

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS**
February 24, 2022

SUBJECT: Public Notice of Intent to Adopt Board of Governors Regulation 14.002

PROPOSED BOARD ACTION

Approve the public notice of intent to adopt Board Regulation 14.002 – Reserves for New Construction.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution, Regulation Development Procedures

BACKGROUND INFORMATION

At the January 5, 2022 meeting, the Board approved a Plan to address the current backlog of deferred capital needs in the SUS and, importantly, help avoid the issue going forward. The Plan provides for, among other things, the following:

- **Consider increasing the (statutorily-required) 1% reserve on new projects, and establish governing parameters for the use and preservation of reserve balances.**

Section 1001.706(12), Florida Statutes, governing PECO-funded projects, provides for the following:

(c) A new construction, remodeling, or renovation project that has not received an appropriation in a previous year shall not be considered for inclusion on the prioritized list required by s. 1013.64(4), unless:

- 1. A plan is provided to reserve funds in an escrow account, specific to the project, into which shall be deposited each year an amount of funds equal to 1 percent of the total value of the building for future maintenance;*

The above language represents the entire statutory provision governing such reserves.

The proposed new Board Regulation 14.002 enhances the statutory requirement, increasing annual reserve funding on new construction to 2% (inclusive of the statutory 1%) as well as requires accountability for reserve funds and university board of trustees oversight.

The proposed regulation was reviewed by the universities, and comments have been incorporated, as appropriate.

Supporting Documentation:

1. Regulation 14.002
2. Supporting rationale for 2%

Facilitators/Presenters:

Governor Lydecker