

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS**
November 4, 2021

SUBJECT: Amendment to the 2022-22023 Fixed Capital Outlay Legislative Budget Request (FCO LBR)

PROPOSED BOARD ACTION

Approve the amendment to the 2022-23 Fixed Capital Outlay Legislative Budget Request to include a request for a multi-year appropriation from non-recurring general revenue to help address the persistent and growing backlog of deferred maintenance within Education & General facilities in the State University System (SUS).

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution and Sections 1001.706, 1010.86 and 1013.64, Florida Statutes.

BACKGROUND INFORMATION

The specter of deferred maintenance within the SUS is not a new development; it has persisted for decades.

“The State University System of Florida consists of nine universities...The average age of all buildings is 21 years...The physical facilities of the [SUS] have not been adequately maintained over the past several years...resulted in a significant backlog of needed repairs and replacement projects (Deferred Maintenance)...”

~ Deferred Maintenance Task Force, February 1986

*“The [SUS] consists of ten universities...The average age of all buildings is 24 years...universities are reporting an increasing backlog of needed building system repairs and replacement projects.”
“[Task Force] has identified a critical Deferred Maintenance problem of approximately \$270,000,000. To address this problem...request additional funding from a source other than Public Education Capital Outlay (PECO) for \$100 million per year for the next two years...this will address primarily the identified critical issues...an additional \$50 million per year should be sought for the next two years to address the balance...this funding recommendation of \$300 million as a one-time appropriation does not solve the ongoing problem of Deferred Maintenance without the additional commitment to continued funding for these recurring issues, ideally on an annual basis.”*

~Deferred Maintenance Task Force, September 1998

“Meeting these [2025 Strategic Plan] goals will require approximately...\$50 million per year for ongoing maintenance.” “The Board should include at least \$50 million in the (LBR) for deferred maintenance.”

~ Facilities Task Force, November 2012

“Historical investment levels are not sufficient moving forward.”

~ Sightlines Co. presentation to the Board, October 2017

In terms of size, the SUS is a significant portion of the State’s aggregate facilities inventory, representing approximately 43% of the total:

	Sq. Ft.	
Agencies	66,521,716	28.7%
Universities	98,915,227	42.7%
Colleges	64,168,850	27.7%
Water Mgt Dist	2,078,210	0.9%
Total:	231,684,003	100.0%

Of the SUS’s nearly 99 million sq. ft., roughly 40.8 million (41%) is *Education and General* (E&G) space; i.e. classrooms, labs, offices, gymnasiums, campus support services, etc., with the remaining non-E&G space comprised of housing, parking, athletics, sponsored research, etc. For the purpose of this discussion, it is important to delineate E&G space from non-E&G space in terms of funding for operations and upkeep. Generally speaking, non-E&G facilities are self-supporting; they generate revenues that, in turn, fund operations and upkeep, whereas E&G facilities are dependent on State appropriated dollars for funding operations and, importantly, upkeep (maintenance). Historically, Plant Operation & Maintenance (PO&M) funded these expenditures, with maintenance being a minor portion. Now, with no incremental increase in PO&M in 6 years, funding for maintenance has shrunk even more. As a result, funding for upkeep falls to a statutory carve-out from PECO nicknamed “Sum of Digits”, referenced below.

Funding Source	Statutory Reference	Acronym	Avg Annual Funding (FY15-FY19)	Recent 3-yr Funding History (FY20-Present)*
Remodeling, Renovation, Maintenance, Repairs & Site Improvements	s. 1013.64(1)(a)	"Sum of Digits"	\$45,439,749	\$0

Statutorily, Sum-of-Digits (SOD) must “*expand or upgrade current educational plants to prolong the useful life of the plant*”, highlighting the original intent as funding for capital preservation, not deferred maintenance. However, deferred maintenance has become SOD’s primary use and, to that extent, it has proven insufficient, hence the persistent, growing issue within the system. As an aside, deferred maintenance is not unique to the SUS; it is a systemic issue affecting similar higher education systems throughout the country, according to 3rd-party professionals.

Section 1013.64(1)(a), F.S. stipulates (SOD) “*shall be given priority consideration by the Legislature for appropriations allocated to the boards from the total amount of the [PECO] appropriated.*” In FY18-19 and FY19-20, we received \$0 funding, and last year we did not request any in light of limited PECO funds. In 2019, however, the Legislature did expand the eligible uses of E&G Carryforward balances to include FCO-related expenditures, including deferred maintenance. This more than offset the missing SOD funding in recent years, but remains insufficient to address the significant backlog that has accrued over the years. Based on a survey of the universities last month, the

backlog of deferred maintenance exceeds \$1.8 billion, as reflected in the chart below and the attached exhibit.

SUS Deferred Maintenance in E&G Space

(does not include items reflected on the list submitted to the EOG last August)

University ¹	# of Projects	(\$) Defrd Maint.	Net Assignable Sq Ft. ²	Defrd. Maint. /Sq. Ft.	# of E&G Bldgs ³	Avg. Age (yrs) ³
FAMU	95	\$87,899,700	2,000,000	\$44	96	43
FAU	90	\$95,622,000	3,000,000	\$32	119	24
FGCU	5	\$4,595,700	1,600,000	\$3	153	14
FIU	512	\$142,734,572	2,200,000	\$65	97	25
FSU	13	\$132,750,000	6,300,000	\$21	275	32
NCF	21	\$17,042,783	220,000	\$77	37	49
UCF	71	\$64,688,151	2,700,000	\$24	122	25
UF	1,137	\$974,822,837	14,000,000	\$70	1,614	36
UNF	23	\$11,275,000	2,600,000	\$4	39	25
USF	184	\$295,587,000	4,600,000	\$64	138	33
UWF	18	\$54,718,280	1,350,000	\$41	160	31
SUS Total	2,169	\$1,881,736,023	40,570,000	avg. \$46	2,850	avg. 31

1) Florida Poly is not included, no deferred maintenance cited. Totals include items that may be better classified as major renovations, remodel and/or projected future capital outlay needs, not actual deferred maintenance.

2) Square footage is approximate, rounded. E&G = Education & General.

3) Bldgs listed are predominantly E&G use, but may contain space other than E&G. Also, bldg age is based on occupancy date. However, NCF's bldgs age typically predate occupancy (avg age = 19 yrs based on occupancy), so the actual age is reflected above in the chart.

Again, the above data is based on data provided by the universities. Board staff reviewed the information and concluded that at least half of the aggregate total includes items that, although needed, do not represent deferred maintenance, technically speaking, and may be better categorized as major renovations/remodeling or capital preservation. Nevertheless, even if the above aggregate were halved (50%), the backlog would still exceed \$940 million. In fact, an overly conservative (if not unrealistic) approach of 25% yields a significant backlog of over \$470 million. Moreover, the latest university-provided list does not include items reflected on that submitted to the Governor's office last August.

Can the backlog actually be that high? Yes. In fact, it is likely higher.

For perspective, in 2019, the Board was presented with a report prepared by Sightlines, a company that specializes in analyzing system capital outlay needs. The report estimated the SUS backlog at \$994 million, and projected annual capital needs of \$200 million / year to simply sustain the status quo. At that point, Sum-of-Digits funding had ceased, but Carryforward (CF) was opened-up to FCO spending. Yet, even if we conservatively assume only \$100 million (i.e. half the Sightlines estimate, and only

\$2.46/sf of E&G space) in annual accrual, this scenario still results in a significant current backlog of deferred maintenance needs, as reflected below.

Deferred Maintenance backlog & funding, 2019 - present

Deferred Maintenance backlog (per Sightlines, 2019)	\$ 994,000,000
FY19: Annual accrual, capital needs	\$100,000,000
Sum-of-Digits funding	\$0
Carryforward, budgeted FCO expenditures	(\$220,035,741)
FY20: Annual accrual, capital needs	\$100,000,000
Sum-of-Digits funding	\$0
Carryforward, budgeted FCO expenditures	(\$144,261,804)
FY21: Annual accrual, capital needs	\$100,000,000
Sum-of-Digits funding	\$0
Carryforward, budgeted FCO expenditures	(\$182,808,362)
Net Deferred Maintenance backlog	\$ 746,894,093

Annual accrual of capital needs = \$200M per Sightlines. To be conservative, the above assumed only \$100M/yr. report.
 Carryforward budgeted FCO expenditures may include non-defrd maint items. For the purpose of the above, totals are assumed entirely deferred maintenance.

Given the above, if you add the \$331 million reflected in the list submitted last August, the backlog exceeds \$1 billion.

Regardless of the perspective one takes, the estimated deferred maintenance in the system is significant and, based on annual accruing needs and historical funding as a proxy for the future, the probability of eliminating it is not feasible. Some level of deferred maintenance will likely be a permanent attribute going forward; it will not go away, but it must be managed.

To that extent, funding above historical levels is required. On September 1, 2021, the Board approved the SUS 2022-23 FCO LBR, which included a request for approximately \$39.1 million in Sum-of-Digits funding. Staff recommends amending the FCO LBR to include a request for additional funding from non-recurring General Revenue to augment Sum-of-Digits up to an aggregate total of \$200 million, with a similar commitment for the subsequent three (3) fiscal years up to an aggregate annual total of \$100 million each year. While this will not eradicate the specter of deferred maintenance within the system, it will go long way in addressing the universities' most critical deferred maintenance needs.

Supporting Documentation:

Information contained in the Facilities Committee materials.