



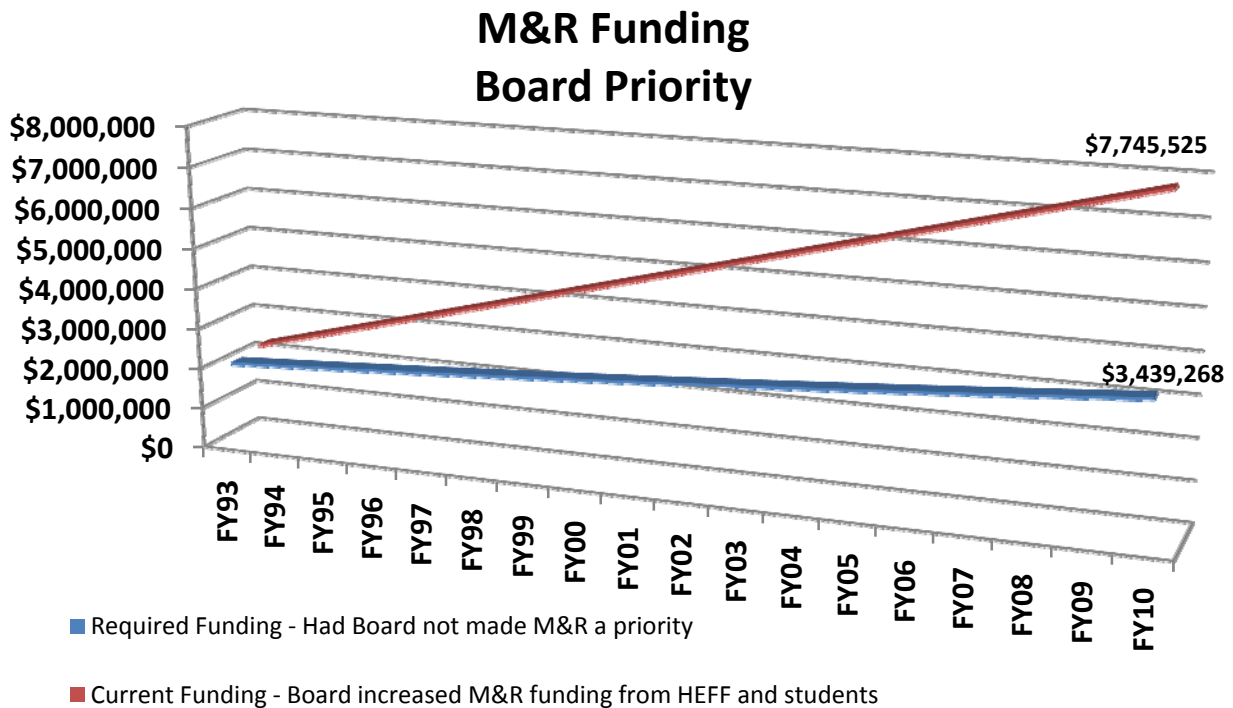
# Maintenance & Repair Match

Issue Brief No. 1 – January 2009

**Synopsis:** In order to provide safe, efficient, and welcoming facilities appropriate for a contemporary education, an annual investment equal to about 2 percent of building replacement values is needed to adequately perform facility maintenance and repair. The first step to meet that goal was reached during the 2008 session, when the Legislature approved a plan to grow Higher Education Facilities Funds' (HEFF) funding to the 2 percent goal over a four-year period by appropriating \$1,632,199 for FY09. Base appropriations were to follow in the three subsequent years. The Governor's FY10 revised recommended budget removes the state-funded amount of \$1,632,999 for state-owned buildings. To stay on target with the Governor's four-year plan, the FY09 appropriation, plus \$1,638,897 for FY10, is required.

## M&R Funding History

- 20 percent of tuition is paid into the Higher Education Facilities Fund (HEFF) for maintenance and repair of and capital improvements for academic facilities.
- In FY94, a \$1 increase per credit hour in the university support fee, with student approval, was proposed under the premise that the state would match those funds. The state declined, but the Board of Regents implemented the student fee in order to address the growing M&R backlog across the system. Today that fee stands at \$1.48 per credit hour.
- In FY08, an additional \$1.12 per-credit-hour fee was added to existing fees to address critical life safety concerns through a bond issue in the amount of \$8,590,269.



## **M&R Needs and Funding**

- A commonly accepted minimum industry standard when calculating maintenance and repair needs is 2% of total replacement value, assuming a 50-year building life span. Current system funding levels are just over 1 percent of building replacement values. Overall, M&R funding has almost doubled since FY93 when the investment was about 0.55%.
- The FY10 HEFF funding level is \$6,811,213.
- The FY10 M&R fee now stands at \$1.48 and is expected to generate \$936,312 for maintenance and repair, in addition to HEFF. In combination with HEFF, the FY10 M&R base funding level is \$7,747,525.
- Recognizing the M&R need, the regents increased the portion of HEFF dedicated to M&R and added the student fee in FY94. Had the board only increased M&R funding by 3% annually, the FY10 funding would stand at \$3.4 million today, instead of the current funding level of \$7.7 million.
- Without the Governor's plan to reach 2% of building replacement values, the current funding level of \$7.7 million is expected cover the annual maintenance of more than \$720 million worth of state-owned academic buildings.
- The Legislature appropriated \$1,638,897 for FY09 as the first year of a four-year plan to reach 2% percent of building replacement values.
- Year two called for additional funding of \$1,638,897 in the Governor's four-year plan.

## **Funding Issues**

- The Governor's revised recommended budget for FY10 removes the state appropriation for the M&R match. Without those dollars, annual investment for maintenance and repair is about 1% of total building replacement costs. Sufficient M&R cannot be performed at that level.
- Insufficient M&R will compound problems, as deferred maintenance jeopardizes building integrity and safety.
- Deferring maintenance compounds the problems created by a lack of timely maintenance.
- Inadequate M&R funding dictates all available dollars be dedicated to overdue maintenance, instead of being focused on long-term investments such as energy efficiency and alternative fuel sources.