Follow-Up Questions
CHE Presentation on Deferred Maintenance

1. Number of capital projects rejected or withdrawn (at CHE stage of PIP process) over last 5 years?
   - A project has never been rejected by the Finance and Facilities Committee or Full Commission over the last 5 years. There have been occasions where staff and/or the Finance and Facilities Committee delayed a project to collect additional information.

2. CHE explained how some institutions have plans to replace a building and will defer the maintenance until the building can be completely replaced. How many buildings are being deferred until the institution can completely replace the building?
   - See Attachment 1

3. How many institutions in South Carolina have a renovation reserve fund?

Clemson	Yes
USC Columbia	Yes
MUSC	No
The Citadel	Yes
Coastal Carolina	Yes
College of Charleston	Yes
Francis Marion	Yes
Lander	Yes
SC State	No
USC Aiken	No
USC Beaufort	Yes
USC Upstate	Yes
Winthrop	No
USC Lancaster	Yes
USC Salkehatchie	Yes
USC Sumter	Yes
USC Union	Yes

**Technical Colleges reported this information in the Senate Finance Committee Higher Education Survey.*

4. The subcommittee would ask that CHE provide the number of buildings at the 90% level and at the 3% level per each institution.
   - See Attachment 2 & 3

5. According to CHE the institutions on occasion believe there is some discrepancy of the replacement value assigned by the IRF and what the institution believes that number should be. Can CHE provide specific examples?
   - The Insurance Reserve Fund (IRF) has supplied us with the definition of replacement cost that they use based on the Marshall Valuation Service:

     Replacement Cost – The replacement cost of a building is the total cost of construction required to replace the subject building with a substitute ***of like or equal utility*** *using current standards of materials and design. These costs include* *labor, materials, supervision, contractors' profit and overhead, architects' plans and specifications, sales taxes and insurance.*

Even though there are some disagreements with the IRF replacement costs with respect to use in the maintenance needs calculations, there is a consensus amongst the institutions that the IRF value is the most reasonable figure to use in the building data collection for use in the maintenance needs calculations

6. Has the CHE looked into the accuracy of the IRF? If yes, please provide details.
   - IRF uses Marshall & Swift Valuation Service for replacement cost calculations. The company provides commercial and residential real estate industries with building cost data.

7. Sen. Alexander asked for more specifics re the IRF, and specifically the "Winthrop Fire". Were IRF estimates and/or payments in line with actual costs/expenditures? Be specific.
   - According to Winthrop representative, replacement cost estimates and payments were in line with the actual costs/expenditures to rebuild Owens Hall. Owens Hall was constructed in 2007; therefore it was insured for a realistic replacement value to replace the **utility** of that building.

8. Senator Setzler would like to have more information on why public institutions are required to maintain roads.
   - The State, via the distribution of C funds, paves campus roads. The institutions maintain the curb and gutter, sidewalks, storm drains, parking lots (including repaving), street light systems, and other central and campus specific infrastructure (e.g. underground steam lines, domestic water lines, fire lines, voice and data, and high voltage distribution lines). These items make up the "paved road" category in the Infrastructure Maintenance Needs Calculation.

Questions regarding dissertation

Sent 12/12/12 – Craig Parks

1. An April 2012 study cited in "Facilities Manager" magazine regarding capital needs at public colleges cites a finding that 18 states have designated a fund "set aside for facilities renewal and replacement". As you know, SC does not have, nor does it require of institutions, such a set aside. ***Do you know, or can you research for this committee what those "set asides" "look like" in general?*** Specifically, "who" is setting aside (the state?, the college? or both?); from what source of funds are they setting aside (general state revenue? college tuition or dedicated fee?); if it is a "state source", are there requirements colleges must first meet to access those funds?
   - See Attachment 4

How many buildings on your campus have a long term plan of being demolished; therefore major maintenance is being deferred until demolition can take place?

Clemson –
Clemson University has a plan to demolish the following during the next ten years:
- University Union
- Newman Hall
- Moorman House
- Sears House
- Roderick House
- Douthit Duplexes (3)
- Endocrine Physiology (Corner of Cherry and Perimeter)
- Former Navy Warehouse at CURI (Building 1174 in North Charleston)
- Single story building at corner of Meeting Street and George Street in Charleston

Clemson University has a plan to repurpose the following buildings during the next ten years to more traditional uses thereby reducing the deferred maintenance:
- Sirrine Hall
- Holtzendorff
- Long Hall
- Ravenel Center

USC Columbia –
The adopted USC 2010 Master Plan recommends demolition of the following buildings in the section entitled "Long Range Plan 2015 and Beyond." The list below includes those facilities, but it should be noted there are no specific plans in place to remove these facilities or planned replacements for the space.
- Byrnes *(while a renovation to fix the leaking exterior skin may be deferred due to an assumed demolition, there is a plan to replace an HVAC system deemed susceptible to failure in the next few years.)*
- Blatt PE Center
- 300 Main Street
- 513/516/518 Main Street *(demolition required if an engineering building to replace 300 Main is built on this site as proposed in the Master Plan.)*

Other Projects That Have Been Discussed for Demolition:
- Bates House Residence Hall
- Roost Residence Hall
- Facilities Center
- Consolidated Services Building
- USC Athletics Roundhouse *(currently being demolished)*

MUSC – Building 180 – Family Medicine and Building 820 – Bank Building

The Citadel –
- Capers Hall replacement *(would also impact the current Public Safety building)*
- Stevens Barracks replacement *(could impact the Tennis Center depending on the final site selected)*
- New engineering building *(to be built behind LeTellier Hall)* would impact the existing Himelright Hall and the Coin Laundry buildings. New building to be funded by a gift.
- Stadium east side stands.

The Citadel does not expect to demolish any of the above until 2020-2030. Based on the long lead-time to possible demolition the institution continues maintenance, repair, and some renovation work to keep the buildings functional/operational. The institution just completed replacement of elevators in Capers, renovated three multimedia rooms and the fourth floor hallway, and are about to start a renovation of the lounge. In 2017 the institution will refurbish all the cadet rooms in Stevens Barracks as part of the

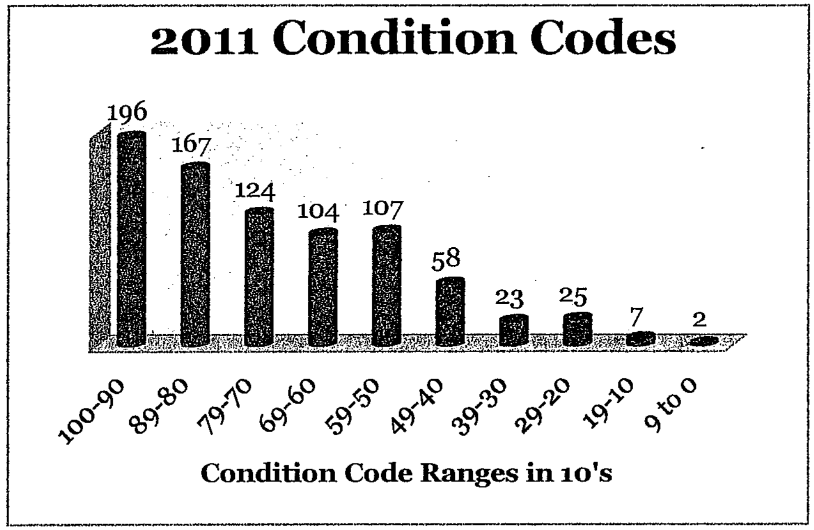
regular summer barracks cycle. At the Stadium, the institution is starting a structural study to determine possible repairs and estimated life span of the east side structure.
Coastal Carolina – None
College of Charleston – None
Francis Marion – The Office Services Building is slated for demolition.
Lander - None
SC State - Pending
USC Aiken – None
USC Beaufort – None
USC Upstate – Building #973 – Child Development Center is slated for demolition in the future.
Winthrop - None
USC Lancaster – None
USC Salkehatchie – None
USC Sumter – None
USC Union – None
Aiken TC – Buildings 400 and 500/600 are slated for demolition in the future.
Central Carolina TC - None
Denmark TC – Building 15 – Nurse House is slated for demolition.
Florence-Darlington TC – Major maintenance on Building 100 has been delayed until the master planning process is complete.
Greenville TC – Buildings 113 and 114 are slated for demolition.
Horry-Georgetown TC – Buildings 300 and 400 on the Conway Campus are slated for demolition in the next 18 months.
Midlands TC – The Lindau Engineering Technology (LET) building on the Beltline Campus is slated for demolition in the future.
Northeastern TC - None
Orangeburg-Calhoun TC - None
Piedmont TC – The W Building is slated for demolition in the near future.
Spartanburg CC - None
TC of the Lowcountry - None
Tri-County TC – Clarke Hall and the Student Center are slated for demolition.
Trident TC – Building 930 will be demolished to make room for the new Nursing and Science Building.
Williamsburg TC - None
York TC - None

Buildings With a Condition Code of 90 or Better

Institution	Total Number of E&G Buildings on Campus[1]	Number of E&G Buildings with Condition Code of 90-100	Percent of E&G Buildings with Condition Code of 90-100
Clemson	85	6	7%
USC Columbia*	105	14	13%
MUSC	46	8	17%
The Citadel	25	5	20%
Coastal Carolina	38	2	5%
College of Charleston	60	6	10%
Francis Marion	17	4	24%
Lander	15	4	27%
SC State	38	2	5%
USC Aiken	15	10	67%
USC Beaufort	9	5	56%
USC Upstate	18	6	33%
Winthrop	34	15	44%
USC Lancaster	6	0	0%
USC Salkehatchie	11	0	0%
USC Sumter	8	0	0%
USC Union	4	2	50%
Aiken TC	9	5	56%
Central Carolina TC	14	3	21%
Denmark TC	16	2	13%
Florence-Darlington TC	15	1	7%
Greenville TC	28	8	29%
Horry-Georgetown TC	20	0	0%
Midlands TC	30	26	87%
Northeastern TC	13	13	100%
Orangeburg-Calhoun T	18	4	22%
Piedmont TC	27	10	37%
Spartanburg CC	14	5	36%
TC of the Lowcountry	17	8	47%
Tri-County TC	15	2	13%
Trident TC	21	5	24%
Williamsburg TC	4	0	0%
York TC	18	15	83%
Total	**813**	**196**	**24%**

*Includes USC's School of Medicine - Columbia Campus.

[1]2011 Building Condition Survey Update was used to complie this report. Only facilities institutions maintain with 25% or more of space dedicated for Educational & General (E&G) activties and more than 3,000 GSF are included.



Institutions Meeting the 3% APPA Standard

TO BE PROVIDED PENDING FURTHER REVIEW

Summary of Findings

Questions:
An April 2012 study cited in "Facilities Manager" magazine regarding capital needs at public colleges cites a finding that 18 states have designated a fund "set aside for facilities renewal and replacement". As you know, SC does not have, nor does it require of institutions, such a set aside. ***Do you know, or can you research for this committee what those "set asides" "look like" in general?*** Specifically, "who" is setting aside (the state?, the college? or both?); from what source of funds are they setting aside (general state revenue? college tuition or dedicated fee?); if it is a "state source", are there requirements colleges must first meet to access those funds?

Conclusions from the Author:
Conclusion One: A major information gap exists in data on facilities funding and there are high variances in the data that are available at the state level.

The researchers could not identify a comprehensive national set of data on facilities funding for all 50 states. Information on capital funding of public higher education at the state level is limited.

Conclusion Two: State support for public higher education capital budgets has not increased enough to accommodate the growing need for new facilities brought on by record enrollment increases, while simultaneously addressing the escalating problem of deferred maintenance in public higher education facilities.

Increased awareness of facilities issues and the need for planning, state level funding for facilities clearly has not increased at sufficient levels to accommodate the sharp rise in enrollments from FY1997 to FY2008. The existence of state master plans has increased slightly. However, just 4 of 19 states indicated that their master plan had inclusive stakeholder involvement in FY2008.

From FY1997 to FY2008, more states have designated a fund set-aside for facilities renewal and replacement, up from 6 of 41 responding states to 18 of 39, an increase from 15 to 50 percent. The deferred maintenance ratio (DMR) has almost doubled from a mean of 44 percent in FY1997 to a mean of 87 percent in FY2008. The Facilities Condition Index (FCI) has similar indicators of escalation from a mean of 9 percent in FY1997 to 16 percent in FY2008.

Conclusion Three: While state governance structures are stable over time, the practices and policies of capital budgeting are varied among states, and tighter state control in the form of consolidated governing boards does not necessarily equate to higher levels of good practices with regards to facilities in public higher education.

Governance structures of state public higher education boards and agencies have exhibited little change over time. There were two states listed as consolidating governing boards in 1997 that changed typology according to McGuinness (2010): Florida and West Virginia. It was assumed by this researcher that states with tighter control in the form of consolidated governing boards will be more likely to adopt innovative or good practices than states identified a coordinating/planning service agencies for public higher education.

Table 49

Percentage of Annual Operating Funds Set-aside for Facilities Renewal and Replacement, FY2008

Type of Statewide Board	Percentage of Annual Operating Funds Set-aside for Facilities Renewal and Replacement, FY2008						
	Less than the Recommended Minimum of 1.5%			Recommended Minimum of 1.5% or More			
Governing (N=20)	0.00%	>0-.1.0%	>1.0 < 1.5%	1.5 < 2.0%	2.0 < 3.0%	3.0 < 5.0%	5.0% and above
Alaska	X						
Arizona	X						
Florida							X
Georgia			X				
Hawaii		X					
Idaho			X				
Iowa				X			
Kansas					X		
Maine		X					
Minnesota			X				
Mississippi	X						
Montana			X				
Nevada	X						
New Hampshire			X				
North Dakota	X						
Oregon	X						
Rhode Island						X	
South Dakota			X				
Vermont	X						
Wyoming				X			
Subtotal (N=20)	7	2	6	2	1	1	1
Percent	*35.0*	*10.0*	*30.0*	*10.0*	*5.0*	*5.0*	*5.0*
Coordinating (N=16)							
Alabama	X						
Arkansas	X						
Delaware	X						
Illinois	X						
Kentucky	X						
Louisiana				X			
Maryland					X		
Massachusetts		X					
Nebraska	X						
New Mexico							X
Oklahoma	X						
Pennsylvania	X						
South Carolina	X						
Tennessee			X				
Texas	X						
West Virginia	X						
Subtotal (N=16)	11	1	1	1	1	0	1
Percent	*68.8*	*6.3*	*6.3*	*6.3*	*6.3*	*0.0*	*6.3*
Total (N=36)	18	3	7	3	2	1	2
Percent	*47.4*	*7.9*	*18.4*	*7.9*	*5.3*	*2.6*	*5.3*

Sources: The type of statewide board is adapted from McGuinness (2010): Authority of state boards and agencies of higher education, 2010, (p.3). Note: Two states, Wisconsin and California, did not respond to this survey question.

Of the highlighted states reporting a set aside for facilities renewal and replacement, we know that Massachusetts is mandated by State law to do so. We are currently in contact with our counterparts in Massachusetts to get more information.

A query was distributed by the State Higher Education Executive Officers Association (SHEEO) to gain information from other states regarding maintenance needs/deferred maintenance and the funding of these needs. That information is currently being reviewed.

SHEEO Information Request
Regarding maintenance needs/deferred maintenance and funding
January 14, 2013

SHEEO Query:

South Carolina is undergoing legislative studies regarding maintenance needs/deferred maintenance and funding for these needs at our public higher education institutions.

1. Does your state have a consensus definition of maintenance needs/deferred maintenance? If so, what is it?
2. Has your state analyzed maintenance needs/deferred maintenance on your campuses?
   If yes - Please share a synopsis of your analysis and/or provide a link to your report.
   If no - Do you anticipate this type of analysis in the near future?
3. Does your state require institutions to set aside funds to address maintenance needs/deferred maintenance?
   If yes - What is the requirement (% or fixed amount), and what are the sources of funds (e.g. Tuition, state appropriation, etc.)?
   - Is it statutorily mandated?
   - Do institutions have to develop plans to address maintenance needs/deferred maintenance?
4. If your state provides funding earmarked for maintenance needs/deferred maintenance, what is the basis for the distribution of these funds?
   - Is it recurring (base) support or one-time as available?

State Agency Responses:

State	Comments	1. Definition	2. Analysis	3. Set-Asides	4. Basis for Distribution
Arizona		Following link takes you to state statute on Building Renewal (see paragraph 1): http://www.azleg.gov/FormatDocument.asp?inDoc=/ars/41/00790.htm&Title=41&DocType=ARS	State statute requires review of each building at least once every 4 years (see paragraph E): http://www.azleg.gov/FormatDocument.asp?inDoc=/ars/41/00793.htm&Title=41&DocType=ARS **PLEASE SEE ATTACHMENTS TO EMAIL** Attached Capital Improvement Plans (CIPs) for each of 3 Az public universities (see "Deferred Maintenance Report" sections): Arizona State Univ: CIP ASU FY2014-2016 Northern Arizona University: CIP NAU FY2014-2016 University of Arizona: CIP UA FY2014-2016	Per state statute, a building renewal formula is used to calculate annual maintenance needs (Building Renewal) for the building inventory (see Building Renewal Report and Building Inventory sections of the attached CIPs). Formula requirement for system is $100.4M in FY14. No mandatory requirements for set asides. University system has traditionally relied on state appropriations for Building Renewal funding; however no funding has been provided in at least 10 years. As a result, universities have had to	Calculation is annual need is formula driven; however, state funding has not been available. When state funding has been provided, distribution is prorated among 3 the universities based on Building Renewal calculations.

				rely on bonding capacity and any available university funds to address Building Renewal/Deferred Maintenance as needed.	
Colorado		Yes, Controlled maintenance is defined in statute, C.R.S. 24-30-1301(2), as corrective repairs or replacement of existing state-owned, general-funded buildings and other physical facilities, including but not limited to utilities and site improvements, which are suitable for retention and use for at least five years, and replacement and repair of the fixed equipment necessary for the operation of such facilities, when such work is not funded in an agency's operating budget to be accomplished by the agency's physical plant staff. Generally, controlled maintenance is for projects under $2 million. Those that are over $2 million are considered capital renewal projects and are not prioritized by the Office of the State Architect as described below.	Yes, the Office of the State Architect completes a deferred maintenance needs analysis of all state buildings, including those on campuses annually. The report for FY13-14 can be found at: http://www.colorado.gov/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1251845182290&ssbinary=true	No, however, there is an Emergency Fund for maintenance, which controlled by the Office of the State Architect.	The state provides funding for maintenance as it is available on a year-to-year basis (one-time). Controlled maintenance is prioritized by the Office of the State Architect into three categories based on life-safety and urgency – Levels 1 through 3. When funds are available, projects are funded by prioritization level until available monies are exhausted. For example, all of Level 1 and the top 7 projects in Level 2.

Florida	Florida is in a somewhat different situation than most other states, from what I can tell – we had a fairly adequate program for dealing with maintenance, and it had a reasonable formulaic distribution basis. However, the underlying dedicated tax source was hit hard by the recession, and has not recovered. So what we have is a good process – but no money to fund the process. The Board of Governor's established a special task force to look into solutions, and if you are interested, a link to the report may be found at: http://flbog.edu/about/taskforce/facilities.php	The state does not have a definition but the State University System does. It is "systems that have failed or reached unacceptable levels of service due to extended use which have not been maintained or repaired within the operating budgets of an institution".	No-Not as a system but the individual universities have done analysis of need.	The basis of the funding is from Public Education Capital Outlay, which is a constitutional set-aside of the gross receipts tax. The funding is designed to be recurring, but dramatic declines in revenue from this source have all but eliminated funding for the short term. Plans per se are not required by law, but the universities have developed plans in support of their Legislative Budget Request to the State University System, and funds appropriated must be spent in accordance with S. 1013.64, Florida Statutes: ***PLEASE SEE STATUTE AT END OF REPORT**	The funding is technically non-recurring, but has always been appropriated, except for the past 2 years, mainly due to the lack of sufficient revenue generated at the state level. The distribution to the universities is by formula and distributed by the State University System based on the actual legislative appropriation received. (The formula is based on age of facilities and square feet – so that bigger and older generates more maintenance by formula).
Georgia		No	No, each institution is responsible for analyzing their maintenance needs and determining their level of tolerance for deferred maintenance.	The current formula is designed so that the state will cover 75% of maintenance and operations and the other 25% will be covered by tuition.	The state earmarks and provides funds for maintenance and operations (through the formula mentioned above.) These funds become part of the institution's base budget.
Indiana		Indiana does not have a consensus definition. Currently, the IN Commission for Higher Ed collects minimal building data to calculate funding for repair and	A thorough analysis by the Commission or the state regarding needs/deferred maintenance has not occurred. Generally the Commission or state rely on studies or	NO	? The Commission currently collects every 2 years building and infrastructure data to develop and create the repair and rehabilitation formula. Information is provided from the institutions based on

		rehabilitation. All of the public institutions have information regarding overall maintenance needs and deferred maintenance. The CHE does request overall deferred maintenance figures, but in an aggregate manner for each campus. Note, we request data for academic and administrative space only. Institutions would have more detailed information for all structures and buildings on campus.	information from the public institutions that address maintenance needs/deferred maintenance.		academic and administrative space/infrastructure. Information includes gross and assignable square footage, original cost of the structure, year structure was built and any additions or demolitions. For infrastructure, institutions provide a replacement value figure for all infrastructure related to academic and administrative space. This information is then used to develop the state's repair and rehabilitation formula. For buildings, the formula uses the year the building was constructed and the cost of construction and through the Swift Marshall Index, adjusts the cost of the building based on the age. This provides for an adjusted building value. For infrastructure, the institutions provide the Commission with an estimated replacement value. From there, the Commission applies a 1% investment target to the total adjusted value of academic and admin space and infrastructure to determine an investment target. Depending on fiscal realities in the state, the legislature may fund a portion of the 1% investment target to support repair and rehabilitation efforts at the institutions
Iowa		No. The Regent institutions, yes.	No. The Regent institutions, yes. If no - Do you anticipate this type of analysis in the near future? From the state – no.	We make an annual appropriations request of the State – generally we only receive a fraction of that request. For the FY 2014 appropriations cycle, we requested $75M in deferred maint/fire safety. The Governor's budget released last week provided for $2M this year and $5 for FY 2015	If your state provides funding earmarked for maintenance needs/deferred maintenance, what is the basis for the distribution of these funds? Is it recurring (base) support or one-time as available? Typically one-time as available.
Kansas	I am attaching a recently completed report on deferred maintenance related to the Kansas state				

	universities. I believe that answers to most of the questions can be found in the report. **SEE ATTACHMENT TO THIS EMAIL**				
Texas		Yes – <u>Deferred Maintenance (DM)</u> – The accumulation of facility components in need of repair or replacement brought about by age, use, or damage for which remedies are postponed or considered backlogged that is necessary to maintain and extend the life of a facility. This includes repairs postponed due to funding limitations. Deferred maintenance excludes on-going maintenance, planned maintenance performed according to schedule, and facilities adaptation <u>Critical Deferred Maintenance</u> – Any deferred maintenance that if not corrected in the current budget cycle places its building occupants at risk of harm or the facility at risk of not fulfilling its functions. items.	Yes - http://www.thecb.state.tx.us/reports/PDF/2871.PDF	No	No

***Florida Statute:**

1013.64 Funds for comprehensive educational plant needs; construction cost maximums for school district capital projects.—Allocations from the Public Education Capital Outlay and Debt Service Trust Fund to the various boards for capital outlay projects shall be determined as follows:

<u>(1)(a) Funds for remodeling, renovation, maintenance, repairs, and site improvement for existing satisfactory facilities shall be given priority consideration by the Legislature for appropriations allocated to the boards from the total amount of the Public Education Capital Outlay and Debt Service Trust Fund appropriated. These funds shall be calculated pursuant to the following basic formula: the building value times the building age over the sum of the years' digits assuming a 50-year building life. For modular noncombustible facilities, a 35-year life shall be used, and for relocatable facilities, a 20-year life shall be used. "Building value" is calculated by multiplying each building's total assignable square feet times the appropriate net-to-gross conversion rate found in state board rules and that product times the current average new construction cost. "Building age" is calculated by multiplying the prior year's building age times 1 minus the prior year's sum received from this subsection divided by the prior year's building value. To the net result shall be added the number 1. Each board shall receive the percentage generated by the preceding formula of the total amount appropriated for the purposes of this section.</u>

(c) Each remodeling, renovation, maintenance, repair, or site improvement project will expand or upgrade current educational plants to prolong the useful life of the plant.

(d) Each board shall maintain fund accounting in a manner which will permit a detailed audit of the funds expended in this program.

(e) Remodeling projects shall be based on the recommendations of a survey pursuant to s. 1013.31.

(f) At least one-tenth of a board's annual allocation provided under this section shall be spent to correct unsafe, unhealthy, or unsanitary conditions in its educational facilities, as required by s. 1013.12, or a lesser amount sufficient to correct all deficiencies cited in its annual comprehensive safety inspection reports. This paragraph shall not be construed to limit the amount a board may expend to correct such deficiencies.

<u>Louisiana Board of Regents Response to SHEEO Query: Maintenance Needs/Deferred Maintenance & Funding</u>

1. **Does your state have a consensus definition of maintenance needs/deferred maintenance? If so, what is it?**

The state of Louisiana does not have a consensus definition of deferred maintenance; however, the Board of Regents (BoR) Facilities Policy defines deferred maintenance as follows: "Maintenance on the component parts and systems of physical facilities that should have been performed but was delayed due to insufficient funding. Such a lack of maintenance may result in further deterioration or breakage that becomes critical, threatening to cause even greater damage and eventual expense if not remedied in a timely manner." Deferred maintenance includes, but is not limited to, Major Repairs, Re-roofing, ADA, and Life Safety Code Corrections.

2. **Has your state analyzed maintenance needs/deferred maintenance on your campuses?**

   If yes - Please share a synopsis of your analysis and/or provide a link to your report.
   If no - Do you anticipate this type of analysis in the near future?

Detailed analysis of deferred maintenance needs have not been performed on campus facilities since 2003. VFA Facilities Lifecycle Solutions of Boston, MA was contracted for the assessment. The facilities assessment program was conducted as a part of a statewide program administered by the Office of Facility, Planning, and Control (FP&C). Each facility has a Facilities Condition Index or FCI (current cost to correct deficiencies divided by the current replacement cost of the building). Louisiana facilities should be in the area of FCI=15% however on average the FCI is more like 26%. An FCI exceeding 75% denotes a building that should be demolished rather than repaired. However, there are some problems with the VFA report. It has not been updated since 2003 and there is no way to update it, so items accomplished remain on the list, and new things that crop up remain off the list.

3. **Does your state require institutions to set aside funds to address maintenance needs/deferred maintenance?**

   If yes - What is the requirement (% or fixed amount), and what are the sources of funds (e.g. Tuition, state appropriation, etc.)?
   - **Is it statutorily mandated?**
   - **Do institutions have to develop plans to address maintenance needs/deferred maintenance?**

Institutions are not statutorily mandated to set aside funds to address maintenance needs. BoR policy requires institutions to establish a Maintenance Reserve Account (MRA) on new construction in certain circumstances, including self-generated projects that go through the legislative appropriation process, but may also apply to renovations of existing facilities. The purpose of the MRA on projects is to guarantee the long-term uninterrupted maintenance of the facility and preclude the state from future maintenance liability.

The actual amount of the deposits shall be based on an anticipated facility life, and projected repair and replacement work for the specific facility in accordance with the MRA Use Schedule. A one-time up-front deposit into the MRA of approximately 10% of the construction cost is required. Optionally, for facilities that generate income from their operation, annual deposits into the MRA of approximately 1.5% of the original construction cost, with computations incorporating provisions for projected annual inflation, can be substituted for the one-time up front deposit.

Not every project requires a MRA though. Projects that are primarily maintenance in nature and projects that renovate space previously maintained by the institution, and in effect reduce the maintenance costs borne by the institution, do not have to establish an MRA. Projects that require less maintenance such as a parking garage may be proposed with a reduced MRA if supported with evidence of actuarial soundness. Projects funded with appropriations of the legislature utilizing General Obligation Bonds (GOB) are not required to have an MRA unless the state appropriation provides funding for it. Projects that are funded with a combination of funding types need only establish an MRA consistent with the non-state percentage.

Exceptions to the MRA policy may only be made on an individual basis. Any institution seeking an exception for a specific project must submit a written request with detailed documentation and justification.

4. If your state provides funding earmarked for maintenance needs/deferred maintenance, what is the basis for the distribution of these funds?

- **Is it recurring (base) support or one-time as available?**

Deferred maintenance funds are appropriated on a one-time basis as available. Funds specifically designated for deferred maintenance across all institutions have not been provided since 2007. At that time, higher education was appropriated $75 million to address a large backlog. However, a recent survey conducted by BoR staff of all four management systems indicated current deferred maintenance needs over $1.5 billion.

As deferred maintenance funds are appropriated by the legislature, the funds are distributed among the institutions in accordance with the Sherman-Dergis Model (1981, University of Michigan) adopted by the BoR which takes into account the size of the existing facilities, adjusted age based on the extent and date of any renovations, and building type and complexity as expressed in current replacement costs. The facilities staff of the BoR manages the deferred maintenance funding and distribution process.

Generally, institutions are expected to address deficiencies such as minor repairs/renovations, minor roof repairs, movable equipment and furnishings, and minor building components through their operating budgets. The Louisiana Office of Facility, Planning, and Control (FP&C), whom administers the capital outlay budget process, prefers institutions address maintenance needs through the operating budget instead of deferring maintenance until a capital outlay project is needed. FP&C encourages institutions not to ignore deferred maintenance and give high priority in capital outlay requests to deteriorating facilities although it may be desirable to improve the quality of the institution by proposing new facilities.