

Synopsis: The budget to replace the Lee Medicine and Science Hall at The University of South Dakota remains \$1,804,458 short, even after major changes in project plans. The Board of Regents accepted the project's low bids and implemented a facility fee of \$1,000 per year for medical students, and \$500 per year for physical therapy, occupational therapy, and physician assistant students to cover the funding shortfall. The fee becomes effective in summer 2005 unless an alternative funding source is identified. The regents are requesting general funds to cover the shortfall and to eliminate the need to charge students an extra fee.

The replacement of the Lee Medicine and Science Hall was approved as part of the Board of Regents' 10-year capital plan in 2001, at an estimated cost of \$32 million. A majority of the money was to be raised by the university—\$19.5 million—and the balance was bonded through the South Dakota Building Authority, with debt financing from the Higher Education Facilities Fund (HEFF). No state general funds were appropriated for this project.

Facing a dilemma

Building bids for the Medical School facility came in 12.6 percent above the architect's estimate, with the total project cost estimated at \$37,584,511. That meant project funding initially was short \$5,348,252 of total projected costs.



University officials, the architect, and the Office of State Engineer were able to change specifications and identify \$1,543,794 in cost savings, bringing the project funding shortfall to \$3,804,458. Removing \$2 million from the furniture and equipment budget brought the shortfall to its current \$1,804,458.

Assessing the options

The state engineer did not recommend re-bidding the project since it did not appear that construction costs would go down anytime soon. Costs of petroleum-based products and steel are up significantly and that is not likely to change in the near future.

The regents approved a \$1,000 per year facility fee on medical (M.D.) students and a fee of \$500 per year on physical therapy, occupational therapy, and physician assistant students. A facility fee at these rates would generate approximately \$257,000 each year.

What the facility fee costs students

The \$1,000 facility fee represents a 5 percent cost increase for medical students above the FY05 tuition and fees. Adding the 5 percent facility fee to the historical increase of 5 percent in tuition and fees could mean a 10 percent increase in total costs to M.D. students for FY06.

The \$500 facility fee represents a 6 percent cost increase for physical therapy, occupational therapy, and physician assistant students. Adding the 6 percent facility fee to the historical increase of 5 percent in tuition and fees could mean an 11 percent increase in total cost for these students in FY06.

The best solution

A one-time appropriation covering the cost shortfall would eliminate the need for additional fees assessed on students. The fee is scheduled to be implemented in the summer of 2005, unless state general funds are provided.