

RM00
Morgan State University – Capital

Capital Budget Summary

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

Projects	Prior Auth.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.	Beyond CIP¹
New Health and Human Services Building, Phase II	\$42.857	\$66.020	\$55.828	\$0.000	\$0.000	\$0.000	\$0.000
Deferred Maintenance and Site Improvements	32.000	20.000	0.000	5.000	5.000	10.000	0.000
New Science Center, Phase II	0.000	7.040	8.606	69.615	71.987	53.814	0.000
New Science Center, Phase I – Washington Service Center Demolition	0.784	3.327	6.242	0.000	0.000	0.000	0.000
Carter-Grant-Wilson Building Renovation	0.000	1.196	0.978	14.359	13.847	0.000	0.000
Campus Expansion, Phase I – Lake Clifton High School Demolition	5.000	0.000	5.275	3.491	0.000	0.000	0.000
Jenkins Demolition	0.000	0.000	0.906	3.982	7.571	0.000	0.000
Campus Renovations	0.000	0.000	0.000	0.000	3.000	25.000	0.000
Total	\$80.641	\$97.583	\$77.835	\$96.447	\$101.405	\$88.814	\$0.000

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Fund Source	Prior Auth.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.	Beyond CIP
GO Bonds	\$78.641	\$87.583	\$77.835	\$96.447	\$101.405	\$88.814	\$0.000
General Funds	0.000	10.000	0.000	0.000	0.000	0.000	0.000
Special Funds ²	2.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$80.641	\$97.583	\$77.835	\$96.447	\$101.405	\$88.814	\$0.000

CIP: *Capital Improvement Program*

GO: general obligation

¹ While no funding is identified for the Deferred Maintenance and Site Improvements and Campus Renovations programs, these are considered to be annual programs. Funding provided for the Deferred Maintenance and Site Improvements program is expected to be \$10.0 million based on historic spending for program.

² The \$2.0 million special fund appropriation was a fiscal 2021 deficiency appropriation for the 2021 legislative session derived from bond premium proceeds available in the Annuity Bond Fund from the July 2020 bond sale.

PAYGO Recommended Actions

1. Approve \$10,000,000 in pay-as-you-go funds for deferred maintenance and site improvements.

GO Bond Recommended Actions

1. Approve the \$1,196,000 general bond authorization for the Carter-Grant-Wilson Building renovation.
2. Approve the \$10,000,000 general obligation bond authorization for Deferred Maintenance and Site Improvements.
3. Approve the \$66,020,000 general bond authorization for the new Health and Human Services Building, Phase II.
4. Approve the \$3,327,000 general obligation bond authorization for the new Science Center Phase I, Washington Service Center Demolition.
5. Approve the \$7,040,000 general obligation bond authorization for the new Science Center, Phase II.

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6. Approve language amending the fiscal 2014 authorization for the new Student Services Support Building to ensure that funds may not terminate prior to June 1, 2024. The additional time will allow for change orders to be cleared out and to meet the 0.5% match requirement for public artwork.
7. Approve language amending the fiscal 2015 authorization for the campuswide utilities upgrade project to ensure that funds may not terminate prior to June 1, 2024. The additional time will be utilized to ensure heating and cooling systems work appropriately at which point the remaining outstanding contracts will be paid.
8. Approve the deauthorization of \$610,871 in general obligation bonds appropriated in fiscal 2015 for the new Behavioral and Social Sciences Building.
9. Approve the deauthorization of \$100,000 in general obligation bonds appropriated in fiscal 2017 for the new Behavioral and Social Sciences Building.
10. Approve language amending the fiscal 2021 authorization to identify that work may continue on the Lake Clifton High School demolition prior to the appropriation of all funds necessary to complete the project. To start the design and demolition of the Lake Clifton High School \$5.0 million has been authorized, with the estimated total cost of this project totaling \$13.8 million.
11. Approve the preauthorization of \$5,275,000 in general obligation bonds to continue construction on the Campus Expansion Phase I, Lake Clifton High School Demolition.
12. Approve the preauthorization of \$51,028,000 in general obligation bonds to continue construction of the new Health and Human Services Building, Phase II.
13. Approve the preauthorization of \$6,242,000 in general obligation bonds to continue construction of the new Science Center, Phase I.
14. Approve the preauthorization of \$3,491,000 in general obligation bonds to continue construction of Campus Expansion Phase I, Lake Clifton High School Demolition.

Summary of Fiscal 2023 Funded State-owned Projects

Deferred Maintenance and Site Improvements

In 2016, Morgan State University (MSU) hired an independent consultant to conduct an analysis of the university's physical plant, which identified an estimated \$200 million in deferred maintenance and facility renewal projects campuswide. To address this issue, MSU has more recently utilized a multipronged approach to augment the State's investment in its campus facilities through the operating budget, federal Historically Black Colleges and Universities (HBCU) Capital Financing Program loan funding, Energy Performance Contracts (EPC), and two grants from the National Park Service.

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The university has also engaged the services of a facilities asset management company to help evaluate campus building systems and prioritize projects. Through this contract, approximately one-third of university buildings are to be evaluated annually. This partnership, along with EPC partnerships with the Maryland Clean Energy Center and a private vendor, provides for a comprehensive approach to identifying, evaluating, prioritizing, and estimating the cost of deferred maintenance projects.

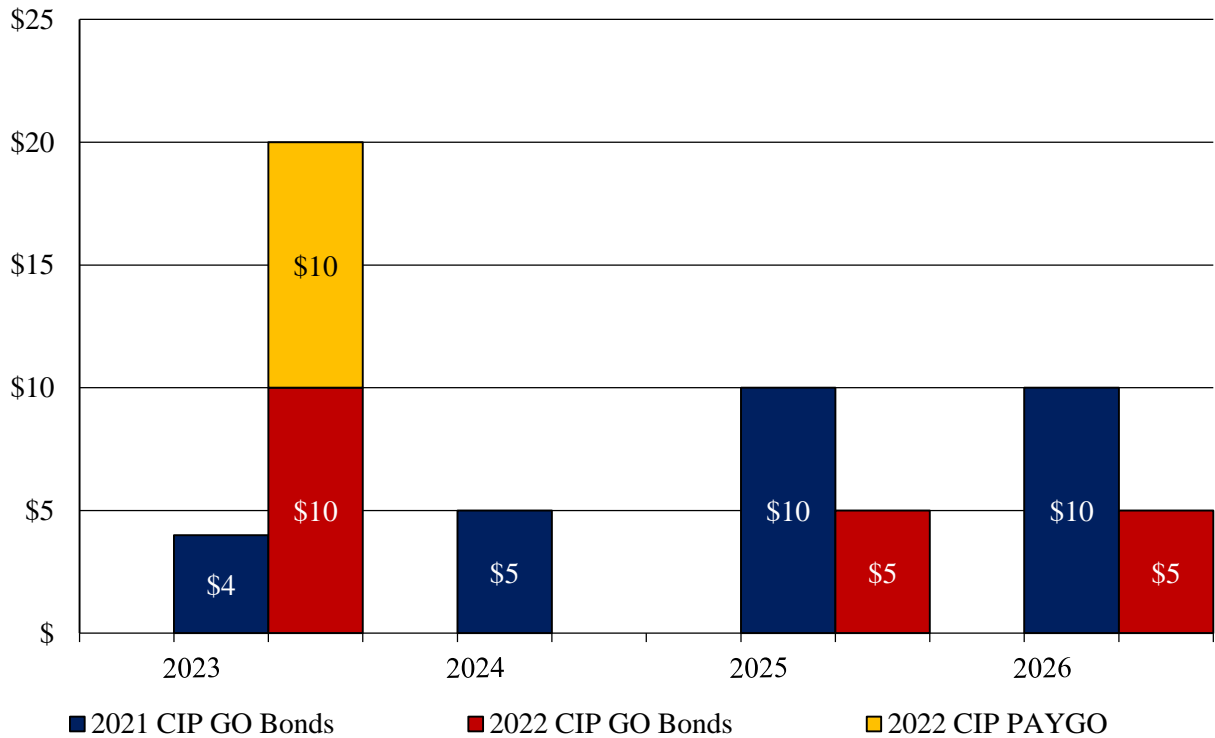
Utilizing HBCU capital financing loans, MSU allocated \$7.0 million toward deferred maintenance projects including roof replacements, mechanical, engineering, plumbing, and HVAC repairs through the campus. Loan funds were also used for the design and construction of the Public Safety Building, which is under construction and due to open in August 2022. This loan has been depleted, and MSU currently does not have plans to process a new HBCU loan until legislation concerning debt capacity levels have been addressed. MSU has also contributed operating budget resources, \$1.7 million in fiscal 2020 and another \$1.6 million in fiscal 2021, toward deferred maintenance projects.

In addition to the previously mentioned funding sources, MSU has also indicated that it is planning on utilizing Higher Education Emergency Relief Funding (HEERF) from the various federal stimulus legislation packages on targeted air quality projects that would further reduce the deferred maintenance backlog. **The President should comment on how the institution plans to utilize funding from the various federal HEERF packages to address deferred maintenance projects.**

The fiscal 2023 budget provides \$20.0 million, comprised of \$10.0 million of general obligation (GO) bonds and \$10.0 million of pay-as-you-go (PAYGO) general funds budgeted in the Dedicated Purpose Account (DPA),¹ for deferred maintenance and site improvement projects at MSU. As shown in **Exhibit 1**, the 2022 *Capital Improvement Program (CIP)* alters the funding structure for the program, relative to what was planned in the 2021 CIP. For fiscal 2023, the program receives \$16 million more than what was planned. The increase in fiscal 2023 is due to changing university needs in the outyears, acceleration of other outyear programs related to deferred maintenance, budget capacity for deferred maintenance projects for this fiscal year, and the Administration's priority for facilities renewal.

¹ The DPA was established in 1986 to retain appropriations for major, multi-year expenditures where the magnitude and timing of cash needs are uncertain and to meet expenditure requirements that may be affected by changes in federal law or fiscal policies or other contingencies. MSU will have five years to spend the amounts budgeted in the DPA. Any unspent balance will revert to the Rainy Day Fund. In order to access the funds in the DPA, the Department of Budget and Management will need to process a budget amendment to transfer funds to a capital appropriation account.

Exhibit 1
2021 and 2022 Capital Improvement Program Comparison
Fiscal 2023-2026
(\$ in Millions)



CIP: Capital Improvement Program
 GO: general obligation
 PAYGO: pas-as-you-go

Source: Department of Budget and Management; 2021-2022 Capital Improvement Program

From the time that the program was first initiated in fiscal 2020, the State has provided \$32 million to fund facility renewal and site development projects at MSU. A project list totaling \$10.0 million has also been identified for fiscal 2023. **Appendix 1** provides a summary of these projects to date.

The university’s deferred maintenance projects are based on a rating and ranking criterion whereby funds are directed to the most emergent and important projects and not for site development projects, unless they are life-safety issues that require immediate attention. Given this ranking formula, the university regularly modifies the project listing in coordination with the Department of Budget and Management (DBM) through an annual program review and update. MSU also submits an annual report

to the budget committees that provides a status update of all projects funded from inception of this program.

One project that has become a major priority for the university is the Stadium Way slope stabilization project. The scope of this work includes repairing and stabilizing the foundation of a major section of the Stadium Way road and adjacent hillside. While \$3.0 million has been allocated for this project to date, the total estimated project cost is \$13.0 million. The start of the project has been postponed due to a pending petition to the federal government for a \$10.0 million grant to reduce the need for State funds; however, work may need to proceed without federal funds if the conditions continue to deteriorate prior to a decision. Design would start in October 2022 if no federal funds are received.

Carter-Grant-Wilson Building Renovation

The fiscal 2023 capital budget provides \$1.2 million of GO bonds to start design of the renovation of the Carter-Grant-Wilson Building. This comprehensive renovation project also serves to reduce the university's overall deferred maintenance backlog and is the first in a series of campus renovation projects considered too large in scale for the deferred maintenance and site improvements funding to be programmed for funding in the 2022 CIP.

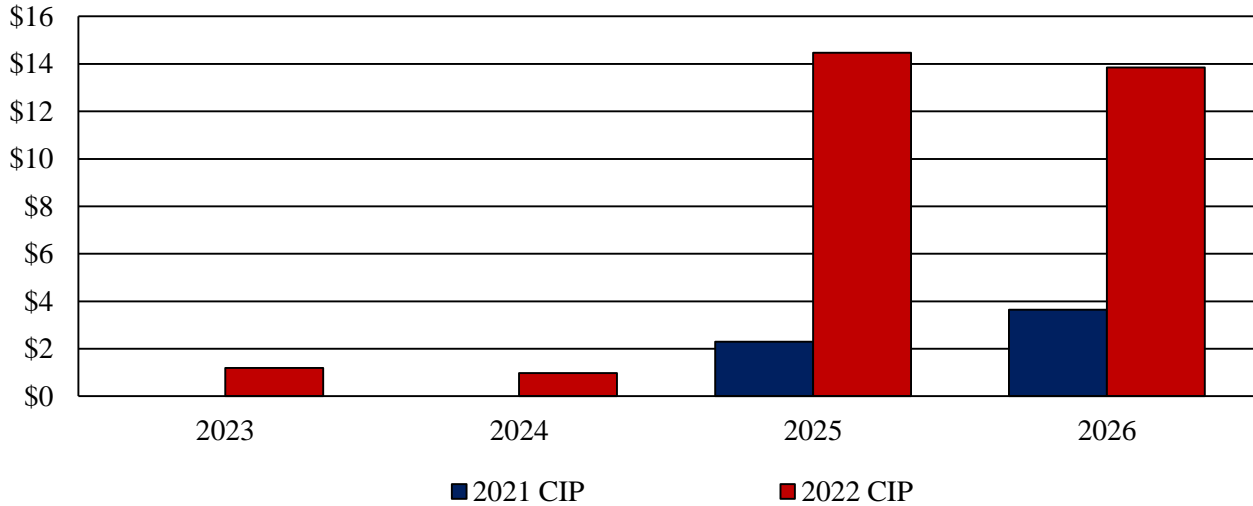
Once completed, the building will house the School of Graduate Studies and the Division of International Affairs, both of which are currently located in facilities that are planned for demolition. Until recently, the Carter-Grant-Wilson Building housed Human Resources (HR), the Counseling Center, Internal Audit, and Information Technology (IT). The occupants had been evacuated several times over the last two years due to a series of pipe breaks in the plumbing systems and the resultant flooding. The last incident permanently closed the building due to safety concerns. HR and IT were relocated to the New Student Support Services Building in fall 2020. Both the Counseling Center and Internal Audit remain in temporary facilities. In fall 2024, the Counseling Center will relocate to the New Health and Human Services Building, which is currently under construction.

The proposed renovation will solve the following two problems for the university:

- the insufficient amount and poor quality of space to support the School of Graduate Studies and Division of International Affairs current and future planned programmatic and international recruitment goals; and
- the inoperable and failing building systems of the Carter-Grant-Wilson Building.

As shown in **Exhibit 2**, the 2022 CIP provides a revised funding plan that accelerates the start of the design phase from fiscal 2025 to 2023, and the start of construction from fiscal 2027 to 2025 to better align with the university's needs and priorities.

Exhibit 2
2021 and 2022 Capital Improvement Program Comparison
Fiscal 2023-2026
(\$ in Millions)



CIP: *Capital Improvement Program*

Source: Department of Budget and Management; 2021-2022 *Capital Improvement Program*

New Science Center, Phase I – Washington Service Center Demolition

The fiscal 2023 capital budget includes \$3.3 million in GO bonds to demolish the Washington Service Center and associated facilities to make way for the new Science Center. The Washington Service Center was constructed as a warehouse in 1980 and has never been renovated. The building currently houses the Procurement and Property Control and Physical Plant departments with the space being inadequate and insufficient for these departments. Due to the unique topography of the Washington Service Center site, the demolition will include a specialized retaining wall as well as the removal, replacement, and relocation of fuel tanks and fueling-line piping. The estimated cost to convert the Washington Service Center into a science facility would cost approximately \$80 million more than to demolish the complex and construction the new Science Center.

The overall cost of this project increased by only \$0.2 million from the previous estimate, despite very high construction inflation in calendar 2020 and 2021, 9% and 16%, respectively. This results from a DBM adjustment to the cost estimate worksheet that reduced, from 10% to 3%, the cost allowance for the construction management fee consistent with the rate applied to State projects. The university has already deferred the project start date by three months, with construction now scheduled to begin in March 2022. The estimated construction completion date is September 2024, which is the

same construction start date for the new Science Center. Should there be additional delays in the Washington Service Center demolition, the anticipated start date of construction for the new Science Center would also be impacted.

New Science Center, Phase II

The fiscal 2023 capital budget provides \$7.0 million in GO bonds to start the design of a new Science Center. The new building will house the biology and chemistry departments and the dean's office of the School of Computer, Mathematical, and Natural Sciences on the existing site of the Washington Service Center. The recommendation is \$0.5 million more than the amount planned in the 2021 CIP, due to escalation. DBM also reduced the cost construction share for this project, from 10% to 3%, per DBM guidelines resulting in a lower overall cost increase than anticipated.

The biology and chemistry programs are currently spread across the science complex (four connected buildings: Calloway; Carnegie; Key; and Spencer Halls) and the Dixon Research Center. In addition to the biology and chemistry departments, these five buildings provide space for the physics and engineering physics, mathematics, and computer science departments. The new Science Center will solve the following problems for the university:

- the insufficient amount of space to support recent and future demand-based projected enrollment and research increases;
- the unconsolidated programs located in various facilities; and
- the poor quality of space, including inadequate configuration of instructional spaces and an inability to support recent advances in research.

GO bond funding is included in the 2022 CIP for planning through fiscal 2025, with construction to begin in September 2024. The total estimated cost for this project is \$210.3 million, with substantial construction funding beginning in fiscal 2025.

New Health and Human Services Building, Phase II

The fiscal 2023 budget includes \$66.0 million in GO bond funding for the continued construction (\$58.0 million) and equipment (\$8.0 million) for the new health and human services building. This facility will house classroom, laboratory, office, and support spaces for the School of Community Health and Policy, including the public health, health education (undergraduate public health), preprofessional physical therapy, nutritional sciences, and nursing programs. The building will also house the Prevention Sciences Research Center, the School of Social Work, the medical technology program, the Department of Family and Consumer Sciences, and the University Counseling Center.

The new facility will solve the following problems for the university:

- the insufficient space to support recent and future demand-based projected enrollment increases within the departments that will be housed in the facility;
- the unconsolidated programs located in various facilities throughout the campus; and
- the poor quality, inadequate, and insufficient spaces with an inability to support current academic needs as well as recent advances in healthcare pedagogies.

The total project cost increased by \$6.9 million to \$164.7 million from last year’s estimate due to high construction inflation, including increased costs of materials and labor. Construction is expected to be completed by March 2024.

Summary of Out-year Projects in the Capital Improvement Program

Campus Expansion, Phase I – Lake Clifton High School Demolition

The CIP programs \$13.8 million for costs associated with the demolition of the old Lake Clifton High School and associated buildings. The currently vacant high school building was constructed in 1971 and closed in 2019. MSU expects to acquire the property from Baltimore City in April 2022. Funding to continue this project has been deferred to fiscal 2024 due to a project schedule delay. The project has received \$5.0 million in prior authorized funds to complete design and start the demolition, including funds for emergency preservation work to a historic valve house located on the property and removal/preservation of five large public art pieces from the main high school building. Together with the associated structures to be demolished, the facilities total approximately 475,000 gross square feet (GSF). Construction funds totaling \$5.3 million for fiscal 2024 and \$3.5 million for fiscal 2025, have been preauthorized for this project.

Jenkins Demolition

The CIP programs \$12.5 million for costs associated with the demolition of the old Jenkins Behavioral and Social Sciences Building. Funding for this project has been accelerated from fiscal 2026 to 2025 to closer align the demolition with when the building will become vacant and unused. Jenkins was constructed in 1974 and has not had any significant renewal since its original construction. The new health and human services building will relocate the remaining occupants of the old Jenkins Building. Demolishing the Jenkins Building will reduce the university’s deferred maintenance backlog. Funds for planning have been programmed for fiscal 2024 and 2025, while construction costs run through fiscal 2025 and 2026.

Campus Renovations

The CIP programs \$28.0 million, with initial funding totaling \$3.0 million in fiscal 2026, for a series of renovation projects across MSU’s campus to address the significant need that has surpassed the DBM definition of deferred maintenance but will reduce the over \$150.0 million backlog of deferred maintenance projects as defined by MSU. Most projects included in the backlog have been deferred so long that they have compounded into larger-scale renovation projects. MSU will provide an amendment to its Facilities Master Plan for renovation projects, indicating schedule/sequence of deferred maintenance turned renovation projects in priority order. The addition of this program will allow MSU time to clearly identify the scale of projects and submit facility program reports that identify the need for their renovation. The Carter-Grant-Wilson project represents the first campus renovation project.

Operating Budget Impact Statement

Executive’s Operating Budget Impact Statement – State-owned Projects
Fiscal 2023-2027
(\$ in Millions)

	2023	2024	2025	2026	2027
Carter-Grant-Wilson Building Renovation					
Estimated Operating Cost	\$0.000	\$0.000	\$0.000	\$1.500	\$0.000
Estimated Staffing	0.0	0.0	0.0	0.0	0.0
New Health and Human Services Building, Phase II					
Estimated Operating Cost	\$0.000	\$6.251	\$2.031	\$2.093	\$2.157
Estimated Staffing	0.0	2.0	2.0	2.0	2.0
New Science Center – Phase II					
Estimated Operating Cost	\$0.000	\$0.000	\$0.000	\$0.000	\$9.184
Estimated Staffing	0.0	0.0	0.0	0.0	9.0
Total Operating Impact					
Estimated Operating Cost	\$0.000	\$6.251	\$2.031	\$3.593	\$11.341
Estimated Staffing	0.0	2.0	2.0	2.0	11.0

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The construction of the new health and human services building will result in additional operational costs to MSU, as completion of this facility will result in a new building being added to the campus footprint. Most of the new operating costs in fiscal 2024 will be for one-time equipment expenses (\$5.5 million), which will include furniture, printers, and computers. Fuel and utilities (\$0.3 million in fiscal 2024 and \$1.1 million in each successive year) will represent the next largest expenditure category in each fiscal year with an estimated rate of \$5.00 per GSF and an estimated 3% inflation rate year over year. The remaining costs are divided between communications costs, contractual services, and supplies. The estimated staffing increase is for 2 maintenance specialists, at an annual rate of \$60,000 per employee, to ensure the proper operation and maintenance of the new facility.

The construction of the new science center will also result in additional operational costs to MSU, as this facility will result in a new building being added to the overall campus footprint. The majority of the costs in fiscal 2027 will be one-time equipment expenses (\$8.0 million), which includes furniture, printers, and computers. Fuel and utilities (\$0.5 million) represent the next largest expenditure category with an estimated rate of \$5.00 per GSF and an estimated 3% inflation rate year over year. The remaining costs are divided between communications costs, contractual services, and supplies. The estimated staffing increase is for 5 housekeepers (\$40,000 per employee), 3 maintenance specialists (\$60,000 per employee), and 1 control manager (\$100,000) to ensure the proper operation and maintenance of the facility.

Appendix 1
Deferred Maintenance and Site Improvement Projects
Fiscal 2020-2023

<u>Project</u>	<u>2020-2022</u>	<u>2023</u>	<u>Status</u>
Steam Traps in Manhole Repairs	\$1,446,000		Construction in progress
West Campus Site Improvements	8,675,000		Design in progress
Key Hall Air Handling Unit 14 Upgrade	858,000		Construction nearing completion
University Chapel Windows, Roof, and Ancillary Systems Replacements	1,400,000		Design in progress
Water Infiltration Cessation	3,279,000		Design in progress
Schaefer Engineering Building Lecture Hall Upgrades	741,000		Construction nearing completion
Campuswide Fire Safety Systems Upgrades	2,571,000		Construction in progress
Campuswide Sub-metering	2,932,000		Construction in progress
Stadium Way Slope Stabilization (Total project cost: \$13.0 million)	3,000,000		Design to start in October 2022
Holmes Hall Structural Upgrades	4,500,000		
Concrete “Y” Stairs and Handrails Repairs	150,000		
Spencer Fall Air Handling Unit Replacement	2,000,000		
Electrical Substation Upgrades		\$5,000,000	Proposed for fiscal 2023
Health Center Roof HVAC Upgrades		1,500,000	Proposed for fiscal 2023
Mitchell Engineering HVAC Replacement		3,000,000	Proposed for fiscal 2023
Campuswide Bridges Structural Repairs		500,000	Proposed for fiscal 2023
Total	\$31,552,000	\$10,000,000	

HVAC: heating, ventilation, and air conditioning

Source: Department of Budget and Management; Morgan State University; Department of Legislative Services