

RQ00
University of Maryland Medical System – Capital

Capital Budget Summary

State-owned Capital Improvement Program
(\$ in Millions)

Projects	Prior Auth.	2020 Request	2021 Est.	2022 Est.	2023 Est.	2024 Est.	Beyond CIP
Capital Region Medical Center (Prince George's)	\$151.800	\$56.200	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Comprehensive Cancer Treatment and Organ Transplant Center	2.500	5.000	20.000	25.000	25.000	25.000	22.500
R Adams Cowley Shock Trauma Center Renovation – Phase III	0.000	4.000	4.000	4.000	4.000	4.000	0.000
Total	\$154.300	\$65.200	\$24.000	\$29.000	\$29.000	\$29.000	\$22.500

Fund Source	Prior Auth.	2020 Request	2021 Est.	2022 Est.	2023 Est.	2024 Est.	Beyond CIP
GO Bonds	\$125.300	\$65.200	\$24.000	\$29.000	\$29.000	\$29.000	\$0.000
PAYGO GF	29.000	0.000	0.000	0.000	0.000	0.000	0.000
Nonbudgeted Funds	30.368	107.992	146.322	66.557	40.100	53.500	26.700
Total	\$184.668	\$173.192	\$170.322	\$95.557	\$69.100	\$82.500	\$26.700

Note: Funds by project shows only the State funds supporting each project while the Fund Source includes the nonState funds.

CIP: *Capital Improvement Program*

GF: general funds

GO: general obligation

PAYGO: pay-as-you-go

For further information contact: Tonya D. Zimmerman

Phone (410) 946-5530

Key Observations

Fiscal 2020 Commitments Higher Than Planned in the 2018 Capital Improvement Program: The fiscal 2020 capital budget provides funding to support three University of Maryland Medical System (UMMS) projects. The funding totals \$65.2 million, \$2 million higher than was planned in the 2018 *Capital Improvement Program* (CIP). The increase occurs for the Comprehensive Cancer Treatment and Organ Transplant Center. The increase allows UMMS to delay its support of the project.

Comprehensive Cancer Treatment and Organ Transplant Center Commitment Remains at \$125 Million: Language in the Maryland Consolidated Capital Bond Loan (MCCBL) of 2018 expressed intent that the State commitment to the Comprehensive Cancer Treatment and Organ Transplant Center be \$175 million, \$50 million higher than was stated in the 2018 CIP. The 2019 CIP maintains the State commitment to the project at \$125 million.

Summary of Recommended Bond Actions

	<u>Funds</u>
1. Capital Region Medical Center	
Approve.	
2. Comprehensive Cancer and Organ Transplant Treatment Center	\$2,500,000 GO
Reduce funds for the Comprehensive Cancer and Organ Transplant Center and express intent that the University of Maryland Medical System match the State contribution.	
3. R Adams Cowley Shock Trauma Center – Phase III	
Approve.	
Total General Obligation Reductions/Additions	\$2,500,000

Budget Overview

The MCCBL of 2019 includes three projects for UMMS. The fiscal 2020 funding for the projects is \$65.2 million in general obligation (GO) bonds. In total, the fiscal 2020 funding is \$2 million higher than was planned in the 2018 CIP.

Capital Region Medical Center

The new University of Maryland Capital Region Medical Center (formerly the Prince George’s Regional Medical Center) will be located in Largo, Maryland. In total, the facility will be 618,000 gross square feet (GSF), with nine levels and also include a separate facility (27,000 GSF) for a central utility plant. The new hospital will include 205 acute care beds, 20 observation/short stay beds, and 35 emergency room treatment bays. The project also includes a 62,000 GSF outpatient/ambulatory care facility.

Authorization Uses (\$ in Millions)

Description	Prior Authorization	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
Acquisition	\$14.474	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Planning	18.115	0.000	0.000	0.000	0.000	0.000
Construction	149.580	149.792	33.107	21.972	0.000	0.000
Equipment	0.000	13.000	107.115	2.385	0.000	0.000
Total	\$182.168	\$162.792	\$140.222	\$24.357	\$0.000	\$0.000

Authorization Sources (\$ in Millions)

Description	Prior Authorization	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
GO Bond	\$122.800	\$56.200	\$0.000	\$0.000	\$0.000	\$0.000
General Fund	29.000	0.000	0.000	0.000	0.000	0.000
Nonbudgeted	30.368	106.592	140.222	24.357	0.000	0.000
Total	\$182.168	\$162.792	\$140.222	\$24.357	\$0.000	\$0.000

The estimated total project cost is \$509.5 million, consistent with the estimate presented in the 2018 CIP. The total State commitment to the project is \$208 million. The fiscal 2020 GO bond funds of \$56.2 million is the final year of State funding, as mandated by Chapter 13 of 2016, as amended by Chapter 23 of 2017 (the Budget Reconciliation and Financing Act (BRFA)).

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Prince George’s County has also committed \$208 million to this project. Prince George’s County has issued bonds to fulfill this commitment. UMMS reports that these funds have been deposited into an account controlled by UMMS. The remaining project support \$93.5 million is expected to be derived from UMMS issued debt. UMMS issued this debt in December 2018.

UMMS reports that construction began in January 2018. Construction is expected to be completed in December 2020, and the hospital is scheduled to open in April 2021. Consistent with that schedule, fiscal 2020 funding is expected to be used primarily to support construction. **Exhibit 1** provides information on the planned cash flow spending by source. In general, the planned cash flow matches the anticipated construction scheduled. As shown in Exhibit 1, the bulk of the spending from the State sources is projected to occur in fiscal 2019 and 2020. However, \$37.6 million of State funds is expected to be used after fiscal 2020 which, if not mandated for fiscal 2020, would provide an opportunity to defer this amount to fiscal 2021.

Exhibit 1
Project Cash Flow by Source
Fiscal 2018-2022
(\$ in Millions)

	<u>Prior</u> <u>Spending</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Total</u> <u>Spending</u> <u>By Source</u>
State	\$23.8	\$9.0	\$68.9	\$68.7	\$35.6	\$2.0	\$208.0
Prince George’s County	0.0	0.0	48.0	89.7	68.3	2.0	208.0
UMMS	0.0	2.3	28.6	4.4	36.3	21.8	93.5
Total Spending by Year	\$23.8	\$11.3	\$145.6	\$162.8	\$140.2	\$25.8	\$509.5

UMMS: University of Maryland Medical System

Source: University of Maryland Medical System; Department of Legislative Services

Comprehensive Cancer and Organ Transplant Treatment Center

The Comprehensive Cancer and Organ Transplant Treatment Center project includes a new building for an ambulatory care center and a parking expansion on the site of an existing parking garage immediately north of the Pratt/Paca Building. The ambulatory care center includes one level of mixed public/clinic space, three levels of clinic space, and one level of mechanical space. The building will be constructed to allow for a later vertical expansion of up to eight additional levels. The additional parking will consist of five and a half levels. The new building will include specialty outpatient centers for heart and vascular medicine, organ transplant, neurology, and neurosurgery.

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The project will also include the expansion and renovation of the North Tower to add onto four levels and renovate two additional levels. The expanded and renovated floors will house the inpatient Oncology program (including the bone marrow treatment program), shell/swing space to be used as surge space during the construction, mechanical space, reorganize program spaces, and add an entry location. The total project cost is projected at \$275 million.

Authorization Uses
(\$ in Millions)

Description	Prior Authorization	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
Planning	\$2.000	\$5.000	\$14.000	\$0.000	\$0.000	\$0.000
Construction	0.500	0.000	6.0000	55.800	57.500	66.000
Equipment	0.000	0.000	0.000	1.000	5.500	12.500
Total	\$2.500	\$5.000	\$20.000	\$56.800	\$63.000	\$78.500

Authorization Sources
(\$ in Millions)

Description	Prior Authorization	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
GO Bond	\$2.500	\$5.000	\$20.000	\$25.000	\$25.000	\$25.000
Nonbudgeted	0.000	0.000	0.000	31.800	38.000	53.500
Total	\$2.500	\$5.000	\$20.000	\$56.800	\$63.000	\$78.500

The MCCBL of 2019 includes \$5 million for the second year of planning funds for the Comprehensive Cancer and Organ Treatment Transplant Center. The 2018 CIP included \$3 million for the first year of planning funds in fiscal 2020 and anticipated UMMS support beginning in fiscal 2021, which would have been the second year of State support for the project. The project was added to the MCCBL of 2018 to begin planning one year earlier. The increase of \$2 million in fiscal 2020 is intended to delay the need by UMMS to begin internal project funding. The 2019 CIP does not anticipate UMMS support for the project beginning until fiscal 2022. As planned in the 2019 CIP, the State will have contributed \$27.5 million prior to the initial UMMS funding for the project, whereas under the 2018 CIP, the State would have only contributed \$3 million to the project prior to UMMS beginning project support. It is unclear why that initial support could not be matched on a more yearly basis when

the overall State commitment, as stated in the 2019 CIP, is for less than half the total project cost. **Exhibit 2** provides information on the changes to the project funding between the 2018 and 2019 CIP.

Exhibit 2
Changes in State Funding
2018-2019 Capital Improvement Program
(\$ in Millions)

	<u>2018</u>	<u>2019</u>	<u>Difference</u>
2019	\$0.0	\$2.5	\$2.5
2020	3.0	5.0	2.0
2021	25.0	20.0	-5.0
2022	25.0	25.0	0.0
2023	25.0	25.0	0.0
2024	n/a	25.0	25.0
Beyond CIP	47.0	22.5	-24.5
Total	\$125.0	\$125.0	\$0.0

CIP: *Capital Improvement Program*

Source: Governor’s Fiscal 2019 and 2020 Budget Books

The total State commitment to the project as described in the 2019 CIP is \$125 million, consistent with the 2018 CIP. Language in the MCCBL of 2018 expressed intent that the State commitment be \$175 million. Additional State funding in fiscal 2025 would be expected to be needed to meet the State’s commitment to the project at the \$125 million or \$175 million level. If the State’s commitment to the project is \$175 million, additional funding will also likely be required in other years. The amount or timing of these increases is uncertain and would depend on the final determination of the State’s commitment to the project. The discrepancy in the State commitment is related to the scope of the project. The higher State commitment was based on the expectation that additional organ transplant activities would be included in the project. According to conversations with the Department of Budget and Management, the size and scope of the project remains unchanged since the 2018 session. This is consistent with the project description dating to the 2017 CIP, which references organ transplant as part of the project description. In addition, the total project cost remains unchanged from the 2018 CIP. Without additional project cost related to an increased scope, an additional \$50 million of State commitment would only result in a lower level of UMMS support. The State support for the project would increase from 45.5% of the total project cost to 63.6% if the commitment is \$175 million.

UMMS indicates that a Certificate of Need (CON) was submitted for the cancer center on February 8, 2019. A second CON is needed for the organ transplant center portion of the project, which is expected to be submitted in February 2020. The CON review process – typically lasts 12 to 24 months,

depending on the complexity of the project. Design will continue throughout the CON review process. Construction cannot begin until the CON has been approved.

R Adams Cowley Shock Trauma Center Renovation – Phase III

This project supports the third phase of renovations of the R Adams Cowley Shock Trauma Center. The renovations include replacing the current trauma resuscitation unit (TRU) with a trauma and critical care resuscitation center, relocating the Acute Care Transfusion Service, constructing an observation unit, expanding the outpatient pavilion, modernizing the hyperbaric chamber, and replacing the computer tomography scanner.

The current TRU provides insufficient space to meet demands, and some current bays are not equipped for critical care. Relocating the Acute Care Transfusion Service is expected to better locate the service near the high utilizers (TRU, trauma operating rooms, the emergency room, and inpatient trauma units). The current location is two blocks from TRU, and couriers are required to transfer the blood products). The hyperbaric chamber was built in 1991, and several systems are original to the chamber. In particular, the project will replace the pneumatic depth control system with a computer-controlled system, and parts for the specialized ventilators are no longer available and require replacement. The outpatient pavilion will provide clinic services supporting transitional care as well as providing space for social work services and social programs.

Authorization Uses (\$ in Millions)

Description	Prior Authorization	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
Planning	\$0.000	\$3.550	\$2.000	\$0.500	\$0.000	\$0.000
Construction	0.000	0.850	6.100	11.900	5.100	3.150
Equipment	0.000	1.000	2.000	2.000	1.000	0.850
Total	\$0.000	\$5.400	\$10.100	\$14.400	\$6.100	\$4.000

Authorization Sources
 (\$ in Millions)

Description	Prior Authorization	2020 Request	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate
GO Bond	\$0.000	\$4.000	\$4.000	\$4.000	\$4.000	\$4.000
Nonbudgeted	0.000	1.400	6.100	10.400	2.100	0.000
Total	\$0.000	\$5.400	\$10.100	\$14.400	\$6.100	\$4.000

The MCCBL of 2019 provides \$4 million to begin this project, consistent with the level planned in the 2018 CIP. The total State commitment to the project is \$20 million, half of the estimated \$40 million project cost. UMMS support for the project will also begin in fiscal 2020. UMMS is expected to complete its commitment to the project prior to the State.

The current spending plan for the project estimates that \$6 million of the project cost will be dedicated to design/planning, 15% of the project cost. However, UMMS expects that the actual design costs will be lower than this and that design will be about 10% of the total project cost. Design began in January 2019. Construction is expected to begin in March 2020 and will be completed in April 2022. Consistent with the anticipated schedule, the majority of fiscal 2020 funding is expected to be used for design, while some funds are also used for construction and equipment. The State support of the project is expected to continue beyond the end date of construction.

GO Bond Recommended Actions

1. Approve \$56.2 million in general obligation bond funds for the Capital Region Medical Center.
2. Reduce funds for the Comprehensive Cancer and Organ Transplant Center and express intent that the University of Maryland Medical System match the State contribution.

RQ00B	Comprehensive Cancer and Organ Transplant Treatment Center	\$ 2,500,000
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Add the following language:

Comprehensive Cancer and Organ Transplant Treatment Center. Provide a grant to the University of Maryland Medical System to design, construct, and equip facilities to expand clinical programs of the Marlene and Steward Greenbaum Comprehensive Cancer and Organ Transplant Treatment Center. It is the intent of the General Assembly that the State contribution for this project be matched by the University of Maryland Medical System on a yearly basis beginning in fiscal 2020 (Baltimore City)

<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
5,000,000	-2,500,000	2,500,000

Explanation: This action reduces the funding for the Comprehensive Care and Organ Transplant Treatment Center by \$2.5 million. The 2018 Capital Improvement Program (CIP) planned \$3.0 million in fiscal 2020 for the first year of funding. The General Assembly advanced the first year of funding to fiscal 2019. The fiscal 2020 capital budget provided \$5 million for the second year of funding for the project, increasing the State contribution despite the advanced funds. The University of Maryland Medical System (UMMS) is not expected to make a contribution to the project until fiscal 2022, after the State will have already committed \$27.5 million as programmed in the 2019 CIP. This action also expresses intent that UMMS match the State contribution on a yearly basis for this project beginning with the fiscal 2020 funding.

3. Approve \$4 million in general obligation bond funds for the R Adams Cowley Shock Trauma Center Renovation – Phase III.

Total General Obligation Bonds Reductions/Additions **\$2,500,000**