

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
January 5, 2022**

SUBJECT: \$800M Amendment to the 2022-2023 Fixed Capital Outlay Legislative Budget Request (FCO LBR) for Deferred Maintenance and Deferred Capital Replacement

PROPOSED COMMITTEE ACTION

Approve the Plan for addressing the State University System's deferred maintenance and deferred capital replacement, as presented.

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

On November 4, 2021, the Board approved an amendment to the SUS 2022-23 FCO LBR to include an additional request of up to \$800M from non-recurring general revenue, specifically to address "deferred maintenance" in the system and augment the previously approved \$39.1M funding request for Sum-of-Digits. The Board also requested staff prepare a plan for allocating funding and a strategy for avoiding "deferred maintenance" going forward. The Board also requested the universities revise their respective list of "deferred maintenance" needs to reflect actual deferred maintenance, excluding projects more appropriately categorized as major renovation/remodeling and other capital projects. Lastly, the Board asked staff to prepare definitions for "deferred maintenance" and other related relevant terms to help clarify the terminology going forward.

Universities provided revised lists, as requested. The lists, along with a summary, are provided as an exhibit. Many of the universities were comfortable with the accuracy of the original lists, thus most were unchanged. A few, however, were revised downward, as anticipated, while a couple increased.

Staff prepared a plan, as requested, including definitions of relevant terms, funding allocation and accountability, and a strategy for avoidance of this issue going forward. In summary, in addition to the proposed definitions, the plan recommends the following:

- Funding Allocation: Funding received pursuant to the approved \$800M amendment to the FCO LBR should be allocated to the universities based on the Sum-of-Digits methodology, with any excess funding (i.e. over 100% of stated

need) distributed to the other institutions, as described in the attached white paper.

- Accountability: Funding received pursuant to the FCO LBR amendment is to be expended solely on projects reflected in the aforementioned deferred maintenance lists. Universities may prioritize project funding based on needs and circumstances at the time, and will provide periodic progress reports to the Board.
- Request the Legislature reinstitute annual Sum-of-Digits appropriations going forward.
- Request the Legislature reinstitute annual Plant Operations & Maintenance (PO&M) funding going forward, to include the amounts not funding from FY2016-17 to present.
- Avoid “bonding” PECO going forward, as continued reduction in annual debt service could provide significant increases in PECO revenues to education; its original intended recipient, in the years ahead.
- Consider establishing new Board regulations providing for, among other things, an increase in the statutorily-required 1% reserve for new projects, to help offset future capital replacement/renewal needs.
- Process enhancements, including formalizing definitions, ongoing monitoring (of capital needs), guidance to boards of trustees, workshops with the universities, as well as a process for accountability, as described in the white paper.

Supporting Documentation:

1. Paper titled “The Issue of ‘Deferred Maintenance’ within the State University System”, 12/15/21
2. SUS Deferred Maintenance lists per university, Revised, as of 12/5/21

Facilitators/Presenters:

Mr. Kevin Pichard