

STATE BUDGET AND CONTROL BOARD

Meeting of Tuesday, February 8, 2011 -- 9:30 A. M.

Blatt Building, Room 101

AGENDA INDEX

Item	Agency	Subject
I.		MEETING OF THE TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY
II.		MEETING OF THE BUDGET AND CONTROL BOARD
A.		ADOPTION OF PROPOSED AGENDA
B.		MINUTES OF PREVIOUS MEETING
C.		BLUE AGENDA
1.	State Treasurer's Office	Bond Counsel Selection
2.	Division of General Services	Easements
3.	Division of General Services	Real Property Transaction
4.	Division of Procurement Services	Procurement Audit and Certification
5.	Executive Director	Revenue Bonds
6.	Executive Director	Economic Development (2011 Ceiling Allocations)
D.		REGULAR SESSION
1.	Office of State Budget	Notification of Agency Deficit – Department of Corrections
2.	Office of State Budget	Notification of Agency Deficit – Department of Health and Human Services
3.	Office of State Budget	Permanent Improvement Projects
4.	Office of State Budget	Real Property Acquisition
5.	Medical University Hospital Authority	Medical University Hospital Authority Working Line of Credit
6.	State Ports Authority	Port Royal Property
7.	Budget and Control Board	Future Meeting

STATE BUDGET AND CONTROL BOARD

Meeting of February 8, 2011 -- 9:30 A. M.

Blatt Building, Room 101

BLUE AGENDA INDEX

<u>Item</u>	<u>Agency</u>	<u>Subject</u>
1.	State Treasurer's Office	Bond Counsel Selection
2.	Division of General Services	Easements
3.	Division of General Services	Real Property Transaction
4.	Division of Procurement Services	Procurement Audit and Certification
5.	Executive Director	Revenue Bonds
6.	Executive Director	Economic Development (2011 Ceiling Allocations)

AGENCY: State Treasurer

SUBJECT: Bond Counsel Selection

The State Treasurer's Office has provided the following notification of the assignment of bond counsel for conduit issues (for ratification of issuer's counsel only) for which Board approval is requested:

CONDUIT ISSUES: (For ratification of Issuer's Counsel only)

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$1,350,000 SC JEDA	Sumter Family YMCA	Haynsworth Sinkler Boyd	Pope Zeigler
\$11,650,000 SC JEDA	Covenant Place of Sumter, Inc.	Haynsworth Sinkler Boyd	Nexsen Pruet

BOARD ACTION REQUESTED:

Approve the referenced bond counsel assignment.

ATTACHMENTS:

Bond Counsel Selection Approved by the State Treasurer's Office

EXHIBIT

FEB 8 2011

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STATE BUDGET & CONTROL BOARD

Items for February 8, 2011 Budget & Control Board Meeting
 Bond Counsel and Issuer Counsel Selections by the State Treasurer's Office are as follows:

CONDUIT ISSUES: (For ratification of Issuer's Counsel only)

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel	Date STO Approved
\$1,350,000 SC JEDA	Sumter Family YMCA	Haynsworth Sinkler Boyd	Pope Zeigler	12/3/2010
\$11,650,000 SC JEDA	Covenant Place of Sumter, Inc.	Haynsworth Sinkler Boyd	Nexsen Pruet	12/3/2010

OTHER REVENUE ISSUES:

Description of Issue	Agency/Institution	Approved Bond Counsel	Date STO Approved

SPECIAL ASSIGNMENT OF BOND COUNSEL:

Description of Issue	Agency/Institution	Approved Bond Counsel	Date STO Approved

EXHIBIT

FEB 8 2011

STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD
MEETING OF February 8, 2011

BLUE AGENDA 2
ITEM NUMBER _____

AGENCY: Division of General Services

SUBJECT: Easements

The Division of General Services requests approval of the following easements in accordance with SC Code of Laws:

- (a) County Location: Colleton
From: Budget and Control Board
To: South Carolina Electric and Gas Company
Consideration: \$700
Description/Purpose: To grant a 0.213 acre easement for the relocation, installation, operation and maintenance of an overhead distribution electric line across the Ashepoo River along the southern side of US Highway 17, Ace Basin Parkway.
- (b) County Location: Union
From: Budget and Control Board
To: City of Union
Consideration: \$1
Description/Purpose: To grant a 2.386 acre easement for the installation, operation and maintenance of a natural gas pipeline on property of the Tyger River Correctional Institution.

EXHIBIT

FEB 8 2011 . 2

STATE BUDGET & CONTROL BOARD

BOARD ACTION REQUESTED:

Approve the referenced easements.

ATTACHMENTS:

Agenda item worksheet; SC Code of Laws Sections 1-11-80, 1-11-90, 1-11-100 and 10-1-130

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: February 8, 2011

Blue Agenda

1. Submitted by:

- (a) Agency: Division of General Services
- (b) Authorized Official Signature:


M. Richbourg Roberson, Director

2. Subject: EASEMENTS

3. Summary Background Information:

The Division of General Services requests approval of the following easements in accordance with SC Code of Laws:

- (a) County Location: Colleton
From: Budget and Control Board
To: South Carolina Electric and Gas Company
Consideration: \$700
Description/Purpose: To grant a 0.213 acre easement for the relocation, installation, operation and maintenance of an overhead distribution electric line across the Ashepool River along the southern side of US Highway 17, Ace Basin Parkway.
- (b) County Location: Union
From: Budget and Control Board
To: City of Union
Consideration: \$1
Description/Purpose: To grant a 2.386 acre easement for the installation, operation and maintenance of a natural gas pipeline on property of the Tyger River Correctional Institution.

4. What is the Board asked to do? Approve the referenced easements.

5. What is recommendation of Board Division involved? Recommend approval of the referenced easements.

6. List of Supporting Documents:

SC Code of Laws Sections 1-11-80, 1-11-90 and 1-11-100

SECTION 1-11-80. Board authorized to grant easements for public utilities on vacant State lands.

The State Budget and Control Board is authorized to grant easements and rights of way to any person for construction and maintenance of power lines, pipe lines, water and sewer lines and railroad facilities over, on or under such vacant lands or marshland as are owned by the State, upon payment of the reasonable value thereof.

SECTION 1-11-90. Board authorized to grant rights of way over State marshlands for roads or power or pipe lines to State agencies or political subdivisions.

The State Budget and Control Board may grant to agencies or political subdivisions of the State, without compensation, rights of way through and over such marshlands as are owned by the State for the construction and maintenance of roads, streets and highways or power or pipe lines, if, in the judgment of the Budget and Control Board, the interests of the State will not be adversely affected thereby.

SECTION 1-11-100. Execution of instruments conveying rights of way or easements over marshlands or vacant lands.

Deeds or other instruments conveying such rights of way or easements over such marshlands or vacant lands as are owned by the State shall be executed by the Governor in the name of the State, when authorized by resolution of the Budget and Control Board, duly recorded in the minutes and records of such Board and when duly approved by the office of the Attorney General; deeds or other instruments conveying such easements over property in the name of or under the control of State agencies, institutions, commissions or other bodies shall be executed by the majority of the governing body thereof, shall name both the State of South Carolina and the institution, agency, commission or governing body as grantors, and shall show the written approval of the majority of the members of the State Budget and Control Board.

EXHIBIT

FEB 8 2011 2

STATE BUDGET & CONTROL BOARD

AGENCY: Division of General Services

SUBJECT: Real Property Transaction

The Division of General Services recommends approval of the following property conveyance:

Agency:	Budget and Control Board (Forestry Commission)
Acreage:	10± acres
Location:	Off Broomstraw Road, Lane
County:	Williamsburg
Purpose:	To dispose of surplus property previously used by the Forestry Commission as a fire tower site.
Price/Transferred To:	Not less than appraised value / To be determined
Disposition of Proceeds:	To be retained by Forestry Commission pursuant to Proviso 80A.35.

BOARD ACTION REQUESTED:

Approve the property conveyances as requested.

ATTACHMENTS:

Agenda item worksheet and attachments

EXHIBIT

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STATE BUDGET & CONTROL BOARD

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: February 8, 2011

Blue Agenda

1. Submitted by:

- (a) Agency: Division of General Services
- (b) Authorized Official Signature:


M. Richbourg Roberson, Director

2. Subject: REAL PROPERTY CONVEYANCE

3. Summary Background Information:

Agency:	Budget and Control Board (Forestry Commission)
Acreage:	10± acres
Location:	Off Broomstraw Road, Lane
County:	Williamsburg
Purpose:	To dispose of surplus property previously used by the Forestry Commission as a fire tower site.
Price/Transferred To:	Not less than appraised value / To be determined
Disposition of Proceeds:	To be retained by Forestry Commission pursuant to Proviso 80A.35.

4. What is Board asked to do? Approve the property conveyance as requested.

5. What is recommendation of Board Division involved? Recommend approval of the property conveyance as requested.

6. List of Supporting Documents:

- (a) Letter from SC Forestry Commission
- (b) Maps
- (c) SC Code of Laws Section 1-11-65
- (d) 2010-2011 Appropriations Act 291, Part 1B, Proviso 80A.35



PO Box 21707
Columbia, SC 29221
(p) 803.896.8800
(f) 803.798.8097
www.trees.sc.gov

Henry E. (Gene) Kodama, State Forester

January 18, 2011

SC Budget & Control Board
Attn: Rich Roberson; Director
1200 Senate St., Suite 460
Columbia, SC 29202

Re: Request to sell Lane Tower Site

Dear Rich,

The Forestry Commission has declared Lane Tower site as surplus property and request approval from the B&C Board to sell this property.

We ask that upon approval the property be sold and all revenue returned to the Forestry Commission as described in Proviso 80A.35.

Thanks for your time and consideration in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "D.P.O.", is written over the typed name.

David P. Owen
Program Manager
Construction & Real Property

DPO/dk

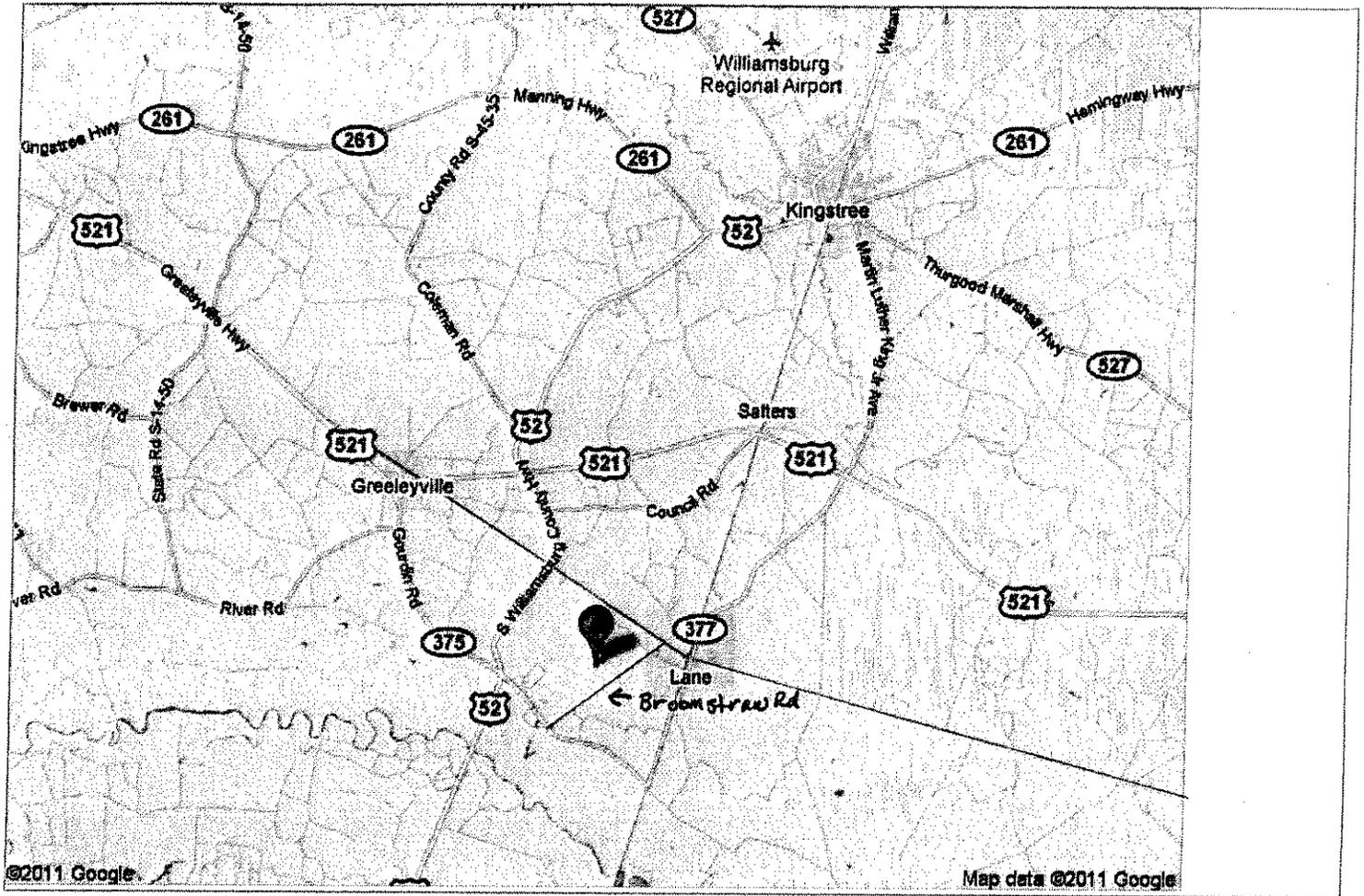
Google maps

Lane Fire Tower, near Broomstraw Rd,
Lane, South Carolina 29564

Get Google Maps on your phone
Text the word "GMAPS" to 466453



A. Lane Fire Tower Salters, SC





Lane Tower Site

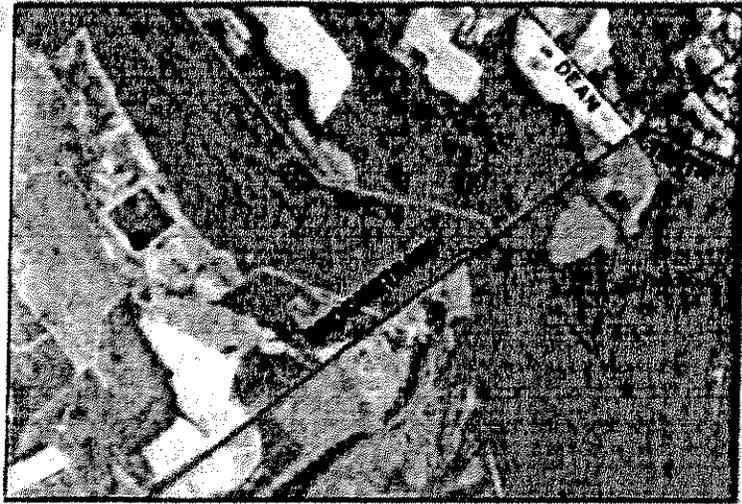
Legend

-  Paved Road
-  Property Boundary
-  Tower Location



Copyright © 2008
 by Lane Tower Site
 1000 Road Street, Lane
 Oregon 97133

This is a site plan for the Lane Tower Site
 showing the location of the tower and the
 property boundaries. The site is located
 on the corner of Lane Street and
 1000 Road Street, Lane, Oregon.



SECTION 1-11-65. Approval and recordation of real property transactions involving governmental bodies.

(A) All transactions involving real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of the transaction by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the transaction. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(B) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.

EXHIBIT

FEB 8 2011

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STATE BUDGET & CONTROL BOARD

South Carolina General Assembly
118th Session, 2009-2010

H. 4657

General Appropriations Bill for fiscal year 2010-2011
As Ratified by the General Assembly

PART IB

OPERATION OF STATE GOVERNMENT

SECTION 80A - F03-BUDGET AND CONTROL BOARD

80A.35. (BCB: Sale of Surplus Real Property) Up to 50% of the proceeds, net of selling expenses, from the sale of surplus real properties shall be retained by the Budget and Control Board and used for the deferred maintenance of state-owned buildings. The remaining 50% of the net proceeds shall be returned to the agency that the property is owned by, under the control of, or assigned to and shall be used by that agency for non-recurring purposes. This provision applies to all state agencies and departments except: institutions of higher learning; the Public Service Authority; the Ports Authority; the MUSC Hospital Authority; the Myrtle Beach Air Force Redevelopment Authority; the Department of Transportation; the Columbia State Farmers Market; the Department of Agriculture's Columbia Metrology Lab building and property; the Charleston Naval Complex Redevelopment Authority; the Department of Commerce's Division of Public Railways; the Midlands Technical College Enterprise Campus Authority; the Trident Technical College Enterprise Campus Authority; the Commissioners residence at the Department of Corrections and the Educational Television Commission's Key Road property.

The Educational Television Commission shall be authorized to retain the net proceeds from the sale of its property on Key Road, and such proceeds shall only be used for the renovation of the ETV Telecommunications Center. If it is determined that sufficient net proceeds are not to be derived from the sale of its property on Key Road to cover the cost of all renovations of the Telecommunications Center, the property on Key Road shall not be sold. Any proposed sale hereunder shall, prior to said sale, be submitted to the Budget and Control Board for approval as being in compliance with the requirements of this subsection.

The Department of Corrections shall be authorized to retain the net proceeds from the sale of the residence provided for the Commissioner of the Department of Corrections and use such proceeds for deferred maintenance needs at the Department of Corrections.

The Forestry Commission shall be authorized to retain the net proceeds from the sale of surplus land for use in firefighting operations and replacement of firefighting equipment.

The Department of Natural Resources shall be authorized to retain the net proceeds from the sale of existing offices originally purchased with a federal grant or with restricted revenue from hunting and fishing license sales for the improvement, consolidation, and/or establishment of regional offices and related facilities.

The Department of Agriculture, the Educational Television Commission, the Department of Corrections, the Department of Natural Resources, and the Forestry Commission shall annually submit a report, within sixty days after the close of the fiscal year, to the Senate Finance Committee and the House Ways and Means Committee on the status of the sale of the identified property and a detailed accounting on the expenditure of funds resulting from such sale.

This provision is comprehensive and supersedes any conflicting provisions concerning disposition of state owned real property whether in permanent law, temporary law or by provision elsewhere in this act.

Any unused portion of these funds may be carried forward into succeeding fiscal years and used for the same purposes.

EXHIBIT

FEB 8 2011

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AGENCY: Division of Procurement Services

SUBJECT: Procurement Audit and Certification

Receive as information that the Division of Procurement Services, in accordance with Section 11-35-1230 of the South Carolina Consolidated Procurement Code, has reviewed the procurement system of John de la Howe School and that the chief procurement officers have determined, pursuant to S. C. Reg. 19-445.2022, that the School's audit results warrant a temporary suspension of authority from \$50,000 to \$25,000 because of extensive audit findings. This suspension of authority shall be effective for one year at which time another procurement audit shall be performed. Before that time, an interim review will be performed to verify the School's corrective action as outlined in the audit report.

BOARD ACTION REQUESTED:

Receive as information that the Division of Procurement Services, in accordance with Section 11-35-1230 of the South Carolina Consolidated Procurement Code, has reviewed the procurement system of John de la Howe School and that the chief procurement officers have determined, pursuant to S. C. Reg. 19-445.2022, that the School's audit results warrant a temporary suspension of authority from \$50,000 to \$25,000 because of extensive audit findings. This suspension of authority shall be effective for one year at which time another procurement audit shall be performed. Before that time, an interim review will be performed to verify the School's corrective action as outlined in the audit report.

ATTACHMENTS:

Agenda item worksheet and attachments

EXHIBIT

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STATE BUDGET & CONTROL BOARD

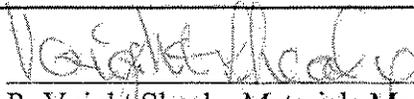
BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting scheduled for: February 8, 2011

Blue Agenda

1. Submitted by:

- (a) Agency: Division of Procurement Services
- (b) Authorized Official Signature:


R. Voight Shealy, Materials Management Officer

2. Subject: Procurement Audit of John de la Howe School

3. Summary Background Information:

In accordance with Section 11-35-1230 of the South Carolina Consolidated Procurement Code, the Division of Procurement Services has reviewed the procurement system of John de la Howe School.

Because of extensive audit findings, the chief procurement officers have determined under S.C. Reg. 19-445.2022 that the School's audit results warrant a temporary suspension of authority from \$50,000 to \$25,000, the lowest amount allowed by the Regulation. This suspension of authority shall be effective for one year at which time another procurement audit shall be performed. Before that time, we shall also perform an interim review to verify the School's corrective action as outlined in the audit report.

4. What is Board asked to do?

Receive as information.

5. What is recommendation of Board division involved?

Receive as information.

6. Recommendation of other office (as required)?

- (a) Authorized Signature: _____
- (b) Division/Agency Name: _____

7. List of supporting documents:

- (a) Section 11-35-1230 of the Consolidated Procurement Code
- (b) Regulation 19-445.2022

§ 11-35-1230. Auditing & Fiscal Reporting

(1) Auditing. The Office of General Services through consultation with the chief procurement officers shall develop written plans for the auditing of state procurements. In procurement audits of governmental bodies thereafter, the auditors from the Office of General Services shall review the adequacy of the system's internal controls in order to ensure compliance with the requirement of this code and the ensuing regulations. Any noncompliance discovered through audit must be transmitted in management letters to the audited governmental body, the Budget and Control Board. The auditors shall provide in writing proposed corrective action to governmental bodies. Based upon audit recommendations of the Office of General Services, the board may revoke certification as provided for in Section 11-35-1210 and require the governmental body to make all procurements through the office of materials management above a dollar limit set by the board until such time as the board is assured of compliance with this code and its regulations by that governmental body.

19-445.2022. Temporary Suspension of Authority; Audit.

A. Suspension of Authority.

Within his area of authority, the appropriate chief procurement officer may temporarily suspend a governmental body's power to conduct all, any type of, or any value of procurements if the chief procurement officer concludes that the governmental body either (1) lacks adequate internal controls to ensure compliance with the procurement laws, (2) lacks qualified or adequate staff, or (3) has otherwise acted in a manner that, in the opinion of the chief procurement officer, warrants a temporary loss of authority. The chief procurement officer may make continued suspension contingent upon corrective action, e.g., retain additional staff, training, revised internal controls. The suspension is effective upon delivery of written notice to the head of the purchasing agency. The written notice shall state the duration of the temporary suspension, which may not extend beyond the next regularly scheduled audit to be conducted pursuant to Section 11-35-1320. A chief procurement officer may not limit direct agency procurements below \$25,000.00. Before issuing a suspension pursuant to this paragraph, a chief procurement officer shall consult with the other chief procurement officers.

B. Audit.

In order to monitor the implementation of the procurement process, the appropriate chief procurement officer has the authority to audit any governmental body regarding one or more procurement activities.

EXHIBIT

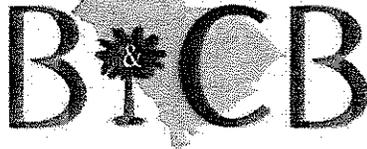
FEB 8 2011 4

STATE BUDGET & CONTROL BOARD

NIKKI R. BAILEY, CHAIRMAN
GOVERNOR

CURTIS M. LOFTIS, JR.
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639

HUGH K. LEATHERMAN, SR.
CHAIR, SENATE FINANCE
COMMITTEE

DANIEL T. COOPER
CHAIR, HOUSE WAYS AND MEANS
COMMITTEE

ELEANOR KITZMAN
EXECUTIVE DIRECTOR

January 25, 2011

Mr. Delbert H. Singleton Jr.
Director
Procurement Services Division
6th Floor-Wade Hampton Building
Columbia, South Carolina 29201

Dear Delbert:

I have attached the John de la Howe School's procurement audit report and recommendation made by the Office of Audit and Certification. I concur and recommend the report be submitted as information to the Budget and Control Board.

Sincerely,



R. Voight Shealy
Materials Management Officer

/gs

JOHN DE LA HOWE SCHOOL
PROCUREMENT AUDIT REPORT
JULY 1, 2008 – JUNE 30, 2010

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Introduction	3
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Summary of Audit Findings	5
Results of Examination	6
Conclusion	10
Follow-up Letter	11

NOTE: The School's responses to issues noted in this report have been inserted immediately following the items they refer to.

MARK SANFORD, CHAIRMAN
GOVERNOR

CONVERSE A. CHELLIS, III, CPA
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
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HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE
COMMITTEE

DANIEL T. COOPER
CHAIRMAN, HOUSE WAYS AND
MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

November 10, 2010

Mr. R. Voight Shealy
Materials Management Officer
Procurement Services Division
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the John de la Howe School for the period July 1, 2008 through June 30, 2010. As part of our examination, we studied and evaluated the system of internal controls over procurement transactions to the extent we considered necessary.

The evaluation was used to establish a basis for reliance upon the system of internal controls to assure adherence to the Consolidated Procurement Code, State regulations, and the School's procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency, and effectiveness of the procurement system.

The administration of the John de la Howe School is responsible for establishing and maintaining a system of internal controls over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and

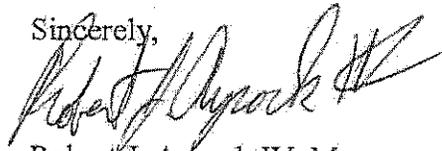
related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly.

Because of inherent limitations in any system of internal controls, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal controls over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report that we believe need correction or improvement by the John de la Howe School. Included in these disclosed conditions is the lack of supporting documentation for procurement actions. Just prior to the audit, procurement documents were destroyed. Due to the lack of supporting documentation, we can not express an opinion regarding the John de la Howe School's compliance with the Consolidated Procurement Code and ensuing regulations.

Sincerely,



Robert J. Aycock IV, Manager
Audit and Certification

EXHIBIT

FEB 8 2011

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STATE BUDGET & CONTROL BOARD

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the John de la Howe School. Our on-site review, conducted August 23 – August 25, 2010, was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally our work was directed toward assisting the John de la Howe School in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which include in part:

- (1) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds while ensuring that procurements are the most advantageous to the State and in compliance with the provisions of the Ethics Government Accountability and Campaign Reform Act;
- (2) to foster effective broad-based competition for public procurement within the free enterprise system;
- (3) to ensure the fair and equitable treatment of all persons who deal with the procurement system which will promote increased public confidence in the procedures followed in public procurement;
- (4) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the John de la Howe School and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected a judgmental sample for the period July 1, 2008 through June 30, 2010, of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency, and trade-in sale procurements for the period July 1, 2008 through June 30, 2010, with an exception noted in Section III of the report
- (2) Procurement transactions for the period July 1, 2008 through June 30, 2010 as follows:
 - a) Sixteen payments exceeding \$2,500 each with exceptions noted in Section I of the report
 - b) One construction contract and one professional services contract for compliance with the Manual for Planning and Execution of State Permanent Improvements, Part II with exceptions noted in Section I of the report
 - c) A block sample of one hundred numerical purchase orders from FY 2009 reviewed against the use of order splitting and favored vendors with no exceptions
- (3) Blanket purchase agreements with exceptions noted in Section II of the report
- (4) Minority Business Enterprise plans and reports for the audit period with no exceptions
- (5) Ratification files of unauthorized procurements with an exception noted in Section IV of the report
- (6) Approval of most recent Information Technology Plan with no exceptions
- (7) Internal procurement procedures manuals with no exceptions
- (8) Surplus property disposal procedures with no exceptions

SUMMARY OF AUDIT FINDINGS

PAGE

- | | | |
|------|--|---|
| I. | <u>No Supporting Documentation</u> | 6 |
| | <p>Just prior to our planned audit, the School destroyed procurement records in violation of State document retention requirements. No supporting documentation was available for our entire sample.</p> | |
| II. | <u>Blanket Purchase Agreements</u> | 7 |
| | <p>Four blanket purchase agreements were entered into without the necessary terms and conditions stated on the purchase orders.</p> | |
| III. | <u>Sole Source, Emergency, and Trade-In Sale Procurement Quarterly Reports Not Submitted</u> | 8 |
| | <p>The School failed to report sole source, emergency, and trade-in sale procurements to the chief procurement officers as required by law for the entire audit period.</p> | |
| IV. | <u>Unauthorized Procurements</u> | 8 |
| | <p>The School failed to report unauthorized procurements to the chief procurement officers as required by Regulation.</p> | |
| V. | <u>Training</u> | 9 |
| | <p>Procurement training is needed at the School.</p> | |

RESULTS OF EXAMINATION

I. No Supporting Documentation

The John de la Howe School, hereinafter referred to as the School, did not provide supporting documentation for the following procurements which represent our entire sample.

<u>Date</u>	<u>PO</u>	<u>Description</u>	<u>Amount</u>
03/20/09	4600005804	Gasoline	\$ 2,766
04/24/09	4600007991	Copier Rental	\$ 2,568
09/18/09	4600010498	Heat Pumps for Cafeteria	\$ 6,500
09/22/09	4600010546	Food, Perishable	\$ 3,633
10/19/09	4600011159	Gasoline	\$ 3,621
11/19/09	4600012882	Food, Perishable	\$ 8,725
01/27/10	4600021162	Propane	\$ 3,946
02/24/10	4600026042	Food, Perishable	\$ 6,166
03/09/10	4600027924	Gasoline	\$ 3,856
04/19/10	4600033641	Food, Perishable	\$ 7,881
05/20/10	4600038930	Inspect, Repair Cottages	\$ 6,451
05/21/10	4600039075	Server	\$ 7,347
05/25/10	4600039589	Software	\$ 5,000
06/23/10	4600042287	Mobile Workstation	\$ 2,721
03/20/09	4600005801	Cottage Renovation	\$ 85,351
03/20/09	4600005802	Alarm Design Development	\$ 8,848

According to the School, requisitions, bids, quotes and receiving reports were attached by the Procurement officer, but Accounts Payable did not scan them into SCEIS. The school believed the records had been scanned when they were ordered destroyed. The records were shredded about a week before the audit during an office clean out and could not be provided. For each procurement, the School provided us an invoice that had been scanned into the South Carolina Enterprise Information System (SCEIS) and a purchase order. Other procurement information such as solicitation documents and vendor quotes were not available. Without documentation of how these procurements were made, we can not determine that any of these procurements were made in compliance with the Procurement Code.

Section 11-35-2430 of the Procurement Code requires all procurement records of governmental bodies to be retained and disposed of in accordance with records retention guidelines and schedules approved by the Department of Archives and History. Further, Regulation 19-445.2005(B) requires each governmental body to maintain procurement files sufficient to satisfy the requirements of an external audit.

We recommend the School comply with the Procurement Code and the document retention guidelines and schedules approved by the Department of Archives and History.

SCHOOL RESPONSE

In an effort to show that John de al Howe was and continues to adhere to the State Procurement Code we are able to show documents prior to the March 20, 2009 period whereby documentation such as requisitions, bids, quotes and receiving reports are attached. At this time, we are scanning into SCEIS, as well as retaining all paper documentation as they relate to procurement documentation retention requirements.

II. Blanket Purchase Agreements

The School did not include the necessary terms and conditions required for the following blanket purchase agreements:

<u>Effective Dates</u>		<u>PO</u>	<u>Description</u>	<u>Amount</u>
03/23/09	06/30/09	4600005824	Maintenance Supplies	\$ 3,000
04/02/09	06/30/09	4600006186	Blank	\$ 3,000
04/22/09	06/30/09	4600006592	Blank	\$ 2,500
04/14/10	06/30/10	4600032918	Food, Perishable	\$ 6,781

Regulation 19-445.2100(3) contains certain terms and conditions that must be included with any blanket purchase agreement an agency enters into with a vendor. These include a description of the agreement, period of time the agreement applies, general description of the items are to be procured, the extent of the State's obligation, notice of individuals authorized to place calls and dollar limitations of those calls.

We recommend the School comply with the Regulation for blanket purchase agreements by including all terms and conditions.

EXHIBIT

FEB 8 2011 4

STATE BUDGET & CONTROL BOARD

SCHOOL RESPONSE

John de la Howe will adhere to Procurement Regulation 19-445.2100(3) for all future blanket purchase agreements.

III. Sole Source, Emergency, and Trade-In Sale Procurement Quarterly Reports Not Submitted

The School failed to submit quarterly reports of sole source, emergency, and trade-in sale procurements for the entire audit period July 1, 2008 through June 30, 2010.

Section 11-35-2440(1)(a) of the Procurement Code requires a governmental body to submit quarterly records of all contracts made pursuant to 11-35-1560 (sole source procurements) and 11-35-1570 (emergency procurements) to the chief procurement officers, and 11-35-3830(3) requires a governmental body to submit quarterly records of trade-in sale procurements to the chief procurement officers. This information must be reported to the Budget and Control Board annually and made available for public inspection.

We recommend the School comply with these sections of the Code pertaining to the submission of these quarterly reports. Reports must still be filed for this period.

SCHOOL RESPONSE

The Sole Source, Emergency, and Trade-In Sale Procurement quarterly reports are now being submitted on a timely manner.

IV. Unauthorized Procurements

The School failed to maintain a record of unauthorized procurements. Effective as of the first Monday in September, 2007, a quarterly record of unauthorized contracts, including facts and circumstances surrounding the acts, corrective actions taken to prevent recurrence, and actions taken against individuals performing the acts, along with the decisions to ratify or terminate these contracts was required to be submitted to the Chief Procurement Officers each quarter by Regulation 19-445.2015.

We recommend the School submit quarterly records of unauthorized procurements to the Chief Procurement Officers on a quarterly basis in accordance to the Regulation.

SCHOOL RESPONSE

Upon learning that John de la Howe had entered into an unauthorized procurement, we contacted Materials' Management to inform them of our findings and to request assistance in taking corrective actions. We have since filed a letter with our quarterly Sole Source, Emergency, Trade-In and Illegal Procurements detailing our findings and the course of action taken to prevent this from happening again.

V. Training

We recommend the School seek procurement training opportunities for its employees whose job duties relate to procurement. The Materials Management Office as well as other organizations offer a number of procurement related courses.

SCHOOL RESPONSE

Our procurement officer has taken a series of classes as they relate to the procurement process.

CONCLUSION

We must state our concern over the findings in this audit report. The John de la Howe School has failed to maintain procurement documents and comply with basic requirements of the South Carolina Consolidated Procurement Code such as statutory reporting requirements. Corrective action must be taken immediately.

In the Introduction to this report we state that the audit was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations. Because the John de la Howe School could not provide documentation for any selected procurements tested, we cannot express an opinion on the School's compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

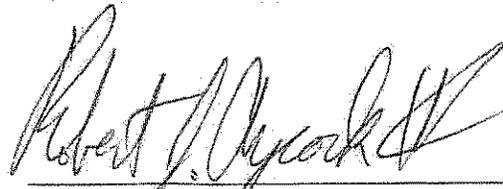
Until corrective action is taken and confirmed, under the authority described in Regulation 19-445.2022 of the Procurement Code, we recommend the Chief Procurement Officers convene to reduce the John de la Howe School's procurement authority from \$50,000 to \$25,000 in all areas until such time that follow-up audit results demonstrate compliance. Our office will perform a follow-up audit in one year.

PROCUREMENT AREAS

RECOMMENDED CERTIFICATION LIMITS

Supplies and Services	*\$25,000 per commitment
Consultant Services	*\$25,000 per commitment
Information Technology	*\$25,000 per commitment
Construction Services	\$25,000 per contract

* Total potential purchase commitment whether single year or multi-term contracts are used.



Robert J. Aycok IV, Manager
Audit and Certification

EXHIBIT

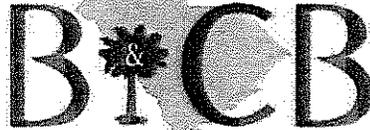
FEB 8 2011

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NICK R. HALEY, CHAIRMAN
GOVERNOR

CURTIS M. LOFTIS, JR.
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

THE DIVISION OF PROCUREMENT SERVICES
DELBERT H. SINGLETON, JR.
DIVISION DIRECTOR
(803) 734-2320

R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER
(803) 737-0600
FAX (803) 737-0639

HUGH K. LEATHERMAN, SR.
CHAIR, SENATE FINANCE
COMMITTEE

DANIEL T. COOPER
CHAIR, HOUSE WAYS AND MEANS
COMMITTEE

ELEANOR KITZMAN
EXECUTIVE DIRECTOR

January 21, 2011

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the response from John de la Howe School to our audit report for the period of July 1, 2008 to June 30, 2010. Also we have followed the School's corrective action during and subsequent to our fieldwork. We are satisfied that John de la Howe School has corrected the problem areas and strengthened the internal controls over the procurement system.

We have already recommended the School's procurement authority be reduced to \$25,000 from the basic level of \$50,000 in all procurement categories. We will perform an audit in a year's time to establish whether the School has successfully implemented the changes to its operating procedures in order to have its authority restored to the basic level authorized in law.

Sincerely,

Robert J. Aycok, IV, Manager
Audit and Certification

RJA/gs

Total Copies Printed	11
Unit Cost	\$.49
Total Cost	<u>\$5.39</u>

EXHIBIT

FEB 8 2011 4

AGENCY: Executive Director

SUBJECT: Revenue Bonds

The required review on the following proposal to issue revenue bonds has been completed with satisfactory results. The project requires approval under State law.

- a. Issuing Authority: Barnwell County
Amount of Issue: \$1,600,000 Taxable Hospital Facilities Revenue Refunding Bonds
(\$1,600,000 refunding involved)
Allocation Needed: -0-
Name of Project: Barnwell County Hospital
Employment Impact: retain current jobs
Project Description: refinance outstanding indebtedness to capture cost savings based
on interest rate reduction
Bond Counsel: Michael E. Kozlarek, Parker Poe Adams & Bernstein LLP

BOARD ACTION REQUESTED:

Adopt a resolution approving the referenced proposal to issue revenue bonds.

ATTACHMENTS:

Resolution; Code Section 1-11-500 et seq.

EXHIBIT

FEB 8 2011

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STATE BUDGET & CONTROL BOARD

**A RESOLUTION OF THE
STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA**

WHEREAS, the County Council of Barnwell County, South Carolina ("County Council"), pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina 1976, as amended ("Act"), previously petitioned the State Budget and Control Board of South Carolina ("State Board") seeking the approval of the State Board for an undertaking by the County Council pursuant to the Act;

WHEREAS, the proposed undertaking consists of Barnwell County, South Carolina ("County"), borrowing, and loaning to the Barnwell County Hospital ("Hospital"), not exceeding \$1,600,000 for the purpose of refinancing outstanding indebtedness of the Hospital ("Undertaking") in the Hospital ("Project") through the issuance and delivery of a Hospital Facilities Revenue Bond pursuant to the authorization of the Act and an ordinance ("Bond Ordinance") adopted by the County Council;

WHEREAS, the Hospital will agree in a Loan Agreement ("Loan Agreement") between the County and the Hospital to pay to the County amounts sufficient to provide for the payment of the Bond and the costs and expenses resulting from the issuance of the Bond;

WHEREAS, pursuant to an Assignment ("Assignment"), the County will assign certain of its rights under the Loan Agreement to the United States of America acting through the United States Department of Agriculture ("Bank"), as purchaser of the Bond;

WHEREAS, to defray the cost of the Project, the County Council proposes to provide for the issuance and delivery of the Bond pursuant to the Act and the Bond Ordinance, payable by the County from the amounts derived from the Loan Agreement;

WHEREAS, the County is informed that the Hospital, because of the nature of the Project, is exempt from securing from the Department of Health and Environmental Control of South Carolina ("DHEC") a certificate of need under Article 3, Chapter 7, Title 44 of the Code of Laws of South Carolina 1976, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA IN MEETING DULY ASSEMBLED:

1. The State Board has found and determined that the Undertaking is intended to promote the purposes of the Act and is reasonably anticipated to effect those purposes.

2. Based on the foregoing, the Undertaking, *i.e.*, the issuance of a not exceeding \$1,600,000 Barnwell County, South Carolina, Hospital Facilities Revenue Bond (Barnwell County Hospital Project), in one or more taxable and tax-exempt series, pursuant to the Bond Ordinance to be payable from the revenues to be derived by the County from the Loan Agreement, to fund the Project, all pursuant to the Act (including changes in any details of the Undertaking and Project as finally consummated that do not materially affect the Undertaking), is approved.

3. Notice of this action taken by the State Board in giving approval to the Undertaking shall be published in a newspaper of general circulation in the County.

4. The Notice shall be in form substantially as set forth as Exhibit A of this Resolution.

EXHIBIT A
NOTICE PURSUANT TO TITLE 44, CHAPTER 7, ARTICLE 11,
CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED

Notice is given that following the filing of a Petition by the County Council of Barnwell County, South Carolina ("County Council"), to the State Budget and Control Board of South Carolina ("State Board"), approval has been given by the State Board to the following undertaking ("Undertaking") (including changes in any details of the Undertaking as finally consummated that do not materially affect the Undertaking), viz.:

The Undertaking is the refinancing of outstanding indebtedness ("Project") of Barnwell County Hospital ("Hospital").

To finance the Undertaking, the County will issue a not exceeding \$1,600,000 Barnwell County, South Carolina, Hospital Facilities Revenue Bond (Barnwell County Hospital Project), in one or more taxable or tax-exempt series ("Bond") pursuant to Title 44, Chapter 7, Article 11, Code of Laws of South Carolina 1976, as amended. The Bond will be payable by Barnwell County, South Carolina ("County"), solely from the amounts to be paid to the County by the Hospital pursuant to a Loan Agreement ("Loan Agreement") between the County and the Hospital. Pursuant to an Assignment, the County will assign substantially all of its rights under the Loan Agreement to the United States Government acting through the United States Department of Agriculture.

The Hospital will irrevocably covenant and agree pursuant to the Loan Agreement to pay when due all sums required to pay the principal of and interest on the Bond out of the Net Revenues Available for Debt Service. The Bond will be issued pursuant to the Act and an Ordinance to be adopted by the County Council.

Pursuant to Section 44-7-1480 of the Act, the County Council has previously found that:

- (a) There is a need for the Project in the area in which it is to be or is presently located; and
- (b) The Hospital will be obligated pursuant to the Loan Agreement to make all payments of principal of and interest on the Bond and to operate, repair and maintain the Project at its own expense; and
- (c) The Hospital has provided for all public facilities and utilities necessary for the operation of the Project.

Notice is further given that any interested party may, within 20 days after the date of publication of this Notice, but not after, challenge the validity of the State Board's action in approving the Undertaking by action *de novo* instituted in the Court of Common Pleas for Barnwell County.

THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

By: Delbert H. Singleton, Jr.
Secretary

Dated: February 8, 2011

ARTICLE 3.

ALLOCATION OF STATE CEILING ON ISSUANCE OF PRIVATE ACTIVITY BONDS

SECTION 1-11-500. Calculation and certification of state ceiling.

The state ceiling on the issuance of private activity bonds as defined in Section 146 of the Internal Revenue Code of 1986 (the Code) established in the act must be certified annually by the Budget and Control Board secretary based upon the provisions of the act. The board secretary shall make this certification as soon as practicable after the estimates of the population of the State of South Carolina to be used in the calculation are published by the United States Bureau of the Census but in no event later than February first of each calendar year.

SECTION 1-11-510. Allocation of bond limit amounts.

- (A) The private activity bond limit for all issuing authorities must be allocated by the board in response to authorized requests as described in Section 1-11-530 by the issuing authorities.
- (B) The aggregate private activity bond limit amount for all South Carolina issuing authorities is allocated initially to the State for further allocation within the limits prescribed herein.
- (C) Except as is provided in Section 1-11-540, all allocations must be made by the board on a first-come, first-served basis, to be determined by the date and time sequence in which complete authorized requests are received by the board secretary.

SECTION 1-11-520. Private activity bond limits and pools.

- (A) The private activity bond limit for all state government issuing authorities now or hereafter authorized to issue private activity bonds as defined in the act, to be known as the "state government pool", is forty percent of the state ceiling less any amount shifted to the local pool as described in subsection (B) of this section or plus any amount shifted from that pool.
- (B) The private activity bond limit for all issuing authorities other than state government agencies, to be known as the "local pool", is sixty percent of the state ceiling plus any amount shifted from the state government pool or less any amount shifted to that pool.
- (C) The board, with review and comment by the Joint Bond Review Committee, may shift unallocated amounts from one pool to the other at any time.

SECTION 1-11-530. Authorized requests for allocation of bond limit amounts.

- (A) For private activity bonds proposed for issue by other than state government issuing authorities, an authorized request is a request included in a petition to the board that a specific amount of the state ceiling be allocated to the bonds for which the petition is filed. The petition must be accompanied by a copy of the Inducement Contract, Inducement Resolution, or other comparable preliminary approval entered into or adopted by the issuing authority, if any, relating to the bonds. The board shall forward promptly to the committee a copy of each petition received.
- (B) For private activity bonds proposed for issue by any state government issuing authority, an authorized request is a request included in a petition to the board that a specific amount of the state ceiling be allocated to the bonds for which the petition is filed. The petition must be accompanied by a bond resolution or comparable action by the issuing authority authorizing the issuance of the bonds. The board shall forward promptly to the committee a copy of each petition received.
- (C) Each authorized request must demonstrate that the allocation amount requested constitutes all of the private activity bond financing contemplated at the time for the project and any other facilities located at or used as a part of an integrated operation with the project.

SECTION 1-11-540. Limitations on allocations.

(A) The board, with review and comment by the committee, may disapprove, reduce, or defer any authorized request. If it becomes necessary to exercise this authority, the board and the committee shall take into account the public interest in promoting economic growth and job creation.

(B) Authorized requests for state ceiling allocations of more than ten million dollars for a single project are deferred until after July first unless the board, after review and comment by the committee, determines in any particular instance that the positive impact upon the State of approving an allocation of an amount greater than ten million dollars is of such significance that approval of the allocation is warranted.

SECTION 1-11-550. Certificates by issuing authority and by board.

(A) An allocation of the state ceiling approved by the board is made formal initially by a certificate which allocates tentatively a specific amount of the state ceiling to the bonds for which the allocation is requested. This tentative allocation certificate must specify the state ceiling amount allocated, the issuing authority and the project involved, and the time period during which the tentative allocation is valid. This certificate must remind the issuing authority that the tentative allocation is made final after the issuing authority chairman or other duly authorized official or agent of the issuing authority, before the issue is made, certifies the issue amount and the projected date of issue, as is required by subsection (B) of this section. It also may include other information considered relevant by the board secretary.

(B) The chairman or other authorized official or agent of an issuing authority issuing any private activity bond for which a portion of the state ceiling has been allocated tentatively shall execute and deliver to the board secretary an issue amount certificate setting forth the exact amount of bonds to be issued and the projected bond issue date which date must not be more than ten business days after the date of the issue amount certificate and it must be before the state ceiling allocation involved expires. The issue amount certificate may be an executed copy of the appropriate completed Internal Revenue Service form to be submitted to the Internal Revenue Service on the issue or it may be in the form of a letter which certifies the exact amount of bonds to be issued and the projected date of the issue.

(C) In response to the issuing authority's issue amount certificate required by subsection (B) of this section, the board secretary is authorized to issue and, as may be necessary, to revise a certificate making final the ceiling allocation approved previously by the board on a tentative basis, if the secretary determines that:

- (1) the issuing authority's issue amount certificate specifies an amount not in excess of the approved tentative ceiling allocation amount;
- (2) the issue amount certificate was received prior to the issue date projected and that the certificate is dated not more than ten days prior to the issue date projected;
- (3) the issue date projected is within the time period approved previously for the tentative ceiling allocation; and
- (4) the bonds when issued and combined with the total amount of bonds requiring a ceiling allocation included in issue amount certificates submitted previously to the board by issuing authorities do not exceed the state ceiling for the calendar year. Except under extraordinary circumstances, the board secretary shall issue this certificate within two business days following the date the issue amount certificate is received.

(D) In accordance with Section 149(e)(2)(F) of the Code, the secretary of the Budget and Control Board is designated as the state official responsible for certifying, if applicable, that certain bonds meet the requirements of Section 146 of the Code relating to the volume cap on private activity bonds.

(E) Any tentative or final state ceiling allocation granted by the board before the effective date of this act remains valid as an allocation of a portion of the volume cap for South Carolina provided under Section 146 of the Code. The allocations expire in accordance with the regulations under which they were granted or extended and their validity may be extended or reinstated in accordance with the provisions of Sections 1-11-500 through 1-11-570.

SECTION 1-11-560. Time limits on allocations.

(A) Any state ceiling allocation approved by the board is valid only for the calendar year in which it is approved, unless eligible and approved for carry-forward election or unless specified differently in the board certificates required by Section 1-11-550.

(B) Unless eligible and approved for carry-forward election or unless specified differently in board certificates required by Section 1-11-550, each state ceiling allocation expires automatically if the bonds for which the allocation is made are not issued within ninety consecutive calendar days from the date the allocation is approved by the board.

(C) In response to a written request by the chairman or other duly authorized official or agent of an issuing authority, the board, acting during the period an approved allocation is valid, may extend the period in which an allocation is valid in a single calendar year by thirty-one consecutive calendar days to a total of not more than one hundred twenty-one consecutive calendar days.

(D) In response to a written request by the chairman or other authorized official or agent of an issuing authority, the board may reinstate for a period of not more than thirty-one consecutive calendar days in any one calendar year part or all of an allocation approved but not extended previously in accordance with subsection (C) of this section in that same calendar year which has expired. The reinstatement request must certify that the authorized request submitted previously is still true and correct or a new authorized request must be submitted.

(E) A tentative ceiling allocation is canceled automatically if the chairman or other authorized official or agent of the issuing authority involved fails to deliver the issue amount certificate required by Section 1-11-550 to the board secretary before the bonds for which the allocation is made are issued.

(F) The chairman or other authorized official or agent of an issuing authority shall advise the board secretary in writing as soon as is practicable after a decision is made not to issue bonds for which a portion of the state ceiling has been allocated. All notices of relinquishment of ceiling allocations must be entered promptly in the board's records by the board secretary.

(G) Ceiling allocations which are eligible and approved for carry-forward election are not subject to the validity limits of this section. The board shall join with the issuing authorities involved in carry-forward election statements to meet the requirements of the Internal Revenue Service.

SECTION 1-11-570. Budget and Control Board to adopt policies and procedures.

The Budget and Control Board, after review and comment by the committee, may adopt the policies and procedures it considers necessary for the equitable and effective administration of Sections 1-11-500 through 1-11-570.

SECTION 1-11-580. Budget and Control Board to make quarterly payments on certain insurance contracts.

The Budget and Control Board shall make quarterly payments on insurance contracts where the annual premium exceeds fifty thousand dollars. The board shall undertake necessary negotiations to implement this requirement. Where fees may be incurred for quarterly rather than annual payments, the Budget and Control Board shall determine whether the investment income opportunity is greater or less than proposed fees and shall make the decision which best benefits South Carolina.

EXHIBIT

FEB 8 2011

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STATE BUDGET & CONTROL BOARD

AGENCY: Executive Director

SUBJECT: Economic Development (2011 Ceiling Allocations)

The initial balance of the 2011 state ceiling allocation is \$439,409,580. In accord with Code Section 1-11-520, \$175,763,832 (40% of the total) was designated as the state pool and \$263,645,748 (60% of the total) was designated as the local pool. There is presently a state ceiling balance of \$439,409,580 remaining for 2011. Allocation requests for 2011 totaling \$2,607,000 have been received thus far.

Relating to requests for calendar year 2011 ceiling allocations, the Board is asked to authorize shifts as necessary between the state pool and the local pool for the remainder of the calendar year.

The recommendation from the Department of Commerce for allocations for this cycle total \$2,607,000. The Department of Commerce makes the following recommendation for allocation from the local pool:

Marion County Supremes, LLC, \$2,607,000.

If the Board approves the recommended request, this will leave an unexpended state ceiling balance of \$436,802,580 (state pool - \$175,763,832; local pool - \$261,038,748) to be allocated later in the calendar year.

EXHIBIT

FEB 8 2011 6

STATE BUDGET & CONTROL BOARD

BOARD ACTION REQUESTED:

In accord with Code Section 1-11-500 et seq. and upon the recommendation of the Department of Commerce, grant the following tentative ceiling allocations from the local pool and defer all remaining ceiling allocation requests:

Marion County Supremes, LLC, \$2,607,000; and

Authorize shifts as necessary between the state pool and the local pool for the remainder of the calendar year.

ATTACHMENTS:

2011 Ceiling Allocation Requests; Young 02/02/11 memo; Code Section 1-11-500 et seq.

2011 South Carolina State Ceiling

Balance remaining as of February 8, 2011, if allocation request

State Pool (40%) 175,763,832
 Total State Pool (40%) 175,763,832

Local Pool (60%) 263,645,748
 Total Local Pool (60%) 263,645,748
Certified State Ceiling 2011 439,409,580

<u>Date Allocated</u>	<u>Governmental Unit</u>	<u>Name of Project</u>	<u>Pool Total</u>	<u>Amount Allocated</u>	<u>Balance Available</u>	<u>Certified for Issue</u>	<u>Issue Date</u>	<u>Attorney</u>
01/04/11	STATE POOL		175,763,832					
TOTAL, STATE POOL			<u>175,763,832</u>	<u>0</u>	<u>175,763,832</u>	<u>0</u>		
01/04/11	LOCAL POOL		263,645,748					
02/08/11	Marion County	Supremes, LLC		2,607,000				
TOTAL, LOCAL POOL			<u>263,645,748</u>	<u>2,607,000</u>	<u>261,038,748</u>	<u>0</u>		
GRAND TOTAL			<u>439,409,580</u>	<u>2,607,000</u>	<u>436,802,580</u>	<u>0</u>		

2011 South Carolina State Ceiling Allocations

Summary, CY 2011
 2011 State Ceiling
 Initial Allocations
 Expired/Relinquished
 Actual Allocations
 Certified for Issue
 Carried Forward

439,409,580
 2,607,000
 0
 2,607,000
 0
 0

Balance Available: 436,802,580

Issuer	Name of Project	Allocation Amount	Expired/ Relinquished	Certified for Issue	Issue Date	Attorney
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Allocation: 2/8/11 Expiration: 5/9/11
 Marion County Supremes, LLC

2,607,000

Zeigler



Nikki R. Haley
Governor

SOUTH CAROLINA
DEPARTMENT OF COMMERCE

Robert M. Hitt, III
Secretary

MEMORANDUM

To: Delbert Singleton

From: Daniel Young

Date: February 2, 2011

Re: February 8, 2011, meeting – Small Issue Recommendation

Upon the request of the Budget & Control Board, the South Carolina Department of Commerce evaluates allocation requests that pertain to economic development.

After review of those seeking allocation at this time, Commerce strongly recommends approval of a County Industrial Revenue Bond for the following project at the February 8th Budget & Control Board meeting:

Name	Amount	Score	County
Supremes, LLC	2,607,000	4	Marion
Total	\$2,607,000		

Please let me know if you have any questions.

Thank you.

EXHIBIT

FEB 8 2011 6

STATE BUDGET & CONTROL BOARD

ARTICLE 3.

ALLOCATION OF STATE CEILING ON ISSUANCE OF PRIVATE ACTIVITY BONDS

SECTION 1-11-500. Calculation and certification of state ceiling.

The state ceiling on the issuance of private activity bonds as defined in Section 146 of the Internal Revenue Code of 1986 (the Code) established in the act must be certified annually by the Budget and Control Board secretary based upon the provisions of the act. The board secretary shall make this certification as soon as practicable after the estimates of the population of the State of South Carolina to be used in the calculation are published by the United States Bureau of the Census but in no event later than February first of each calendar year.

SECTION 1-11-510. Allocation of bond limit amounts.

(A) The private activity bond limit for all issuing authorities must be allocated by the board in response to authorized requests as described in Section 1-11-530 by the issuing authorities.

(B) The aggregate private activity bond limit amount for all South Carolina issuing authorities is allocated initially to the State for further allocation within the limits prescribed herein.

(C) Except as is provided in Section 1-11-540, all allocations must be made by the board on a first-come, first-served basis, to be determined by the date and time sequence in which complete authorized requests are received by the board secretary.

SECTION 1-11-520. Private activity bond limits and pools.

(A) The private activity bond limit for all state government issuing authorities now or hereafter authorized to issue private activity bonds as defined in the act, to be known as the "state government pool", is forty percent of the state ceiling less any amount shifted to the local pool as described in subsection (B) of this section or plus any amount shifted from that pool.

(B) The private activity bond limit for all issuing authorities other than state government agencies, to be known as the "local pool", is sixty percent of the state ceiling plus any amount shifted from the state government pool or less any amount shifted to that pool.

(C) The board, with review and comment by the Joint Bond Review Committee, may shift unallocated amounts from one pool to the other at any time.

SECTION 1-11-530. Authorized requests for allocation of bond limit amounts.

(A) For private activity bonds proposed for issue by other than state government issuing authorities, an authorized request is a request included in a petition to the board that a specific amount of the state ceiling be allocated to the bonds for which the petition is filed. The petition must be accompanied by a copy of the Inducement Contract, Inducement Resolution, or other comparable preliminary approval entered into or adopted by the issuing authority, if any, relating to the bonds. The board shall forward promptly to the committee a copy of each petition received.

(B) For private activity bonds proposed for issue by any state government issuing authority, an authorized request is a request included in a petition to the board that a specific amount of the state ceiling be allocated to the bonds for which the petition is filed. The petition must be accompanied by a bond resolution or comparable action by the issuing authority authorizing the issuance of the bonds. The board shall forward promptly to the committee a copy of each petition received.

(C) Each authorized request must demonstrate that the allocation amount requested constitutes all of the private activity bond financing contemplated at the time for the project and any other facilities located at or used as a part of an integrated operation with the project.

SECTION 1-11-540. Limitations on allocations.

(A) The board, with review and comment by the committee, may disapprove, reduce, or defer any authorized request. If it becomes necessary to exercise this authority, the board and the committee shall take into account the public interest in promoting economic growth and job creation.

(B) Authorized requests for state ceiling allocations of more than ten million dollars for a single project are deferred until after July first unless the board, after review and comment by the committee, determines in any particular instance that the positive impact upon the State of approving an allocation of an amount greater than ten million dollars is of such significance that approval of the allocation is warranted.

SECTION 1-11-550. Certificates by issuing authority and by board.

(A) An allocation of the state ceiling approved by the board is made formal initially by a certificate which allocates tentatively a specific amount of the state ceiling to the bonds for which the allocation is requested. This tentative allocation certificate must specify the state ceiling amount allocated, the issuing authority and the project involved, and the time period during which the tentative allocation is valid. This certificate must remind the issuing authority that the tentative allocation is made final after the issuing authority chairman or other duly authorized official or agent of the issuing authority, before the issue is made, certifies the issue amount and the projected date of issue, as is required by subsection (B) of this section. It also may include other information considered relevant by the board secretary.

(B) The chairman or other authorized official or agent of an issuing authority issuing any private activity bond for which a portion of the state ceiling has been allocated tentatively shall execute and deliver to the board secretary an issue amount certificate setting forth the exact amount of bonds to be issued and the projected bond issue date which date must not be more than ten business days after the date of the issue amount certificate and it must be before the state ceiling allocation involved expires. The issue amount certificate may be an executed copy of the appropriate completed Internal Revenue Service form to be submitted to the Internal Revenue Service on the issue or it may be in the form of a letter which certifies the exact amount of bonds to be issued and the projected date of the issue.

(C) In response to the issuing authority's issue amount certificate required by subsection (B) of this section, the board secretary is authorized to issue and, as may be necessary, to revise a certificate making final the ceiling allocation approved previously by the board on a tentative basis, if the secretary determines that:

- (1) the issuing authority's issue amount certificate specifies an amount not in excess of the approved tentative ceiling allocation amount;
- (2) the issue amount certificate was received prior to the issue date projected and that the certificate is dated not more than ten days prior to the issue date projected;
- (3) the issue date projected is within the time period approved previously for the tentative ceiling allocation; and
- (4) the bonds when issued and combined with the total amount of bonds requiring a ceiling allocation included in issue amount certificates submitted previously to the board by issuing authorities do not exceed the state ceiling for the calendar year. Except under extraordinary circumstances, the board secretary shall issue this certificate within two business days following the date the issue amount certificate is received.

(D) In accordance with Section 149(e)(2)(F) of the Code, the secretary of the Budget and Control Board is designated as the state official responsible for certifying, if applicable, that certain bonds meet the requirements of Section 146 of the Code relating to the volume cap on private activity bonds.

(E) Any tentative or final state ceiling allocation granted by the board before the effective date of this act remains valid as an allocation of a portion of the volume cap for South Carolina provided under Section 146 of the Code. The allocations expire in accordance with the regulations under which they were granted or extended and their validity may be extended or reinstated in accordance with the provisions of Sections 1-11-500 through 1-11-570.

EXHIBIT

FEB 8 2011

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STATE BUDGET & CONTROL BOARD

SECTION 1-11-560. Time limits on allocations.

(A) Any state ceiling allocation approved by the board is valid only for the calendar year in which it is approved, unless eligible and approved for carry-forward election or unless specified differently in the board certificates required by Section 1-11-550.

(B) Unless eligible and approved for carry-forward election or unless specified differently in board certificates required by Section 1-11-550, each state ceiling allocation expires automatically if the bonds for which the allocation is made are not issued within ninety consecutive calendar days from the date the allocation is approved by the board.

(C) In response to a written request by the chairman or other duly authorized official or agent of an issuing authority, the board, acting during the period an approved allocation is valid, may extend the period in which an allocation is valid in a single calendar year by thirty-one consecutive calendar days to a total of not more than one hundred twenty-one consecutive calendar days.

(D) In response to a written request by the chairman or other authorized official or agent of an issuing authority, the board may reinstate for a period of not more than thirty-one consecutive calendar days in any one calendar year part or all of an allocation approved but not extended previously in accordance with subsection (C) of this section in that same calendar year which has expired. The reinstatement request must certify that the authorized request submitted previously is still true and correct or a new authorized request must be submitted.

(E) A tentative ceiling allocation is canceled automatically if the chairman or other authorized official or agent of the issuing authority involved fails to deliver the issue amount certificate required by Section 1-11-550 to the board secretary before the bonds for which the allocation is made are issued.

(F) The chairman or other authorized official or agent of an issuing authority shall advise the board secretary in writing as soon as is practicable after a decision is made not to issue bonds for which a portion of the state ceiling has been allocated. All notices of relinquishment of ceiling allocations must be entered promptly in the board's records by the board secretary.

(G) Ceiling allocations which are eligible and approved for carry-forward election are not subject to the validity limits of this section. The board shall join with the issuing authorities involved in carry-forward election statements to meet the requirements of the Internal Revenue Service.

SECTION 1-11-570. Budget and Control Board to adopt policies and procedures.

The Budget and Control Board, after review and comment by the committee, may adopt the policies and procedures it considers necessary for the equitable and effective administration of Sections 1-11-500 through 1-11-570.

SECTION 1-11-580. Budget and Control Board to make quarterly payments on certain insurance contracts.

The Budget and Control Board shall make quarterly payments on insurance contracts where the annual premium exceeds fifty thousand dollars. The board shall undertake necessary negotiations to implement this requirement. Where fees may be incurred for quarterly rather than annual payments, the Budget and Control Board shall determine whether the investment income opportunity is greater or less than proposed fees and shall make the decision which best benefits South Carolina.

EXHIBIT

FEB 8 2011 6

STATE BUDGET & CONTROL BOARD

AGENCY: Office of State Budget

SUBJECT: Notification of Agency Deficit – Department of Corrections

At the December 14, 2010 Budget and Control Board meeting the Board carried over consideration of the Department of Correction's request for recognition of a FY 2010-11 operating deficit and directed that the item be placed on the agenda for the next Board meeting. The Department of Corrections (SCDC) has notified the Office of State Budget that it is projecting a FY 2010-11 operating deficit of \$7,524,876. For each of the past three years the State Budget and Control Board has recognized a General Fund Deficit for the Department of Corrections. For FY 2007-08, FY 2008-09 and FY 2009-10 the approved deficits were \$3.9 million, \$45.5 million and \$28.8 million respectively. The actual deficit for FY 2009-10 was \$27.1 million. As a part of the deficit recognition for FY 2007-08, the Board required the Department to report monthly on every major expenditure category as compared to their budget. SCDC has submitted those reports which have been forwarded to each Board member.

For the current year the Department projects expenditures will total \$402.5 million after having implemented a mandatory five-day furlough for all agency staff including correctional officers. The five-day furlough is estimated to save the agency \$3.8 million for the fiscal year. This expenditure projection for the fiscal year represents an overall increase of \$2.5 million as compared to FY 2009-10 overall expenditures of \$397.8 million excluding \$2.2 million allocated to the Department for the employer's share of the cost associated with the scheduled January 1, 2011 increase in the State Health Plan premium. Factors contributing to the projected increase in expenditures include an increase in the Department's unemployment compensation premium, increased energy cost and increased repair and maintenance costs for equipment. Other funds revenue is expected to stabilize as compared to the previous fiscal year after having declined in FY 2009-10 by \$4.4 million as compared to FY 2008-09. The average daily inmate population for FY 2009-10 was 24,400. As of January 15, 2011 the inmate population stood at 22,986.

For the current fiscal year recurring state funds including State Health Plan allocations total \$296.4 million. Non-recurring ARRA and Proviso 90.16 (Increased Enforcement Collections) funds total \$49 million. Therefore, FY 2010-11 state general fund, ARRA and non-recurring funds for the Department total \$345.4 million. For FY 2009-10 total expenditures from state appropriated sources (including ARRA funds) totaled \$350 million. The Department has also requested permission to retain unobligated state matching funds payable to the Department of Health and Human Services (DHHS) under Proviso 90.21 which is estimated at \$128,000. Therefore, the deficit can be estimated at \$7,396,876 if the agency is allowed to retain Proviso 90.21 funds. The Department's deficit projection could be reduced further if additional furlough days were mandated and/or if a portion of the agency's cash balances brought forward from last fiscal year were dedicated to reducing the shortfall. Each one-day agency-wide furlough is estimated to save \$760,000.

EXHIBIT

FEB 8 2011 7

STATE BUDGET & CONTROL BOARD

AGENCY: Office of State Budget

SUBJECT: Notification of Agency Deficit – Department of Corrections

BOARD ACTION REQUESTED:

Pursuant to Section 1-11-495 of the S.C. Code of Laws, determine that the operating deficit incurred by the Department of Corrections is unavoidable and recognize the operating deficit not to exceed \$7,396,876 including allowing the agency to retain unobligated State match funds under Proviso 90.21. Notify the presiding officers of the House and Senate. Direct the Office of State Budget to continue working with the Department to reduce the deficit. Recognition of an agency deficit requires a vote by at least four members of the Board per Section 1-11-495 (B).

ATTACHMENTS:

Agenda item worksheet; Letter from Jon Ozmint, Director, Department of Corrections dated December 7, 2010; S.C. Department of Corrections Expenditure and Revenue Projections for FY 2010-11; Section 1-11-495 of the S.C. Code of Laws; Proviso 89.130 of the FY 2010-11; Appropriation Act

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

2011-06

For Meeting Scheduled for: February 8, 2011

Regular Agenda

1. Submitted By:

(a) Agency: Office of State Budget

(b) Authorized Official Signature: 

2. Subject:

Notification of Agency Deficit – Department of Corrections

3. Summary:

At the December 14, 2010 Budget and Control Board meeting the Board carried over consideration of the Department of Correction's request for recognition of a FY 2010-11 operating deficit and directed that the item be placed on the agenda for the next Board meeting. The Department of Corrections (SCDC) has notified the Office of State Budget that it is projecting a FY 2010-11 operating deficit of \$7,524,876. For each of the past three years the State Budget and Control Board has recognized a General Fund Deficit for the Department of Corrections. For FY 2007-08, FY 2008-09 and FY 2009-10 the approved deficits were \$3.9 million, \$45.5 million and \$28.8 million respectively. The actual deficit for FY 2009-10 was \$27.1 million. As a part of the deficit recognition for FY 2007-08, the Board required the Department to report monthly on every major expenditure category as compared to their budget. SCDC has submitted those reports which have been forwarded to each Board member.

For the current year the Department projects expenditures will total \$402.5 million after having implemented a mandatory five-day furlough for all agency staff including correctional officers. The five-day furlough is estimated to save the agency \$3.8 million for the fiscal year. This expenditure projection for the fiscal year represents an overall increase of \$2.5 million as compared to FY 2009-10 overall expenditures of \$397.8 million excluding \$2.2 million allocated to the Department for the employer's share of the cost associated with the scheduled January 1, 2011 increase in the State Health Plan premium. Factors contributing to the projected increase in expenditures include an increase in the Department's unemployment compensation premium, increased energy cost and increased repair and maintenance costs for equipment. Other funds revenue is expected to stabilize as compared to the previous fiscal year after having declined in FY 2009-10 by \$4.4 million as compared to FY 2008-09. The average daily inmate population for FY 2009-10 was 24,400. As of January 15, 2011 the inmate population stood at 22,986.

For the current fiscal year recurring state funds including State Health Plan allocations total \$296.4 million. Non-recurring ARRA and Proviso 90.16 (Increased Enforcement Collections) funds total \$49 million. Therefore, FY 2010-11 state general fund, ARRA and non-recurring funds for the Department total \$345.4 million. For FY 2009-10 total expenditures from state appropriated sources (including ARRA funds) totaled \$350 million. The Department has also requested permission to retain unobligated state matching funds payable to the Department of Health and Human Services (DHHS) under Proviso 90.21 which is estimated at \$128,000. Therefore, the deficit can be estimated at \$7,396,876 if the

agency is allowed to retain Proviso 90.21 funds. The Department's deficit projection could be reduced further if additional furlough days were mandated and/or if a portion of the agency's cash balances brought forward from last fiscal year were dedicated to reducing the shortfall. Each one-day agency-wide furlough is estimated to save \$760,000.

4. What is Board asked to do?

Pursuant to Section 1-11-495 of the S.C. Code of Laws, determine that the operating deficit incurred by the Department of Corrections is unavoidable and recognize the operating deficit not to exceed \$7,396,876 including allowing the agency to retain unobligated State match funds under Proviso 90.21. Notify the presiding officers of the House and Senate. Direct the Office of State Budget to continue working with the Department to reduce the deficit. Recognition of an agency deficit requires a vote by at least four members of the Board per Section 1-11-495 (B).

5. What is recommendation of Board Office involved?

The Office of State Budget recommends:

- A. The Board find that the operating deficit is unavoidable and due to factors which are wholly outside the control of the agency.
 - B. Recognize the operating deficit not to exceed the amount of \$7,396,876.
 - C. Notify the presiding officers of the House and Senate.
 - D. Direct the Office of State Budget to continue working with the Department to reduce the deficit.
-

6. Recommendation of other office (as required)?

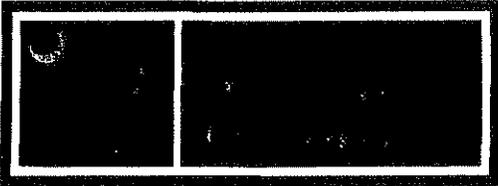
Authorized Signature: _____
Office Name: _____

Supporting Documents:

List those attached:

- Letter from Jon Ozmint, Director, Department of Corrections dated December 7, 2010
- S.C. Department of Corrections Expenditure and Revenue Projections for FY 2010-11
- Section 1-11-495 of the S.C. Code of Laws
- Proviso 89.130 of the FY 2010-11 Appropriation Act

List those not attached but available:



MARK SANFORD, Governor
JON OZMINT, Director

December 7, 2010

AGENCY MAIL SERVICES

Mr. Frank W. Fusco, Executive Director
South Carolina Budget & Control Board
6th Floor, Wade Hampton Building
Columbia, SC 29201

Dear Mr. Fusco:

Per Proviso 89.130 (Deficit Monitoring), the South Carolina Department of Corrections (SCDC) is officially requesting permission to run a deficit again in FY11-12 in the amount of \$7,524,876.

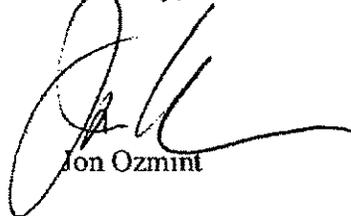
The Agency has reviewed all operations to determine where spending cuts can be made and implemented those options during this timeframe. Again this year, all employees of SCDC are required to take a five-day mandatory furlough. This represents a 2% pay cut to a group of State employees, many of whom work in potentially the most dangerous positions in the state.

While the agency will continue to monitor spending, there is no way for the agency to meet constitutional standards and operate safely without running a deficit.

Ms. Marsha Kjoller, Director, Office of Budget and Resource Management, continues to meet with Harry Bell, Office of State Budget, on a regular basis to review our financial performance and review what we project to spend for the year. She will continue these meetings as long as this Agency is forced to operate at a deficit.

Your consideration of our request is greatly appreciated. Should you have any questions, please feel free to contact Ms. Kjoller at 896-1744.

Sincerely,



Jon Ozmint

JO:mlk

Department of Corrections

FY 2010-11

Excluding Non A.R.R.A. Federal Funds & Permanent Improvements

FY 2010-11 Funding

Original General Funds Appropriation Per Act (Including Sustained Veto)	\$294,219,632
A.R.R.A. Budget Stabilization Funding	\$40,428,000
Proviso 90.16 - Increased Enforcement Collections	\$8,571,992
State Health Plan Allocation	<u>\$2,174,100</u>
Adjusted State General, A.R.R.A and Proviso 90.16 Funds	\$345,393,724
Other Funds - SCDC Revenue Estimate	<u>\$49,599,900</u>
Total Available Funds	\$394,993,624

FY 2009-10 Actual Expenditures	\$397,834,808
FY 2010-11 Projected Expenditures	<u>\$402,518,500</u>
Projected Increase in Expenditures	\$4,683,692

Projected Deficit	(\$7,524,876)
--------------------------	----------------------

EXHIBIT

FEB 8 2011 7

STATE BUDGET & CONTROL BOARD

Department of Correction's FY 2010-11 Expenditure Projections

November 2010

(Excluding Non A.R.R.A Federal and Permanent Improvements)

Object Code	Expenditure Item	Actual Expenditures FY 2009-10	SCDC FY 2010-11 Projection	Difference FY 10 Actual vs FY 11 Proj
1	50133 Commissioner	140,850 *	141,000 *	150
2	50158 Classified Positions	182,254,476	182,500,000	245,524
3	50160 Unclassified Positions	3,307,272	3,310,000	2,728
6	50170 Other Personal Service	<u>13,672,213</u>	<u>13,667,000</u>	<u>(5,213)</u>
7	Personal Service	199,374,811	199,618,000	243,189
8				
9	5130400000 Workers Compensation	11,225,094	11,000,000	(225,094)
10	5130500000 Unemployment Compensation	860,163	1,205,100	344,937
11	5130610000 Health Insurance	21,119,395	24,000,000	2,880,605
12	All Other Fringe	<u>44,224,299</u>	<u>44,400,000</u>	<u>175,701</u>
13	51300 Fringe Benefits	77,428,951	80,605,100	3,176,149
14				
15	Total PS & Fringe Benefits	276,803,762	280,223,100	3,419,338
16				
17	5021310000 Medical & Health Services	3,754,634	3,750,000	(4,634)
18	5032410000 Medical, Scientific & Lab Support	14,179,040	14,200,000	20,960
19	5111010000 Medical Services - Individuals	7,481,728	7,500,000	18,272
20	5111020000 Medical Services - Institutional	<u>12,639,399</u>	<u>12,700,000</u>	<u>60,601</u>
21	Medical	38,054,801	38,150,000	95,199
22				
23	5150020000 Natural Gas	3,782,381	3,950,000	167,619
24	5150030000 Electricity	9,493,878	9,500,000	6,122
25	5033180000 Fuel, Oil & Kerosene	454,211	475,000	20,789
26	5033190000 Propane. Etc.	<u>2,211,005</u>	<u>2,275,000</u>	<u>63,995</u>
27	Lights, Power & Heat	15,941,475	16,200,000	258,525
28				
29	5150010000 Utilities	7,196,210	7,200,000	3,790
30				
31	503150000 Gasoline	1,638,024	1,650,000	11,976
32				
33	5033010000 Food Supplies	13,185,349	13,200,000	14,651
34				
35	5031010000 Household Laundry	2,266,168	2,300,000	33,832
36				
37	5020070000 Data Processing	2,384,103	2,000,000	(384,103)
38				
39	5031030000 Maintenance Supplies	3,635,716	3,400,000	(235,716)
40				
41	5033050000 Clothing Supplies	1,752,455	1,900,000	147,545
42				
43	5040510000 Insurance State	1,811,175	1,800,000	(11,175)
44				
45	5033150000 Purchase for Resale	10,227,150	10,550,000	322,850
46	5033160000 Purchase for Resale	<u>3,991,608</u>	<u>3,750,000</u>	<u>(241,608)</u>
47	Subtotal - Purchase for Resale	14,218,758	14,300,000	81,242
48				
45	Subtotal - Major Other Operating	102,084,234	102,100,000	15,766
46				
47	Subtotal - Personal Serv. & Major Other Operating	378,887,996	382,323,100	3,435,104
48				
49	Various All Other Object Codes	18,946,612	20,195,400	1,248,788
50				
51	Total	<u>397,834,608</u>	<u>402,518,500</u>	<u>4,683,892</u>

* Note: Reflects impact of furlough days on the Director's Salary. Annual approved unadjusted salary is \$144,746.

**SOUTH CAROLINA DEPARTMENT OF CORRECTIONS
STATEMENT OF REVENUE Estimate FY 2010-11**

SUBFUND	FY 10-11	FY 09-10	FY 10-11	Projected Variance
	Beginning Cash Balance	Actual Revenue	Estimated Revenue	
3626	18,176	378,106	340,000	(38,106)
3472	4,665	33,508	33,500	(8)
3197	142,982	84,689	85,000	311
3872	0	173,000	175,000	2,000
3405	475,336	19,324,999	19,300,000	(24,999)
3408	3,200,517	16,644,230	16,600,000	(44,230)
3468	14,582	2,990,979	2,900,000	(90,979)
3948	153,644	1,340,707	0	(1,340,707)
3975	209,163	578,432	1,770,000	1,191,568
3958	5,780	1,341	1,300	(41)
3149	753,620	198,214	200,000	1,786
3959	325,692	5,041,153	4,945,100	(96,053)
3987	12,165	105,000	125,000	20,000
4391	223	327,055	0	(327,055)
4973	246,934	482,944	425,000	(57,944)
3541	1,455,873	2,759,523	2,700,000	(59,523)
3262	<u>99,306</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	\$ 7,118,658	\$ 50,463,880	\$ 49,599,900	\$ (863,980)

Notes - Subfund revenue dedicated to specified purposes

- 1 Restricted to victim notification and a portion used to match federal grant (SAVIN)
- 2 Proviso 51.13 (Sale of Real Property) "funds retained by Department to offset renovation and maintenance capital expenditures"
- 3 Obligated to building construction
- 4 Funds to be used for planting summer crops, feed supplements, and dairy expansion.
- 5 Restricted to Education Programs

Actual Revenue for FY 2008-09 was \$54.8 Million

South Carolina Code of Laws - Section 1-11-495 – As Amended

(A) The State Budget and Control Board is directed to survey the progress of the collection of revenue and the expenditure of funds by all agencies, departments, and institutions. If the board determines that a year-end aggregate deficit may occur by virtue of a projected shortfall in anticipated revenues, it shall utilize those funds as may be available and required to be used to avoid a year-end deficit and after that take action as necessary to restrict the rate of expenditure of all agencies, departments, and institutions consistent with the provisions of this section. No agencies, departments, institutions, activity, program, item, special appropriation, or allocation for which the General Assembly has provided funding in any part of this section may be discontinued, deleted, or deferred by the board. A reduction of rate of expenditure by the board, under authority of this section, must be applied as uniformly as may be practicable, except that no reduction must be applied to funds encumbered by a written contract with the agency, department, or institution not connected with state government. This reduction is subject to any bill or resolution enacted by the General Assembly.

(B) As far as practicable, all agencies, departments, and institutions of the State are directed to budget and allocate appropriations as a quarterly allocation, so as to provide for operation on uniform standards throughout the fiscal year and in order to avoid an operating deficit for the fiscal year. It is recognized that academic year calendars of state institutions affect the uniformity of the receipt and distribution of funds during the year. The Comptroller General or the Office of State Budget shall make reports to the board as they consider advisable on an agency, department, or institution that is expending authorized appropriations at a rate which predicts or projects a general fund deficit for the agency, department, or institution. The board is directed to require the agency, department, or institution to file a quarterly allocations plan and is further authorized to restrict the rate of expenditures of the agency, department, or institution if the board determines that a deficit may occur. It is the responsibility of the agency, department, or institution to develop a plan, in consultation with the board, which eliminates or reduces a deficit. If the board makes a finding that the cause of, or likelihood of, a deficit is unavoidable due to factors which are outside the control of the agency, department, or institution, then the board may determine that the recognition of the agency, department, or institution is appropriate and shall notify the General Assembly of this action or the presiding officer of the House and Senate if the General Assembly is not in session. The board only may recognize a deficit by a vote of at least four members of the board."

(C) Upon receipt of the notification from the board, the General Assembly may authorize supplemental appropriations from any surplus revenues that existed at the close of the previous fiscal year. If the General Assembly fails to take action, then the finding of the board shall stand, and the actual deficit at the close of the fiscal year must be reduced as necessary from surplus revenues or surplus funds available at the close of the fiscal year in which the deficit occurs and from funds available in the Capital Reserve Fund and General Reserve Fund, as required by the Constitution of this State. If the board finds that the cause of or likelihood of a deficit is the result of the agency, department, or institution management, then the state officials responsible for management of the agency, department, or institution involved must be held liable for it and the board shall notify the Agency Head Salary Commission of this finding. In the case of a finding that a projected deficit is the result of the management of the agency, department, or institution, the board shall take steps immediately to curtail agency, department, or institution expenditures so as to bring expenditures in line with authorized appropriations and avoid a year-end operating deficit.

EXHIBIT

FEB 8 2011

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STATE BUDGET & CONTROL BOARD

FY 2010-11 APPROPRIATION ACT

89.130. (GP: Deficit Monitoring) If at the end of each quarterly deficit monitoring review by the Office of State Budget, it is determined by either the Office of State Budget or an agency that the likelihood of a deficit for the current fiscal year exists, the agency shall submit to the Office of State Budget within fourteen days, a plan to minimize or eliminate the projected deficit. After submission of the plan, if it is determined that the deficit cannot be eliminated by the agency on its own, the agency is required to officially notify the State Budget and Control Board within thirty days of such determination that the agency is requesting that a deficit be recognized. Once a deficit has been recognized by the State Budget and Control Board, the agency shall limit travel and conference attendance to the minimum required to perform the core mission of the agency. In addition, the board when recognizing a deficit may direct that any pay increases and purchases of equipment and vehicles shall be approved by the Office of State Budget.

EXHIBIT

FEB 8 2011

7

STATE BUDGET & CONTROL BOARD

AGENCY: Office of State Budget

SUBJECT: Notification of Agency Deficit – Department of Health and Human Services

At the December 14, 2010 Budget and Control Board meeting the Board carried over consideration of the Department of Health and Human Services request for recognition of a FY 2010-11 operating deficit and directed that the item be placed on the agenda for the next Board meeting. The Department of Health and Human Services has notified the Office of State Budget of a projected deficit within the State's Medicaid program estimated at approximately \$228 million. The Department indicates that since December 2007 more than 100,000 individuals have enrolled in the Medicaid program after having experienced a decline in enrollment for the three year period prior to that time. There are currently over 800,000 South Carolinians enrolled in the Medicaid program with the fastest growing category of adult enrollment occurring among low income families which is primarily due to the recent economic downturn. Forty-three percent of the state's children are on Medicaid. The Department indicates federal prohibitions against altering eligibility policies and procedures restrict its ability to affect enrollment growth. In addition, state legislative restrictions have hampered the agency's ability to make reductions in expenditures not tied to federal mandates.

Enrollment and expenditure trends indicate overall Medicaid expenditures will increase by 10% as compared to last fiscal year. As a result the Department currently projects overall state match needs from all sources of eligible funds at \$1.432 billion. However, available state matching funds are estimated at \$1.205 billion including \$127 million associated with the federal government's extension of the enhanced Federal Medicaid Assistance Percentage (FMAP) rate for the last two quarters of the state fiscal year. Therefore the Department currently projects the shortfall at approximately \$228 million. The Department has initiated several measures prior to this fiscal year which the agency estimates has reduced overall state matching needs in the current year by \$22.9 million.

EXHIBIT

FEB 8 2011

8

BOARD ACTION REQUESTED:

STATE BUDGET & CONTROL BOARD

Pursuant to Section 1-11-495 of the S.C. Code of Laws, determine that the operating deficit incurred by the State's Medicaid program is unavoidable and recognize the operating deficit not to exceed \$227,786,198. Notify the presiding officers of the House and Senate. Direct the Office of State Budget to continue working with the Department to reduce the deficit. Recognition of an agency deficit requires a vote by at least four members of the Board per Section 1-11-495 (B).

ATTACHMENTS:

Agenda item worksheet; Letter from Emma Forkner, Director, Department of Health and Human Services dated November 3, 2010; Department of Health and Human Services Notification of Projected Deficit and Deficit Reduction Plan; Section 1-11-495 of the S.C. Code of Laws; Proviso 89.130 of the FY 2010-2011 Appropriation Act

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

2011-05

For Meeting Scheduled for: February 8, 2011

Regular Agenda

1. Submitted By:

(a) Agency: Office of State Budget

(b) Authorized Official Signature: 

2. Subject:

Notification of Agency Deficit – Department of Health and Human Services

3. Summary:

At the December 14, 2010 Budget and Control Board meeting the Board carried over consideration of the Department of Health and Human Services request for recognition of a FY 2010-11 operating deficit and directed that the item be placed on the agenda for the next Board meeting. The Department of Health and Human Services has notified the Office of State Budget of a projected deficit within the State's Medicaid program estimated at approximately \$228 million. The Department indicates that since December 2007 more than 100,000 individuals have enrolled in the Medicaid program after having experienced a decline in enrollment for the three year period prior to that time. There are currently over 800,000 South Carolinians enrolled in the Medicaid program with the fastest growing category of adult enrollment occurring among low income families which is primarily due to the recent economic downturn. Forty-three percent of the state's children are on Medicaid. The Department indicates federal prohibitions against altering eligibility policies and procedures restrict its ability to affect enrollment growth. In addition, state legislative restrictions have hampered the agency's ability to make reductions in expenditures not tied to federal mandates.

Enrollment and expenditure trends indicate overall Medicaid expenditures will increase by 10% as compared to last fiscal year. As a result the Department currently projects overall state match needs from all sources of eligible funds at \$1.432 billion. However, available state matching funds are estimated at \$1.205 billion including \$127 million associated with the federal government's extension of the enhanced Federal Medicaid Assistance Percentage (FMAP) rate for the last two quarters of the state fiscal year. Therefore the Department currently projects the shortfall at approximately \$228 million. The Department has initiated several measures prior to this fiscal year which the agency estimates has reduced overall state matching needs in the current year by \$22.9 million.

4. What is Board asked to do?

Pursuant to Section 1-11-495 of the S.C. Code of Laws, determine that the operating deficit incurred by the State's Medicaid program is unavoidable and recognize the operating deficit not to exceed \$227,786,198. Notify the presiding officers of the House and Senate. Direct the Office of State Budget to continue working with the Department to reduce the deficit. Recognition of an agency deficit requires a vote by at least four members of the Board per Section 1-11-495 (B).

5. What is recommendation of Board Office involved?

The Office of State Budget recommends that pursuant to Section 1-11-495 of the S.C. Code of Laws:

- A. The Board find that the operating deficit is unavoidable and due to factors which are wholly outside the control of the agency.
 - B. Recognize the operating deficit not to exceed the amount of \$227,786,198.
 - C. Notify the presiding officers of the House and Senate.
 - D. Direct the Office of State Budget to continue working with the Department to reduce the deficit.
-

6. Recommendation of other office (as required)?

Authorized Signature: _____

Office Name: _____

Supporting Documents:

List those attached:

- Letter from Emma Forkner, Director, Department of Health and Human Services dated November 3, 2010
- Department of Health and Human Services Notification of Projected Deficit and Deficit Reduction Plan
- Section 1-11-495 of the S.C. Code of Laws
- Proviso 89.130 of the FY 2010-2011 Appropriation Act

List those not attached but available:



RECEIVED

NOV 05 2010

Budget Control Board
OFFICE OF STATE BUDGET

State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

November 3, 2010

Emma Forkner
Director

Les Boles, Director
SC Office of State Budget
1201 Main Street, Suite 870
Columbia, South Carolina 29201

Dear Mr. Boles:

I am writing to officially notify you, in your capacity as director of the SC Office of State Budget, that the South Carolina Department of Health and Human Services is requesting the recognition of a deficit for State Fiscal Year 2011, in accordance with Proviso 89.130 of the State Fiscal Year 2011 Appropriations Act.

Our current expenditure projections for the Medicaid program compared to the funds appropriated to the agency in the State Fiscal Year 2011 Appropriations Act indicate an estimated shortfall in state matching funds of approximately \$355 million. The extension of the increased FMAP funds under the American Recovery and Reinvestment Act (ARRA) can potentially reduce the shortfall by approximately \$127 million, provided that the agency can access sufficient state matching funds to draw down the FMAP funds. This would still leave a net shortfall of approximately \$228 million. We have reviewed our expenditure and enrollment trends through the first quarter of the fiscal year and do not see any significant change that would cause us to revise our annualized expenditure growth estimate of 10 percent, on which the estimated shortfall is based.

There are several reasons for the projected deficit:

- Since the beginning of the recession, there has been a substantial increase in Medicaid enrollment. More than 100,000 people have been added since December 2007 and annual enrollment growth has averaged about 5 percent. For several years prior, enrollment had remained flat. States have historically had the ability to adjust eligibility criteria to better control enrollment growth. However, there is now a federal prohibition against altering eligibility policies and procedures. This prohibition was originally a condition of accepting enhanced FMAP funding through ARRA, and is now a part of national health care reform. Under the health care reform law, the current eligibility rules must stay in place at least until 2014 for adult categories and until 2019 for child categories. The state's inability to affect enrollment growth, a primary cost-driver of increased Medicaid expenditures, will limit options to reduce current and future Medicaid spending.

- The above eligibility restrictions coincide with \$228 million in budget reductions over the past three years. Since the program's budget is large, and most of the cuts have been "across the board" reductions, they have had a magnifying effect. For example, the 5 percent cut in December 2009 translated to more than a \$38 million reduction in state funds for the Medicaid program. SCDHHS was positioned to absorb most of these cuts with reserve funds, which were originally conceived as a buffer against the type of unanticipated Medicaid enrollment growth we have experienced.
- In addition to budget reductions, beginning in State Fiscal Year 2009 more than \$550 million in non-recurring funds were transferred from SCDHHS to other state entities. These funds helped offset what would have otherwise been steeper cuts to other agencies, but have now been exhausted. The following details the individual transfers:

SFY 2009

Proviso Transfers	\$ 68,267,983
General Fund Transfers	22,492,776
Total	90,760,759

SFY 2010

Proviso Transfers	\$326,254,347
General Fund Transfers	44,628,621
Total	370,882,968

SFY 2011

Proviso Transfers	\$ 72,107,658
General Fund Transfers	18,628,621
Total	90,736,279

Grand Total **\$552,380,006**

- Current state legislative restrictions have hampered our ability to make necessary reductions in expenditures not tied to federal mandates. Notably, we are prevented from adjusting provider rates by legislative proviso. Forty other states have already lowered rates in recent years to offset growth, and South Carolina is the only state with a legislative restriction against doing so. Several other provisos prevent the agency from eliminating or scaling back state-optional Medicaid services. When federally mandated services and state restrictions are set aside, SCDHHS only has discretion over approximately 10 percent of the funds appropriated by the General Assembly.

Because we have a responsibility to ensure wise usage of taxpayer dollars, the agency has made significant strides over the past eight years in operating more efficiently and reducing unnecessary expenditures. These efforts include a shift to improved care coordination for Medicaid beneficiaries, marked increases in fraud and abuse collections, and tightened criteria for reimbursable Medicaid services. If these initiatives had not been in place, the current budget difficulties would be exacerbated.

While administration accounts for about 3 percent of the Medicaid budget, with personnel accounting for only 1 percent, SCDHHS also has streamlined operations through travel restrictions, increased energy efficiency and the replacement of paper processes with electronic methods. We also have implemented staffing reductions and numerous furloughs. The agency's employee vacancy rate is currently 18 percent, the equivalent of 275 full time positions. It is important to note that new IT requirements contained in the federal health care reform will place additional administrative burdens on the state in coming years. SCDHHS' actuary estimates our administrative costs likely will increase by \$20 million per year beginning in 2012.

Over the past several months, SCDHHS has engaged Medicaid stakeholders in a frank discussion about the budget realities facing the program, and asked for their input for reducing expenditures. Through the Medicaid Sustainability Project we have hosted more than a dozen meetings with physicians, hospitals, advocates, nursing homes, coordinated care entities and many others to solicit ideas. This process generated more than 700 suggestions and has fostered a better understanding of the collective responsibility we all share for the program.

Many stakeholders were unaware of the restrictions placed on reducing Medicaid eligibility, provider rates and services. A majority of the suggestions involved investments in modernizing our claims and eligibility systems, enhancing utilization controls, increasing co-pays and additional fraud and abuse control. We do intend to implement some of these suggestions and have submitted additional options in the attached deficit reduction plan. Perhaps not surprisingly, few provider groups recommended rate reductions or the elimination of services.

While these efforts have been beneficial, it is now clear that without the flexibility to change enrollment policy and reimbursement rates, or materially alter service options, the agency cannot make up for the budget shortfall on its own. Therefore, we respectfully ask that the agency's request for recognition of the deficit be placed on the agenda for the December 14, 2010 meeting of the Budget and Control Board.

In closing, I believe it is important to stress that Medicaid funding is not simply a short-term challenge for the state. As some state leaders have recently pointed out, provisions in the new federal health care reform law will place even greater pressure on future budgets. Unprecedented enrollment expansions will add as many as 649,000 new people to South Carolina's Medicaid rolls beginning in 2014, a 48 percent increase over current enrollment levels. This means that

Les Boles, Director
November 3, 2010
Page 4

within four years a full 30 percent of the state's population could be dependent on Medicaid for health care.

Our actuary estimates that this expansion will come at a significant cost to the state. An estimated \$2.1 billion in state funds will be needed to fund Medicaid in 2014. By 2024, state Medicaid expenditures will reach \$3.9 billion and account for 54.9 percent of all general revenue funds, based on 2.9 percent annual growth in general fund revenue.

The staff at SCDHHS is committed to working with stakeholders and policymakers in finding practical solutions to these current and future demands so that the program can continue to serve our state's neediest residents.

Sincerely,

A handwritten signature in black ink, appearing to read "Emma Forkner". The signature is written in a cursive style with a large, looping initial "E".

Emma Forkner
Director

EF:jp

Attachment: SC DHHS Deficit Reduction Plan

Department of Health and Human Services
Deficit Reduction Plan

November 16, 2010

Department of Health and Human Services Deficit Reduction Plan

- **Executive Summary – Potential Options to Deal with Medicaid Deficit**
- **Summary Analysis of DHHS FY2011 Potential Deficit**
- **Background on Causes of the Deficit**

Section 1. List of Mandatory and Optional Populations and Services

Section 2. Interpretation of PPACA Sec. 2001(b) – Maintenance of Effort

Section 3. Medicaid Enrollment Projections

Section 4. List of Legislative Actions

- Restrictive Provisos
- Statutory Changes

- **Options for Reducing the Deficit**

Section 5. List of Current Cost Saving Effort for SFY 2011

Section 6. Fiscal Impact for Eliminating Optional Services

Section 7. Fiscal Impact for Reducing Community Long Term Care Services

Section 8. Fiscal Impact for Reimbursement Reductions Across all Provider Types

Section 9. SC Medicaid Budget Sustainability Project Report

- **What Happens if Deficit is not Recognized?**

Section 10. Contingency Plan if the DHHS Deficit is not Recognized

- **Other Impact Information**

Section 11. Legal Implications of Withdrawal from the Medicaid Program

**Executive Summary – Potential Options to Deal
with Medicaid Deficit**

Executive Summary

Since its creation in 1965, the Medicaid program has served the vital health needs of the state's poorest residents. Gradual expansions through the years have increased the mission of the program beyond a minimal "safety net," and today, Medicaid serves approximately 43 percent of all South Carolina children and covers 53 percent of all births in the state. Medicaid reimbursement is now a significant portion of the state's health care economy, accounting for nearly \$5 billion annually paid directly to hospitals, nursing homes, doctors and other providers.

Growth of the program also has increased the financial obligation of taxpayers to fund it at federally mandated levels. The South Carolina Department of Health and Human Services (SCDHHS) has worked to maintain an accountable, efficient program that protects the taxpayers' investment. While South Carolina's Medicaid program is austere compared to many others across the nation, it has reached a point where expenditures are outpacing the resources allocated to it.

Potential Shortfall

SCDHHS projects a net shortfall of \$228 million at the end of SFY 2011. This is based on the program realizing \$127 million from the extension of the increased FMAP funds available under the American Recovery and Reinvestment Act. It also assumes a 10 percent growth rate in expenditures for the remainder of the fiscal year. See the attached Summary Analysis of DHHS Potential Deficit for further details.

Causes of the Deficit

Since the beginning of the recession, there has been a substantial increase in Medicaid enrollment. A net of more than 100,000 people have been added since December 2007, and enrollment growth over the last 12 months has averaged about 5 percent. There is currently a federal prohibition against altering eligibility standards, and this has taken away the state's ability to manage the influx. This prohibition was originally a condition of the federal stimulus package and is now part of the new federal health care reform law.

SCDHHS also has experienced \$228 million in budget reductions over the past three years. These cuts, combined with the loss of more than \$550 million in non-recurring funds transferred from SCDHHS to other state entities, have depleted reserve funds designed to serve as a buffer against the kind of unanticipated Medicaid enrollment growth currently underway.

Additionally, current state legislative restrictions have limited the agency's ability to make reductions in expenditures not tied to federal mandates. Notably, South Carolina is the only state prevented from lowering provider reimbursement rates. Several other budget provisos block the agency from eliminating or scaling back state-optional Medicaid services. See section 4 for more details.

Options for Reducing the Deficit

SCDHHS has implemented numerous cost-saving initiatives during the past several years. So far this fiscal year alone, the agency has saved \$22.9 million through a combination of staff reductions and enhanced service utilization controls. See Section 5 for more details. In recent months, SCDHHS has sought input from various Medicaid stakeholders about potential ways to reduce expenditures. The Medicaid Sustainability Project generated more than 700 suggestions from providers, advocates and others. It is now clear the agency cannot make sufficient reductions on its own, and viable options for reducing expenditures are limited.

Eliminate Optional Services: The majority of expenditures paid under Medicaid are for federally mandated services, such as physician visits, hospitalization, nursing home care and non-emergency transportation. Currently, there are certain state provisos that restrict SCDHHS' ability to manage or eliminate several of the optional programs. Other services such as adult vision care, adult rehabilitative services and hospice care could be eliminated (services for children deemed medically necessary are mandatory).

Note that while eliminating certain optional services may reap short-term savings, it could ultimately increase expenditures. For example, eliminating prescription drug coverage likely would cause many with chronic conditions to seek emergency room treatment. Any consideration of eliminating or reducing optional services also should take into account the financial effect on other agencies since they provide many optional services. A list of optional services and potential savings are included in Section 6.

Reducing Community Long Term Care Services: Since federal law prohibiting changes to eligibility applies to waiver enrollment, some services offered to waiver recipients can be reduced but not eliminated. These include waiver services for children with complex medical needs, elderly residents receiving in-home care and disabled people who are dependent on ventilators. A detailed analysis of potential savings associated with reducing services for these beneficiaries is included in Section 7.

Reductions in these services, such as meals for the elderly, could result in an increase of beneficiaries seeking more expensive institutional care.

Reduce Provider Reimbursement: Forty states have reduced provider rates in recent years to offset Medicaid expenditure growth. South Carolina budget Proviso 89.87 prohibits reductions to Medicaid provider rates. If this restriction were lifted, an across-the-board rate reduction could be implemented for all providers, thus ensuring one provider type is not disproportionately impacted. An annualized estimate of a 1 percent reimbursement reduction across all provider types in SFY 2012 would save an estimated \$9.9 million (state dollars); a 10 percent reduction would save approximately \$100 million. Potential savings from rate adjustments are detailed in Section 8.

Reimbursement reductions alone cannot make up for the entire shortfall. Rate cuts that are too steep could cause a provider exodus from the Medicaid program. If Medicaid beneficiaries were unable to find doctors willing to provide them with care, it would lead to increased utilization of emergency room visits and a corresponding increase in costs.

Contingency Planning

Since each of these items listed above require action from the state legislature and the federal Centers for Medicare and Medicaid Services, SCDHHS has created a contingency plan in the event that the deficit is not recognized and sufficient reductions are not met. SCDHHS projects that its ability to reimburse providers for services rendered will cease on March 4, 2011. SCDHHS will continue to receive, adjudicate and store claims, but they will not be released for payment until there are funds to pay them.

Withdrawal from Medicaid

It has been asked on recent occasions whether South Carolina must participate in the Medicaid program at all. It does not. However, if the state were to withdraw from Medicaid, it would forfeit all federal reimbursement it draws down. In SFY 2010, the federal portion for South Carolina was approximately \$4.1 billion.

The loss of funds would mean South Carolina could serve only a small fraction of the 975,000 unique individuals who receive services through the program each year. The loss of Medicaid coverage would have catastrophic consequences for many sick, elderly and disabled beneficiaries. Additionally, withdrawal from the Medicaid program would have an estimated annual \$600 million negative impact on other state agencies that rely on Medicaid reimbursement, including the Department of Disabilities and Special Needs, the

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STATE BUDGET & CONTROL BOARD

Department of Social Services, the Department of Mental Health, the Department of Health and Environmental Control and others. The loss of federal matching funds also would have a significant effect on the state's health care industry, which is the end recipient of the federal Medicaid investment.

In closing, the staff at SCDHHS is committed to working with members of the Budget and Control Board in the coming weeks and months. We are grateful for the many constructive suggestions received through the Medicaid Sustainability Project. By engaging stakeholders in an open dialogue about the Medicaid program, we have tried to foster a better understanding of the budget realities we now face. Ultimately, the program's future success will be gauged by our collective willingness to continue to assist those most in need of help.

**Summary Analysis of DHHS FY2011 Potential
Deficit**

Summary Analysis of DHHS FY2011 Potential Deficit

		Based on Current Enrollment and Expenditure Trends
FY2011 Medicaid Funding Needs :		
Projected Match Need for Services at 10% growth at Regular FMAP Rate	\$	1,322,932,798
Annualization of Non-Recurring Admin Funding	\$	47,694,804
FY10 Costs Paid in FY11	\$	40,000,000
MUSC DSH Appropriation Transfer	\$	18,628,621
DDSN Waiver Permanent Appropriation Transfer	\$	3,609,346
Total Projected Funding Needs FY11	\$	1,432,865,569
Total Funding Available:		
Total General Fund Appropriations	\$	726,496,086
Increased FMAP Retained per Proviso 90.21	\$	162,778,486
Projected Drug Rebate Revenue	\$	20,000,000
Tobacco Settlement Revenue	\$	10,000,000
Earmarked Revenue from Other Agencies	\$	1,595,824
Hospital/County Taxes (net of FY11 received and used in FY10 - Proviso 21.44)	\$	141,297,103
Plus ARRA Returned from Agencies Proviso 90.21	\$	16,000,000
Total Projected Available Funding	\$	1,078,167,499
Potential Deficit	\$	(354,698,070)
Estimated ARRA Increased FMAP Extension	\$	126,911,872
Potential Deficit	\$	(227,786,198)
Projected Match Need based on Preliminary Final SCEIS Reports dated 8/11/10		

Background on Causes of the Deficit

- **Section 1.** List of Mandatory and Optional Populations and Services
- **Section 2.** Interpretation of PPACA Sec. 2001(b) – Maintenance of Effort
- **Section 3.** Medicaid Enrollment Projections
- **Section 4.** List of Legislative Actions
 - Restrictive Provisos
 - Statutory Changes

Section 1. Medicaid Mandatory and Optional Services

The following services are mandatory; if a state chooses to participate in the Medicaid program, it must provide these to eligible recipients:

- Hospital Services
- Nursing Home Services for individuals 21 years or older
- Physician Services
- Home Health for those who qualify for nursing home services
- Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) Services for Children
- Clinic Services for Children
- Services provided in FQHCs and RHCs
- Dental Services for Children
- Medicare Part B Premium Payments
- Transportation Services
- Lab & X-Ray Services
- Nurse Practitioner and Nurse Midwife Services
- Family Planning and Pregnancy Related Services
- Pharmaceutical Services for Children and Institutionalized Adults
- Emergency Services for Non-citizens

SCDHHS cannot change any eligibility standards, methodologies, or procedures nor reduce or eliminate categories of assistance due to the maintenance of effort requirement associated with ARRA funding and the ACA. This pertains to both mandatory and optional eligibility categories. Current categories include:

Mandatory Categories

- Foster Care Children
- Coverage of children age 1-5 at or below 133%Fpl and age 6-18 at or below 100%FPL
- Coverage for Pregnant Women And Infants
- Low Income Families
- Transitional Medicaid
- Social Security Income Recipients (SLMB/QMB/QI Programs)ⁱ

Optional Categories

- Women with Breast and Cervical Cancer
- TEFRA Children
- Family Planning Program
- Children's Health Insurance Program (CHIP)
- Aged Blind or Disabled w/ some exceptions
- Working Disabled Program
- Optional State Supplement (Exception: cannot drop below previous year's expenditure)
- Waiver Programs (PRTF, Medically Complex Children, HIV, Vent Dependent, CLTC & DDSN waivers) - the waiver itself has a maintenance of effort requirement, services within the waiver can be reduced if the change in the service does not impact on an individual's ability to maintain Medicaid eligibility.

The following services are optional and, therefore, it is possible to eliminate them while still participating in the Medicaid program:

- Pharmaceutical Services for Non-institutionalized Adults
- Hospice Services for Adults
- PACE Program
- Durable Medical Equipment Services and Devices for Adults
- Inpatient Psychiatric Hospital for Children
- Intermediate Care Facility for Individuals with Mental Retardation (ICF/MR)
- Rehabilitative Services for Adults (such as Behavioral Health, Occupational therapy, Physical Therapy)
- Targeted Case Management
- Chiropractic Services for Adults
- Dental Services for Adults
- Vision Services for Adults
- Podiatry Services for Adults
- Clinic Services for Adults
- CLTC Services (such as Adult Day Health Care, Attendant Care, Home Delivered Meals, Environmental Modifications, Personal Care Attendants)
- Integrated Personal Care

Section 1905(r)(5) of the Social Security Act (the Act) requires that any medically necessary health care service listed at Section 1905(a) of the Act be provided to an EPSDT recipient even if the service is not available under the State's Medicaid plan to the rest of the Medicaid population.

¹ Services covered by medicare must be provided by Medicaid for QMB – for example Adult vision and Adult Podiatry.

EXHIBIT

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STATE BUDGET & CONTROL BOARD

South Carolina
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

November 5, 2010

Memorandum

To: Deirdra Singleton
General Counsel

From: Bruce D. Carter
Assistant General Counsel

Subject: Interpretation of PPACA Sec. 2001(b) – Maintenance of Effort

Issue: Post ARRA and its Maintenance of Effort provisions, may the state change its eligibility standards, methodologies, or procedures to be more restrictive than those in place at the time of passage of ARRA?

Response: PPACA Section 2001(b) amends Section 1902(a) of the Social Security Act by adding subsection (gg) Maintenance of Effort. This new subsection requires, as a condition of receiving federal funds under Section 1903(a), that states not have in effect eligibility standards, methodologies or procedures that are more restrictive than those in place at the time of enactment of PPACA (March 23, 2010) until such time as there is a fully operational state Exchange. Exchanges are supposed to be operational by January 1, 2014. Since PPACA was enacted prior to the expiration of ARRA, this section essentially means that states must maintain the same level of effort as required in ARRA (July 1, 2008) until a state Exchange is fully operational.

Issue: May the state qualify for the Nonapplication exception under the Maintenance of Effort provision?

Response: The Nonapplication provision is very limited in scope. It only applies to a specific population, adults with incomes above 133% of the federal poverty line and allows states to reduce coverage for this group beginning in January 2011 if the state certifies that they are facing a budget deficit. SC does not provide eligibility for this group. Even if SC was providing coverage for this group, it is unlikely that SC would qualify for the exception. The provision requires that a state certify to the Secretary of the U.S. Department of Health and Human Services that, in the year of such certification or the succeeding year, the state has or projects a budget deficit. PPACA is silent on exactly what qualifies as a budget deficit, e.g. whether it is for the state as a whole or the state medical assistance plan specifically. However, most observers and commentators are in consensus that it most likely is referring to the state budget as a whole. South Carolina's Constitution, in Article X, Section 7, states, "(a) [T]he General Assembly shall provide by law for a budget process to insure that annual expenditures of state government may not exceed annual state revenue." This balanced budget requirement means that the state could not certify a budget deficit or a projected budget deficit. It is unclear whether the Secretary would accept a certification that the state budget would be running a deficit to maintain funding at the prior years' level but for the balanced budget

requirement in the state's Constitution. However, even if the Secretary accepted the certification, the state could only reduce coverage to that very limited eligibility group, adults with incomes above 133% of the federal poverty line. As stated earlier, SC has not extended coverage to this limited eligibility group, so the Nonapplication provision does not apply to SC.

Issue: What types of actions may be taken under the Maintenance of Effort provision? Can a state reduce or restrict eligibility for optional populations?

Response: The PPACA focuses on its goals of expansion of access to health care coverage, in addition to controlling costs and improving the health care delivery system. There are several sections of the Act that allow expansion of Medicaid coverage, including the limited eligibility group discussed above. There is very little in the Act that speaks to reductions in coverage. As a result, states have limited options available for limiting coverage and reducing program cost.

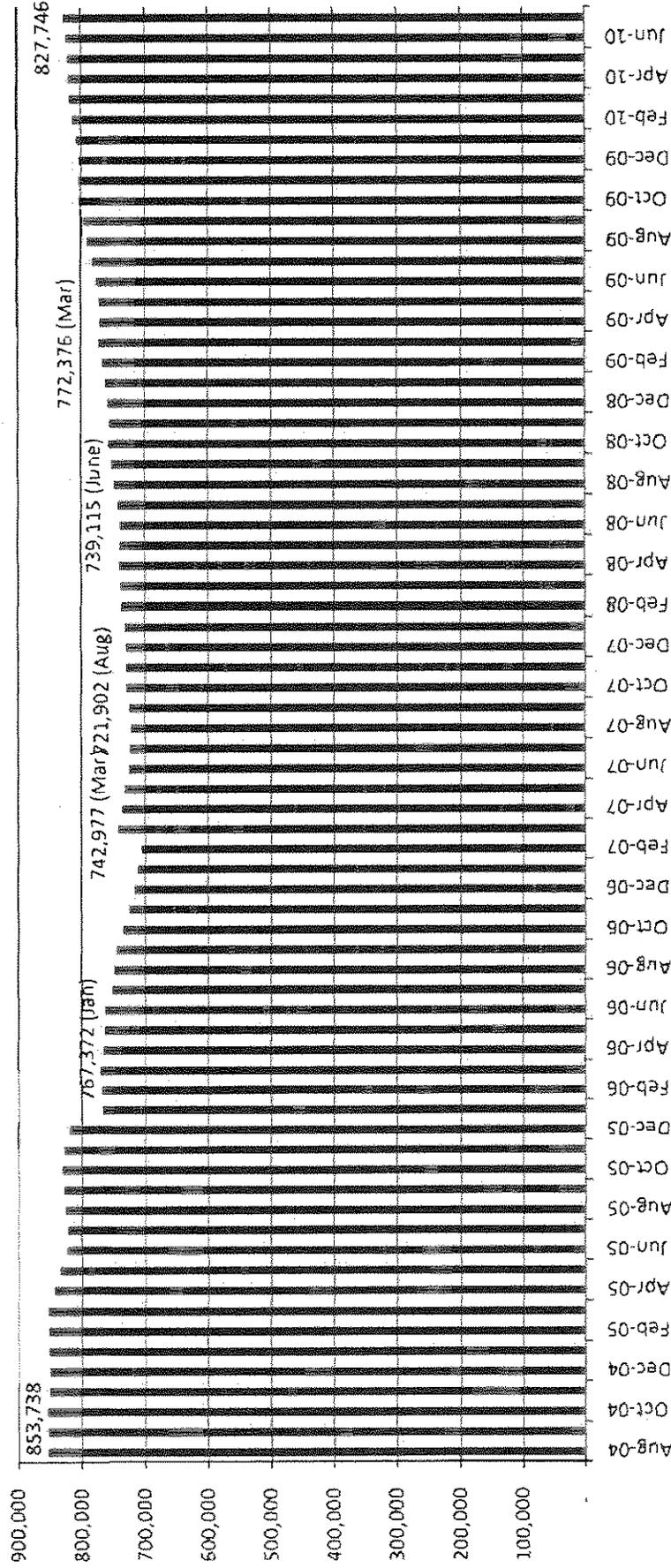
Medicaid has both mandatory eligibility groups or populations and optional eligibility groups. It also provides for mandatory and optional benefits. States are given substantial freedom in determining which optional populations and which optional benefits they choose to enroll or provide. However, the MOE requirements under both ARRA and PPACA apply to both mandatory and optional populations. The wording of the MOE section says that, at least until January 1, 2014 for adults, and October 1, 2019 for children, a state cannot have more restrictive eligibility standards, methodologies or procedures than those in effect when PPACA was enacted in March 2010. Of course, since the ARRA MOE requirements were still in place, this provision essentially froze eligibility requirements at the level the state had in place on July 1, 2008. To eliminate an existing population, even if it was an optional population would violate the MOE section. To eliminate a category of eligibility now would make the eligibility rules for that category more restrictive than those in effect when PPACA was enacted. Basically, the categories of eligibility that existed on July 1, 2008, are required to be continued. PPACA only allows states to expand existing categories or add new ones.

On the other hand, states may reduce provider reimbursement rates or eliminate optional benefits as these actions do not normally impact eligibility. However, a state may not reduce rates or benefits to the extent that they result in the elimination of an eligibility class. According to the Kaiser Commission, 48 states made at least one policy change to cut costs in state fiscal year 2010 and at least 46 plan to take additional action in 2011. Rates to one or more provider types were cut in 39 states. Restrictions on benefits, either eliminating optional coverage, e.g. dental care for adults, or imposition of utilization controls or other limits on benefits like DME were made by 20 states.

A number of legal challenges have been filed related to reductions in rates and elimination of services. Most of these lawsuits have involved issues that go beyond the MOE requirements and involve Olmstead and the Americans with Disabilities Act. However, in the *Gray Panthers v. Schwarzenegger*, a 2009 case from the Northern District of California, the Court refused to issue an injunction to prevent the elimination/reduction of certain optional benefits as a result of state legislation requiring the reductions. The case was appealed to the 9th Circuit Court of Appeals which upheld the lower court decision. Legislative action by the state that mandates the reductions in rates and/or reduction or elimination of optional benefits makes the action more defensible. Rate reductions have generated the most litigation and do not solely rely on the MOE rules.

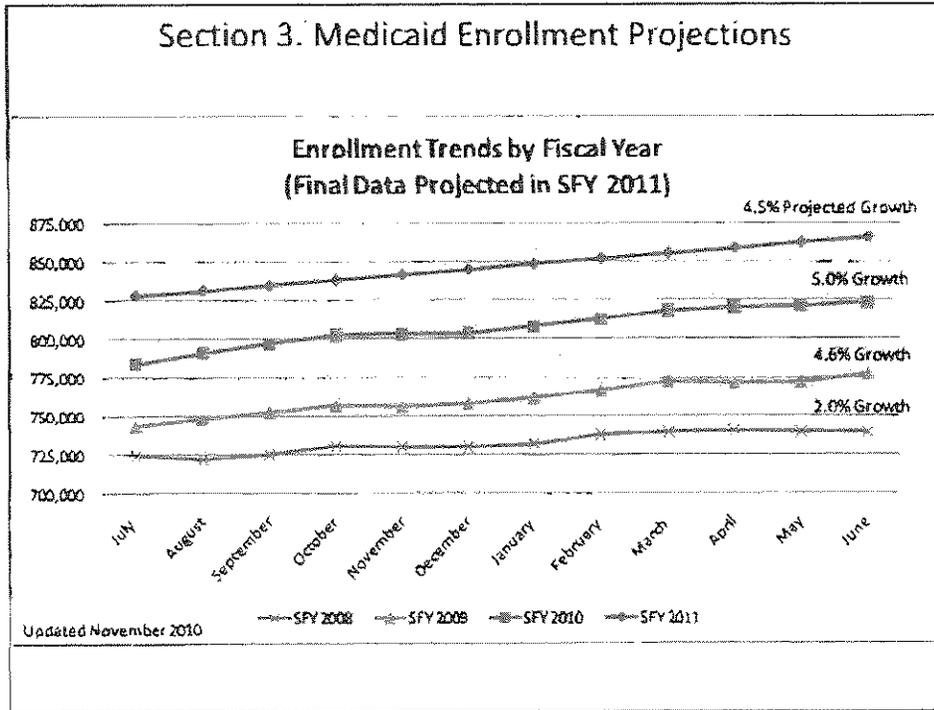
Section 3. Medicaid Enrollment Projections

Historical Trends in Medicaid
August 2004- July 2010



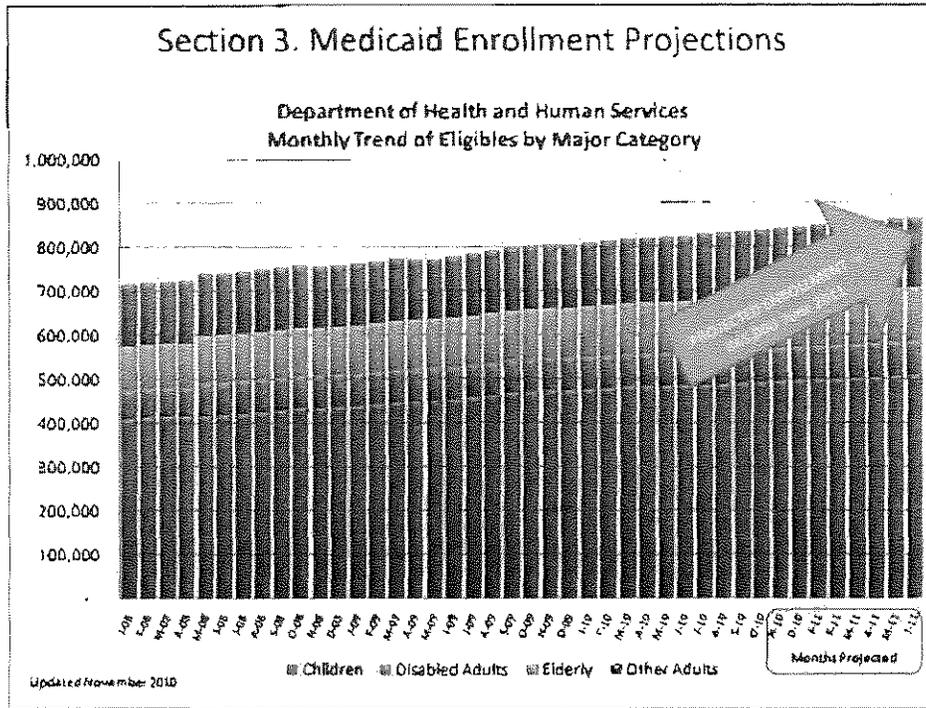
This chart shows historical trends in Medicaid enrollment from August 2004 – July 2010. Enrollment at both ends of the chart are similar. However, the in-between period takes a "V" shape with enrollment reaching a low of 700,000 by early 2007. Shifting of the "Silver Card Program" members to Medicare Pt D, citizenship verification and active recertification are causative reasons for lower enrollment trends. The recession started D07 and Medicaid enrollment subsequently started increasing by 2500 – 5000 per month.

Section 3. Medicaid Enrollment Projections



This chart shows Medicaid enrollment trends by SFY which are depicted in the legend. The percentage growth shown on each line is the change in enrollment between the beginning of the SFY in July and the end of the SFY in June. The blue line represents enrollment trends for SFY 2011. We took the final enrollment numbers for January – July 2010, averaged that growth and projected the enrollment trend for the remainder of SFY 2011.

Section 3. Medicaid Enrollment Projections



This chart shows the monthly trend of eligibles by major category from J08 – Q10. These are monthly numbers which are net of the monthly turnover of members. The recession started in D07 and shortly thereafter, we’ve experienced sustained growth in the number of enrollees coming onto Medicaid each month. The growth ranges from 2500 – 5000/month. In July, 2010, the most recent month for which final data is available, net enrollment increased by 4,500. The enrollment growth in SC over the past 12 months is trending with the 6.6% national growth for the same time period. To say this another way, during the recession which started in D07, we’ve added more than 100,000 members to Medicaid.

We took the final enrollment numbers for January – July 2010, averaged that growth and projected the enrollment trend for the remainder of SFY 2011. The projected enrollment at the end of June 2011 is 865,000 as compared to 715,000 when the recession began in December 2007.

Section 4. Provisos Inhibiting Medicaid Management

Restrictive Provisos

21.7. (DHHS: Admin. Days/Swing Beds Reduction Prohibition) Funds appropriated herein for hospital administrative days and swing beds shall not be reduced in the event the agency cuts programs and the services they provide.

Justification to Delete:

Deletion of this proviso will allow the agency flexibly to manage health care services. The Medicaid agency recognizes administrative and swing beds are necessary services in the Medicaid program.

Fiscal Impact:

Fiscal impact for swing beds is \$226,000 state funds and \$528,000 federal funds.
Fiscal impact for admin days is \$160,000 state funds and \$380,000 federal funds.

21.9. (DHHS: Community Residential Care Optional State Supplementation) The increase to Personal Needs Allowance for residents of community residential care facilities, if the federal government grants a cost of living increase to Social Security and Supplemental Security Income recipients, will be effective in January. The department will increase the residential care payment by the amount of the cost of living increase minus \$2.00 per recipient for an increase in the Personal Needs Allowance. This increase to the Personal Needs Allowance applies to all OSS recipients regardless of whether they receive Social Security and/or Supplemental Security Income. The maximum amount of payment a facility can charge will be increased by the same amount as the cost of living increase, less \$2.00. The department is authorized to maximize a portion of the OSS funds to implement the Integrated Personal Care program for eligible residents of community residential care facilities that receive OSS payments.

Justification to Delete:

Deletion of this proviso will allow the state to avoid increasing OSS payments when the SSA provides a cost of living increase.

21.11. (DHHS: Chiropractic Services) From the funds appropriated herein, the department is directed to provide coverage for medically necessary chiropractic services for Medicaid eligible recipients.

Justification to Delete:

Deletion of the proviso will allow the agency flexibility to manage optional Medicaid services.

Fiscal Impact:

Fiscal impact for adult chiropractic services is \$119,840 state funds.

21.15 (DHHS: Prescription Reimbursement Payment Methodology) The prescription dispensing fee for the current fiscal year is not less than \$4.05 per prescription filled. Prescription reimbursements must be

the lowest of: the federal upper limit of payment or South Carolina maximum allowable cost (MAC) for the drug, if any, less 10% plus the current dispensing fee; the Wholesale Acquisition Cost (WAC) plus 12.5%, or the provider's usual and customary charge to the general public for the dispensed product. By October 31, 2010, the Department of Health and Human Services shall submit a state plan amendment to the Centers for Medicare and Medicaid Services (CMS) requesting approval for the reimbursement rate referenced above. The Department shall submit a copy of the CMS State Plan Amendment to the Chairmen of the House Ways and Means Committee and the Senate Finance Committee.

During the CMS review process or if the CMS denies the aforementioned state plan amendment; prescription reimbursements must be the lowest of: the federal upper limit of payment or South Carolina maximum allowable cost (MAC) for the drug, if any, less 10% plus the current dispensing fee; the Average Wholesale Price (AWP) minus 10%, or the provider's usual and customary charge to the general public for the dispensed product.

The Department of Health and Human Services shall adjust the dispensing fee as necessary to offset any negative change in the federal reimbursement methodology from the prior fiscal year. The department shall submit a report by January thirty-first, of the current fiscal year to the Chairmen of the House Ways and Means Committee and the Senate Finance Committee summarizing any changes in the federal reimbursement methodology and the impact of the changes on the state prescription reimbursement payment.

Justification to Delete:

If CMS approves this proviso, the cost will be \$2 million to the state. If CMS does not approve the proposed language, DHHS will still need to change the reimbursement methodology since CMS will no longer recognize reimbursement based on AWP as of September 2011. Deletion of the proviso will allow the agency flexibility to set reimbursement methodology consistent with CMS federal guidelines.

Fiscal Impact:

If DHHS is given flexibility to set the reimbursement, the fiscal impact for each 1% in dispensing fee and drug costs at SFY 2012 FMAP is \$780,000 state funds.

21.16. (DHHS: Franchise Fees Suspension) Franchise fees imposed on nursing home beds and Enacted by the General Assembly during the 2002 session are suspended July 1, 2002.

Explanation of Proviso:

The franchise fee on nursing homes was enacted during the 2002 legislative session. The purpose of it was to raise enough money to provide the match for a nursing home rate increase. This was during a time when there were budget cuts and the nursing homes wanted to ensure they had a source of match for rate increases. This was proposed by the nursing home industry. Since provider taxes have to be broad based per CMS regulations, they cannot be limited to providers who receive Medicaid reimbursement. The legislation passed early in the session and the collection of money started. Nursing homes that didn't participate in Medicaid opposed the new tax. Efforts were made in the legislature to repeal the legislation but a bill did not pass by the end of the session to repeal the statute, however, this proviso was added in the budget which suspended it.

Justification to Delete:

Deletion of this proviso would provide additional matching funds to support nursing home reimbursement which would free up general funds for other Medicaid services.

Fiscal Impact:

Revenue depends on the rate per bed per day: \$1 /pbpd = \$6 million; \$2 /pbpd = \$12 million; \$3 /pbpd = \$18 million; \$4 /pbpd = \$24 million; \$5 /pbpd = \$30 million.

21.20. (DHHS: Prior Authorization Exemptions) The Department of Health and Human Services must expend funds appropriated for pharmaceutical services without prior authorization on medications prescribed to treat major depression, schizophrenia, or bipolar disorder as defined by the most recent edition of the Diagnostics and Statistical Manual of the American Psychiatric Association or following prescribing practice guidelines established by the American Psychiatric Association, or HIV/acquired immune deficiency syndrome, or oncology related pharmaceuticals. Operational procedures necessary to insure the appropriate use and prevent the non-FDA approved use of these medications will be allowed.

Justification to Delete:

Deletion of the proviso would allow the use of prior authorization (PA) to require the use of preferred agents to treat major depression, schizophrenia, or bipolar disorder. Without the ability to PA these drugs, SCDHHS is limited in its ability to control the expenditure for these medications. SCDHHS established a Preferred Drug List (PDL) program during SFY 2004 and targeted those therapeutic classes that are most costly to the Medicaid program. The PDL compares similar medications and selects the least costly drugs as "preferred agents". Those agents that are selected as "non-preferred" require a prior PA, making them available in circumstances where the preferred agents do not meet the beneficiary's needs.

During SFY 2010, these PA-exempt mental health drugs accounted for \$42.5 million (total dollars) in expenditures. This represents 16% of Medicaid pharmacy services expenditures, and makes the therapeutic class that includes mental health drugs SCDHHS' most costly category.

Fiscal Impact:

If this proviso was removed and reasonable management tools were implemented for these medications, an estimated cost savings of \$2.4 million total dollars (\$720,000 State dollars) could be realized.

21.28. (DHHS: Nursing Services to High Risk/High Tech Children) The Department of Health and Human Services shall establish a separate classification and compensation plan for Registered Nurses (RN) and Licensed Practical Nurses (LPN) who provide services to Medically Fragile Children, who are Ventilator dependent, Respirator dependent, Intubated, and Parenteral feeding or any combination of the above. The classification plan shall recognize the skill level that these nurses caring for these Medically Fragile Children must have over and above normal home-care or school-based nurses.

The department shall utilize funds that would have been spent for these children being admitted to Hospital Pediatric Intensive Care Units due to the lack of in-home nursing care services. The department shall provide an hourly rate adjustment of \$3.00 per hour to both the RN rate and LPN rate who provide specialized and technical medical care to those children who are defined as High Risk/High Tech.

Justification to Delete:

Deletion of this proviso would allow the agency flexibility to establish reimbursement methodology.

Fiscal Impact:

Fiscal impact is approximately \$100,000 to DHHS and \$300,000 to DDSN.

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89.80. (GP: Flexibility) In order to provide maximum flexibility in absorbing the general fund reductions mandated in this act as compared to Fiscal Year 2008-09 general fund appropriations, agencies are authorized for FY 2010-11 to spend agency earmarked and restricted accounts designated as "special revenue funds" as defined in the Comptroller General's records, to maintain critical programs previously funded with general fund appropriations. Any spending authorization for these purposes must receive the prior approval of the Office of State Budget and must be reported to the Governor, Senate Finance Committee, and the House Ways and Means Committee. The Comptroller General is authorized to implement the procedures necessary to comply with this directive. This provision is provided notwithstanding any other provision of law restricting the use of earned revenue. Appropriation transfers may exceed twenty percent of the program budget upon approval of the Budget and Control Board, Office of State Budget in consultation with the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee.

State institutions of higher learning whose budgets have been reduced from the Fiscal Year 2009-10 state funding level, shall have the authority to use other sources of available funds to support and maintain state funded programs affected by state reductions during Fiscal Year 2010-11 and may adjust appropriations from special items or programs contained in this act in an amount greater or less than the percentage of the reduction assessed to the institution's base budget. Institutions shall submit to the Office of State Budget, the Senate Finance Committee, and the House Ways and Means Committee the amount of base budget reductions associated with these programs.

Notwithstanding the flexibility authorized in this provision, the following agencies are prohibited from reducing or transferring funds from the following programs or areas:

~~(A) Department of Health and Human Services~~

~~(1) Teen Pregnancy/Abstinence Programs including, but not limited to MAPPs~~

~~(2) PACE~~

~~(3) Federally Qualified Health Centers~~

~~(4) Provider Rates~~

~~The Department of Health and Human Services shall not decrease provider reimbursement rates from their current levels.~~

~~It is not the intent of this proviso to restrict the annual updating of cost based rates and those rates which are indexed to methodologies described in the Medicaid State Plan.~~

(B) Lieutenant Governor's Office

Home and Community Based Services (Meals on Wheels)

(C) Department of Commerce

Regional Economic Development Organizations as defined by

proviso 40.12

(D) Department of Natural Resources

Law Enforcement Program/Enforcement Operations as contained in

Program II. F. 1

(E) Department of Parks, Recreation, and Tourism

(1) Program II. A. Special Item: Regional Promotions

(2) Program II. C. Special Item: Palmetto Pride

In addition the Department of Parks, Recreation and Tourism is prohibited from closing or reducing the FTE's in the State House Gift Shop, and the Santee Welcome Center.

Notwithstanding the prohibition on reducing or transferring funds from the programs or areas listed above, the Department of Natural Resources may reduce the specified programs or areas by an amount not to exceed the percentage associated with any mandated reduction.

With respect to SCDHHS, this proviso directs that notwithstanding the flexibility authorized in this provision, specific agencies are prohibited from reducing or transferring funds from the following programs or areas. DHHS: Teen Pregnancy/Abstinence Programs including, but not limited to MAPPs; PACE; Federally Qualified Health Centers; and Provider Rates and prohibits the department from decreasing provider reimbursement rates from their current levels, with the exception of when reducing rates during the annual updating of cost based rates and those rates indexed to methodologies described in the Medicaid State Plan.

Justification to Amend:

The proposed amendment would allow the agency flexibility in aligning expenditures with authorized funding.

Fiscal Impact:

Fiscal impact is related to potential changes in reimbursement. A one percent reduction across all Medicaid provider groups would be \$9.9 million state dollars. These saving include a reduction to: chiropractic (21.11), prescription reimbursement (21.15), and nursing services (21.28). If any of these services are altered independent of this proviso, those adjustments must be taken into consideration lowering savings herein.

Provisos Directing Fund Transfers in SFY 2011

21.44. (DHHS: Disproportionate Share - DMH) For the current fiscal year, the department is directed to transfer funds to the Department of Mental Health to make up any shortfall in disproportionate share funding due to rule changes from the Center for Medicare and Medicaid Services from the latest federal fiscal year amount. The department must also take any necessary action, including the submission of an amendment to the State Medicaid Plan, to minimize the impact of disproportionate share funding redistribution to the Department of Mental Health in future years.

Justification to Delete:

This proviso requires DHHS to transfer funds to DMH to make up for a potential reduction in the DMH disproportionate share reimbursement caused by a change in federal rules on what can be counted in the uncompensated uninsured costs for DSH reimbursement.

Fiscal Impact:

Fiscal impact is estimated at approximately \$7 million for SFY 10-11.

90.14. (SR: Health and Human Services Funding) The source of funds appropriated in this provision is \$234,886,144 of Department of Health and Human Services general fund appropriations, carry forward funds, earmarked and restricted special revenue fund accounts, and unobligated state match funds resulting from the extension of the increased Federal Medical Assistance Percentage. All agencies, unless specifically exempt by another provision contained in this act, shall transfer unobligated state match funds resulting from the receipt of the increased Federal Medical Assistance Percentage from July 1, 2010 to December 31, 2010 to the Department of Health and Human Services.

Of these funds the Department of Health and Human Services shall transfer \$49,107,658 to the General Fund of the state no later than December 31, 2010.

Of these funds the department is directed to disburse the following appropriations for the purposes stated:

- 1. Department of Health and Human Services
 Medicaid Maintenance of Effort..... \$162,778,486:*
- 2. Department of Disabilities and Special Needs
 Agency Operating Expenses..... \$ 19,000,000; and*
- 3. Department of Social Services
 Therapeutic Foster Care..... \$ 4,000,000.*

Any unobligated state match funds resulting from the receipt of the increased Federal Medical Assistance Percentage in excess of the funds appropriated above shall be retained by the Department of Health and Human Services for Medicaid Maintenance of Effort.

Justification to Delete/Fiscal Impact:

This proviso directs the agency to send \$49 million to the General Fund by December 31, 2010. The agency is also directed to send \$19 million to DDSN and \$4 million to DSS. The total transfer amount is \$72 million.

Section 4. List of Legislative Actions – Statutory Changes

AN ACT TO DECREASE THE MARGIN OF ERROR ALLOWED TO NURSING HOMES IN MEETING THEIR YEARLY ALLOTMENT OF MEDICAID NURSING HOME PERMIT DAYS.

Section 44-7-90as last amended by 1995 Act No. 145, Part II, § 73B is further amended to read as follows:

SECTION 44-7-90. Violations of Sections 44-7-80 through 44-7-90; penalties.

(A) Based on reports from the State Department of Health and Human Services, the department shall determine each nursing home's compliance with its Medicaid nursing home permit. Violations of this article include:

(1) a nursing home exceeding by more than ten percent the number of Medicaid patient days stated in its permit;

(2) a nursing home failing to provide at least ten percent fewer days than the number stated in its permit;

(3) the provisions of any Medicaid patient days by a home without a Medicaid nursing home permit

(B) Each Medicaid patient day above or below the allowable range is considered a separate violation. Fines for nursing homes out of compliance with their Medicaid Nursing Home Permit for years before July 1, 1995 are waived. After June 30, 2011, a nursing home that exceeds by more than five percent the number of Medicaid patient days stated in its permit must be fined based on the number of Medicaid patient days exceeding the permit days times their daily Medicaid per diem times thirty percent. A nursing home that fails to provide at least five percent fewer days than the number stated in its permit must be fined based on the number of Medicaid patient days under the permit days times their daily Medicaid per diem times thirty percent. A fine assessed against a nursing home must be deducted from the nursing home's Medicaid reimbursement. Appeals from this action must comply with the appropriate provisions of Chapter 23 of Title 1.

Justification to Amend/Fiscal Impact:

A potential cost saving strategy is to reduce the utilization of nursing home services by reducing the capacity of Medicaid nursing facilities. This is a two part process that would require amending the Medicaid permit day law to reduce the margin that facilities can exceed their permit day allocation from $\pm 10\%$ to $\pm 5\%$. After the overall capacity is reduced, the appropriation requirement would be lessened.

Effective October 1, 2010, the state is required to identify nursing facility residents who would like to return to the community. For all transitions deemed appropriate (those who continue to meet the level of care requirements and have been in the facility for at least 90 days), the next available slot in the Community Long Term Care (CLTC) Program will be offered. The cost of caring for someone in CLTC is \$32 per day compared to \$127 for nursing facility residents. This could also make the state eligible to leverage increased FMAP for each person transferred for a one year period.

This strategy could be utilized to assist the state in rebalancing its long term care program away from more costly institutional care to less costly home care options. For example, the transitioning of 100 nursing home residents to home and community based care would result in an annual state dollar savings of approximately \$1 million.

Options for Reducing the Deficit

- **Section 5.** List of Current Cost Saving Effort for SFY 2011
- **Section 6.** Fiscal Impact for Eliminating Optional Services
- **Section 7.** Fiscal Impact for Reducing Community Long Term Care Services
- **Section 8.** Fiscal Impact for Reimbursement Reductions Across all Provider Types
- **Section 9.** SC Medicaid Budget Sustainability Project Report

Section 5. List of Current Cost Saving Efforts for SFY 2011

Changes Attempted or Implemented	Type of Change	Was This Change Implemented, Blocked, or Restored?
Changes to Medicaid Eligibility Categories to Reduce Rolls	Federal Law	MDE - ARRA, MOE ACA prohibits changes
Administrative Days/Swing Beds Reduction	Service Reduction	Proviso 21.7 prohibits DHHS from reducing these services
Chiropractic Services Reductions	Service Reduction	Proviso 21.11 prohibits DHHS from reducing Chiropractic
Prior Authorization of Mental Health, HIV/AIDS, Cancer Drugs	Rate Reduction	Proviso 21.15 prohibits DHHS from reducing Rx rates
All Other Provider Rates	Service Management	Proviso 21.20 prohibits DHHS from managing these drugs
Eliminate 45 positions; increase vacancy rate to 18%	Rate Reduction	Proviso 89.87 prohibits DHHS from reducing rates
Continue Susp of Pay Increases, Exc for Promotions/Reclassifications	Administration	Implemented
Continue renegotiated/reductions of leases with downsizing	Administration	Implemented
Suspended GAPS Program	Administration	Implemented
Pharmacy overrides reduced from 6 to 4	Service Reduction	Implemented
Initiated Dental ASC for dental claims	Service Management	Implemented
Transitioned SCHIP Stand Alone Program to Medicaid Expansion	Service Management	Implemented
TPL Recovery Cycle changed from 9 months to 6 months	Service Management	Implemented
Physician Adm Injectable Drugs changed to tiered reimbursement	Service Management	Implemented
Adopted AAP policy for Synagis Injectables	Service Management	Implemented
COB pharmacy logic updated to pay only patient responsibility	Service Management	Implemented
Prior approval initiated for antibiotics for dermatological indications	Service Management	Implemented
Expanded pharmacy lock-in program for high drug utilizers	Service Management	Implemented
Repriced Outpatient Hospital Labs to the SC Medicare Clinical Lab Fee Schedule per new CMS rule	Service Management	Implemented
Implement change to pharmacy reimbursement directed by Proviso 21.15	Service Management	Implemented
Adjusted NH Inflation Factor from 4% to 2%	Annual Rate Update	State Plan pending
Mandatory enrollment in Healthy Connections Choices	Rate Update	State Plan submitted to CMS
Improve access for family planning; reduce program administration cost	Annual Rate Update	State Plan submitted to CMS
Update co-pay policy for maximum amount and opportunity	Service Management	State Plan submitted to CMS
RFP for QIO Prior Authorization System for FFS	Service Management	State Plan submitted to CMS
RFB for Hi Tech Radiology Management	Service Management	Planning
SFB for Incontinence Products	Service Management	MMO
RFP for Transportation	Service Management	MMO
RFP for Enrollment Broker	Service Management	MMO
RFP for Timekeeping for HR system	Service Management	MMO
RFP for Third Party Recovery	Administration	MMO
RFP for NCCI Edits	Service Management	ITMO
Developed system to claim MCO pharmacy rebates	HCR	ITMO
	HCR	Implemented

State Funds Savings Achieved in SFY 10 - 11	\$22,911,388
State Funds Savings Anticipated in SFY 10 - 11	\$7,100,000
State Funds Savings Anticipated in SFY 11-12	\$14,400,000
Grand Total for State Savings Achieved and Anticipated	\$44,411,388

Section 6. Fiscal Impact for Eliminating Optional Services

Potential Elimination of Optional Services					
Potential Service Eliminations	Annualized Total SCDHHS Savings	SFY 11 SCDHHS State Savings Estimate By Month (76.58 FMAP)	SFY 12 SCDHHS State Savings Estimate By Month (70.04 FMAP)	SFY 12 Total SCDHHS State Savings Estimate (70.04 FMAP)	Impact
Medicaid Program Service Eliminations					
Chiropractic Services for Adults*	\$ 400,000	\$ 8,473	\$ 9,987	\$ 119,840	This may result in a shift of costs from chiropractors to Osteopaths.
Clinic Services for Adults (ESRDs, ASCs, Infusion centers, etc)* ***	\$ 31,500,000	\$ 667,275	\$ 786,450	\$ 9,437,400	In addition to likelihood of increasing hospitalizations, eliminating these services would have a significant negative fiscal impact on DHEC and DMH and likely increased ER utilization, especially by adults with mental illness. Elimination of this service would likely result in increased ER utilization for these emergency dental services.
Dental Services for Adults	\$ 12,000,000	\$ 254,200	\$ 299,600	\$ 3,595,200	
Durable Medical Equipment and Devices for Adults*	\$ 29,000,000	\$ 614,317	\$ 724,033	\$ 8,688,400	Elimination of this service may result in increased ER and hospital utilization.
ESRD Vitamins and Nutritional Supplements*	\$ 1,600,000	\$ 33,893	\$ 39,947	\$ 479,160	Elimination of this service may result in increased ER and hospital utilization.
Hospice Services for Adults (non R/B)	\$ 11,000,000	\$ 233,017	\$ 274,633	\$ 3,295,600	Elimination of this service would likely result in increased ER and hospital utilization.
I/P Psychiatric Hospitals for Children	Matched by Other Agencies	Matched by Other Agencies	Matched by Other Agencies	Matched by Other Agencies	Elimination of this service would result in a significant negative fiscal impact for child-placing agencies responsible for children with mental illness.
ICR/MR	Matched by Other Agencies	Matched by Other Agencies	Matched by Other Agencies	Matched by Other Agencies	Elimination of this service would result in a significant negative fiscal impact on DDSN. Elimination of this service would likely result in closure of Community Residential Care Facilities (CRCF) which will likely increase ER utilization by adults with mental illness.
Integrated Personal Care	\$ 5,000,000	\$ 105,917	\$ 124,833	\$ 1,498,000	
Optometry/Optician Services for Adults*	\$ 2,800,000	\$ 59,313	\$ 69,907	\$ 838,880	Elimination of this service could result in delayed detection of chronic conditions or eye disease resulting in delayed and more expensive care.
Pharmacy for Non-Institutionalized Adult Members * ***	\$ 86,500,000	\$ 5,375,975	\$ 5,048,717	\$ 22,000,000	Elimination of this service will result in increased ER and hospital utilization and increase morbidity and mortality.
Podiatry Services for Adults*	\$ 500,000	\$ 10,592	\$ 12,483	\$ 149,800	Elimination of this service would likely result in increased ER and hospital utilization.
Outpatient Services for Adults in Home Health*	\$ 3,622,645	\$ 76,740	\$ 90,445	\$ 1,085,344	Elimination of these services may result in increased physician utilization and potential increased nursing home and hospital utilization. Elimination of this service will increase ER utilization among adults with mental illness.
Rehabilitative Behavioral Health Services (RBHS) for Adults	\$ 248,500	\$ 5,264	\$ 6,204	\$ 74,451	Additionally, elimination of these services will have significant negative impact on multiple agencies including DAODAS and its local commissions, and DDSN's TBI program.
Rehab Therapy related to Hospitalization for Adults*	\$ 100,000	\$ 2,118	\$ 2,497	\$ 29,960	Elimination of these services may result in increased hospital utilization.

Section 6. Fiscal Impact for Eliminating Optional Services

Potential Elimination of Optional Services					
Potential Service Eliminations	Annualized Total SCDHHS Savings	SFY 11 SCDHHS State Savings Estimate By Month (74.58 FMAP)	SFY 12 SCDHHS State Savings Estimate By Month (70.04 FMAP)	SFY 12 Total SCDHHS State Savings Estimate (70.04 FMAP)	Impact
Community Long Term Care Goods and Services Eliminations (All DHHS Waivers)					
Climate Control	\$ 575,210	\$ 12,185	\$ 14,161	\$ 172,393	Some waiver participants live in housing without appropriate heat and cooling. This could potentially increase hospitalizations and other acute care costs. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information. Elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Appliances	\$ 4,000	\$ 85	\$ 100	\$ 1,198	Elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Chore Services	\$ 66,000	\$ 1,398	\$ 1,648	\$ 19,774	Elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Eliminate Environmental Modifications	\$ 540,000	\$ 11,439	\$ 13,482	\$ 161,784	Elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Incontinence Supplies	\$ 5,500,000	\$ 116,508	\$ 137,317	\$ 1,647,800	Elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.

Section 6. Fiscal Impact for Eliminating Optional Services

Potential Elimination of Optional Services					
Potential Service Eliminations	Annualized Total SCDHHS Savings	SFY 11 SCDHHS State Savings Estimate By Month (74.58 FMAP)	SFY 12 SCDHHS State Savings Estimate By Month (70.04 FMAP)	SFY 12 Total SCDHHS State Savings Estimate (70.04 FMAP)	Impact
Respite - nursing facility/hospital and CRCF	\$ 60,300	\$ 1,277	\$ 1,505	\$ 18,066	Reduction or elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Medically Complex Children's Waiver - In Home Respite	\$ -	\$ -	\$ -	\$ -	Reduction or elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Medically Complex Children's Waiver - Medical Day Care	\$ -	\$ -	\$ -	\$ -	Reduction or elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Nutritional Supplements	\$ 1,700,000	\$ 36,012	\$ 42,443	\$ 509,320	Reduction or elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Telemonitoring	\$ 387,000	\$ 8,198	\$ 9,662	\$ 115,945	Reduction or elimination of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.

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Section 6. Fiscal Impact for Eliminating Optional Services

Potential Elimination of Optional Services					
Potential Service Eliminations	Annualized Total SCDHHS Savings	SFY 11 SCDHHS State Savings Estimate By Month (74.58 FMAP)	SFY 12 SCDHHS State Savings Estimate By Month (70.04 FMAP)	SFY 12 Total SCDHHS State Savings Estimate (70.04 FMAP)	Impact
Other Long Term Care and Behavioral Program Service Eliminations					
Program of All Inclusive Care for the Elderly***	\$ 11,000,000	\$ 233,017	\$ 274,633	\$ 3,295,600	<p>PACE is a capitated program that serves dual eligibles. The rate includes nursing home stay as well as medical services which are generally provided at the program's adult day health care center. If this program is eliminated there will be an immediate cost shift for approximately 20% of participants to the nursing home line. Additionally, lack of access to this intensive program will likely result in increased hospitalizations and nursing home placements.</p>
Managed Care Rate Reduction as a Result of Optional Service Cuts*	\$ 156,022,645	\$ 6,848,696	\$ 6,784,466	\$ 42,828,984	<p>Savings estimate based on removing components from the CAP rate calculation.</p>
Total Estimated Impact	\$ 360,126,300	\$ 14,715,909	\$ 14,769,354	\$ 100,063,039	

Elimination Impact on Managed Care Rate

- * Denotes Services that Managed Care also provides
- *** Anticipate extensive cost shifts to more expensive services should these programs be eliminated

The CLTC services reductions could force CMS to determine the definition of a viable waiver. This is currently uncharted territory. Elimination of the waivers would flood nursing homes.

Estimated savings could be impacted by changes in programs and/or reimbursements. Estimates are subject to change based on the combination of reduction efforts.

Section 7. Fiscal Impact for Reducing Community of Long Term Care Services

Potential Service Reductions					
Potential Service Reductions	Annualized Total SCDHHS Savings	SFY 11 SCDHHS State Savings Estimate By Month (74.58 FMAP)	SFY 12 SCDHHS State Savings Estimate By Month (70.04 FMAP)	SFY 12 Total SCDHHS State Savings Estimate (70.04 FMAP)	Impact
Community Long Term Care Goods and Services Reductions (All DHS Waivers)					
Adult Day Health Care (ADHC)***	\$ 4,025,000	\$ 85,263	\$ 100,491	\$ 1,205,890	<p>1. This would cause a cost shift as persons not receiving adult day care would receive more costly in-home services.</p> <p>2. This is a core waiver service – may not be allowable by ARRA</p> <p>3. Criteria would need to be made more restrictive. Persons no longer eligible to go to day care would have appeals rights</p> <p>4. This reduction could have a major impact on our ability to maintain the service, as many day care centers could not tolerate a 25% reduction in revenue.</p> <p>5. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.</p> <p>Those not receiving this service in the day care would likely qualify for home health RN services. These are around \$100 per visit compared to the ADHC nursing rate of \$15 per day. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.</p>
ADHC Nursing	\$ 31,750	\$ 673	\$ 793	\$ 9,512	<p>As above, those not going to day care would likely receive more costly in-home services. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.</p>
ADHC Transportation***	\$ 942,000	\$ 19,955	\$ 23,519	\$ 282,223	<p>As above, those not going to day care would likely receive more costly in-home services. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.</p>

Section 7. Fiscal Impact for Reducing Community of Long Term Care Services

Potential Service Reductions					
Potential Service Reductions	Annualized Total SCDHHS Savings	SFY 11 SCDHHS State Savings Estimate By Month (74.58 FMAP)	SFY 12 SCDHHS State Savings Estimate By Month (70.04 FMAP)	SFY 12 Total SCDHHS State Savings Estimate (70.04 FMAP)	Impact
Companion (Agency)***	\$ 711,250	\$ 15,067	\$ 17,758	\$ 213,091	If we reduce the hours of companion this would likely lead to an increase in Personal Care II (\$16/hour) and Personal Care I (\$12/hour) services. Agency companion is reimbursed at \$9/hour. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Companion (Individual)***	\$ 432,500	\$ 9,162	\$ 10,798	\$ 129,577	This would likely lead to an increase in attendant care, which is \$12.30/hour compared to companion at \$9/hour. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Ramps (25% reduction based on prior approval process)	\$ 203,500	\$ 4,311	\$ 5,081	\$ 60,969	This could possibly increase ambulance services if waiver participants cannot get to medical appointments. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Reduce Meals to 10 per week	\$ 1,045,000	\$ 22,137	\$ 26,090	\$ 313,082	Affects those receiving from 11 to 14 home delivered meals per week. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information. Reduction of CLTC goods and services may result in short-term savings but increase the risk of increased nursing home utilization. This is a much higher cost level of care. This change would likely require waiver amendments. No changes could be done until federal approval is received. CMS has 90 days and can take longer by requesting further information.
Reduce Personal Emergency Response by 25%	\$ 365,000	\$ 7,732	\$ 9,113	\$ 109,354	
Total Impact	\$ 7,756,000	\$ 164,298	\$ 193,641	\$ 2,323,698	

Reduction

***We anticipate extensive cost shifts to more expensive services should these programs be eliminated

The CLTC services reductions could force CMS to determine the definition of a viable waiver. This is currently uncharted territory. Elimination of the waivers would flood nursing homes.

Estimated savings could be impacted by changes in programs and/or reimbursements. Estimates are subject to change based on the combination of reduction efforts.

Section 8. Fiscal Impact for Reimbursement Reductions Across All Provider Types

Reduction	Total Federal and State Savings		State Savings SFY 12		State Savings SFY 12 by Month
1%	\$	33,208,457	\$	9,949,254	\$ 829,104
2%	\$	66,578,967	\$	19,947,058	\$ 1,662,255
3%	\$	99,871,796	\$	29,921,590	\$ 2,493,466
4%	\$	132,934,820	\$	39,827,272	\$ 3,318,939
5%	\$	166,282,239	\$	49,818,159	\$ 4,151,513
6%	\$	199,894,249	\$	59,888,317	\$ 4,990,693
7%	\$	233,423,461	\$	69,933,669	\$ 5,827,806
8%	\$	266,871,475	\$	79,954,694	\$ 6,662,891
9%	\$	300,380,252	\$	89,993,923	\$ 7,499,494
10%	\$	333,911,443	\$	100,039,868	\$ 8,336,656

Includes the following types of providers and reimbursements in the analysis: Inpatient Hospitals, Outpatient Hospitals, Non-Institutional Medical Providers, Medical Professionals and Specialists, Pharmacy, Labs, Durable Medical Equipment, Community Long Term Care Providers and Waiver Services, Federally Qualified Health Clinics, Rural Health Clinics, and Nursing Homes. Note: FQHC and RHC rate reductions are limited and cannot result in rates that fall below the minimum payment level as required by federal law (BIPA 2000).

Assumes 1% change in Medicare relativity OR 1% reduction in non CMS set rates (i.e. L & D);

MCO capitation rate is based on projected calendar 2010 premiums and kickers paid and considers the MCO total cost (based on encounter data)

FFS excludes duals and other state agency funds

Assumes no active programs as of Oct 1, 2010 are eliminated or reduced

Section 9. SC Medicaid Budget Sustainability Project Report Ideas Submitted by the Public and Stakeholders

Below is a summary, by major topic, of the more than 700 ideas discussed through the Medicaid Budget Sustainability Project.

Perhaps due to the mindset of fiscal restraint prevalent in the state for some time now, or the fact that few cost saving ideas are currently allowable to pursue, it became evident during this project that most significant budget reduction ideas have already been under discussion. Thus this project highlighted the political and practical reality that the South Carolina Medicaid program has few places to go to find substantial cost savings, at this time.

There were many long-term ideas generated that will be most helpful to the state Medicaid program. These suggestions focused on changes South Carolina can pursue to build a better Medicaid program - investments in modernizing the claims and eligibility systems, enhancing utilization controls, increasing co-pays and additional fraud and abuse control. The state does intend to implement these suggestions as soon as practical.

Manage Medicaid Eligibility, Change Eligibility Rules

117 ideas were submitted. Though many of the ideas related to reducing rolls, this is not currently an option due to federal restrictions that require South Carolina to keep Medicaid eligibility criteria at July 1, 2008 levels (see note below.)* Eligibility ideas submitted that the state could consider include:

- Enhance eligibility screening, determination process to ensure integrity of Medicaid rolls
- Enhance fraud and abuse efforts to ensure integrity of Medicaid rolls
- Improve technology/coordinate with agencies to track salary, tax, benefit information
- Simplify the re-certification process

*Note: The reason Medicaid cannot reduce rolls through eligibility changes is because the state has chosen to accept an enhanced Medicaid federal match rate offered to states in the Stimulus bill. In order to receive this enhanced match rate, state Medicaid programs agree to an eligibility "maintenance of effort," prohibiting them from changing eligibility criteria from levels set back in July 2008. Now this same eligibility maintenance of effort has been made law in the health care reform bill, too. Essentially, this means that Medicaid cannot tighten current eligibility criteria until 2014 when reform's health insurance exchanges are operational.

Require More Co-Pays

31 ideas were submitted. The majority of ideas were to increase co-pays, especially for inappropriate use of services, like in the ER setting. South Carolina Medicaid has nearly optimized the use of co-pays in most of these areas, but is planning to increase certain co-pays slightly more to reach maximum federal levels within the limitations of the state's current, aged eligibility system. In addition, all programmatic exemptions for co-pays will be removed and an

updated policy implemented as soon as possible. Co-pay ideas submitted that the state will pursue include:

- Institute co-pays for State Plan services for Waiver enrollees
- Institute co-pays for enrollees in MHNs and MCOs
- Enforce existing co-pay policy for non-emergent use of ERs
- Increase pharmacy co-pays to \$3.40 in fee-for-service, the maximum level allowed

Reduce/Eliminate Services

64 ideas were submitted. Though the federal government mandates many Medicaid services, many of these can be reduced - while other "optional" services can be reduced or even eliminated. Service management ideas submitted that the state will consider include:

- Enhance prior authorization across all services to ensure value-based purchasing
- Reduce monthly drug coverage to six prescriptions total for adults
- Reduce diabetic shoe coverage to one pair per year (vs. two pairs)
- Reduce the number of home health visits from 75 to 50
- Reduce power wheelchair coverage
- Freeze/limit Medicaid permit days for nursing homes
- Implement caps for individual Hospice providers
- Cap ER visits
- Eliminate circumcision coverage
- Eliminate coverage for tests that identify care needs not funded by Medicaid
- Eliminate all non-medically necessary services

Coordinate Care Delivery

284 ideas were submitted. Nearly 40% of the ideas submitted dealt with better management of the Medicaid health care delivery system. Though these ideas represent a broad range of strategies, several themes emerged for consideration. Providing coordinated, quality, medically-necessary and evidence-based care in the appropriate setting is the ideal embraced by the entire health care community. Leveraging health technology and managing care utilization by incentivizing appropriate use and delivery of services were also common themes. Care coordination ideas submitted that the state will consider include:

- Ensure that Medicaid patients have one primary care physician
- Ensure the care setting is medically appropriate and cost effective
- Institute evidence-based practices for treatment – tie payments to evidence-based care
- Increase emphasis on preventive care
- Enhance Pay for Performance
- Enhance prior authorization efforts to ensure medical necessity, proper utilization
- Manage care for high-cost populations and services (chronically ill, high-risk births)
- Long Term Care: Encourage more use of home and community-based care options
- Long Term Care: Maximize the higher FMAP for home and community-based care
- Long Term Care: Address end-of-life issues

- Long Term Care: Expand the PACE long-term care program
- Long Term Care: Expand home care services
- Long Term Care: Expand use of adult day care services
- Implement the pediatric palliative care program in the health reform law
- Work with hospitals to control ER utilization, and costs in the ER
- Enhance use of ambulatory surgery centers (vs. outpatient)
- Limit hospital readmissions, or reduce payment for inappropriate readmissions
- Promote electronic health records for more chronic care management
- Increase the use of telemedicine for 24/7 care to reach more people and avoid ER usage
- Expand after-hours care to increase health care accessibility
- Enhance management of pharmacy preferred drug lists
- Expand the pharmacy "lock in" program
- Focus on meds compliance with the mental health population
- Enhance Medication Therapy Management program
- Require prior authorization for reformulated acne drugs
- Coordinate dental care utilization
- Increase pediatric disease management
- Expand Quality Improvement Organization scope of services
- Require credentialing for ultrasound services
- Reduce duplication of EPSDT services
- Reuse/recycle/refurbish power wheelchairs

Manage Rates and Reimbursement Methodologies

13 ideas were submitted. Though a few provider groups did express a willingness to accept lower provider rates, that option is not available to the state at this time. South Carolina Medicaid is in the unique position of not being able to manage provider rates, as directed by a budget proviso. Proviso 89.87 of the SFY 2011 Appropriations Act states, "The Department of Health and Human Services shall not decrease provider reimbursement rates from their current levels." Aside from rates, the topic of reimbursement methodologies emerged through this project, with several suggestions for DHHS to apply more modern or efficient business principles to the Medicaid rate payment logic. Ideas related to reimbursement that were submitted include:

- Implement a three percent cut to all providers for 2011 and 2012
- Reduce all provider rates by one percent
- Reduce pharmacy reimbursement
- Reduce DSH reimbursements to hospitals
- Convert hospital cost settlement system to prospective payment
- Reduce Hospice room and board rate to 95% Medicare
- Make nursing home payments acuity based
- Lower the rate paid for eyeglasses
- Stop paying for multiple visits for speech therapy

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Increase Fraud and Abuse Efforts

29 ideas were submitted. South Carolina Medicaid has made consistent progress in pursuing and collecting against fraud and abuse cases. Though this issue requires front-end resources, several ideas were submitted to increase program integrity efforts, which provide a favorable return on investment, and help deter improper activity.

On the provider front, the following ideas were submitted for consideration:

- Perform more reviews of medical professionals with high Medicaid volume
- Perform more review of those whose billing activity falls outside of normal patterns
- Reduce overpayments/abuse through enhanced claims review

On the recipient front, ideas included:

- Assigning recipients to just one dentist or physician to reduce fraud and abuse
- Managing those seeking drug products through inappropriate use of doctor or dental services

Note that a variety of recipient fraud ideas centered on the pursuit of individuals who may not be eligible for Medicaid based on lifestyle or clothes, car, etc. DHHS has an anonymous fraud and abuse hotline which can be called anytime to report such potential program integrity cases.

Streamline DHHS or Medicaid Administration/Billing

91 ideas were submitted. The agency's "go green" and other efforts to streamline and modernize business practices will help the state adapt to future Medicaid expansion and funding stressors. Several of the ideas submitted tie to the agency's effort to do business smarter, and to re-vamp its aging billing and IT infrastructure, including:

- Ensuring the billing system reflects current payment policy
- Updating the billing system to pay for services based on sound medicine
- Preparing the Medicaid program's IT infrastructure for federally mandated upgrades
- Updating the antiquated paper-based claims denial process
- Switching complicated hospital methodologies to industry-standard proper software
- Moving to electronic payment of Medicare crossover claims
- Moving toward e-claims across the entire Medicaid system
- Checking insurance databases for coverage of pharmacy claims

Increase Revenue for the Medicaid Program

33 ideas were submitted. Ideas to enhance the funding position of the state Medicaid program were also submitted. Most of these ideas are beyond the scope of DHHS, and would require action by the General Assembly. Revenue-generation ideas submitted include:

- Seek private or provider funding of state match for Medicaid
- Have other providers besides hospitals pay a provider tax
- Make sure the state is maximizing all available federal funding, where possible
- Charge a provider credentialing fee
- Implement a tax on Medicaid managed care gross receipts

- Implement a MCO tax
- Access revenue funds from other agencies
- Increase sales tax
- Increase state income tax
- Reallocate some lottery funds to Medicaid
- Create a state health lottery for Medicaid
- Raise the cigarette tax again
- Access the current cigarette tax revenue early
- Increase taxes on alcoholic beverages
- Increase taxes on firearms

Other Ideas

59 ideas were submitted. Project participants offered many other ideas for the state to consider to help keep the Medicaid program solvent. Several of these suggestions are listed below. Beyond these, there were many ideas submitted relating to the behavior and lifestyle of Medicaid beneficiaries, the proper role of government in providing for citizens, or encouraging citizens' responsible behavior. Ideas like these could not be considered within the scope of this project.

- Do more provider and legislative education – to keep stakeholders informed
- Coordinate with other state agencies and share resources, as possible
- Undo restrictive state provisos to allow DHHS to effectively manage the program
- Reduce the scope of Medicaid contracts to reflect the core agency mission
- Outsource all possible DHHS functions – especially expensive functions
- Look at what the private insurance market is doing to reduce costs
- Ensure that all the state's stakeholders are involved in this process – listen to all voices

What Happens if Deficit is not Recognized?

- **Section 10.** Contingency Plan if the DHHS Deficit is not Recognized

Section 10. Contingency Plan if the DHHS Deficit Is Not Recognized By the Budget and Control Board

- Based on current average weekly claims payments, it is estimated that state matching funds for Medicaid claims will be exhausted after the February 25, 2011 weekly payment run.
- On February 4, 2011 all Medicaid providers, MCO's and MHN's except state agency providers will receive a bulletin providing 30 day notice that Medicaid claims will cease to be paid effective March 4, 2011.
- DHHS will continue to receive, adjudicate and store claims, but they will not be released for payment until such time as there are sufficient funds to pay them.
- Providers will be encouraged to continue seeing Medicaid patients, in hopes that they will eventually be paid, but recognizing that many will be unable to continue. Therefore, it will be increasingly difficult and in some areas impossible for Medicaid beneficiaries to obtain medical care.
- State agency claims will continue to be paid as long as the state agencies continue to have sufficient state matching funds.
- Inevitably, the State and DHHS will have to defend numerous lawsuits over payment issues, access issues, eligibility issues, personnel issues, etc.
- DHHS will notify CMS that the State of South Carolina will be out of compliance with prompt pay requirements under ARRA, and will request a waiver on the grounds that the State having no money to pay claims is an exigent circumstance under the waiver provision in the ARRA law.
- If a waiver is not granted, the State will lose eligibility for the increased FMAP under ARRA for providers meeting the definition of practitioners under the ARRA law for every day that the state is out of compliance. This would result in an estimated loss of approximately \$24 million in Federal funds for the remainder of the year, even if the state retroactively pays these claims when sufficient funds become available.
- Ultimately CMS will likely find South Carolina to be out of compliance with other Federal Medicaid requirements which will further jeopardize Federal funding for continuation of the Medicaid program.
- DHHS will continue to maintain reduced operations in the local eligibility offices, CLTC area offices and the main office in Columbia in order to process Medicaid applications, process and store claims, pay state agency claims, maintain Federal reporting requirements, defend lawsuits, assist providers as much as possible with questions and issues that they have, maintain and pay for essential contracts.
- To reduce payroll and operating costs while maintaining reduced operations, beginning the week of March 28, 2011, DHHS will implement an agency-wide mandatory four-day work week with a mandatory furlough day occurring every Friday from April 1, 2011 through May 28, 2011. (The work periods in June are actually paid in July, and thus would be in the next fiscal year). The agency had already implemented a 1-day mandatory furlough, and this four-day week schedule would use up the remaining 9 mandatory furlough days allowed by Proviso 89.95.
- If and when additional funds are made available DHHS would begin processing and paying the claims that have been stored, starting with the oldest.

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Other Impact Information

- **Section 11.** Legal Implications of Withdrawal from the Medicaid Program

Section 11. Legal Implication of Withdrawal from the Medicaid Program

South Carolina
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

November 5, 2010

Memorandum

To: Deirdra T. Singleton
General Counsel

From: Richard G. Hepfer
Deputy General Counsel

Subject: Withdrawal from the Title XIX Medicaid Program

Issue: Can a State withdraw from participating in the Title XIX Medicaid Program?

Response: The Medicaid program was created in 1965, when Congress added Title XIX to the Social Security Act, 79 Stat. 343, as amended, 42 U.S.C. § 1396 *et seq.* (1976 ed. and Supp. II), for the purpose of providing federal financial assistance to states that choose to reimburse certain costs of medical treatment for needy persons. Participation in the Medicaid program is entirely optional, but once a State elects to participate, it must comply with the requirements of Title XIX. Hamis v. McRae 448 U.S. 297, 301, 100 S.Ct. 2671, 2680 (U.S.N.Y., 1980). Neither South Carolina nor any other state is required to participate in the Medicaid program and may elect not to do so. Medicaid is an optional, federal-state program through which the federal government provides financial assistance to states for the medical care of needy individuals. Doe v. Kidd 501 F.3d 348, 351 (C.A.4 (S.C.), 2007) However, to date, we are not aware of any state that has withdrawn from participating in the Medicaid program.

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STATE BUDGET & CONTROL BOARD

AGENCY: Office of State Budget

SUBJECT: Permanent Improvement Projects

Budget and Control Board approval is requested for the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee:

Establish Project for A&E Design

- (a) Summary 3-2011: JBRC Item 1. Coastal Carolina University
Project: 9580, Softball Complex Improvements
Request: Establish project and budget for \$30,000 (Other, Horry County Higher Education Commission funds) to begin design work to make improvements to the women's softball complex at Coastal Carolina. The work will include constructing a clubhouse with team and coaches' locker rooms, improving the home dugout, concessions and fan restrooms, adding an additional hitting/pitching tunnel, improving the existing tunnel, and upgrading the pressbox. The university is deficient in stadium, practice and team facilities for women's softball compared with men's baseball and with conference and peer institution softball programs. Deficiencies include lack of a dedicated locker and team room, inadequate hitting and pitching tunnels, and inefficient media space and fan amenities. Upgrades are needed to ensure compliance with federally mandated Title IX guidelines.
- (b) Summary 3-2011: JBRC Item 2. Coastal Carolina University
Project: 9581, Baseball Complex Improvements
Request: Establish project and budget for \$120,000 (Other, Institutional Capital Project Funds) to begin design work to construct a new baseball stadium at Coastal Carolina. The work will include demolishing the existing facility, replacing it with a new grandstand with 2,500 permanent seats and 3,000 additional seats on grass berms, and constructing restroom and concession areas, media work space, and a team clubhouse with team, coaches' and umpires' locker rooms and an athletic training room. The university is deficient in stadium and team facilities for its baseball program compared to other Division I baseball programs in the state. Deficiencies include overall seating capacity, ADA required seating and restroom facilities, inadequate media work space, and sub-standard public restrooms and concession areas. These deficiencies have forced the university to move baseball events, including NCAA Regional and Super Regional championships, to an off-campus venue.
- (c) Summary 3-2011: JBRC Item 3. Coastal Carolina University
Project: 9582, Student Center Annex Construction
Request: Establish project and budget for \$360,000 (Other, Renovation Reserve/Plant Expansion funds) to begin design work to construct additional space for student activities at Coastal Carolina. The work will include constructing two, approximately 50,000 square foot annexes to the existing 28,980 square foot student center. The existing center was constructed in 1978 when the

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AGENCY: Office of State Budget

SUBJECT: Permanent Improvement Projects

enrollment was 1,760 students and the Fall 2010 enrollment was 8,706. The student center provides only 5,652 square feet of meeting room, game room and lounge space and is predominantly used for student activities office space, dining space, and food service preparation. The center lacks lobby, lounge and general social space for students and, as the university has grown, smaller social spaces within academic buildings have been renovated to meet other space needs. Additional student life space will improve student retention and provide space for after class activities to develop a stronger student community on the campus.

- (d) Summary 3-2011: JBRC Item 4. Lander University
Project: 9532, Student Housing Construction
Request: Establish project and budget for \$240,000 (Other, Housing Reserve funds) to begin design work to construct a new 300-bed student housing facility at Lander University. The facility will include 300 bedspaces in approximately 80,000 to 120,000 square feet, a small dining hall, and flexible floor spaces for meetings and student activities. The university currently has 1,096 beds on campus while housing 407 students in leased property off campus. Constructing new housing will allow the university to begin eliminating off campus housing to meet the university's mission, to provide swing space for other housing renovations, and to consider demolishing older, antiquated housing on campus.
- (e) Summary 3-2011: JBRC Item 5. University of South Carolina
Project: 6085, Women's Quadrangle Renovations
Request: Establish project and budget for \$408,000 (Other, Housing Maintenance Reserve funds) to begin design work to renovate the Sims, McClintock and Wade Hampton residence halls on the Women's Quadrangle at USC. The work will include making interior repairs, installing new finishes and furnishings, upgrading the mechanical, electrical and plumbing systems, installing new elevators, and improving the buildings' shells and underground utilities. Conversion to suite-style rooms and renovating all three halls in the same year for cost savings will also be evaluated during the pre-design phase. The buildings were constructed between 1939 and 1959. The renovations are needed due to the age and condition of the existing systems and to keep the facilities in desirable condition. The work will significantly reduce the deferred maintenance associated with these buildings.
- (f) Summary 3-2011: JBRC Item 6. University of South Carolina
Project: 6086, Preston College Bathroom and Flooring Renovations
Request: Establish project and budget for \$22,500 (Other, Housing Maintenance Reserve funds) to begin design work to make bathroom and flooring renovations at the Preston College residence hall at USC. The work on the 80 bathrooms will include replacing plumbing fixtures, repairing water leaks and damaged wall surfaces, replacing floor and ceiling tiles, painting and other associated repairs. The work in the 120 student rooms will include replacing the vinyl tile

AGENCY: Office of State Budget

SUBJECT: Permanent Improvement Projects

flooring with tile or simulated wood vinyl planking. Some of the plumbing and flooring are original to the 1939 building. The plumbing systems are past their expected lives and leaking. The flooring replacements are needed to correct damage from the plumbing leaks and to protect the building from normal usage. The work will significantly reduce the deferred maintenance associated with this building.

- (g) Summary 3-2011: JBRC Item 8. USC - Upstate
Project: 9541, Administration Building Repairs and Renovation
Request: Establish project and budget for \$60,000 (Other, Institutional Capital Project Funds) to begin design work to renovate the 43,000 square foot Administration Building at USC-Upstate. The building houses many central administrative functions and information technology services for the campus. The work will include replacing the mechanical, electrical and plumbing systems, upgrading the fire detection system, and renovating interior space to provide adequate and proper space for all building functions that directly support the academic mission. The building was constructed in 1969 and most systems are original to the building. They are outdated, past their useful lives, do not meet capacity needs, and replacement parts are no longer manufactured. The renovations will significantly reduce deferred maintenance associated with the building.

Establish Construction Budget

- (h) Summary 3-2011: JBRC Item 9. University of South Carolina
Project: 6063, Sumter Street Safety Improvements
Request: Increase budget to \$1,000,000 (add \$985,000 Other, Institutional funds) to make pedestrian safety improvements along Sumter Street for USC. The project was established in June 2009 for pre-design work which is now complete. The work has been scaled back to match available funding and will include constructing a pedestrian/bicycle bridge and sidewalks connecting the bridge to the Band/Dance facility and the Blatt PE Recreation Field, installing additional street lighting, constructing stream bank protection, erosion control and water quality components, and landscaping. The work is needed to improve campus safety by addressing a hazardous situation that exists on Sumter Street where pedestrians cross over Rocky Branch Creek. The area is prone to flooding during storm events and has no connecting sidewalks or permanent bridge structure to cross the creek, which forces students to walk in the street. Energy savings and conservation measures will include the installation of energy efficient lighting. The agency reports the total projected cost of this project is \$1 million and additional annual operating costs of \$297 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2011 and for completion of construction is May 2012. (See Attachment 1 for additional annual operating costs.)

AGENCY: Office of State Budget

SUBJECT: Permanent Improvement Projects

- (i) Summary 3-2011: JBRC Item 10. University of South Carolina
Project: 6074, Spigner House Renovation
Request: Increase budget to \$1,000,000 (add \$986,500 Other, Auxiliary funds) to renovate the 9,500 square foot Spigner House at USC. The project was established in February 2010 for pre-design work, which is now complete. The first floor will be renovated to provide space for business use suited for seminar classroom and conference space and the second floor will be renovated to create offices for the University's food service provider. The work will include replacing the mechanical, electrical, plumbing, and window systems, installing new fire suppression and fire alarm systems, upgrading water supply piping to the house, creating ADA compliant restrooms, restoring all interior finishes and repainting. The facility is unoccupied and renovations will adapt the space for new use. The building systems are outdated and do not meet current code requirements. The renovation will be done to LEED Silver certification and will include water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality measures. The LEED cost benefit analysis shows a positive cost benefit of \$191,350 over 30 years. The agency reports the total projected cost of this project is \$1 million and additional annual operating costs ranging from \$85,880 to \$92,880 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is July 2011 and for completion of construction is February 2012. (See Attachment 2 for additional annual operating costs.)
- (j) Summary 3-2011: JBRC Item 11. Medical University of South Carolina
Project: 9808, Thurmond Gazes Building Envelope and Exhaust Systems Renovations
Request: Increase budget to \$7,000,000 (add \$6,895,000 Institution Bond funds) to renovate the exhaust systems and building envelope on the Thurmond Gazes Building at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include replacing the exhaust system, providing a separate exhaust chase for two floors, sealing floor to floor penetrations, replacing wall flashing, recaulking and resealing windows, and replacing the exterior finish on the penthouse. The building lacks exterior envelope moisture resistance and mold and mildew are becoming a serious problem. The building exhaust system contributes to the problem because it runs at 100% all the time and there is not enough air supply to balance the system. This project, along with a previously approved air handler replacement, will correct the indoor air quality issues that exist in the building. Energy savings and conservation measures will include the installation of energy efficient exhaust fans with variable speed drives, digital electronic controls, and phoenix valves to control return air and exhaust air flow. The agency reports the total projected cost of this project is \$7 million and no additional annual operating costs will result from the project. The agency also

AGENCY: Office of State Budget

SUBJECT: Permanent Improvement Projects

reports the projected date for execution of the construction contract is August 2011 and for completion of construction is August 2012.

- (k) Summary 3-2011: JBRC Item 12. Medical University of South Carolina
Project: 9809, Harborview Office Tower Chilled Water Risers Replacement
Request: Increase budget to \$650,000 (add \$635,000 Institution Bond funds) to replace the chilled water piping risers in the Harborview Office Tower at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include demolishing the existing chilled water supply system, which carries chilled water throughout the buildings for cooling, and installing a new system including pumps, air separators, expansion tanks, variable speed drives, and controls. The existing risers are 31 years old, severely corroded, and in danger of failure. Energy savings and conservation measures will include the installation of pumps with variable speed drives and digital electronic controls. The agency reports the total projected cost of this project is \$650,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is July 2011 and for completion of construction is April 2012.
- (l) Summary 3-2011: JBRC Item 13. Medical University of South Carolina
Project: 9810, Storm Eye Institute Sanitary Sewer Riser Replacement
Request: Increase budget to \$560,000 (add \$551,600 Institution Bond funds) to replace the sanitary sewer risers in the Storm Eye Institute at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include replacing the existing copper pipe risers with acid resistant polypropylene piping and repairing portions of walls and ceilings resulting from installation of the new piping. The risers drain laboratory waste from sinks and plumbing, are 35 years old, severely corroded, and a continuous source of leaks. They need to be replaced to prevent further damage to the building and ongoing maintenance issues. Energy savings and conservation measures are not applicable to this piping replacement project. The agency reports the total projected cost of this project is \$560,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2011 and for completion of construction is December 2011.
- (m) Summary 3-2011: JBRC Item 14. Medical University of South Carolina
Project: 9811, Basic Science Building Dental Medicine Classroom/Office Renovation
Request: Increase budget to \$2,600,000 (add \$2,561,750 - \$1,000,000 Institution Bond and \$1,561,750 Other, College of Dental Medicine Reserve funds) to renovate approximately 22,253 square feet in the Basic Science Building for the College of Dental Medicine at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include

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constructing two large, tiered lecture classrooms in the former dental clinic space, creating office and lab space for dental faculty, and abating asbestos where ceilings are disturbed. The work is needed to enable the College to increase class sizes to better address the demand for dental professionals in the state and to accommodate dental faculty relocating from another facility. The affected areas have not been renovated since the building was constructed 40 years ago. Energy savings and conservation measures will include the installation of energy efficient lighting, a lighting control system, an energy efficient HVAC system, and water-conserving plumbing fixtures. The agency reports the total projected cost of this project is \$2.6 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2011 and for completion of construction is September 2012.

(n) Summary 3-2011: JBRC Item 15. Medical University of South Carolina

Project: 9812, Basic Science Building East Side Exhaust/Emergency Power Improvements

Request: Increase budget to \$2,550,000 (add \$2,508,750 Institution Bond funds) to renovate the exhaust and emergency power systems in the east half of the Basic Science Building at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include installing a new exhaust system to support planned conversion of space to research labs, installing floor to floor dampers to allow air flow control, and extending the emergency electrical power distribution system to support the research space. The east half of the building does not have a lab exhaust system and emergency electrical power distribution is not sufficient to support the planned research space. Floor to floor air control does not exist, which is inefficient and results in poor temperature and humidity control. Energy savings and conservation measures will include the installation of variable frequency drives, energy efficient motors and fans, electronic controls, and energy efficient lighting and insulation. The agency reports the total projected cost of this project is \$2,550,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of construction contract is August 2011 and for completion of construction is April 2012.

(o) Summary 3-2011: JBRC Item 16. Medical University of South Carolina

Project: 9813, Basic Science Building East Side Air Handler Replacement

Request: Increase budget to \$4,200,000 (add \$4,140,000 Institution Bond funds) to replace the air handler in the east half of the Basic Science Building at MUSC. The project was established in September 2010 for pre-design work which is

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now complete. The work will include installing a new 200,000 cubic feet per minute air handler, chilled water and steam supply lines, and supply air ductwork and upgrading the electrical systems to support the new equipment. The existing air handler is 40 years old, original to the building, well beyond its useful life, and does not have adequate capacity to support labs and classrooms. Energy savings and conservation measures will include the installation of variable frequency drives, energy efficient motors and fans, electronic controls, and energy efficient lighting and insulation. The agency reports the total projected cost of this project is \$4.2 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2011 and for completion of construction is May 2012.

- (p) Summary 3-2011: JBRC Item 17. Medical University of South Carolina
Project: 9815, Basic Science Building Fire Alarm System Replacement
Request: Increase budget to \$670,000 (add \$660,700 - \$450,000 Institution Bond and \$210,700 Other, Institutional Capital Project Funds) to replace the fire alarm system in the Basic Science Building at MUSC. The project was established in December 2010 for pre-design work which is now complete. The work will include installing a fully addressable network system for the building, replacing horns, strobe devices, pull stations, smoke detectors, the control panel and related devices, and connecting the new system to the campus network. The existing fire alarm system is 40 years old, obsolete, and not code compliant and does not have a voice announcement capability. Energy savings and conservation measures will include the installation of state-of-the-art energy efficient fire alarm devices. The agency reports the total projected cost of this project is \$670,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is May 2011 and for completion of construction is October 2011.
- (q) Summary 3-2011: JBRC Item 18. State Board for Technical and Comprehensive Education
Project: 6013, Piedmont - Newberry County Center Renovation
Request: Increase budget to \$6,150,000 (add \$6,030,000 - \$3,933,100 Other, Newberry County and \$2,096,900 Other, Local College funds) to renovate approximately 45,000 square feet in a county-owned facility as the Newberry County location of Piedmont Tech. The project was established in February 2010 for pre-design work which is now complete. The work will include renovations to house general education classrooms, the veterinary technician program requiring wet labs, a surgery suite, and a boarding kennel, conference and meeting space, a learning resource center, computer rooms, an industrial arts lab area, and student vending and administrative space. Piedmont Tech will

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move the existing Newberry Center to meet current space, program design and parking needs. Existing facilities lack parking, have small rooms that do not meet current needs, are not energy efficient, and need building code upgrades. Energy savings and conservation measures will include the installation of energy efficient HVAC and lighting systems, motion detectors, instant hot water heaters, low flow plumbing devices, additional insulation, and an energy management system. The agency reports the total projected cost of this project is \$6,150,000 and additional annual operating costs ranging from \$152,150 to \$167,744 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is September 2011 and for completion of construction is June 2012. (See Attachment 3 for additional annual operating costs.)

(r) Summary 3-2011: JBRC Item 19. State Board for Technical and Comprehensive Education

Project: 6015, Trident - Building 950 Renovation Phase II

Request: Increase budget to \$6,600,000 (add \$6,516,000 Other, Institutional funds) to renovate approximately 29,358 square feet in Building 950 at Trident Tech. The project was established in February 2010 for pre-design work which is now complete. The work will include renovations to create studios, labs, classrooms and offices for the Media Arts and the Fitness Specialist programs, student study and food service areas to support training in aircraft manufacturing, and an indoor classroom and office for the Electrical Line Worker program. The renovation is needed to provide space for Media Arts which has grown 72% in the last five years and is located in several buildings, to establish a Fitness Specialist program to fill a void in the area, to provide needed classroom space for the Electrical Line Worker program, and to provide study and food service areas for aircraft manufacturing students to eat and take breaks. The building will be renovated to LEED Silver certification and will include water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality measures. The LEED cost benefit analysis shows a positive benefit of \$882,211 over 30 years. The agency reports the total projected cost of this project is \$6.6 million and additional annual operating costs ranging from \$199,930 to \$216,242 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2011 and for completion of construction is November 2012. (See Attachment 4 for additional annual operating costs.)

AGENCY: Office of State Budget

SUBJECT: Permanent Improvement Projects

Increase Budget

- (s) Summary 3-2011: JBRC Item 20. Francis Marion University
Project: 9558, Center for the Performing Arts Construction
Request: Increase budget to \$34,180,000 (add \$1,680,000 - \$1,350,000 Other, Interest Earned on Private Gift and \$330,000 Other, Private Gift funds) to complete construction of the 73,665 square foot Center for the Performing Arts for Francis Marion University to house the university's fine arts programs, offices and classrooms. The project was established in September 2006 and is expected to be completed in April 2011. During the construction phase, the university received interest earned on the private funds donated for the center's construction and additional private gift funds specifically to make additional enhancements to the new facility. The increase will fund these additional enhancements, including a security system and fencing, a water feature in front of the facility, an enhanced lighting package, acoustic curtains, automatic window shades, and onyx glazing on windows. Many of these were included in the original design as alternates but were not awarded due to budget considerations. The agency reports the total projected cost of this project is \$34,180,000 and additional annual operating costs ranging from \$934,800 to \$969,677 will result in the three years following project completion. (See Attachment 5 for additional annual operating costs.)

Establish Project for Preliminary Land Studies

- (t) Summary 3-2011: JBRC Item 21. Coastal Carolina University
Project: 9578, Coastal Science Center Building and Land Acquisition
Request: Establish project and budget for \$20,000 (Other, One Cent Sales Tax funds) to procure the investigative studies required to adequately evaluate property prior to purchase. Coastal Carolina is considering the purchase of 10.62 acres of land with a 69,480 square foot building on its east campus. The building is currently leased and provides office and classroom space for the Psychology, Sociology, Computer Sciences and Marine Sciences departments. The investigative studies will enable the university to make an informed decision regarding exercising the purchase option associated with the current lease. The facility provides much needed office and classroom space, including 40 offices, ten classrooms, a lab and work spaces.
- (u) Summary 3-2011: JBRC Item 22. Coastal Carolina University
Project: 9579, Student Health Services Building and Land Acquisition
Request: Establish project and budget for \$20,000 (Other, One Cent Sales Tax funds) to procure the investigative studies required to adequately evaluate property prior

AGENCY: Office of State Budget

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to purchase. Coastal Carolina is considering the purchase of 2.58 acres of land with a 7,884 square foot building on its main campus. The building is currently leased and provides office space for Student Health and Counseling Services. The investigative studies will enable the university to make an informed decision regarding exercising the purchase option associated with the current lease. The facility provides much needed administrative space including 16 offices, two conference rooms, ten exam rooms, and a nurse's station. The acreage associated with the purchase will also provide the building site for the university's new Public Safety facility.

BOARD ACTION REQUESTED:

Approve permanent improvement project establishment requests and budget revisions. All items have been reviewed favorably by the Joint Bond Review Committee.

ATTACHMENTS:

Attachments

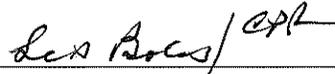
BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: February 8, 2011

Regular Agenda

1. Submitted By:

- (a) Agency: Office of State Budget
(b) Authorized Official Signature:


Les Boles, Director

2. Subject: Permanent Improvement Projects

3. Summary Background Information:

Establish Project for A&E Design

(a) Summary 3-2011: JBRC Item 1. Coastal Carolina University

Project: 9580, Softball Complex Improvements

Request: Establish project and budget for \$30,000 (Other, Horry County Higher Education Commission funds) to begin design work to make improvements to the women's softball complex at Coastal Carolina. The work will include constructing a clubhouse with team and coaches' locker rooms, improving the home dugout, concessions and fan restrooms, adding an additional hitting/pitching tunnel, improving the existing tunnel, and upgrading the pressbox. The university is deficient in stadium, practice and team facilities for women's softball compared with men's baseball and with conference and peer institution softball programs. Deficiencies include lack of a dedicated locker and team room, inadequate hitting and pitching tunnels, and inefficient media space and fan amenities. Upgrades are needed to ensure compliance with federally mandated Title IX guidelines.

(b) Summary 3-2011: JBRC Item 2. Coastal Carolina University

Project: 9581, Baseball Complex Improvements

Request: Establish project and budget for \$120,000 (Other, Institutional Capital Project Funds) to begin design work to construct a new baseball stadium at Coastal Carolina. The work will include demolishing the existing facility, replacing it with a new grandstand with 2,500 permanent seats and 3,000 additional seats on grass berms, and constructing restroom and concession areas, media work space, and a team clubhouse with team, coaches' and umpires' locker rooms and an athletic training room. The university is deficient in stadium and team facilities for its baseball program compared to other Division I baseball programs in the state. Deficiencies include overall seating capacity, ADA required seating and restroom facilities, inadequate media work space, and sub-standard public restrooms and concession areas. These deficiencies have forced the university to move baseball events, including NCAA Regional and Super Regional championships, to an off-campus venue.

EXHIBIT

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STATE BUDGET & CONTROL BOARD

- (c) Summary 3-2011: JBRC Item 3. Coastal Carolina University
Project: 9582, Student Center Annex Construction
Request: Establish project and budget for \$360,000 (Other, Renovation Reserve/Plant Expansion funds) to begin design work to construct additional space for student activities at Coastal Carolina. The work will include constructing two, approximately 50,000 square foot annexes to the existing 28,980 square foot student center. The existing center was constructed in 1978 when the enrollment was 1,760 students and the Fall 2010 enrollment was 8,706. The student center provides only 5,652 square feet of meeting room, game room and lounge space and is predominantly used for student activities office space, dining space, and food service preparation. The center lacks lobby, lounge and general social space for students and, as the university has grown, smaller social spaces within academic buildings have been renovated to meet other space needs. Additional student life space will improve student retention and provide space for after class activities to develop a stronger student community on the campus.
- (d) Summary 3-2011: JBRC Item 4. Lander University
Project: 9532, Student Housing Construction
Request: Establish project and budget for \$240,000 (Other, Housing Reserve funds) to begin design work to construct a new 300-bed student housing facility at Lander University. The facility will include 300 bedspaces in approximately 80,000 to 120,000 square feet, a small dining hall, and flexible floor spaces for meetings and student activities. The university currently has 1,096 beds on campus while housing 407 students in leased property off campus. Constructing new housing will allow the university to begin eliminating off campus housing to meet the university's mission, to provide swing space for other housing renovations, and to consider demolishing older, antiquated housing on campus.
- (e) Summary 3-2011: JBRC Item 5. University of South Carolina
Project: 6085, Women's Quadrangle Renovations
Request: Establish project and budget for \$408,000 (Other, Housing Maintenance Reserve funds) to begin design work to renovate the Sims, McClintock and Wade Hampton residence halls on the Women's Quadrangle at USC. The work will include making interior repairs, installing new finishes and furnishings, upgrading the mechanical, electrical and plumbing systems, installing new elevators, and improving the buildings' shells and underground utilities. Conversion to suite-style rooms and renovating all three halls in the same year for cost savings will also be evaluated during the pre-design phase. The buildings were constructed between 1939 and 1959. The renovations are needed due to the age and condition of the existing systems and to keep the facilities in desirable condition. The work will significantly reduce the deferred maintenance associated with these buildings.
- (f) Summary 3-2011: JBRC Item 6. University of South Carolina
Project: 6086, Preston College Bathroom and Flooring Renovations
Request: Establish project and budget for \$22,500 (Other, Housing Maintenance Reserve funds) to begin design work to make bathroom and flooring renovations at the Preston College residence hall at USC. The work on the 80 bathrooms will include replacing plumbing fixtures, repairing water leaks and damaged wall surfaces, replacing floor and ceiling tiles, painting and other associated repairs. The work in the 120 student rooms will include replacing the vinyl tile flooring with tile or simulated wood vinyl planking. Some of the plumbing and flooring are original to the 1939 building. The plumbing systems are past their expected lives and leaking. The flooring replacements are needed to correct damage from the plumbing leaks and to protect the building from normal usage. The work will significantly reduce the deferred maintenance associated with this building.

- (g) Summary 3-2011: JBRC Item 8. USC - Upstate
Project: 9541, Administration Building Repairs and Renovation
Request: Establish project and budget for \$60,000 (Other, Institutional Capital Project Funds) to begin design work to renovate the 43,000 square foot Administration Building at USC-Upstate. The building houses many central administrative functions and information technology services for the campus. The work will include replacing the mechanical, electrical and plumbing systems, upgrading the fire detection system, and renovating interior space to provide adequate and proper space for all building functions that directly support the academic mission. The building was constructed in 1969 and most systems are original to the building. They are outdated, past their useful lives, do not meet capacity needs, and replacement parts are no longer manufactured. The renovations will significantly reduce deferred maintenance associated with the building.

Establish Construction Budget

- (h) Summary 3-2011: JBRC Item 9. University of South Carolina
Project: 6063, Sumter Street Safety Improvements
Request: Increase budget to \$1,000,000 (add \$985,000 Other, Institutional funds) to make pedestrian safety improvements along Sumter Street for USC. The project was established in June 2009 for pre-design work which is now complete. The work has been scaled back to match available funding and will include constructing a pedestrian/bicycle bridge and sidewalks connecting the bridge to the Band/Dance facility and the Blatt PE Recreation Field, installing additional street lighting, constructing stream bank protection, erosion control and water quality components, and landscaping. The work is needed to improve campus safety by addressing a hazardous situation that exists on Sumter Street where pedestrians cross over Rocky Branch Creek. The area is prone to flooding during storm events and has no connecting sidewalks or permanent bridge structure to cross the creek, which forces students to walk in the street. Energy savings and conservation measures will include the installation of energy efficient lighting. The agency reports the total projected cost of this project is \$1 million and additional annual operating costs of \$297 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2011 and for completion of construction is May 2012. (See Attachment 1 for additional annual operating costs.)
- (i) Summary 3-2011: JBRC Item 10. University of South Carolina
Project: 6074, Spigner House Renovation
Request: Increase budget to \$1,000,000 (add \$986,500 Other, Auxiliary funds) to renovate the 9,500 square foot Spigner House at USC. The project was established in February 2010 for pre-design work, which is now complete. The first floor will be renovated to provide space for business use suited for seminar classroom and conference space and the second floor will be renovated to create offices for the University's food service provider. The work will include replacing the mechanical, electrical, plumbing, and window systems, installing new fire suppression and fire alarm systems, upgrading water supply piping to the house, creating ADA compliant restrooms, restoring all interior finishes and repainting. The facility is unoccupied and renovations will adapt the space for new use. The building systems are outdated and do not meet current code requirements. The renovation will be done to LEED Silver certification and will include water efficiency, energy and atmosphere, materials and resources, and indoor environmental quality measures. The LEED cost benefit analysis shows a positive cost benefit of \$191,350 over 30 years. The agency reports the total projected cost of this project is \$1 million and additional annual operating costs ranging from \$85,880 to \$92,880 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is July 2011 and for completion of construction is February 2012. (See Attachment 2 for additional annual operating costs.)

- (j) Summary 3-2011: JBRC Item 11. Medical University of South Carolina
Project: 9808, Thurmond Gazes Building Envelope and Exhaust Systems Renovations
Request: Increase budget to \$7,000,000 (add \$6,895,000 Institution Bond funds) to renovate the exhaust systems and building envelope on the Thurmond Gazes Building at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include replacing the exhaust system, providing a separate exhaust chase for two floors, sealing floor to floor penetrations, replacing wall flashing, recaulking and resealing windows, and replacing the exterior finish on the penthouse. The building lacks exterior envelope moisture resistance and mold and mildew are becoming a serious problem. The building exhaust system contributes to the problem because it runs at 100% all the time and there is not enough air supply to balance the system. This project, along with a previously approved air handler replacement, will correct the indoor air quality issues that exist in the building. Energy savings and conservation measures will include the installation of energy efficient exhaust fans with variable speed drives, digital electronic controls, and phoenix valves to control return air and exhaust air flow. The agency reports the total projected cost of this project is \$7 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2011 and for completion of construction is August 2012.
- (k) Summary 3-2011: JBRC Item 12. Medical University of South Carolina
Project: 9809, Harborview Office Tower Chilled Water Risers Replacement
Request: Increase budget to \$650,000 (add \$635,000 Institution Bond funds) to replace the chilled water piping risers in the Harborview Office Tower at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include demolishing the existing chilled water supply system, which carries chilled water throughout the buildings for cooling, and installing a new system including pumps, air separators, expansion tanks, variable speed drives, and controls. The existing risers are 31 years old, severely corroded, and in danger of failure. Energy savings and conservation measures will include the installation of pumps with variable speed drives and digital electronic controls. The agency reports the total projected cost of this project is \$650,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is July 2011 and for completion of construction is April 2012.
- (l) Summary 3-2011: JBRC Item 13. Medical University of South Carolina
Project: 9810, Storm Eye Institute Sanitary Sewer Riser Replacement
Request: Increase budget to \$560,000 (add \$551,600 Institution Bond funds) to replace the sanitary sewer risers in the Storm Eye Institute at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include replacing the existing copper pipe risers with acid resistant polypropylene piping and repairing portions of walls and ceilings resulting from installation of the new piping. The risers drain laboratory waste from sinks and plumbing, are 35 years old, severely corroded, and a continuous source of leaks. They need to be replaced to prevent further damage to the building and ongoing maintenance issues. Energy savings and conservation measures are not applicable to this piping replacement project. The agency reports the total projected cost of this project is \$560,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2011 and for completion of construction is December 2011.

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Project: 9811, Basic Science Building Dental Medicine Classroom/Office Renovation
Request: Increase budget to \$2,600,000 (add \$2,561,750 - \$1,000,000 Institution Bond and \$1,561,750 Other, College of Dental Medicine Reserve funds) to renovate approximately 22,253 square feet in the Basic Science Building for the College of Dental Medicine at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include constructing two large, tiered lecture classrooms in the former dental clinic space, creating office and lab space for dental faculty, and abating asbestos where ceilings are disturbed. The work is needed to enable the College to increase class sizes to better address the demand for dental professionals in the state and to accommodate dental faculty relocating from another facility. The affected areas have not been renovated since the building was constructed 40 years ago. Energy savings and conservation measures will include the installation of energy efficient lighting, a lighting control system, an energy efficient HVAC system, and water-conserving plumbing fixtures. The agency reports the total projected cost of this project is \$2.6 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2011 and for completion of construction is September 2012.
- (n) Summary 3-2011: JBRC Item 15. Medical University of South Carolina
Project: 9812, Basic Science Building East Side Exhaust/Emergency Power Improvements
Request: Increase budget to \$2,550,000 (add \$2,508,750 Institution Bond funds) to renovate the exhaust and emergency power systems in the east half of the Basic Science Building at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include installing a new exhaust system to support planned conversion of space to research labs, installing floor to floor dampers to allow air flow control, and extending the emergency electrical power distribution system to support the research space. The east half of the building does not have a lab exhaust system and emergency electrical power distribution is not sufficient to support the planned research space. Floor to floor air control does not exist, which is inefficient and results in poor temperature and humidity control. Energy savings and conservation measures will include the installation of variable frequency drives, energy efficient motors and fans, electronic controls, and energy efficient lighting and insulation. The agency reports the total projected cost of this project is \$2,550,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of construction contract is August 2011 and for completion of construction is April 2012.
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Project: 9813, Basic Science Building East Side Air Handler Replacement
Request: Increase budget to \$4,200,000 (add \$4,140,000 Institution Bond funds) to replace the air handler in the east half of the Basic Science Building at MUSC. The project was established in September 2010 for pre-design work which is now complete. The work will include installing a new 200,000 cubic feet per minute air handler, chilled water and steam supply lines, and supply air ductwork and upgrading the electrical systems to support the new equipment. The existing air handler is 40 years old, original to the building, well beyond its useful life, and does not have adequate capacity to support labs and classrooms. Energy savings and conservation measures will include the installation of variable frequency drives, energy efficient motors and fans, electronic controls, and energy efficient lighting and insulation. The agency reports the total projected cost of this project is \$4.2 million and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2011 and for completion of construction is May 2012.

- (p) Summary 3-2011: JBRC Item 17. Medical University of South Carolina
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Request: Increase budget to \$670,000 (add \$660,700 - \$450,000 Institution Bond and \$210,700 Other, Institutional Capital Project Funds) to replace the fire alarm system in the Basic Science Building at MUSC. The project was established in December 2010 for pre-design work which is now complete. The work will include installing a fully addressable network system for the building, replacing horns, strobe devices, pull stations, smoke detectors, the control panel and related devices, and connecting the new system to the campus network. The existing fire alarm system is 40 years old, obsolete, and not code compliant and does not have a voice announcement capability. Energy savings and conservation measures will include the installation of state-of-the-art energy efficient fire alarm devices. The agency reports the total projected cost of this project is \$670,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is May 2011 and for completion of construction is October 2011.
- (q) Summary 3-2011: JBRC Item 18. State Board for Technical and Comprehensive Education
Project: 6013, Piedmont - Newberry County Center Renovation
Request: Increase budget to \$6,150,000 (add \$6,030,000 - \$3,933,100 Other, Newberry County and \$2,096,900 Other, Local College funds) to renovate approximately 45,000 square feet in a county-owned facility as the Newberry County location of Piedmont Tech. The project was established in February 2010 for pre-design work which is now complete. The work will include renovations to house general education classrooms, the veterinary technician program requiring wet labs, a surgery suite, and a boarding kennel, conference and meeting space, a learning resource center, computer rooms, an industrial arts lab area, and student vending and administrative space. Piedmont Tech will move the existing Newberry Center to meet current space, program design and parking needs. Existing facilities lack parking, have small rooms that do not meet current needs, are not energy efficient, and need building code upgrades. Energy savings and conservation measures will include the installation of energy efficient HVAC and lighting systems, motion detectors, instant hot water heaters, low flow plumbing devices, additional insulation, and an energy management system. The agency reports the total projected cost of this project is \$6,150,000 and additional annual operating costs ranging from \$152,150 to \$167,744 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is September 2011 and for completion of construction is June 2012. (See Attachment 3 for additional annual operating costs.)
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Increase Budget

- (s) Summary 3-2011: JBRC Item 20. Francis Marion University
Project: 9558, Center for the Performing Arts Construction
Request: Increase budget to \$34,180,000 (add \$1,680,000 - \$1,350,000 Other, Interest Earned on Private Gift and \$330,000 Other, Private Gift funds) to complete construction of the 73,665 square foot Center for the Performing Arts for Francis Marion University to house the university's fine arts programs, offices and classrooms. The project was established in September 2006 and is expected to be completed in April 2011. During the construction phase, the university received interest earned on the private funds donated for the center's construction and additional private gift funds specifically to make additional enhancements to the new facility. The increase will fund these additional enhancements, including a security system and fencing, a water feature in front of the facility, an enhanced lighting package, acoustic curtains, automatic window shades, and onyx glazing on windows. Many of these were included in the original design as alternates but were not awarded due to budget considerations. The agency reports the total projected cost of this project is \$34,180,000 and additional annual operating costs ranging from \$934,800 to \$969,677 will result in the three years following project completion. (See Attachment 5 for additional annual operating costs.)

Establish Project for Preliminary Land Studies

- (t) Summary 3-2011: JBRC Item 21. Coastal Carolina University
Project: 9578, Coastal Science Center Building and Land Acquisition
Request: Establish project and budget for \$20,000 (Other, One Cent Sales Tax funds) to procure the investigative studies required to adequately evaluate property prior to purchase. Coastal Carolina is considering the purchase of 10.62 acres of land with a 69,480 square foot building on its east campus. The building is currently leased and provides office and classroom space for the Psychology, Sociology, Computer Sciences and Marine Sciences departments. The investigative studies will enable the university to make an informed decision regarding exercising the purchase option associated with the current lease. The facility provides much needed office and classroom space, including 40 offices, ten classrooms, a lab and work spaces.
- (u) Summary 3-2011: JBRC Item 22. Coastal Carolina University
Project: 9579, Student Health Services Building and Land Acquisition
Request: Establish project and budget for \$20,000 (Other, One Cent Sales Tax funds) to procure the investigative studies required to adequately evaluate property prior to purchase. Coastal Carolina is considering the purchase of 2.58 acres of land with a 7,884 square foot building on its main campus. The building is currently leased and provides office space for Student Health and Counseling Services. The investigative studies will enable the university to make an informed decision regarding exercising the purchase option associated with the current lease. The facility provides much needed administrative space including 16 offices, two conference rooms, ten exam rooms, and a nurse's station. The acreage associated with the purchase will also provide the building site for the university's new Public Safety facility.

4. What is the Board asked to do?

Approve permanent improvement project establishment requests and budget revisions. All items have been reviewed favorably by the Joint Bond Review Committee.

5. What is the recommendation of Board Division involved?

Recommend approval of permanent improvement establishment requests and budget revisions.

6. Recommendation of other Division/Agency (as required)?

(a) Authorized Signature: _____

(b) Division/Agency Name: _____

7. List of Supporting Documents:

Attached:

1. University of South Carolina Sumter Street Additional Annual Operating Costs.
2. University of South Carolina Spigner House Additional Annual Operating Costs.
3. Piedmont Tech Newberry County Center Additional Annual Operating Costs.
4. Trident Tech Building 950 Additional Annual Operating Costs.
5. Francis Marion Center for Performing Arts Additional Annual Operating Costs.
6. Permanent Improvement Project Information.

**ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS
RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

ATTACHMENT 2

1. AGENCY
Code H27 Name USC Columbia

2. PROJECT
Project # 6074 Name Spigner House Renovation

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

COSTS SAVINGS NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2012/13	\$92,880.00	\$	\$	\$92,880.00
2) 2013/14	\$85,880.00	\$	\$	\$85,880.00
3) 2014/15	\$85,880.00	\$	\$	\$85,880.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget? YES NO
If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. <u>Administration</u>	<u>\$4,940.00</u>
2. <u>Maintenance</u>	<u>\$28,785.00</u>
3. <u>Grounds</u>	<u>\$1,900.00</u>
4. <u>Custodial</u>	<u>\$14,060.00</u>
5. <u>Environmental</u>	<u>\$570.00</u>
6. <u>Utilities</u>	<u>\$35,625.00</u>
7. <u>One Time Equipment Costs</u>	<u>\$7,000.00</u>
8. _____	_____
TOTAL	<u>\$92,880.00</u>

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. 0

9. Submitted By: Thomas P. Quinlan Associate VP, Facilities 10/15/10
Signature of Authorized Official and Title Date

**ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS
RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

ATTACHMENT 3

1. AGENCY
Code H-59 Name Piedmont Technical College

2. PROJECT
Project # H59-6013 Name Newberry County Center Renovation

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

COSTS SAVINGS NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Local -Other	Total
1) 2012-13	\$	\$	\$ 152,150	\$ 152,150
2) 2013-14	\$	\$	\$ 159,757	\$ 159,757
3) 2014-15	\$	\$	\$ 167,744	\$ 167,744

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).
County _____

6. Will the additional costs be absorbed into your existing budget? YES NO
If no, how will additional funds be provided?

Unknown at this time. Once the design and engineering is complete the calculations of consumption, the college will submit
With Phase II - A-49 - request.

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. <u>Utilities</u>	\$80,000
2. <u>Grounds Maintenance</u>	\$10,600
3. <u>Housekeeping</u>	\$26,800
4. <u>Maintenance Services</u>	\$15,400
5. <u>Telecommunications Services</u>	\$9,800
6. <u>Contract Services (trash, pest control &etc.)</u>	\$9,550
7. _____	_____
8. _____	_____
TOTAL	\$152,150

EXHIBIT

FEB 8 2011 9

STATE BUDGET & CONTROL BOARD

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. 0

9. Submitted By: Ra. Brown President 12/9/2010
Signature of Authorized Official and Title Date

**ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS
RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

ATTACHMENT 4

1. AGENCY
Code H59 Name Trident Technical College

2. PROJECT
Project # 6015 Name Trident - B950 Renovation Phase II

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

COSTS SAVINGS NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) FY 2013	\$	\$	\$99,965.00	\$99,965.00*
2) FY 2014	\$	\$	\$207,925.00	\$207,925.00
3) FY 2015	\$	\$	\$216,242.00	\$216,242.00

* partial year - 6 mo.

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

Local - operating costs are provided by the counties.

6. Will the additional costs be absorbed into your existing budget? YES NO
If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. <u>Building Maintenance</u>	<u>\$40,074.00</u>
2. <u>Utilities</u>	<u>\$46,386.00</u>
3. <u>Custodial Services</u>	<u>\$13,505.00</u>
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
TOTAL	<u>\$99,965.00*</u>

* partial year - 6 mo.

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. N/A

9. Submitted By: Dr. Mary Thornley, President Mary Thornley 12/13/10
Signature of Authorized Official and Title Date

ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS ATTACHMENT 5
RESULTING FROM PERMANENT IMPROVEMENT PROJECT

1. AGENCY

Code H18

Name Francis Marion University

2. PROJECT

Project #: 9558

Name Center for the Performing Arts Construction

3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

COSTS

SAVINGS

NO CHANGE

4. TOTAL ADDITIONAL OPERATING COSTS/SAVINGS

Projected Financing Sources

(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 10-11	\$ 155,800*			\$ 155,800*
2) 11-12	\$ 304,128		\$ 637,306	\$ 941,434
3) 12-13	\$ 313,252		\$ 656,425	\$ 969,677

* partial yr - 2 mo.

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).
 These funds will come from ticket sales, facility rentals, grants and scholarships

6. Will the additional costs be absorbed into your existing budget?

YES NO

If no, how will additional funds be provided?

State appropriated funding through square footage formula budget additions and Center usage fees

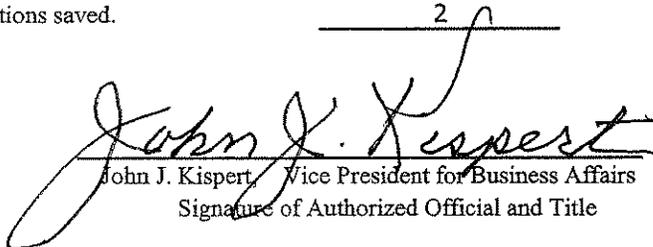
7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. Academic and Support Staff	\$ 115,700
2. Facilities Support, materials and supplies	\$ 20,700
3. Operating Utilities	\$ 19,400
4	
5	
6	
7	
8	
TOTAL	\$ 155,800

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved.

2

9. Submitted By:


 John J. Kispert, Vice President for Business Affairs
 Signature of Authorized Official and Title

20-Jan-11

Date

Permanent Improvement Project Information for February 8, 2011 B&CB Meeting

Agency/ Project No.	Agency/Project Name	Original Approved Budget	Date of Original Approval	Phase I Amount	Date of Phase I Approval	Included in CPIP	Total Projected Project Cost
H17-9580	Coastal Carolina University - Softball Complex Improvements	\$30,000 for pre-design	02/08/11	\$30,000	02/08/11	No	To Be Determined
H17-9581	Coastal Carolina University - Baseball Complex Improvements	\$120,000 for pre-design	02/08/11	\$120,000	02/08/11	No	To Be Determined
H17-9582	Coastal Carolina University - Student Center Annex Construction	\$360,000 for pre-design	02/08/11	\$360,000	02/08/11	2009 CPIP Year 3	To Be Determined
H21-9532	Lander University - Student Housing Construction	\$240,000 for pre-design	02/08/11	\$240,000	02/08/11	No	To Be Determined
H27-6085	University of South Carolina - Women's Quadrangle Renovations	\$408,000 for pre-design	02/08/11	\$408,000	02/08/11	2010 CPIP Year 1	To Be Determined
H27-6086	University of South Carolina - Preston College Bathroom and Flooring Renovations	\$22,500 for pre-design	02/08/11	\$22,500	02/08/11	No	To Be Determined
H34-9541	USC - Upstate - Administration Building Repairs and Renovation	\$60,000 for pre-design	02/08/11	\$60,000	02/08/11	2010 CPIP Year 1	To Be Determined
H27-6063	University of South Carolina - Sumter Street Safety Improvements	\$15,000 for pre-design	06/29/09	\$15,000	06/29/09	2010 CPIP Year 1	\$1,000,000
H27-6074	University of South Carolina - Spigner House Renovation	\$13,500 for pre-design	02/23/10	\$13,500	02/23/10	2010 CPIP Year 1	\$1,000,000
H51-9808	Medical University of SC - Thurmond Gazes Building Envelope and Exhaust Systems Renovations	\$105,000 for pre-design	09/29/10	\$105,000	09/29/10	2010 CPIP Year 1	\$7,000,000
H51-9809	Medical University of SC - Harborview Office Tower Chilled Water Risers Replacement	\$15,000 for pre-design	09/29/10	\$15,000	09/29/10	No	\$650,000
H51-9810	Medical University of SC - Storm Eye Institute Sanitary Sewer Riser Replacement	\$8,400 for pre-design	09/29/10	\$8,400	09/29/10	No	\$560,000
H51-9811	Medical University of SC - Basic Science Building Dental Medicine Classroom/Office Renovation	\$38,250 for pre-design	09/29/10	\$38,250	09/29/10	No	\$2,600,000
H51-9812	Medical University of SC - Basic Science Building East Side Exhaust/Emergency Power Improvements	\$41,250 for pre-design	09/29/10	\$41,250	09/29/10	No	\$2,550,000

Permanent Improvement Project Information for February 8, 2011 B&CB Meeting

Agency/ Project No.	Agency/Project Name	Original Approved Budget	Date of Original Approval	Phase I Amount	Date of Phase I Approval	Included in CIP	Total Projected Project Cost
H51-9813	Medical University of SC - Basic Science Building East Side Air Handler Replacement	\$60,000 for pre-design	09/29/10	\$60,000	09/29/10	2010 CIP Year 1	\$4,200,000
H51-9815	Medical University of SC - Basic Science Building Fire Alarm System Replacement	\$9,300 for pre-design	12/14/10	\$9,300	12/14/10	No	\$670,000
H59-6013	Piedmont Tech - Newberry County Center Renovation	\$120,000 for pre-design	02/23/10	\$120,000	02/23/10	2010 CIP Year 1	\$6,150,000
H59-6015	Trident Tech - Building 950 Renovation Phase II	\$84,000 for pre-design	02/23/10	\$84,000	02/23/10	2009 CIP Year 2	\$6,600,000
H18-9558	Francis Marion University - Center for the Performing Arts Construction	\$18,000,000	09/19/06	N/A	N/A	No	\$34,180,000
H17-9578	Coastal Carolina University - Coastal Science Center Building and Land Acquisition	\$20,000 for preliminary studies	02/08/11	\$20,000	02/08/11	2010 CIP Year 1	To Be Determined
H17-9579	Coastal Carolina University - Student Health Services Building and Land Acquisition	\$20,000 for preliminary studies	02/08/11	\$20,000	02/08/11	2010 CIP Year 1	To Be Determined

EXHIBIT

FEB 8 2011 9

STATE BUDGET & CONTROL BOARD

AGENCY: Office of State Budget

SUBJECT: Real Property Acquisition

The Office of State Budget recommends approval of the following real property acquisition:

- (a) **Agency:** Coastal Carolina University
Acreage: 3.06± acres
Location: Off of Chanticleer Drive West in Conway
County: Horry County
Purpose: To construct a new academic classroom/office building.
Appraised Value: N/A
Price/Seller: Donation / Coastal Educational Foundation
Source of Funds: N/A
Project Number: H17-9576
Environmental Study: Approved
Building Condition Assessment: N/A
Additional Annual Op Cost/SOF: No additional annual operating costs will result from the donation. Construction of a new academic classroom/office building on the site is estimated to cost \$12 million and will be funded with Other, One Cent Sales Tax and Institutional Capital Project Funds.
Current Year Property Tax: N/A
Approved By: CHE on 11/15/10; JBRC on 02/02/11

BOARD ACTION REQUESTED:

Approve the property acquisition as requested.

ATTACHMENTS:

Agenda item worksheet and attachments

EXHIBIT

FEB 8 2011 10

STATE BUDGET & CONTROL BOARD

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: February 8, 2011

Regular Agenda

1. Submitted by:

- (a) Agency: Office of State Budget
- (b) Authorized Official Signature:



Les Boles, Director

2. Subject: REAL PROPERTY ACQUISITION

3. Summary Background Information:

- (a) **Agency:** Coastal Carolina University
 - Acreage: 3.06± acres
 - Location: Off of Chanticleer Drive West in Conway
 - County: Horry County
 - Purpose: To construct a new academic classroom/office building.
 - Appraised Value: N/A
 - Price/Seller: Donation / Coastal Educational Foundation
 - Source of Funds: N/A
 - Project Number: H17-9576
 - Environmental Study: Approved
 - Building Condition Assessment: N/A
 - Additional Annual Op Cost/SOF: No additional annual operating costs will result from the donation. Construction of a new academic classroom/office building on the site is estimated to cost \$12 million and will be funded with Other, One Cent Sales Tax and Institutional Capital Project Funds.
 - Current Year Property Tax: N/A
 - Approved By: CHE on 11/15/10; JBRC on 02/02/11
-

4. What is Board asked to do?

Approve the property acquisition as requested.

5. What is recommendation of Board Division involved?

Recommend approval of the property acquisition requested.

6. Recommendation of other Division/Agency (as required)?

- (a) Authorized Signature: _____
 - (b) Division/Agency Name: _____
-

7. List of Supporting Documents:

- (a) Code Section 1-11-65
- (b) Letter from Agency
- (c) Map
- (d) Environmental Results
- (e) Cost Implications

EXHIBIT

FEB 8 2011 10

STATE BUDGET & CONTROL BOARD

SECTION 1-11-65. Approval and recordation of real property transactions involving governmental bodies.

(A) All transactions involving real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of the transaction by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the transaction. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(B) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.



COASTAL CAROLINA
UNIVERSITY

Senior Vice President for Finance and Administration

November 9, 2010

Ms. Carol Routh
Assistant Director, Capital Budgeting
State Budget & Control Board
1201 Main Street, Suite 870
Columbia, SC 29201

Dear Carol:

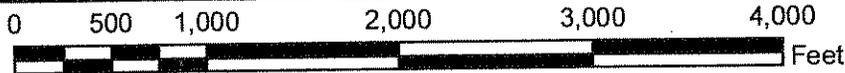
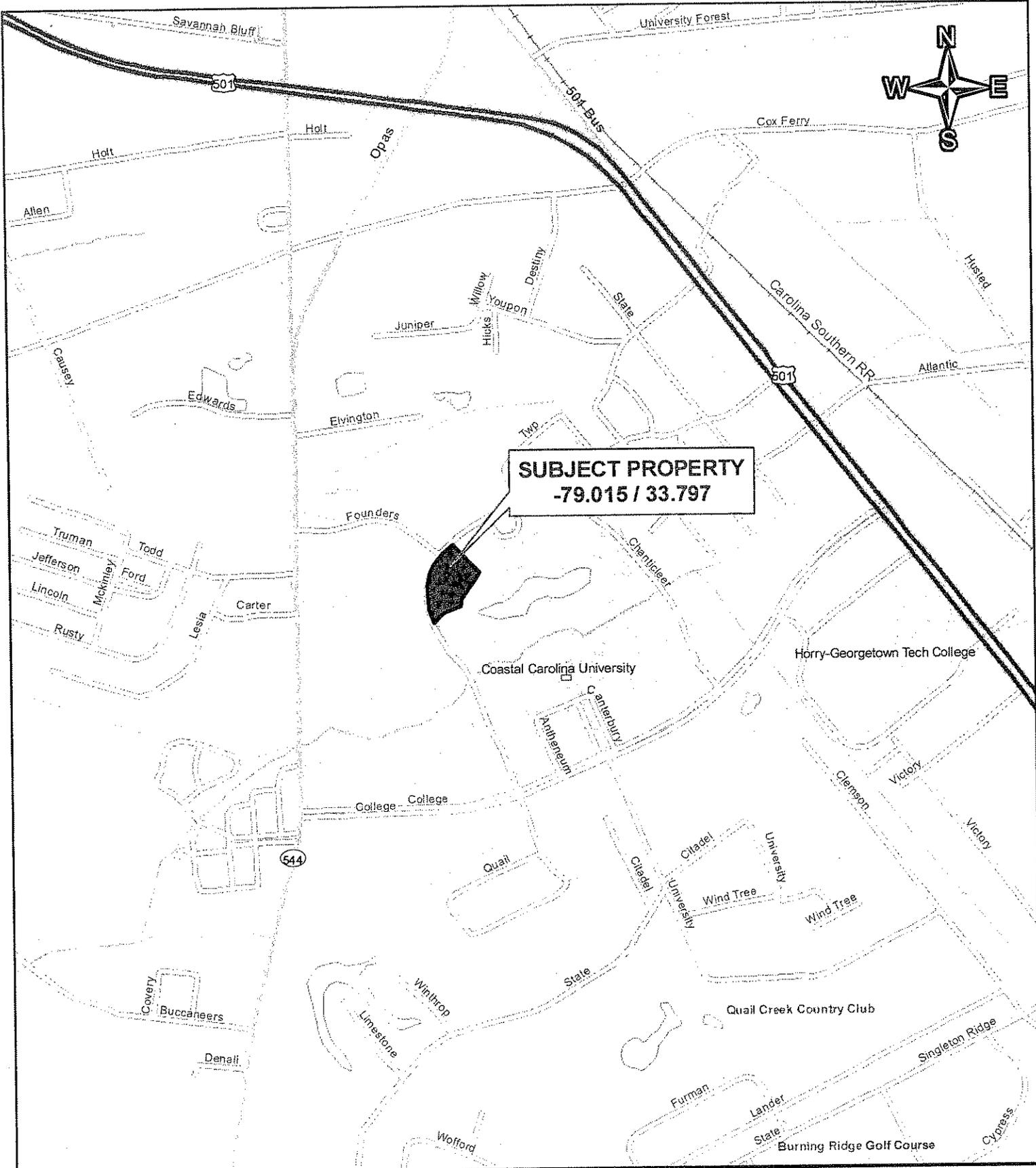
Please accept this letter as a request for State Budget and Control Board approval for the donation of 3.06 acres of land to the University from the Coastal Educational Foundation. This property is needed for construction of an academic classroom and office building

Thank you for your assistance in this regard.

Sincerely,

A handwritten signature in black ink that reads "Will Garland".

Will Garland
Sr. Vice President for Finance & Administration



SCALE: 1"= 1,000'
 SOURCE: ESRI STREET MAP 9.3
 SOURCE DATE: 2008
 DATE: OCTOBER 2010



SITE VICINITY MAP
 ACADEMIC CLASSROOM BUILDING
 HORRY COUNTY, SC
 S & ME PROJECT # 1634-10-243

FIGURE #
1
3

SUMMARY

S&ME, Inc. has completed a Phase I Environmental Site Assessment (ESA) on a parcel of land totaling approximately 3.29 acres, located south of and adjacent to Chanticleer Drive in Conway (Horry County), South Carolina. This summary is intended as an overview of the Phase I ESA for the convenience of the reader. The complete report must be reviewed in its entirety prior to making decisions regarding this site.

The purpose of this Phase I ESA was to identify, to the extent feasible pursuant to ASTM E 1527-05, Recognized Environmental Conditions (RECs) in connection with the site. The ASTM Standard Practice E 1527-05 defines "good commercial and customary practice for conducting an environmental site assessment of a parcel of commercial real estate with respect to the range of contaminants within the scope of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and to petroleum products". This practice is intended to permit a user to satisfy one of the requirements to qualify for the "innocent landowner, contiguous property owner, or bona fide prospective purchaser limitations to CERCLA liability."

On October 28, 2010, Mrs. Dawn Schoolcraft, an environmental technologist with S&ME, under the guidance of Thomas Still, P.E., an environmental professional, conducted a site reconnaissance to evaluate the subject property for drainage patterns, vegetation patterns, stains, discoloration, surrounding land use, and other visual aspects suggestive of the presence of recognized environmental conditions. The subject property is currently utilized for parking purposes and contains a fenced area with air conditioning units and a natural gas back-up generator. The adjacent properties consist of Founders Drive to the northwest, vacant wooded land to the north and south, an educational building to the east (the Wall Building), and a recreational track and field to the west.

S&ME contracted Environmental Data Resources (EDR) to prepare a Field Check™ Radius Report compiling federal and state environmental database information. S&ME also viewed historical aerial photographs to determine past uses of the subject site and its adjacent properties. Interviews with the current property owner and with the local fire department were also conducted to further determine the environmental status of the subject site. This process revealed that the subject property has historically been vacant cleared land to vacant wooded land prior to its development.

In summary, this assessment has revealed no evidence of RECs in connection with the subject property.

EXHIBIT

FEB 8 2011 10

**PROPERTY ACQUISITION INFORMATION FORMAT
PART I**

1. Project Number: 9576
2. County: Horry
3. Description of Property: 3.06 acres of land off of Chanticleer Drive West, Conway, SC. Part of tax map parcel #1510001097.
4. Grantor(s) Name and Address:

Coastal Educational Foundation
PO Box 261954
Conway, SC 29528-6054
5. Grantee(s) Name and Address:

Coastal Carolina University
PO Box 261954
Conway, SC 29528-6054
6. County Location: Horry
7. Acreage: 3.06 acres
8. Purpose for Acquisition: Land is being donated for purpose of construction of an academic classroom and office building.
9. Demonstrate the need to acquire the property: University is in great need of classroom and faculty/staff office space to support the expanding student population and faculty growth. This building will permit many classes and faculty offices to return to main campus from across Highway 501.
10. Purchase Price: N/A. Land is being donated to the University
11. Current Year Property Tax Amount: N/A

PART II

1. How many sites were evaluated? One
2. Please list the selection criteria used to evaluate sites: Land needed to be in academic hub of University (main campus) with enough acreage to support 48,000 + sf building.

3. How was the final selection of the site made? Site selection based on current campus master plan.
4. Why was this specific site selected? Site met all criteria required and conformed to campus master plan.
5. What is the estimated cost of any construction or renovations to be done on the property and the anticipated source of funds for such work? The budget for project #9573 is \$12,000,000 for the new academic classroom/office building. Source of funds for this building is One Cent Sales Tax Funds and ICPF.
6. What are the estimated additional annual operating costs which will result from acquisition of the property and the anticipated source of the funds? Explain the factors that determine the cost. If no costs, explain why not.

No additional operating costs associated with land donation.

7. What are the estimated additional annual operating costs which will result from construction/renovation on the property and the anticipated source of funds? Explain the factors that determine the costs. If no costs, explain why not.

Annual operating costs associated with project #9573 (new academic classroom building to be built on this property) is \$168,000/year. This includes utilities, supplies and salaries of two additional custodians.

EXHIBIT

FEB 8 2011 10

STATE BUDGET & CONTROL BOARD

AGENCY: Medical University Hospital Authority

SUBJECT: Medical University Hospital Authority Working Line of Credit

Pursuant to S.C. Code Ann. Section 59-123-60, as amended, the Board of Trustees of the Medical University of South Carolina (Board of Trustees) became the governing body of the Medical University hospitals, clinics, and other healthcare and related facilities as shall be determined from time to time by resolution of the Board of Trustees. Section 59-123-60 further provides that whenever the Board of Trustees functions in its capacity as the governing body of such facilities, it is constituted and designated as the Medical University Hospital Authority (Authority), an agency of the State of South Carolina.

The Authority, pursuant to Section 59-123-60(E)(3)(d), is authorized to issue revenue anticipation notes; provided that such notes have a maturity of not exceeding six months from date of issuance and do not exceed, in the aggregate, ten percent of the net patient service revenue for the fiscal year of the Authority preceding the fiscal year in which such obligations are issued. The issuance of the notes is subject to approval of the Budget and Control Board.

The Medical University of South Carolina (MUSC) advises that audited financial statements reflect that for fiscal year ended June 30, 2010, net patient service revenues were \$980,120,000.

The Authority requests that the Board authorize the State Treasurer to negotiate the terms of the revenue anticipation notes which shall be issued in an aggregate principal amount not exceeding \$25,000,000 and shall have a maturity of not exceeding six months from the date of their issuance. The Authority also requests that the Board authorize the Treasurer to negotiate other terms and conditions of the revenue anticipation notes and to approve all documents related thereto to which the Authority is a party. The Authority further requests that the Board authorize the Treasurer to negotiate the terms and conditions of one renewal of such anticipation notes during the 2011-2012 fiscal year, such renewal not exceeding six months.

BOARD ACTION REQUESTED:

Adopt a resolution (1) authorizing the State Treasurer to negotiate the terms of the revenue anticipation notes which shall be issued in an aggregate principal amount not exceeding \$25,000,000 and shall have a maturity of not exceeding six months from the date of their issuance; (2) authorizing the Treasurer to negotiate other terms and conditions of the revenue anticipation notes and to approve all documents related thereto to which the Authority is a party; and (3) authorizing the Treasurer to negotiate the terms and conditions of one renewal of such anticipation notes during the 2011-2012 fiscal year, such renewal not exceeding six months.

ATTACHMENTS:

Youngblood 1/13/11 letter; Resolution; Code Section 59-123-60

EXHIBIT

FEB 8 2011

11

STATE BUDGET & CONTROL BOARD

MEMORANDUM

M. William Youngblood

wyoungblood@mcnair.net
T (843) 723-7831
F (843) 722-3227

TO: Delbert H. Singleton Jr.
FROM: M. William Youngblood *Bill Youngblood*
DATE: January 13, 2011
RE: Medical University Hospital Authority Working Line of Credit

Section 59-123-60(E)(3)(d) of the SC Code authorizes the Medical University Hospital Authority to incur indebtedness under the provisions of the Hospital Revenue Bond Act, used traditionally for the financing of hospital facilities. In addition, this section authorizes a specific category of short-term financing, used by most business enterprises, the working line of credit, to smooth out occasional lags in receipt of budgeted revenue during a fiscal year so that expenditures can be paid in timely fashion throughout the fiscal year.

Under the statute these short-term borrowings may not exceed ten percent of net patient service revenue.

In addition to the statutory ten percent limitation, there are additional limitations imposed on the Authority's short-term indebtedness under its existing bond documents.

Net patient service revenues for the 2010 fiscal year were \$980,120,000 which, under the statute, would permit short-term indebtedness in an amount not exceeding \$98,000,000. The Authority seeks a working line of credit in an amount not exceeding \$25,000,000.

\$25,000,000 is about 2.5% of last fiscal year's net patient service revenue or about eleven days of operating expenses, certainly a prudent level at which to establish a working line of credit. The debt will be payable solely from revenues of the Authority. Neither the full faith and credit nor the taxing power of the State are pledged in any way.

Historically the Budget and Control Board has delegated to the State Treasurer the authority to negotiate the terms of the working line of credit, subject to the limitations imposed by the statute.

The Resolution which the Budget and Control Board is asked to adopt authorizes the short-term indebtedness and delegates to the State Treasurer the authority to negotiate its terms.

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A RESOLUTION

AUTHORIZING THE MEDICAL UNIVERSITY HOSPITAL AUTHORITY TO INCUR CERTAIN SHORT-TERM INDEBTEDNESS.

WHEREAS, by Act 264 of the 2000 Acts and Joint Resolutions of the South Carolina General Assembly, as amended (the "Medical University Hospital Authority Act"), the Board of Trustees of the Medical University of South Carolina became the governing body of the Medical University hospitals, clinics, and other healthcare and related facilities as shall be determined from time to time by resolution of the Board of Trustees of The Medical University of South Carolina. Whenever such board functions in its capacity as the governing body of such facilities, it is constituted and designated as the Medical University Hospital Authority, an agency of the State of South Carolina (the "Authority"); and

WHEREAS, the Authority is authorized, *inter alia*, to issue revenue anticipation notes; provided that, such notes shall have a maturity of not exceeding six months from date of issuance; and do not exceed, in the aggregate, ten percent of the net patient service revenue for the fiscal year preceding the fiscal year in which such obligations are issued; and

WHEREAS, the audited financial statements of the Authority for the fiscal year ended June 30, 2010 reflect net patient service revenues of \$980,120,000; and

WHEREAS, the Authority is also subject to the terms of that certain Trust Indenture dated as of December 1, 2004 (the "Indenture") between the Authority and The Bank of New York, as trustee; and

WHEREAS, pursuant to Section 637 of the Indenture, the Authority may only incur Indebtedness (as defined in the Indenture) on such terms and conditions as shall be approved by FHA (as defined in the Indenture); and

WHEREAS, the Authority wishes to seek approval of FHA for short-term indebtedness in an aggregate amount of not exceeding \$25,000,000 as described in a resolution of the Authority, adopted October 8, 2010, a copy of which has been filed with the State Budget and Control Board.

NOW THEREFORE, BE IT RESOLVED BY THE SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD IN MEETING DULY ASSEMBLED:

1. The State Treasurer of South Carolina is hereby authorized to negotiate the terms of the foregoing revenue anticipation notes which shall be issued in an aggregate principal amount not exceeding \$25,000,000, and shall have a maturity of not exceeding six months from the date of their issuance.
2. The State Treasurer of South Carolina is hereby authorized to negotiate other terms and conditions of such revenue anticipation notes and to approve the form of all documents related thereto to which the Authority shall be a party.
3. The State Treasurer of South Carolina is further authorized to negotiate the terms and conditions of one renewal of such revenue anticipation notes during the 2011-2012 fiscal year, such renewal to also have a term not exceeding six months.

CHAPTER 123.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

SECTION 59-123-60. Organization and powers of board; designation as Medical University Hospital Authority.

(A) The board of trustees shall elect one of its members to be chairman and is authorized to elect a university president, one or more vice presidents, and a secretary, prescribe their duties and terms of office, and fix their compensation. It shall elect teachers of professorial rank in the various colleges which make up the Medical University of South Carolina and other officers and employees as may be necessary for the proper conduct of the university and fix their compensation, the fees and charges of students, and the rules for the government of the university. The board of trustees also has the following powers:

(1) to make bylaws and regulations considered expedient for the management of its affairs and its own operations not inconsistent with the constitution and laws of this State or of the United States;

(2) to confer the appropriate degrees in medicine, dental medicine, pharmacy, nursing, health-related professions, and graduate studies in related health fields upon students and other persons as in the opinion of the board of trustees may be qualified to receive them; and

(3) to make contracts and to have, to hold, to purchase, and to lease real estate and personal property for corporate purposes; and to sell and dispose of personal property and any buildings that are considered by it as surplus property or no longer needed and any buildings that it may need to do away with for the purpose of making room for other construction. These powers must be exercised in a manner consistent with the provisions of Chapter 35 of Title 11.

(B) All revenues of the Medical University of South Carolina, the Medical University Hospital, and any funds transferred to the Medical University from a practice plan must be expended for a public purpose as that purpose is defined in the applicable state law and regulations. For purposes of this subsection, and in addition to all other applicable laws and regulations, public purposes also do not include expenditures for purchasing gifts, making political or other contributions, and reimbursing officers' and employees' travel and subsistence expenses in excess of those authorized by law for state employees away from their job site on official business.

(C) The provisions of the Freedom of Information Act apply to the Medical University Hospital Authority, except that access is not allowed under this section to patient records or insurance information with respect to patients.

(D) Members of the Medical University Board, while serving as members of the hospital authority and the officers and employees of the hospital authority, shall be subject to applicable state ethics and accountability provisions of law.

(E) As shall be provided in an implementing resolution by the Board of Trustees of the Medical University of South Carolina, the Board of Trustees of the Medical University of South Carolina becomes the governing body of the Medical University hospitals, clinics, and other health care and related facilities (hereinafter 'hospital') as shall be determined from time to time by resolution of the board. Whenever the board functions in its capacity as the governing body of the hospital, the board of trustees is constituted and designated as the Medical University Hospital Authority, an agency of the State of South Carolina (hereinafter called authority). The board, as the governing body of the authority, has the powers granted the Board of Trustees of the Medical University of South Carolina under this chapter and the following powers:

(1) make and amend bylaws for its governance consistent with the purposes of this chapter;

(2) make bylaws for the management, regulation, and operation of the hospital;

(3)(a) make contracts and have, hold, purchase, and lease real estate and personal property for corporate purposes; and sell and dispose of personal property and any buildings that are considered by it as surplus property or no longer needed and any buildings that it may need to do away with for the purpose of

making room for other construction. These contracts are exempt from the South Carolina Consolidated Procurement Code and Regulations, but the authority must adopt a procurement policy requiring competitive bidding for construction contracts, which must be filed with and approved by the State Budget and Control Board;

(b) sell, convey, mortgage, lease, exchange, and otherwise dispose of any real property subject to the authority and approval of the Budget and Control Board. These activities under this subitem are exempt from all regulations and general laws governing disposal of surplus government property. The proceeds derived from the lease of any real property, net of transaction costs and payment of any debts secured by such property, shall be remitted to the MUSC Board of Trustees to be used exclusively for the support of the Medical University. The proceeds derived from the disposition of any real property, net of transaction costs and payment of any debts secured by such property, shall be remitted to the MUSC Board of Trustees to be used exclusively for the support of the Medical University;

(c) make contracts and guarantees, to incur liabilities, to issue its notes, bonds, and other obligations, and secure any of its obligations by mortgage or pledge of any of its property, or income in a manner to be in the best interest of the authority. Any guarantee or indebtedness of the authority shall not create an obligation of the State, nor shall such guarantee or indebtedness be considered a debt against the general revenue of the State;

(d) for the purpose of effectuating the provisions of subitem (c) above, utilize all provisions of the Hospital Revenue Bond Act. The issuance by the authority of any bonds, notes, or other obligations or indebtedness, except as provided in this subitem, shall be subject to the approval thereof by resolution of the State Budget and Control Board. Except for such approving resolution, the requirements of Section 44-7-1590 of the Hospital Revenue Bond Act shall be applicable to obligations issued by the authority. The authority may issue revenue anticipation notes and such notes shall have a maturity of not exceeding six months from date of issuance and shall not exceed, in the aggregate, ten percent of the net patient service revenue for the fiscal year of the authority preceding the fiscal year in which such obligations are issued;

(4) receive contributions, donations, and payments and invest and disburse its funds; provided, however, that these funds are funds which must be used for public purposes, and further, that the authority may not use or authorize the use of funds, property, or time to influence the outcome of an election;

(5) construct, operate, and maintain the hospital and related premises, buildings and facilities, and infrastructure;

(6) appoint such officers, employees, personnel, and agents of the authority and define such duties and fix their compensation in such manner as is necessary to carry out the authority's activities and affairs; the policies of the authority's personnel and employees are exempt from Budget and Control Board personnel policies and applicable laws; all personnel employed by the authority are exempt from the provisions of Article 5, Chapter 17 of Title 8, the State Employee Grievance Procedure, but the board shall adopt a grievance procedure substantially similar to the provisions of that article to govern personnel and employees of the authority, and this procedure must be filed with and approved by the State Budget and Control Board. All employees of the authority must be furnished a copy of this grievance procedure; all personnel employed by the authority are employees-at-will and are state employees for purposes of eligibility for participation in the South Carolina Retirement System, the State Health Insurance Group plans, and pursuant to the South Carolina Tort Claims Act;

(7) make pension payments to the South Carolina Retirement Systems on behalf of personnel or employees employed by the authority who qualify in the same manner as other state employees in the executive branch of government;

(8) pay contributions to the Office of Insurance Services for health and dental plans on behalf of personnel employed by the authority who qualify in the same manner as other state employees in the executive branch of government;

(9) receive, expend, and control under its own name and account any appropriated funds, federal funds, donations, and grants made available to the authority; provided, however, that these funds are funds

which must be used for a public purpose, and further, that the authority may not use or authorize the use of funds, property, or time to influence the outcome of an election;

(10) conduct an annual fiscal audit by certified public accountants selected by the authority who shall review the accounts of the authority and report such findings of the audit to the Governor and the General Assembly in accordance with generally accepted auditing standards;

(11) prepare and submit an annual budget to the General Assembly and the Budget and Control Board for review;

(12) establish management controls and staffing of personnel as the authority deems most appropriate for the prudent conduct of the activities and affairs of the hospital; provided, that they establish an internal audit function that would report directly to the authority;

(13) establish such not-for-profit corporations as the board considers necessary to assist the authority in carrying out its functions; provided, that any entity created pursuant to this subsection is considered to be an entity of the authority and subject to all laws and regulations applicable to the authority under this section. The formation of for-profit corporations by the authority is strictly prohibited.

(F) Upon review of the audit report required in Section 59-123-60(E)(10), the legislature, by joint resolution, or the Governor, by Executive Order, may request audits to be completed by the State Auditors Office or the Legislative Audit Council. Based on the findings reported in the audit required in Section 59-123-60(E)(10) by the State Auditors Office or by the Legislative Audit Council, the legislature, by joint resolution, may require intervention by the Budget and Control Board for the purposes of rectifying any material findings reflected in the audits.

(G) A member of the Medical University Board, an officer in the administration of the university, including deans of the various colleges, the President of the Medical University, or any other officer of the authority or any of its affiliates who have been found guilty of malfeasance, misfeasance, incompetence, absenteeism, conflict of interest, misconduct, persistent neglect of duty in office, or incapacity shall be subject to removal by the Governor upon any of the foregoing causes being made to appear to the satisfaction of the Governor. But before removing any such person, the Governor shall inform him in writing of the specific charges against him and give him an opportunity on reasonable notice to be heard. The Governor shall appoint a successor to fill the vacancy created by his removal. The successor appointed by the Governor is to serve in that position until a successor is elected and qualified in accordance with Section 59-123-50.

(H) The authority shall offer and provide to the Medical University of South Carolina the services necessary for the training and education of health professionals.

(I) Beginning in fiscal year 2000-2001 state appropriations to the Medical University of South Carolina for support of the Medical University hospitals and clinics shall be redirected to the Department of Health and Human Services. These funds shall be used as match funds for the disproportionate share for the hospital's federal program. Any excess funding may be used for hospital base rate increases. Beginning in fiscal year 2000-2001 and in subsequent years, the Department of Health and Human Services shall pay to the Medical University of South Carolina Hospital Authority an amount equal to the amount appropriated for its disproportionate share to the Department of Health and Human Services. This payment shall be in addition to any other funds that are available to the authority from the Medicaid program inclusive of the disproportionate share for the hospital's federal program. The authority shall continue to operate the hospital as a health provider for the citizens of South Carolina and the clinical site for the education and training programs of the Medical University of South Carolina.

(J) The board, as the governing body of the authority, shall adopt a written policy for the hospital for the expenditure of public funds. Public funds may be expended for events which recognize academic and research excellence and noteworthy accomplishments of members of the faculty and staff, students, and distinguished guests of the authority. Sources of the funds for these expenditures include only nonappropriated state funds. The expenditure of funds from these sources pursuant to the written policy of the board for the purpose stated in this section are considered to meet the public purpose test for expenditure of public funds.

(K) The authority and its permanent improvements and the financing thereof shall be exempt from the provisions of Chapter 47 of Title 2, and the leasing of property and the granting of easements and rights of way by the authority shall be exempt from the provisions of Sections 1-11-55, 1-11-56, 1-11-57(1), and 10-1-130.

(L) The authority and the board of trustees as the governing body of the authority shall succeed to all of the rights, duties, and obligations of the Medical University of South Carolina and the board of trustees, respectively, as owner and operator of the hospital. All property, real, personal, tangible, or intangible (including, without limitation, deposits, investments, and accounts receivable) of the Medical University relating to the hospital shall be and become the property of the authority. The Medical University and its officers are authorized to execute and deliver such instruments of conveyance or agreements as may be determined by the board to be necessary or useful to effect or evidence such transfer.”

MEMORANDUM

M. William Youngblood

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T (843) 723-7831
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TO: Delbert H. Singleton Jr.
FROM: M. William Youngblood *Bill Youngblood*
DATE: January 13, 2011
RE: Medical University Hospital Authority Working Line of Credit

Section 59-123-60(E)(3)(d) of the SC Code authorizes the Medical University Hospital Authority to incur indebtedness under the provisions of the Hospital Revenue Bond Act, used traditionally for the financing of hospital facilities. In addition, this section authorizes a specific category of short-term financing, used by most business enterprises, the working line of credit, to smooth out occasional lags in receipt of budgeted revenue during a fiscal year so that expenditures can be paid in timely fashion throughout the fiscal year.

Under the statute these short-term borrowings may not exceed ten percent of net patient service revenue.

In addition to the statutory ten percent limitation, there are additional limitations imposed on the Authority's short-term indebtedness under its existing bond documents.

Net patient service revenues for the 2010 fiscal year were \$980,120,000 which, under the statute, would permit short-term indebtedness in an amount not exceeding \$98,000,000. The Authority seeks a working line of credit in an amount not exceeding \$25,000,000.

\$25,000,000 is about 2.5% of last fiscal year's net patient service revenue or about eleven days of operating expenses, certainly a prudent level at which to establish a working line of credit. The debt will be payable solely from revenues of the Authority. Neither the full faith and credit nor the taxing power of the State are pledged in any way.

Historically the Budget and Control Board has delegated to the State Treasurer the authority to negotiate the terms of the working line of credit, subject to the limitations imposed by the statute.

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WHEREAS, the Authority is authorized, *inter alia*, to issue revenue anticipation notes; provided that, such notes shall have a maturity of not exceeding six months from date of issuance; and do not exceed, in the aggregate, ten percent of the net patient service revenue for the fiscal year preceding the fiscal year in which such obligations are issued; and

WHEREAS, the audited financial statements of the Authority for the fiscal year ended June 30, 2010 reflect net patient service revenues of \$980,120,000; and

WHEREAS, the Authority is also subject to the terms of that certain Trust Indenture dated as of December 1, 2004 (the "Indenture") between the Authority and The Bank of New York, as trustee; and

WHEREAS, pursuant to Section 637 of the Indenture, the Authority may only incur Indebtedness (as defined in the Indenture) on such terms and conditions as shall be approved by FHA (as defined in the Indenture); and

WHEREAS, the Authority wishes to seek approval of FHA for short-term indebtedness in an aggregate amount of not exceeding \$25,000,000 as described in a resolution of the Authority, adopted October 8, 2010, a copy of which has been filed with the State Budget and Control Board.

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2. The State Treasurer of South Carolina is hereby authorized to negotiate other terms and conditions of such revenue anticipation notes and to approve the form of all documents related thereto to which the Authority shall be a party.
3. The State Treasurer of South Carolina is further authorized to negotiate the terms and conditions of one renewal of such revenue anticipation notes during the 2011-2012 fiscal year, such renewal to also have a term not exceeding six months.

AGENCY: State Ports Authority

SUBJECT: Port Royal Property

The SC Code of Laws Section 54-3-700 requires certain actions concerning the State Ports Authority (SPA) and its marine terminal at Port Royal consisting of 51.6 acres of highland and 265 acres of marsh (tidelands). In addition to the cessation of marine operations, the statute directs the SPA to sell its real and personal property in Port Royal in a "manner that is financially responsible and advantageous to the State Ports Authority." Another statutory requirement of the sale is that the property must first be "appraised and then sold at fair market value" on an "open-bid basis, and no bid may be accepted which is less than the property's fair market value as shown by the appraisal." Since the property was not sold by December 31, 2009, the property has been transferred to the Budget and Control Board (Board) for sale. The Board is vested with all of the SPA's fiduciary duties to the SPA and SPA bondholders. The sale proceeds are to be retained by the SPA unless, upon petition by the Town of Port Royal, the Board allocates up to five percent of the funds to pay for infrastructure needs directly associated with and necessitated by the closing and sale of the terminal.

The properties were put out for bid by the SPA in 2007 and one bidder met the minimum criteria. A contract was negotiated, approved by the Board and executed by the SPA. Closing on the sale failed to occur because of the withdrawal of the lender from the transaction due to financial market conditions which were deteriorating rapidly at the time. The property was then placed with a commercial real estate broker who advertised nationally, through a website, and in December 2009 and January 2010 the broker solicited bids or proposals regarding the sale of the property in the state publication, South Carolina Business Opportunities (SCBO). A proposed purchaser initiated discussions through the SPA's broker and negotiations were ongoing in December 2009. At its meeting on December 15, 2009, the Board authorized the SPA and its staff to serve as agents of the Board and to work with the Division of General Services to continue the effort to market the Port Royal property, effective December 31, 2009. In February 2010, a Letter of Intent for the purchase and sale of the property was executed between the SPA and the purchaser.

A contract was thereafter negotiated with the purchaser, and on May 18, 2010, the SPA approved a resolution for the sale of the Port Royal property, subject to this Board's approval, upon the following terms and conditions: The property was to be sold in two phases. On September 29, 2010, the Board approved the contract for sale of the Port Royal property as negotiated by the SPA. Board staff has been advised that the contract has since fallen through.

The SPA seeks guidance from the Board concerning its responsibilities with regard to the sale of the Port Royal property.

BOARD ACTION REQUESTED:

Consider the State Ports Authority's request for guidance in the sale of the Port Royal property.

ATTACHMENTS:

EXHIBIT

FEB 8 2011

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STATE BUDGET & CONTROL BOARD

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION

MEETING OF February 8, 2011

ITEM NUMBER 7

AGENCY: Budget and Control Board

SUBJECT: Future Meeting

The Board is asked to consider a date for its next Budget and Control Board meeting in April 2011.

BOARD ACTION REQUESTED:

Determine a meeting date for the next Budget and Control Board meeting.

ATTACHMENTS: