

RQ00
University of Maryland Medical System – Capital

Capital Budget Summary

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

Projects	Prior Auth.	2023 Request	2024 Estimate	2025 Estimate	2026 Estimate	Total
Comprehensive Cancer and Organ Transplant Treatment Center	\$25.000	\$25.000	\$25.000	\$30.000	\$20.000	\$125.000
R Adams Cowley Shock Trauma Center – Phase III	9.500	1.000	6.500	3.000	0.000	20.000
Total State Support	\$34.500	\$26.000	\$31.500	\$33.000	\$20.000	\$145.000

Fund Source	Prior Auth.	2023 Request	2024 Estimate	2025 Estimate	2026 Estimate	Total
GO Bonds	\$22.500	\$26.000	\$31.500	\$33.000	\$20.000	\$133.000
PAYGO (GF)	12.000	0.000	0.000	0.000	0.000	12.000
Total State Funds	\$34.500	\$26.000	\$31.500	\$33.000	\$20.000	\$145.000
UMMS Funds	\$15.665	\$63.900	\$78.100	\$42.935	\$15.000	\$215.600
Total Funds	\$50.165	\$89.900	\$109.600	\$75.935	\$35.000	\$360.600

GF: general funds
GO: general obligation
PAYGO: pay-as-you-go
UMMS: University of Maryland Medical System

GO Bond Recommended Actions

1. Approve the \$25,000,000 general obligation bond authorization for the Comprehensive Cancer and Organ Transplant Treatment Center project.
2. Approve the \$1,000,000 general obligation bond authorization for the R Adams Cowley Shock Trauma Center – Phase III project.

Budget Overview of Grant and Loan Programs

The fiscal 2023 capital budget provides \$26.0 million in general obligation (GO) bonds to fund two projects in partnership with the University of Maryland Medical System (UMMS). This continues the State’s long-term commitments to expanding, renovating, and upgrading the Comprehensive Cancer and Organ Transplant Treatment Center and R Adams Cowley Shock Trauma Center. There is no change in the State fund spending schedule for the cancer center project. However, fiscal 2023 State fund support for the shock trauma center project is \$3.0 million less as project delays push the need for State funding out to fiscal 2025.

Comprehensive Cancer and Organ Transplant Treatment Center

The Comprehensive Cancer and Organ Transplant Treatment Center project includes the following components to support the Marlene and Stewart Greenebaum Comprehensive Cancer Center and other high-acuity ambulatory and inpatient programs.

- ***Expanding the Existing North Hospital Building through a Nine-floor Addition and Renovation:*** This aspect of the project will relocate and create additional space for inpatient and outpatient cancer programs on four floors, add shell space for future development, and provide space for administrative offices and mechanical space.
- ***Constructing a New Building for an Ambulatory Care Center and Parking Expansion:*** The ambulatory care center will be located immediately north of the Pratt/Paca building and will include three levels for heart and vascular medicine, organ transplant, neurology, neurosurgery, and public space. Another level will provide mechanical space. The building will be constructed to allow for a later vertical expansion.
- ***Expanding Parking on the Site of an Existing Parking Garage:*** Five and a half levels will be added to an existing parking garage for an additional 410 parking spaces, with a possible sixth level to add 74 more spaces.

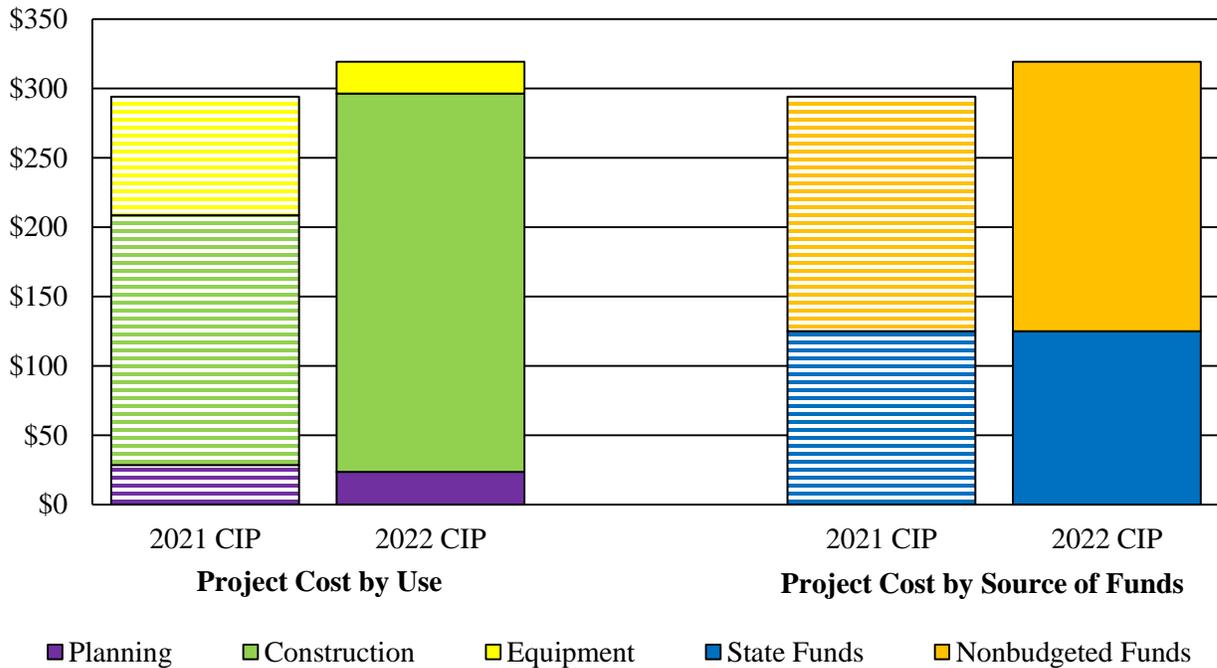
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The fiscal 2023 capital budget provides \$25 million in GO bonds for design and construction costs. Planning and design for this project began in June 2019 and is nearly complete for the comprehensive cancer center upgrades, while design for the organ transplant treatment center and parking garage has not begun. A construction contract award is expected in May 2022 with a projected start date for construction on the comprehensive cancer center in September 2022. Core construction of the organ transplant treatment center is not expected to begin until calendar 2024, and the entire project completion date is projected for February 2026. This is more than one year later than the October 2024 completion date expected during the 2021 session. Capital projects were delayed slightly as the COVID-19 pandemic response caused UMMS to temporarily halt planning meetings as ingress and egress at the hospital was limited. However, the current design and construction schedules put the cancer center and transplant center components on different timelines.

Considering that design for the comprehensive cancer center is essentially complete and no progress has been made so far on design for the organ transplant treatment center and parking garage, UMMS should explain how the schedule and cashflow needs for all three components overlap and justify funding the components as one combined project.

As shown in **Exhibit 1**, the total estimated project cost listed in the 2022 *Capital Improvement Program* (CIP) is \$319.4 million, a \$25.3 million increase (8.6%) compared to the \$294.1 million estimate included in the 2021 CIP. **Appendix 1** provides further budget detail by fiscal year. The overall increase in project costs is driven by an increase of \$92.8 million in construction expenses as the COVID-19 pandemic has caused higher escalation rates on construction materials and labor. Reductions in estimated planning and equipment expenses partially offset this growth by \$5 million and \$62.5 million, respectively. UMMS indicated that the \$85.5 million estimate for equipment shown in the 2021 CIP incorrectly included mechanical, electrical, plumbing, and information technology costs and that this has been revised in the 2022 CIP to show \$23 million in estimated equipment costs.

Exhibit 1
Total Estimated Cancer Center Project Cost by Use and by Fund Type
2021 CIP to 2022 CIP
(\$ in Millions)



CIP: *Capital Improvement Program*

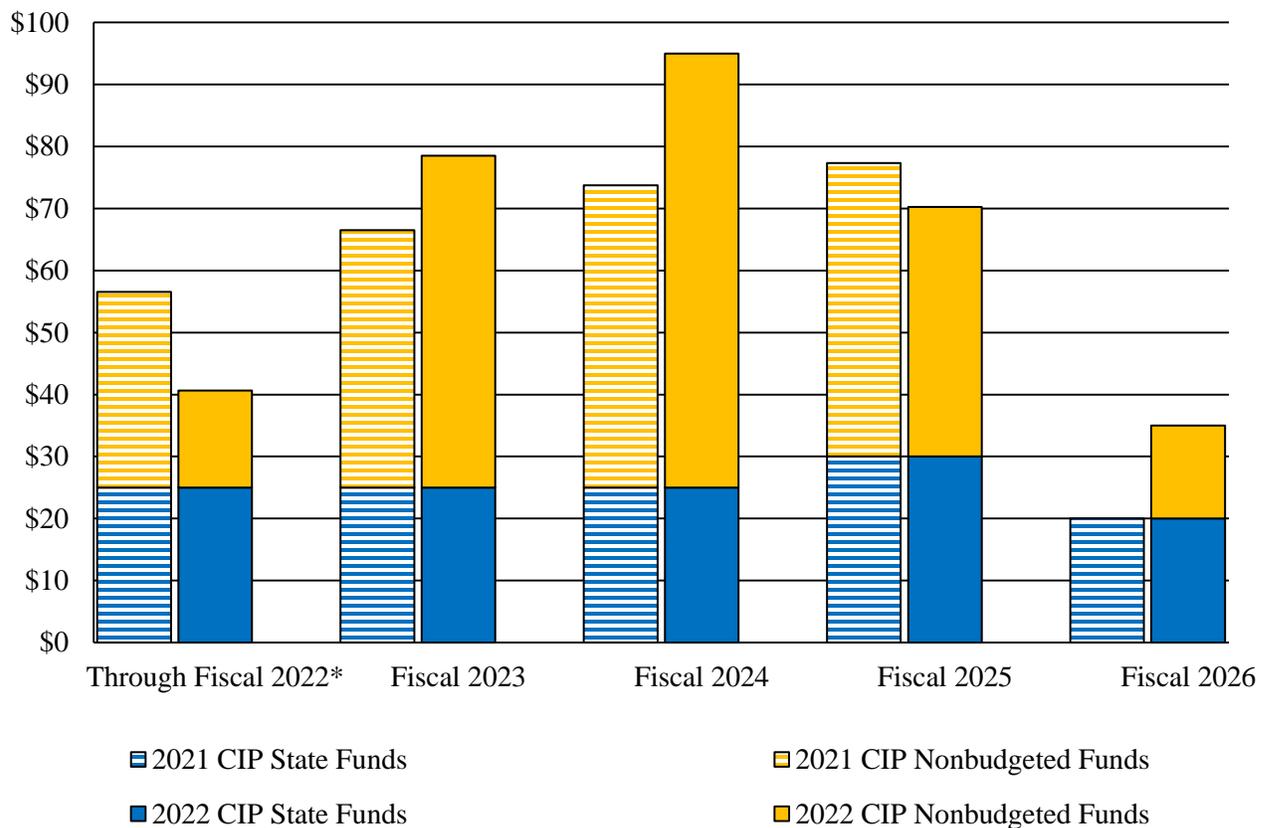
Source: Governor’s Fiscal 2023 Budget Books

The 2022 CIP budgets the entire \$25.3 million net growth under UMMS’ contribution as nonbudgeted funding increases to \$194.4 million and State fund support remains level at \$125 million. UMMS’ share of project costs is funded with recent bond issuance, philanthropy, and internal operating funds. Due to UMMS covering these higher project costs, the planned State share for this project falls slightly from 42.5% in the 2021 CIP to 39.1% in the 2022 CIP. The Maryland Consolidated Capital Bond Loan (MCCBL) of 2018, 2019, and 2020 each included language expressing intent that the State commitment to the project be \$175 million. The fiscal 2022 installment of \$12.0 million for this project was funded with general funds, so Chapter 357 of 2021 (the fiscal 2022 Budget Bill) included similar language expressing this intent.

Exhibit 2 reflects the spending schedule of State funds and non-State support for the Comprehensive Cancer and Organ Transplant Treatment Center project outlined in the 2021 and 2022 CIPs. The 2021 CIP had programmed UMMS to contribute \$31.5 million to the project through

fiscal 2022, but thus far, only \$15.7 million has been contributed. However, this is a significant improvement from the \$6 million in non-State funding that had been contributed as of the 2021 legislative session. Still, the State is keeping up with the CIP schedule overall and has already committed \$25.0 million to the project. The 2022 CIP does not show any change in the State fund spending timeline compared to the 2021 CIP.

Exhibit 2
Changes in Funding Schedule – Cancer Center
2021 CIP to 2022 CIP
(\$ in Millions)



CIP: *Capital Improvement Program*

* Funds shown through 2022 for the 2021 CIP display actual prior authorizations and fiscal 2022 projected spending, while the 2022 CIP displays actual authorized spending.

Source: Governor’s Fiscal 2023 Budget Books

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The 2022 CIP assumes that UMMS contributes \$12.0 million more in fiscal 2023 than it would have under the 2021 CIP spending schedule. This supports the legislature’s intent, as stated in language in the MCCBL of 2019, that UMMS match the State contribution to this specific project on a yearly basis. Out-year nonbudgeted spending also increases to cover the \$25.3 million net growth in total project costs, discussed earlier.

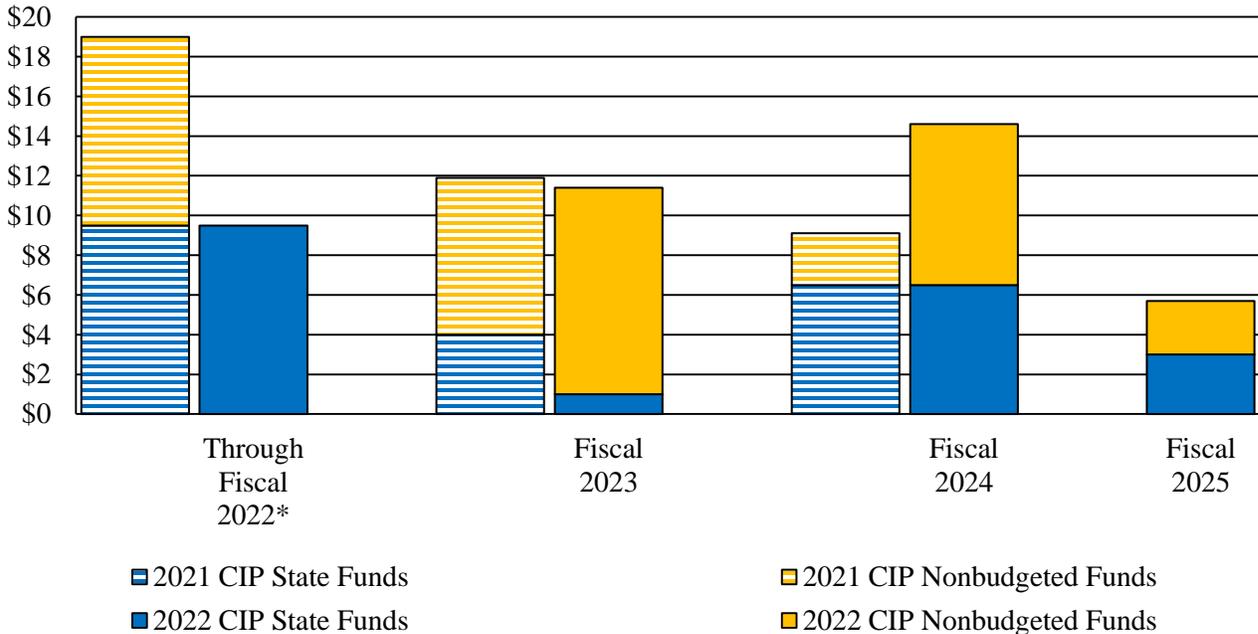
R Adams Cowley Shock Trauma Center – Phase III

The 2022 CIP programs \$11.4 million in total funds (of which \$1.0 million in GO bonds is provided through the fiscal 2023 capital budget) to complete design, continue construction, and purchase medical equipment as part of the third phase of renovations of the R Adams Cowley Shock Trauma Center. Nonbudgeted funds are supported through UMMS’ operating budget. Major components of the trauma center renovations include:

- building infrastructure upgrades, including replacing or refurbishing air handling units, emergency power, fire alarms, and medical gas services;
- replacing and modernizing the hyperbaric medicine chamber;
- expanding the acute care unit from 12 to 16 beds;
- relocating the acute care transfusion service (blood bank) to a location near the Trauma Resuscitation Unit (TRU);
- relocating the Human Leukocyte Antigen and flow clinical laboratories to expand TRU; and
- renovating TRU, including colocating the Critical Care Resuscitation Unit and Radiology Unit.

Between the 2021 and 2022 CIPs, total estimated project costs rose slightly, increasing by \$1.2 million (3%) to a total of \$41.2 million as the design phase ends and the project moves forward with construction. More detailed budget information by use of funds can be found in **Appendix 2**. UMMS reported that design was complete and a construction contract was awarded in February 2022. In addition to a six-month delay due to the COVID-19 pandemic response and hold on capital planning, this project was further delayed when initial construction bids came in \$10 million over budget and UMMS delayed the project by another six months to reconcile cost with scope. As a result, the estimated project completion date has moved back from fall 2024 to spring 2025. This change in schedule caused a slight shift in planned cash flow, deferring \$3 million in State contributions programmed in the 2021 CIP from fiscal 2023 to 2025 in the 2022 CIP, as shown in **Exhibit 3**.

Exhibit 3
Changes in Funding Schedule – Shock Trauma Center
2021 CIP to 2022 CIP
(\$ in Millions)



CIP: *Capital Improvement Program*

Source: Governor’s Fiscal 2023 Budget Books

Despite total costs increasing and GO bonds being deferred, the State commitment for the shock trauma project remains level at \$20 million, which reduces the State share from 50% to 48.5%. It is important to note that so far through fiscal 2022, only State contributions have supported the project. The 2021 CIP anticipated that UMMS would match the State’s prior authorizations and fiscal 2022 appropriation with a \$9.5 million appropriation of nonbudgeted funds in fiscal 2022. Instead, UMMS has not contributed any of the non-State commitment.

The cash flow schedule for non-State funding has also shifted between the 2021 and 2022 CIPs as project costs increased and UMMS still must contribute over half of project costs. Fiscal 2023 nonbudgeted funding increases by \$2.5 million over what was planned in the 2021 CIP to a total of \$10.4 million in the 2022 CIP. Out-year non-State contributions increase by \$5.5 million in fiscal 2024 and \$2.7 million in fiscal 2025 to account for the remaining deferred expenditures. Delays in the project timeline are the main reason for this shift in funding schedule. However, UMMS’ increased contribution in fiscal 2023 also allows it to bring more balance to the funding partnership and align with anticipated project expenditures.

Appendix 1

**Authorization Uses – Comprehensive Cancer and Organ Transplant Treatment Center
(\$ in Millions)**

Description	Prior Authorization	2023 Request	2024 Estimate	2025 Estimate	2026 Estimate	Total
Planning	\$11.165	\$4.500	\$7.000	\$0.835	\$0.000	\$23.500
Construction	29.500	74.000	87.000	59.900	22.500	272.900
Equipment	0.000	0.000	1.000	9.500	12.500	23.000
Total	\$40.665	\$78.500	\$95.000	\$70.235	\$35.000	\$319.400

**Authorization Sources – Comprehensive Cancer and Organ Transplant Treatment Center
(\$ in Millions)**

Description	Prior Authorization	2023 Request	2024 Estimate	2025 Estimate	2026 Estimate	Total
GO Bond	\$13.000	\$25.000	\$25.000	\$30.000	\$20.000	\$113.000
PAYGO – GF	12.000					12.000
Nonbudgeted Funds	15.665	53.500	70.000	40.235	15.000	194.400
Total	\$40.665	\$78.500	\$95.000	\$70.235	\$35.000	\$319.400

GF: general funds
PAYGO: pay-as-you-go

Source: Governor’s Fiscal 2023 Budget Books

Appendix 2
Authorization Uses – R Adams Cowley Shock Trauma Center – Phase III
 (\$ in Millions)

Description	Prior Authorization	2023 Request	2024 Estimate	2025 Estimate	Total
Planning	\$3.400	\$0.500	\$0.300	\$0.000	\$4.200
Construction	5.600	9.900	9.600	5.000	30.100
Equipment	0.500	1.000	4.700	0.700	6.900
Total	\$9.500	\$11.400	\$14.600	\$5.700	\$41.200

Authorization Sources – R Adams Cowley Shock Trauma Center – Phase III
 (\$ in Millions)

Description	Prior Authorization	2023 Request	2024 Estimate	2025 Estimate	Total
GO Bonds	\$9.500	\$1.000	\$6.500	\$3.000	\$20.000
Nonbudgeted Funds	0.000	10.400	8.100	2.700	21.200
Total	\$9.500	\$11.400	\$14.600	\$5.700	\$41.200

Source: Governor’s Fiscal 2023 Budget Books