

A Brief Background on Facilities Action

On September 16 1977, the Commission approved the procedures for submission of permanent improvements by colleges and universities. In summary, the procedures as approved stated, that any expenditure costing \$10,000 or more for the construction of a new building, addition to or alteration of, or major renovation of an existing building, or the demolition of an existing building must be reviewed by the Commission and its recommendation sent to the Budget and Control Board for approval. This is not intended to cover normal maintenance costs, such as painting, minor repairs, etc., ordinarily done by the Agency's regularly employed maintenance force.

On December 8 1977, the Commission approved procedures for processing capital improvement requests. It basically stated that at least 60 days be allowed between receipt of requests for approval of projects by the staff and action by the Commission. It also stated that emergencies would be handled expeditiously, but at least two weeks would be required.

On May 3, 1979, procedures were established for determining needs and priorities for capital improvements at the institutions. This procedure revised the manner in which capital improvements were submitted to the Commission for review and transmitted to the Budget and Control Board. Those revised changes were:

1. Establish a new format for submission to the Commission that met the requirements of the Budget and Control Board.
2. The five-year plan includes sufficient information for the Commission and Budget and Control Board to take action, eliminating the requirement for a separate submission to each group.
3. Emphasis was placed on submitting projects for approval once a year, while provision is made for exceptions.

June 5, 1980, House Bill 3843, the 1980 Amendment to the Capital Improvement Bonds Act was passed by the General Assembly. Section II of the Bill states that "all institutions of higher learning shall submit permanent improvement project proposals and justification statements to the Budget and Control Board through the Commission on Higher Education which shall forward all such statements and all supporting documentation received to the Board, together with its comments and recommendations."

On June 6, 1980, the Commission members were informed of the House and Senate's approval of \$100,000 for the Commission to do a building quality survey as recommended by the Master Plan for Higher Education. The Master Plan commits the Commission to work toward bringing all facilities up to at least a satisfactory level.

On July 10, 1980 the Committee on Facilities recommended that the Commission delegate to the Committee, the authority to approve capital improvement projects costing \$100,000 or less for which funds were

available, as well as, all leases. The recommendation was moved and seconded, but was tabled because a majority of the Commission felt that when the Legislature deposits authority in a commission, it is also responsible for carrying out that authority.

September 10, 1981. The Committee on Facilities recommended approval of the draft summary of the Building Quality Survey, which reported the condition of existing buildings on the campuses of the institutions of higher learning. This report is also known as the Sirrine Report, named after the J. E. Sirrine Company, Greenville, S.C., who conducted the evaluation. The evaluation was conducted on all facilities constructed or completely renovated prior to January 1, 1975.

Of the 262 non-residential buildings included in this survey, 173 (66.0%) were not rated as satisfactory; of the 71 residential facilities, 59 (83.1%) were not rated satisfactory. The estimated cost of renovating these 173 non-residential and 59 residential buildings are \$20.8 million and \$20.9 million, respectively.

During July 1982, institutions submitted 24 renovation projects estimated to cost more than \$33 million, for consideration for funding in 1983. Because of the urgency of the need to bring campus facilities up to a satisfactory standard, the Commission, at the request of the Facilities Committee, recommended that these 24 renovation projects be given top priority for funding in 1983.

February 3, 1983. The current condition of existing facilities demonstrated that in addition to bringing the facilities to a satisfactory standard, there existed a need for procedures to address the problem on a continuing basis. In view of this, the Facilities Committee established, as a goal, to "recommend procedures which will enable institutions to bring all campus facilities up to a satisfactory standard and then to assure that this standard is maintained."

The Committee's recommendations were sent to the presidents of the public senior colleges and universities for their comments and a response was received from each of them.

The Committee carefully reviewed the responses received, in light of commitments in the Master Plan and the Committee's goal (referenced above), and as a result offered the following recommendations for consideration by the Commission.

Recommendations

1. That the Commission not recommend at this time that the State assume the annual debt service obligation on Institution Bonds already issued or authorized; and that the Commission make no recommendation regarding the repeal of the Institution Bond Authority.
2. That the Commission recommend that each institution which does not have a "renovation reserve account", to create such an account by the beginning of the 1983 Fall term.

3. That the Commission recommend that the "renovation reserve account" at each institution be used in conjunction with appropriate bonding authority, to bring all campus facilities up to the satisfactory standard; that once all facilities meet the satisfactory standard, renovation reserve funds be used to supplement the Commission formula allocation for physical plant maintenance, in order to assure that facilities are kept in satisfactory condition; and that any funds in the "renovation reserve account" determined to be surplus remain on the campus on which they were generated, to be used in the manner specified by that institution's governing board.

4. That the Commission recommend that each institution (including SBTCE institutions) submit to the Commission each year, an "Annual Preventive Maintenance Plan"; and that this plan provide the basis for each institution's annual preventive maintenance program.

5. That all excess debt service funds be made available to the respective institutions for implementation of the annual preventive maintenance program. (The funding of major permanent improvement projects will remain a State responsibility.)

6. That the Commission, in cooperation with all affected institutions, the Budget and Control Board, and the Joint Bond Review Committee, develop definitions for key facility terms, e.g., deferred/preventive maintenance, minor/major renovation project, equipment, repairs, and major permanent improvement project.

These recommendations were adopted by the Commission.

June 2, 1983. Mr. Graham reported on the six recommendations for addressing rehabilitation and building maintenance needs at the public colleges and universities. Recommendation #4 required that "each institution (including SBTCE institutions) submit to the Commission each year an Annual Preventive Maintenance Plan; and that this plan provide the basis for each institution's annual preventive maintenance program." This recommendation also required that proposed policies and procedures for implementing the preventive maintenance program be submitted to the Commission for approval.

As a result, policy and procedures were developed through the cooperative involvement of the Commission's Advisory Committee on Facilities and the College and University Business Officers, with input from staff members of the Budget and Control Board (Board) and the Joint Bond Review Committee (Committee). The proposal was reviewed by the Committee on Business and Finance which concurred with the recommendation of the Committee on Facilities that the proposed policy and procedures be approved and transmitted to the Board and the Committee for their consideration and action.

NOTE: Henceforth "Board" refers to Budget and Control Board, and "Committee" refers to Joint Bond Review Committee.

The Committee's recommendations were as follows:

1. Each institution be required to submit to the Commission annually for approval a three-year plan for rehabilitation, renovation, and remodeling of campus facilities.
2. Approval of the plan by the Commission, the Board, and the Committee will enable each institution (without further approval) to accomplish any project in the plan for which the funds are available and the project cost does not exceed \$250,000.
3. Each institution will establish a rehabilitation reserve account to aid in implementation of the plan. This account will be funded with unencumbered State Institution Bond funds and/or other student fees.
4. Each institution will submit to the Commission annually an evaluation of accomplishments under the approved plan.
5. The Commission can approve urgent/emergency requests for capital improvement projects not included in the plan for which funds are available and the project cost does not exceed \$75,000.
6. The Commission will submit to the Board and the Committee an evaluation report on accomplishments in this area by institution and systemwide.

These recommendations were adopted by the Commission.

As a result of these recommendations, a Permanent Improvement Plan Program for all agencies was developed. This Annual Permanent Improvement Program was adopted by the Committee on November 27, 1983 and the Board on December 6, 1983. The Commission's recommendation were incorporated into the plan. The highlights of the Annual Permanent Improvement Program as it relates to higher education institutions are:

1. Permanent Improvement is defined as:
 - a. any acquisition of land;
 - b. any acquisition (as opposed to the construction) of buildings or other structures;
 - c. construction of additional facilities and the renovation, repair, maintenance, alteration or demolition of existing facilities in those instances in which the total project cost is \$30,000 or more; and
 - d. architectural and engineering and other types of planning and design work intended to result in a permanent improvement.
2. A Permanent Improvement Program Plan is to be submitted annually. The Plan is to include maintenance, preventive maintenance, repair, rehabilitation, renovation, improvement, expansion, destruction, replacement, construction or acquisition of buildings, facilities and their equipment.

3. The Plan is to be submitted through the Commission of Higher Education which is to review and forward its recommendations to the Board and the Committee.

4. Upon the Committee's favorable review and the Board's approval of the Annual Program for the institution the projects in the program are established. The institution then has authorization to implement the approved projects.

5. Establishing New Projects during the Year (Interim Process). During the fiscal year, institutions wishing to establish a permanent improvement project and the source of funds for the project is not included in the institution's approved Annual Permanent Improvement Program, the institution must submit the required forms to the Board through the Commission for approval. Upon the Committee's favorable review and the Board's approval, the project is established. The institution is then authorized to implement the project. Approval of such projects represents an amendment to the institution's Annual Permanent Improvement Program.

6. Revision of a Project (Interim Process) If revision of an approved project is required, the necessary forms are to be submitted to the Board through the Commission. The Committee review and the Board's approval are required for all revisions falling within the categories listed below:

- a. When the total cost of the approved Annual Permanent Improvement Program is proposed to be increased;
- b. When additional projects (s) are proposed to be added to the approved Program;
- c. When an individual project with an approved budget of \$100,000 or less is proposed to be increased by more than \$10,000; or
- d. When an individual project with an approved budget of more than \$100,000 is proposed to be increased by more than 10%.

7. The Schedule for the Interim Process by the Committee and the Board is as follows:

Requests to Budget and Control Board

Requests received on or before the 15th of each month

Requests received after 15th of month and on or before last working day in month

Emergency requests, clearly identified as such and accompanied by a statement on the nature of the emergency

Forward to Joint Bond Review Committee

Not later than second working day after the 15th

Not later second working day of following month

Processed as required

8. Annual Report. On or before September 1 of each year, beginning in 1985, each institution is to submit to the Committee through the Commission an assessment of the degree to which the Annual Permanent Improvement Program for the prior year was accomplished.

Recap:

I wish to point out a few things in order to clarify the staff's recommendation.

1. As you can see, the Annual Permanent Improvement Program, which grew out of the June 2, 1983 recommendations approved by the Commission, calls for all projects to be submitted to the Commission for approval. The staff is requesting no change in this.

2. Items #5 & #6 (Interim Process). During the year, requests for projects not on the approved plan and revision, generates a tremendous amount of activity. Currently, any revision (Item #6) required by the institution is sent directly to the Board. Approximately 80% of all activity on Permanent Improvements from the institutions are revisions. Since the Commission has already approved the project, the staff's request is simply to review and act on the revision. The Committee and Board, realizing the large volume of requests in this category, delegated to their staff the authority to act on these revisions, if that revision results in a net change of less than \$250,000. The reason this staff recommendation is so important is that we are notifying institutions that effective July 1, 1985 they must send all revisions to the Commission prior to going to the Board. Once this happens, there will be a tremendous amount of activity coming into this office and we must be able to respond quickly. Please note item #7 which gives the Board's and Committee's response time.

3. During the year, institutions make requests to establish new projects (item #5). Although we encourage institutions to anticipate all their needs and include them in the Annual Plan, there are instances when a new project is requested. The staff's recommendation to have the authority to approve the project up to \$250,000 is requested because

- a. most of them are urgently needed projects and
- b. they constitute a small portion of the overall Annual Plan of the institution.

This authority will allow us to review, evaluate and act on these projects in a timely way and in consistency with the Committee and Board.

We have given you this chronology in an attempt to show you that this has been a long, well thought out process by the staff, Board, Committee and the Commission's Facilities Advisory Committee. Also, since all State agencies follow the same approval process with the Committee and the Board, and their response time is within 2 weeks, we feel that the institutions should be given the same consideration.

The staff review (when a new project is requested) will consist of the following:

1. The Facilities Coordinator will review the request, visit the site and project location (if not currently familiar), consult with appropriate institution staff and make recommendations to the staff.

2. After review and further detail work, when required, which may include discussions with various Facilities Committee or Commission members, the project will be acted upon.

We believe that these recommendations are sound and we urge your support.