

Virginia Polytechnic Institute and State University

Proposed Six Year Capital Outlay Plan (DPB Form H-1)

Virginia Tech-Carilion School of Medicine and Research Institute (2008-10 Biennium)

(Project ID: 208.2008-10.00001.10)

General Information

Priority Number in Agency Six-Year Plan: 1.1 Project Type: New Construction PPEA Project? Yes

Project Location: Roanoke, Virginia

Projected Time (In Months) to Submit Working Drawings: 0 Projected Time (In Months) to Occupy Facility Or Complete Project: 24

Agency Contact For This Project: Robert Broyden (rbroyden@vt.edu)

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Funding Request

<u>General Fund</u>	<u>Nongeneral Fund</u>	<u>9c Revenue Debt</u>	<u>9d Revenue Debt</u>	<u>Total Request</u>
\$58,500,000	\$0	\$0	\$0	\$58,500,000

Project Cost

1. Acquisition of Property:	\$0
2. Acquisition of Plant:	\$0
3. Building and Built-in Equipment:	\$58,500,000
4. Sitework and Utilities:	\$0
5. Architectural / Engineering Fees:	\$0
6. Loose Furnishings and Equipment:	\$0
7. Contingencies (2%):	\$0
8. Project Inspection:	\$0
9. Other Cost (also see section H):	\$0
TOTAL COST:	\$58,500,000

(Items 10, 11, and 12 below are included in above costs)

10. Estimated Total Planning Costs:	\$0
11. Estimated New Construction Costs:	\$0
12. Estimated Improvements Costs:	\$0

Operating and Maintenance Cost

	<u>1st Year</u>	<u>2nd Year</u>
1. Personal Services:	\$0	\$0
2. Nonpersonal Services:	\$0	\$0
3. Equipment:	\$0	\$0
TOTAL COSTS:	\$0	\$0
4. FTE Employees:	0.00	0.00
5. One Time Costs:	\$0	\$0
6. Cost Savings:	\$0	\$0
7. FTE Savings:	0.00	0.00
8. Planned start date of new O and M costs (If different than the beginning of the fiscal year)		

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Itemization Of Other Costs

1. Project Management In Capital Budget:	\$0	9. Printing:	\$0
2. Special Consultants (if not included in A/E fees):		10. Advertisements:	\$0
A.	\$0	11. Work by owner:	\$0
B.	\$0	12. Signage:	\$0
C.	\$0	13. Miscellaneous utility charges:	\$0
3. Asbestos / lead based paint survey and design:	\$0	14. Moving expenses:	\$0
4. Asbestos abatement:	\$0	15. Miscellaneous other costs (itemize):	
5. Independent cost estimates:	\$0	A.	\$0
6. Value engineering:	\$0	B.	\$0
7. Subsoil investigations:	\$0	C.	\$0
8. Construction testing services:	\$0	D.	\$0
		Total Other Costs:	\$0

Project Scope

1. Acquisition - Property:	Number of Square Feet or Acres:	0	Cost Per Square Foot or Acre:	\$0
1a. Acquisition - Plant:	Number of Square Feet:	0	Cost Per Square Foot:	\$0
2. New Construction:	Number of Square Feet:	155,000	Cost Per Square Foot:	\$0
3. Improvements:	Number of Square Feet:	0	Cost Per Square Foot:	\$0
4. Capacity:	Number of Beds or Units:	0	Cost Per Bed or Unit:	\$0

Capital Project Narrative Description

BACKGROUND:

Virginia Tech and the Carilion Health System, Inc. (Carilion) propose a public-private partnership to develop and operate both an independent private medical school, and a research institute within Virginia Tech. This initiative pairs a nationally-ranked research university with a premier health care system to provide additional research and economic development opportunities and to address specialty medical care needs for the citizens of Southwest Virginia and the entire Commonwealth. Carilion's clinic model and Virginia Tech's research strengths provide a solid foundation for this unique public-private partnership.

The proposed School of Medicine and Research Institute (SMRI) will focus on training physician researchers and is patterned after Harvard Medical School's Health Sciences and Technology Program and the Cleveland Clinic's Lerner College of Medicine. It will connect Virginia Tech's research strengths in bioinformatics, nanotechnology, supercomputing, life sciences and biomedical engineering to Carilion's current medical education and research endeavors. Carilion's recent restructuring to a physician-led clinic approach prioritizes patient care. The SMRI will align medical education with this patient-care infrastructure to accelerate research results for patients.

Virginia Tech and Carilion are able to partner in this innovative manner as a direct result of the critically important and forward-looking Public-Private Education Facilities and Infrastructure Act (PPEA) and the Restructured Higher Education Financial and Administrative Operations Act, which were enacted by the General Assembly and signed by the Governor in 2002 and 2005, respectively.

This request for capital outlay General Fund support for the facility component of the SMRI is being submitted by Virginia Tech on behalf of the SMRI public-private partnership to initiate the project for consideration in the Executive Budget Bill. This submission is not meant to supplant, replace, or reprioritize projects on Virginia Tech's 2008-14 Capital Plan or budget request submissions for 2008-10.

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PROPOSAL:

The initiative consists of two distinct components: (1) an educational component, the School of Medicine, which will be a private entity, and (2) a research component, the Research Institute, which will be part of Virginia Tech and will leverage the research orientation of the School of Medicine and Virginia Tech's own research programs.

(1) School of Medicine: The School of Medicine will be a separate and independent entity, with a Board of Directors composed of an equal number of members appointed by Virginia Tech and Carilion. These members will appoint several outside directors, the number of which will be less than the total for either Carilion or Virginia Tech. The School will enroll 40 students per year in a five-year program, including one year completely devoted to research. Students will earn a Master's Degree at the same time they complete their medical training. At maturity, there will be an annual enrollment of approximately 200 students (40 per entering class). The first class will matriculate in fall of 2010 and graduate in the spring of 2015.

(2) Research Institute: The Research Institute, through which all research for the SMRI will be conducted, will be a unique research center established within Virginia Tech and will be located in the same building as the School of Medicine. In addition to the Carilion physicians and Virginia Tech tenure track faculty members who teach in the School of Medicine, the Institute will hire a significant number of research faculty whose primary responsibility will be to conduct externally-sponsored research. These individuals also may be called upon from time to time to be instructors in the School of Medicine. The goal is to perform \$30 million in annual National Science Foundation-reportable research expenditures by 2015.

ACCREDITATION:

The School of Medicine will seek accreditation from the American Medical Association's Liaison Committee on Medical Education (LCME) and from the Southern Association of Colleges and Schools (SACS), as well as the required approvals for private institutions by the State Council of Higher Education for Virginia (SCHEV).

BUILDING LOCATION AND FUNDING:

The Medical School and the Research Institute will be housed in separate space in the same facility to be built in Roanoke, Virginia, in the Riverside Center, on land owned by Carilion. The Commonwealth of Virginia is being asked to provide the funding to construct the facility. No State operating funds will be requested; all operating funds will be the responsibility of the SMRI itself. It currently is anticipated that the building will be 155,000 square feet, with 51,000 square feet for the School of Medicine and 104,000 square feet of laboratory space for the Research Institute. The research laboratories are to include the necessary built-in equipment, loose furnishings, and a portion of scientific equipment to ensure the facility is productive when it comes on-line. The project cost is estimated to be \$58.5 million. The PPEA will be used to construct the facility. To expedite the process, Carilion hired a design team to prepare schematic drawings to establish basic scope and costs and these drawings are available for review.

OPERATING FUNDS:

School of Medicine: The projected cost of educating a medical school student is \$100,000 per year. The anticipated tuition for students is \$40,000. Using these round numbers, the additional operating funds needed to educate 200 students (40 students per entering class) per year will be \$12 million. These operating funds will come from gifts, Carilion cash contributions, Carilion in-kind contributions, Virginia Tech Foundation contributions, and/or government grants and other funding.

Research Institute: The Research Institute will need funding of approximately \$50 million in its first eight years. The Institute will be expected to be self-sufficient by 2015.

ADVANCING THE COMMONWEALTH'S GOALS:

(1) Promoting State and Southwest Virginia Economic Development: The proposed SMRI will strengthen the State, local and surrounding Southwest Virginia economies with increased research funding and private investment. It also will spur ancillary business development in a region ripe for, and in great need of, economic development opportunities and growth.

The American Association of Medical Colleges estimates that every dollar spent by a medical school or teaching hospital creates an additional \$1.30 in economic activity. Eastern Virginia Medical School and its affiliated hospitals, for example, contribute \$923 million to the state's economy. Penn State College of Medicine and its affiliated medical center had a \$613 million statewide economic impact in 2002. Ohio's seven medical schools and affiliated teaching hospitals had a \$20 billion impact on the state's

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economy. One of the nation's newest medical schools will open at Florida International University in 2008. A recently commissioned economic impact study determined that the school would have a \$58 million economic impact in its first year of operation and grow to \$1.1 billion in less than 20 years. In addition, it is expected to generate more than 11,000 new jobs and contribute \$22 million annually to the local tax base.

(2) Increasing Research Expenditures: The Research Institute provides a mechanism for leveraging research opportunities at Virginia Tech and the School of Medicine to enhance Virginia Tech's growing research expenditures. As noted above, the goal is to perform \$30 million in annual National Science Foundation-reportable research expenditures by 2015.

(3) Providing Access in Southwest Virginia to Specialty Medical Care: The southern part of Virginia lacks medical specialty services, thus requiring residents to travel long distances to seek specialty care and the latest medical treatments. The SMRI will create opportunities for patients to receive specialty care locally while also attracting patients from the bordering states. In addition, the SMRI will help address the national shortage of physicians by educating physicians who will be prepared to practice medicine as well as conduct cutting-edge research to address today's medical problems.

SUMMARY:

This innovative public-private partnership will leverage the best strengths of Virginia Tech and Carilion to establish a new and powerful economic development generator, a health care delivery service, and a research engine. The partnership will provide the initial and on-going operating resources to support the SMRI and the property for the facility, with no operating commitments from the state. The Commonwealth is being asked to provide one-time funding of \$58.5 million to construct the necessary 155,000 gross square foot facility. Virginia Tech and Carilion are further proposing a creative solution to advance the facility component under which the Commonwealth provides the capital funding to Virginia Tech and the construction project is executed under the PPEA using a competitive selection/negotiation process. Virginia Tech will serve as the agency in charge of the PPEA agreement, thus ensuring state-level accountability for the funds and process. The Carilion property will be leased to Virginia Tech at a nominal rate for a period of at least 60 years and the building will be a state asset.

Without this proposed facility, the SMRI is not viable and the significant benefits of economic development, health care delivery service, and a research engine will not materialize for the Commonwealth. The timing of the project in the 2008-10 budget is critical to meet the fast track schedule of an operational medical school by 2010 and to compete for highly desired medical-based research grants and contracts. Delay of the project to a future biennium will put the medical school operations out-of-synch with the target 2010 matriculation and will negate the significant operational commitments by Virginia Tech and Carilion to advance this innovative partnership.