Prince George’s County.

Although initial State funding participation for the new center dates back to fiscal 2014, the State passed legislation in the 2016 session mandating the amount and timing of the State’s remaining financial contribution. Chapter 13 of 2016, as amended by Chapter 23 of 2017 (the Budget Reconciliation and Financing Act (BRFA)), establishes a funding mandate to complete the State’s \$208.0 million commitment to CRMC. The funding mandate would require \$48.0 million in fiscal 2019. To meet the mandate, the Governor’s capital budget includes \$19.0 million in GO bonds and \$29.0 million in general funds budgeted in the Board of Public Works. Language in the budget eliminates the general funds contingent upon the enactment of a provision in the BRFA of 2018 altering the mandate. **Exhibit 1** shows the total capital funding by year under current law and the total funding by year proposed under the BRFA of 2018.

Exhibit 1
Capital Funding for University of Maryland Capital Region Medical Center
Current Law vs. SB 187/HB 161 of 2018
Fiscal 2019-2022
(\$ in Millions)

	<u>Prior Auth.</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u>
Current Law	\$103.8	\$48.0	\$56.2	\$0.0	\$0.0	\$208.0
BRFA of 2018	103.8	19.0	56.2	29.0	0.0	208.0

BRFA: Budget Reconciliation and Financing Act

Source: Department of Legislative Services

Exhibit 2 illustrates how the timing and amount of State funding for the project has evolved since the initial fiscal 2014 contribution. The amount programmed for the 2018 *Capital Improvement Program* (CIP) in the chart reflects the Governor’s plan to amend the funding mandate that results in moving \$29 million in State contributions to fiscal 2021.

Exhibit 2
Recent Changes in State Funding Plan
2013-2018 CIP
(\$ in Millions)

<u>Fiscal</u>	<u>2013 CIP</u>	<u>2014 CIP</u>	<u>2015 CIP</u>	<u>2016 CIP</u>	<u>2017 CIP</u>	<u>2018 CIP</u>
2014	\$20.0	<i>\$20.0</i>	<i>\$20.0</i>	<i>\$20.0</i>	<i>\$20.0</i>	<i>\$20.0</i>
2015	20.0	30.0	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>
2016	20.0	30.0	30.0	<i>30.0</i>	<i>30.0</i>	<i>30.0</i>
2017	20.0	30.0	45.0	27.5	<i>27.5</i>	<i>27.5</i>
2018	120.0	90.0	90.0	67.5	11.3	<i>11.3</i>
2019	0.0	0.0	0.0	40.0	48.0	19.0
2020	0.0	0.0	0.0	0.0	56.2	56.2
2021	0.0	0.0	0.0	0.0	0.0	29.0
Total	\$200.0	\$200.0	\$200.0	\$200.0	\$208.0	\$208.0

CIP: *Capital Improvement Program*

Note: Bold italicized numbers indicate actual authorizations.

Source: Department of Budget and Management; Department of Legislative Services

The most recent cost estimate for the project is \$509.5 million. While this is a reduction from earlier estimates as the project scope has been refined through the Certificate of Need (CON) process and through value engineering efforts, the commitment has remained at \$208.0 million. Despite the absence of a CON, the State initiated funding in fiscal 2014 to keep the project on as expedited a schedule as possible and hold costs down. The State authorized a total of \$92.5 million from fiscal 2014 through 2017 before any of the other funding partners contributed financially to the project. Prince George’s County has also committed to provide \$208.0 million toward the cost of the new facility. In September 2017, the county issued \$104.0 million in bonds for the project and is expected to issue another \$104.0 million in bonds in September 2018. As it stands, the county’s contributions in fiscal 2018 and 2019 provide the primary source project funding. UMMS expects to provide \$93.5 million, most of which occurs in fiscal 2020 and 2021, through the issuance of debt to be paid from future hospital operating revenues. **Exhibit 3** shows anticipated funding from all three sources by year. The funding stream assumes the mandated funding relief for fiscal 2019 as proposed in the BRFA of 2018 is adopted.

Exhibit 3
Capital Funding – All Sources
Fiscal 2019-2021
(\$ in Millions)

	<u>Prior Auth.</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
State	\$103.8	\$19.0	\$56.2	\$29.0	\$208.0
Prince George’s County	104.0	104.0	0.0	0.0	208.0
University of Maryland Medical System	9.0	15.2	30.2	39.2	93.5
Total	\$216.8	\$138.2	\$86.4	\$68.2	\$509.5

Source: Department of Budget and Management

Project Status and Change in Ownership

In July 2017, UMMS assumed sole corporate ownership of the Dimensions Healthcare System – the previous owner and operator of the Prince George’s Hospital System. Following that action, UMMS disbanded Dimensions Healthcare System and renamed it as the University of Maryland Capital Regional Health. UMMS is now responsible for the management of current facilities and this capital project to construct the CRMC.

UMMS approved construction to begin in December 2017. Since approval of construction, work began to reroute electrical service and relocate a gas main, and construction contracts have been awarded. Prince George’s County also released the rough grading and foundation permit. UMMS expects construction to reach completion in December 2020. The occupancy date is estimated to be March 2021.

Amendments to Prior Authorizations

The Maryland Consolidated Capital Bond Loan of 2018 amends eight prior authorizations to reflect the change in ownership from Dimensions Healthcare System to UMMS. Three of the eight prior authorizations, totaling \$24.0 million, were intended for infrastructure improvements within the Prince George’s Hospital System. The Department of Legislative Services (DLS) is aware that there is approximately \$14.0 million remaining from these three authorizations.

UMMS intends to use the remaining \$14.0 million from these three prior authorizations to convert the ambulatory care center in Laurel into an inpatient facility. The Laurel facility, until recently, was an inpatient hospital before being converted into an ambulatory care center. Although using these funds for this purpose is not wholly inconsistent with the language of the authorizations, it is not completely consistent with the intent either. The original intent was to provide support for equipment

and facilities improvements at aging facilities within the hospital system. The use of these funds to convert the Laurel facility into an inpatient facility expands on the original intent. Furthermore, this project was not approved through the normal capital request process through the Department of Budget and Management (DBM). It is likely that a project of this scale could experience large cost overruns. **UMMS should discuss the intended use of the funds remaining from these three prior authorizations, including the estimated total project cost, and the source and amount of nonbudgeted funds that will support the project.**

One of the three prior authorizations originally intended for infrastructure improvements within the Prince George's Hospital System, is amended to authorize the use of remaining funds for the new CRMC. Any funds expended for CRMC from this \$4 million are in addition to the \$208 million State commitment. Based on discussion with UMMS and DBM, the amendment to add this project to the authorization was an error. As stated previously, remaining funds are intended to be used for the Laurel facility. **Therefore, DLS recommends deleting the amendment to authorize the use of remaining funds for the New Capital Region Medical Center.**

Neonatal Intensive Care Unit, Labor and Delivery Suite, Infrastructure Upgrades, and Outpatient Center

The other two projects receiving funding in the fiscal 2019 budget are for the University of Maryland Medical Center (UMMC), at both the University Campus and the Midtown Campus. This includes a multiphased project that supports various upgrades throughout the hospital and is also known as the Phase V renovation of UMMC. The fiscal 2019 budget includes \$10 million, which is the last installment of the State's \$50 million commitment to Phase V, which has a total estimated cost of \$134 million, as shown in the uses and source chart. Individual pieces of the overall project include:

- ***Neonatal Intensive Care Unit (NICU):*** This portion of the project is intended to improve patient care in NICU, which is located at the University Campus. The total cost for NICU renovation is \$39.7 million. NICU was completed and occupied in September 2015.
- ***Labor and Delivery Suite:*** This portion of the project is intended to improve the labor and delivery facilities within the University Campus, which currently fail to meet modern best practice standards of care. This portion of the project costs \$22 million, and construction was completed in May 2017.
- ***Infrastructure Upgrades:*** This portion of the project includes the modernization of 11 elevators in the North and South hospitals on the University Campus. The total cost for this modernization is \$15 million. The work began in October 2015 and will take approximately 26 months to complete.
- ***Outpatient Center:*** This portion of the project is intended to construct a 13-story outpatient center at the Midtown Campus to provide the appropriate physical space for ambulatory

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services. This project is estimated to cost \$57.4 million. Construction of this portion of the project is scheduled to begin in February 2018 and will continue through calendar 2020.

**Authorization Uses
(\$ in Millions)**

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
Acquisition	\$0.824	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Planning	7.354	0.250	0.000	0.000	0.000	0.000
Construction	67.712	34.000	0.000	0.000	0.000	0.000
Equipment	5.809	5.300	12.750	0.000	0.000	0.000
Total	\$81.700	\$39.550	\$12.750	\$0.000	\$0.000	\$0.000

**Authorization Sources
(\$ in Millions)**

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
GO Bond	\$40.000	\$10.000	\$0.000	\$0.000	\$0.000	\$0.000
Nonbudgeted	14.700	29.550	12.750	0.000	0.000	0.000
Total	\$81.700	\$39.550	\$12.750	\$0.000	\$0.000	\$0.000

R Adams Cowley Shock Trauma Center Renovation – Phase II

The fiscal 2019 capital budget provides \$2 million to complete the renovation of space and upgrade of capital equipment for the R Adams Cowley Shock Trauma Center Renovation – Phase II project. Proposed improvements include central heating, ventilation, and air conditioning systems; elevators; plumbing; electrical and security systems; patient rooms and support space; a helipad deck; clinical equipment; communications; and information technology. Total cost is expected to be \$35 million, with a State share of \$17.5 million, as shown in the uses and sources chart, of which the \$2 million for fiscal 2019 is the last installment.

**Authorization Uses
(\$ in Millions)**

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
Planning	\$5.300	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Construction	24.700	2.000	0.000	0.000	0.000	0.000
Equipment	3.000	0.000	0.000	0.000	0.000	0.000
Total	\$33.000	\$2.000	\$0.000	\$0.000	\$0.000	\$0.000

**Authorization Sources
(\$ in Millions)**

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
GO Bond	\$15.500	\$2.000	\$0.000	\$0.000	\$0.000	\$0.000
Nonbudgeted	17.500	0.000	0.000	0.000	0.000	0.000
Total	\$33.000	\$2.000	\$0.000	\$0.000	\$0.000	\$0.000

Summary of Other Projects in the Capital Improvement Program

In addition to the three projects receiving funding in fiscal 2019, UMMS has two other projects included in the 2018 CIP. Total State commitments for these projects is \$145 million, which is consistent with the commitment stated in the 2017 CIP when these projects were first introduced.

Comprehensive Cancer Center – Phase VI

The 2018 CIP programs State commitments for the Comprehensive Cancer Center, also known as Phase VI of the UMMC Improvements. State funds will contribute to the construction of a new facility to support the expanding clinical programs of the Marlene and Stewart Greenebaum Comprehensive Cancer Center and other high acuity ambulatory and inpatient programs that serve the medical needs of Maryland residents. Other components include:

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- expanding the parking garage as well as outpatient areas for the cancer center and specialty outpatient centers for heart and vascular medicine, organ transplant, neurology, and neurosurgery;
- expanding the main hospital at the entrance of the Gudelsky Building; and
- improving the main hospital by renovating bed space to turn semi-private beds private now that certain outpatient programs can be moved to a different ambulatory building.

Authorization Uses
(\$ in Millions)

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
Planning	\$0.150	\$0.300	\$3.000	\$15.000	\$4.000	\$3.550
Construction	0.000	0.000	0.000	25.800	88.200	61.000
Equipment	0.000	0.000	0.000	0.000	12.500	12.500
Total	\$0.150	\$0.300	\$3.000	\$40.800	\$104.700	\$77.050

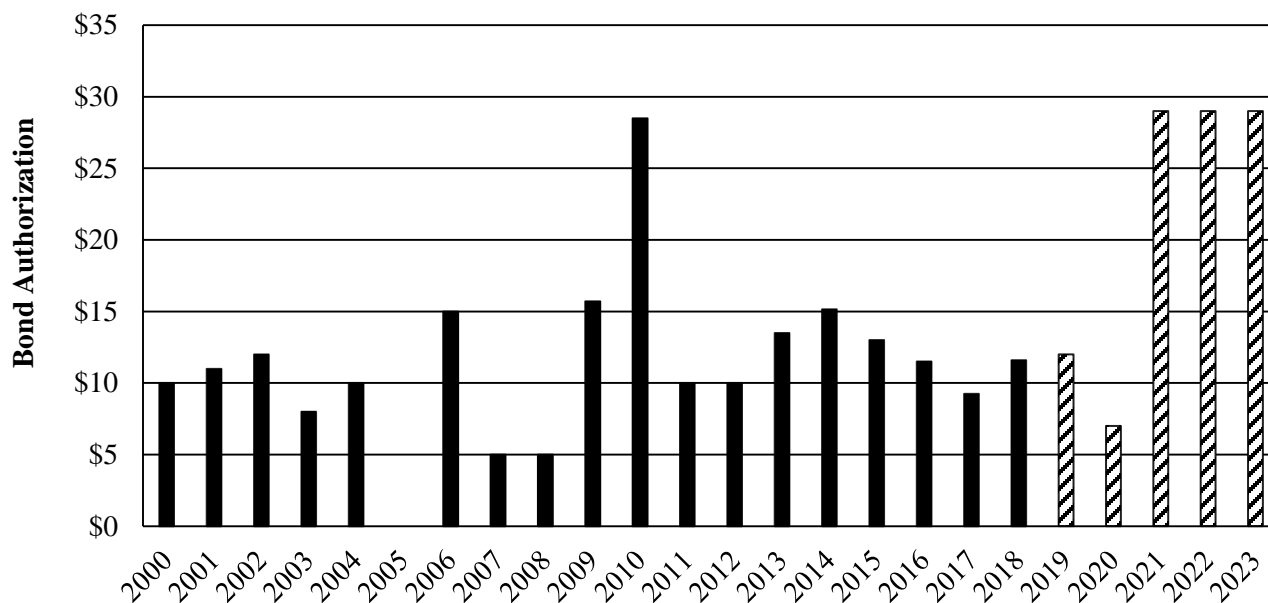
Authorization Sources
(\$ in Millions)

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
GO Bond	\$0.000	\$0.000	\$3.000	\$25.000	\$25.000	\$25.000
Nonbudgeted	0.150	0.300	0.000	15.800	79.700	52.050
Total	\$0.150	\$0.300	\$3.000	\$40.800	\$104.700	\$77.050

As shown in the uses and sources chart, the estimated total project cost for Phase VI is \$275 million, with a State commitment of \$125 million. The current CIP has funding programmed at \$3 million in fiscal 2020, which is a decrease of \$2 million from the prior CIP, with \$25 million programmed for each of fiscal 2021, 2022, and 2023. The remaining \$47 million of the State commitment would be made in fiscal years beyond the scope of the five-year CIP. As noted last session, this represents a much larger commitment, both on a yearly basis as well as in total State commitment to a specific project, than what the State has traditionally provided for projects at UMMC. **Exhibit 4** shows the amount of State funding support to UMMC from fiscal 2000. Over the timeframe illustrated, more than \$214.2 million has been authorized for various capital projects for UMMC through

fiscal 2018. Further, the highest level of State commitment was in fiscal 2010 at \$28.5 million, with an average commitment of \$11.9 million (excluding fiscal 2005 in which there were no authorizations). However, if the current CIP is implemented as planned, the State would commit an additional \$157 million, and fiscal 2021 through 2023 would have the highest ever yearly commitment to date at \$29 million in each of those years (these years each include this project as well as Phase III of the R Adams Cowley Shock Trauma Center Renovations).

**Exhibit 4
Funding for UMMC
Fiscal 2000-2023
(\$ in Millions)**



UMMC: University of Maryland Medical Center

Note: Excludes the Capitol Region Medical Center project.

Source: Department of Budget and Management

Moreover, the Comprehensive Cancer Center project has by far the highest level of State commitment to a project at \$125 million, with the State projected to cover 45.5% of the cost of the project. This is in comparison to the Diagnostic and Treatment Facilities project, which ran from fiscal 2000 through 2009, at a commitment of \$70.7 million, or 39.2%; or all of the Shock Trauma Center projects, including the new phase, at \$68.0 million, or 44.0%. Given the high level of programmed commitment and the fact that the Comprehensive Cancer Center includes several different discrete project elements that could be separated out as far as State support is concerned, the State may

wish to decide if this level of commitment can be sustained at a time when GO bond debt levels programmed in the annual CIP remain constrained.

R Adams Cowley Shock Trauma Center Renovation – Phase III

The 2018 CIP includes a State commitment to the Phase III renovation of the R Adams Cowley Shock Trauma Center. Phase III will include replacing the current trauma resuscitation unit with a trauma and critical care resuscitation center, relocating the Acute Care Transfusion Service, constructing an observation unit, expanding the outpatient pavilion, and modernizing the hyperbaric chamber. The total cost for this project is currently projected at \$40 million, with a State commitment of \$20 million, of which \$16 million is currently programmed in the CIP beginning in fiscal 2020, as shown in the uses and sources chart. This level of State commitment is consistent with previous levels for the Shock Trauma Center renovations.

Authorization Uses (\$ in Millions)

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
Planning	\$0.150	\$0.500	\$1.000	\$2.000	\$1.500	\$0.100
Construction	0.000	0.000	4.200	5.100	10.900	2.900
Equipment	0.000	0.100	1.000	2.000	3.550	1.000
Total	\$0.150	\$0.600	\$6.200	\$9.100	\$15.950	\$4.000

Authorization Sources (\$ in Millions)

Description	Prior Authorization	2019 Request	2020 Estimate	2021 Estimate	2022 Estimate	2023 Estimate
GO Bond	\$0.000	\$0.000	\$4.000	\$4.000	\$4.000	\$4.000
Nonbudgeted	0.150	0.600	2.200	5.100	11.950	0.000
Total	\$0.150	\$0.600	\$6.200	\$9.100	\$15.950	\$4.000

GO Bond Recommended Actions

1. Approve \$19,000,000 in general obligation bonds to assist in the continued construction of a new Regional Medical Center in Prince George’s County.
2. Approve \$10,000,000 in general obligation bonds for the Neonatal Intensive Care Unit, Labor and Delivery Suite, Infrastructure Upgrades, and Outpatient Center.
3. Approve \$2,000,000 in general obligation bonds for the R Adams Cowley Shock Trauma Center.
4. Strike language authorizing the use of funds for a New Capital Region Medical Center

ZF0500	SECTION 2 – Miscellaneous – Prince George’s Hospital System 1	\$ 0
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Add the following language:

Prince George’s Hospital System. Provide a grant to the [County Executive and County Council of Prince George’s County] **UNIVERSITY OF MARYLAND MEDICAL SYSTEM** for the acquisition of property, and the design, construction and renovation, and capital equipping of infrastructure improvements for facilities within the Prince George’s Hospital System, [provided that this authorization may not be encumbered or expended until the Department of Health and Mental Hygiene, Prince George’s County, and Dimensions Health Care Corporation submit a report to the budget committees on the proposed use of funds to improve the system. The report shall be submitted by September 30, 2012, and the budget committees shall have 45 days to review and comment. If the report has not been submitted by September 30, 2012, this authorization shall be restricted for the purposes of funding the State’s share of costs for the acquisition, design, and construction of a new regional hospital center in Prince George’s County] ~~**AND FOR THE ACQUISITION, DESIGN, CONSTRUCTION, AND EQUIPPING OF A NEW CAPITAL REGION MEDICAL CENTER**~~ (Prince George’s County)

Explanation: This action strikes language that authorizes the use of funds for a new Capital Region Medical Center.

5. Approve amendments to Chapter 444 of 2012, as amended by Chapter 424 of 2013, to change the grantee and remove a reporting requirement.
6. Approve an amendment to Chapter 424 of 2013 to change the grantee.
7. Approve an amendment to Chapter 424 of 2013, as amended by Chapter 22 of 2017, to change the grantee.

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8. Approve an amendment to Chapter 463 of 2014, as amended by Chapter 22 of 2017, to change the grantee.
9. Approve an amendment to Chapter 495 of 2015 to change the grantee.
10. Approve an amendment to Chapter 27 of 2016 to change the grantee.
11. Approve an amendment to Chapter 22 of 2017 to change the grantee.