

Synopsis: Public universities in South Dakota have not participated in state funding for maintenance and repair (M&R) projects, except in only a few limited situations such as the DakotaDome roof and the medical school. There has been no regular investment in public university buildings by the state. The funding for M&R comes from two sources: a student fee and an annual allocation from the Higher Education Facilities Fund (HEFF). There is no way to address ongoing deferred maintenance at the individual campuses, including those items that are critical life safety issues, without additional resources.

Critical Maintenance and Repair

South Dakota's public universities have not participated in state funding for M&R projects. The funding for M&R comes from two sources:

1. There is a **\$1.43 per student M&R fee** that is charged at each university. This was started in FY94 after the Student Federation agreed to put an additional dollar on each student's fees for M&R, if the state would match their dollar. The state did not do its share, but the Board of Regents had no choice but to implement the fee.
2. The **annual allocation from HEFF** is \$6,297,349 in FY08. The regents have been increasing this amount by 4 percent per year for the past dozen years. These funds also come from students, as HEFF is the 20 percent of tuition set aside for facilities' construction, repair, and maintenance.

In FY93, the Board of Regents was totally funding M&R at .55 percent of the replacement value of buildings. Today, the board has increased this to 1.01 percent of replacement value. The national standard is between 2 percent and 3 percent of replacement value, assuming a 50-year life cycle for buildings and their systems.

The annual amount invested in FY93 was \$2.2 million; for FY06 it was \$6.9 million. Had the regents simply increased the FY93 HEFF contribution by 3 percent and not added the M&R fee on students, we would be at \$3.4 million today. The Board of Regents has more than doubled its commitment to M&R but there remains the need for state participation. In addition, the 10-year capital improvement plans have almost solely focused on renovation and replacement of space. Lastly, it is important to remember that these are state facilities.

There is no way to address deferred maintenance issues at the individual universities, including those items that are deemed critical to life safety, without additional resources.

What are the Possible Solutions?

There are several possible solutions to this problem:

- Have the state match the student M&R fee revenue (\$892,000).
- Have the state fund one-time critical maintenance.
- Have the state bond for the one-time critical maintenance list.
- Have the state cover the critical life safety needs from the state M&R pool.

How Other States Meet the Need

This list is representative of how other states address public university M&R needs:

Minnesota:	Issues <u>state general obligation bonds</u> every other year.
Nebraska:	Uses <u>cigarette taxes</u> and institutional funds for deferred maintenance and <u>state appropriations</u> and institutional funds for renovation and remodeling.
Iowa:	Bonding for projects is funded by student fees, revenue streams, and <u>state appropriations.</u>
North Dakota:	<u>State general funds</u> are used for academic and administrative buildings.
Wyoming:	<u>Specific state appropriations</u> are directed to community colleges and a formula is used for <u>state appropriations</u> to the university system.
Utah:	The <u>state annually appropriates a fund equal to 1.1 percent</u> of the replacement value of state-owned buildings, including higher education.
Indiana:	Has a <u>state-funded M&R formula</u> that is annually distributed to universities.
New Mexico:	Has an annual <u>state-funded distribution</u> based on square footage.
North Carolina:	The <u>state allocates M&R funds</u> to the universities each year.
Oregon:	Uses <u>state-paid bonds.</u>
Ohio:	Uses <u>state bond-backed allocations.</u>
Kansas:	This year, Gov. Sebelius proposed \$575 million in new revenue for higher education capital projects and repairs by <u>increasing state toll road fares</u> over the next seven years.