



Facilities

The Board of Regents is responsible for all aspects of the buildings within its jurisdiction – public higher education and the special schools. Responsibility includes maintenance, security, safety, scheduling, operations, renovation, and planned replacement.

The facilities are classified into one of two categories – academic or auxiliary buildings. Academic buildings are those that are used primarily for the academic and research mission of the universities. Academic buildings would include classroom buildings, libraries, administrative, research facilities, and athletic facilities. Auxiliary systems include student unions, wellness facilities, residential facilities and parking facilities.

Academic Facilities

Academic buildings would include classroom buildings, libraries, administrative, research facilities, and athletic facilities. Academic facilities are supported with Higher Education Facilities Funds (HEFF). HEFF represents 20% of tuition and fees and is used to fund maintenance and repair and capital improvements. The campuses also devote some student fee revenue to maintenance and repair. Numerous academic facilities have been built with private donations raised by the presidents or the university foundations.

Most capital improvements (more than \$1.5M in cost) are funded by issuing tax-exempt bonds which are then repaid with HEFF. Bonds issued for academic facilities are handled by the South Dakota Building Authority (SDBA). SDBA takes title to the facilities and the Board makes lease payments to SDBA equal to the bond indebtedness payment schedules plus a 3% administrative fee.

Legislative authorization is required for any major renovation, remodel, or new facility. [Projects](#) have been funded from HEFF since 1985.

Auxiliary Facilities

The auxiliary facilities, sometimes referred to as revenue facilities, include the residential housing facilities, student unions, wellness centers, and most parking facilities. The current auxiliary “System” was created in 2004 when the Board adopted a resolution establishing a combined system of housing and auxiliary facilities where each institution continued to operate its existing system, but the revenues of which are cross-pledged to strengthen the overall ability of the SD System to meet bond repayment obligations. Under that resolution, the Board created and authorized the issue and delivery of bonds for the purposes of financing the construction, acquisition, or modification of revenue generating facilities.

The System is a “closed” system where the revenues and the costs of the System must stand on their own. Each institution is required to maintain a coverage ratio 120% of revenues to

expenses. Once a facility is pledged to the System it can only be removed when it no longer is a viable revenue producing asset.

The Board has authority over the auxiliary system including the issuing of debt to complete major renovations, remodels, replacements, or new facilities without legislative approval.

Capital Improvements

Any project costing more than \$1.5M is considered a capital improvement according to South Dakota codified law. The Board oversees all capital improvements in the system through Building Committees. Building Committees are defined in statute and in [Board Policy 6:5. Board Policy 6:4 - Capital Improvements](#) addresses all projects that meet the \$1.5M threshold.

Capital improvements and most maintenance and repair projects fall under the jurisdiction of the Office of the State Engineer (OSE). The state engineer is a member of all building committees. OSE assists the Board and the institutions with planning, project bidding, contracting, oversight, change orders, payment review, and trouble-shooting.

Maintenance and Repair (M&R)

The institutions are charged with the ongoing maintenance and repair of facilities. The Board approves the projects which will be funded each year from the various sources of revenue dedicated to maintenance and repair. The major source of funding is the Higher Education Facilities Fund (HEFF). General funds and student fees are also used to support M&R.

The Board has set a goal that we should invest a minimum of 2% of the current replacement value annually for maintenance and repair for both academic and revenue facilities. This represents an investment equal to the cost to build a building every 50 years.

[Board Policy 6:6 – Maintenance and Repair](#) provides definitions, oversight and guidance for all maintenance and repair projects.

Fund Sources for Academic Facilities

Twenty percent of tuition collections are deposited into HEFF. Statute requires that \$3,000,000 must be allocated to M&R before HEFF dollars can be used to construct new academic facilities. The M&R funds are allocated to the institutions based on a formula that weights replacement values and square footage equally.

M&R Fee – A component of the university support fee (USF) is dedicated to local maintenance and repair. As of FY14, all on-campus credit hours are assessed \$1.60 per credit hour to support the upkeep of academic facilities. Each institution retains its own revenues.

Critical Deferred Maintenance Projects – In FY08, the Board requested funding from the State to address critical deferred maintenance projects. When the State failed to find the dollars, the Board agreed to raise student fees to fund the projects which had life safety concerns. The

additional fee amounted to \$1.12 per credit hour and the debt service costs are billed back to the institutions based on the projects that were funded.

Science Facility Projects – In FY09, the Board requested funding from the State to upgrade and build a number of science facilities on the various campuses at a cost of \$64,000,000. The Governor and Legislature agreed to provide funding that would debt service for \$32,000,000 in science projects. The Board decided to fund the balance with a student M&R fee of \$3.66 per credit hour. The \$3.66 per credit hour is deposited into a central fund.

General Funds – The State provided \$1,632,999 of general funds starting in FY09 to support the maintenance and repair of academic facilities. Those funds were cut in FY10 due to budget shortfalls. For FY14, the Governor reinstated \$1,729,824 for the first year of a proposed four year base increase to bring our maintenance and repair up to 2% of replacement cost of the academic facilities.

Pesticide Tax – Agricultural Experiment Station (AES) M&R is funded by the fees on the biennial registration of pesticides. This is found in [SDCL 38-20A-59](#) which was passed during the 1998 legislature and amended in 2008. For each biennial application fee of \$300.00 collected, the AES receives \$30 and the Cooperative Extension Service (CES) receives \$20. It amounts to about \$190,000 per year and must cover the significant structures utilized by the Agricultural Experiment Station.

Other - Various student fees and other revenues, including university support fee and indirect overhead are sometimes used to fund miscellaneous projects for general maintenance of academic buildings.

Fund Sources for Auxiliary and Revenue Facilities

Revenues generated by the residential facilities must also cover the cost to maintain the facilities. Board policy requires a minimum expenditure level of 2% on residence halls. Contributions to fully fund an institution's Repair, Renewal and Replacement (RRR) requirement on bonded projects may be applied towards this 2% annual M&R expenditure requirement.

Student unions are funded entirely through student fees and operating revenues from the unions. Operating revenues come from operations contained within the facilities such as bookstores and food service operations.

Vehicle fees are dedicated to the upkeep and expansion of parking lot and street improvements on campus.

Fund Source for the Special Schools:

In 1998, the legislature established an endowment with regental funds for the purpose of providing an ongoing source to fund small projects at the School for the Deaf and the School for the Blind and Visually Impaired. The fund generates around \$50,000-70,000 per year.

HEFF

As explained in the [HEFF policy](#), the Higher Education Facilities Fund provides funding for maintenance and repair of academic facilities as well as funding for capital improvements.

The Board determines the available funds each year for maintenance and repair as well as the capacity to support additional debt financing through bonds or directly fund capital improvement projects. Authority for maintenance and repair is requested from the legislature as well as authorization to complete any capital improvements.

The Board is provided with a [HEFF Cash Flow Statement](#) at least annually. The statement tracks actual revenues and expenditures, obligated cash, and available cash. Assumptions are made about enrollments, interest earnings, and new debt financing.

Ten-Year Plans

Prior to 2000, the Board would take individual capital projects to the legislature that could be financed through HEFF. This process resulted in a decision process driven by the speed and quality of the proposal and the capacity of HEFF to support the project that year rather than the merits of the project. Starting in 2000, the Board started longer term planning of facilities by submitting a ten-year (10-year) plan to the legislature that identified which projects would be supported from the HEFF funds. This process allowed for longer-term system and campus planning of facilities. Projects not funded in the ten-year HEFF plan require the universities to find alternative funding sources or to consider different facility planning options.

The first ten-year plan was approved in [2001](#) and was completed by 2005. The second ten-year plan was approved in [2005](#) and was completed by 2012. The current ten-year plan was approved by the legislature in [2012](#).

EnergyCAP

The state of South Dakota uses a software program called EnergyCap to track all of the state's utility usage. The data is then used to help calculate the utility budgets for each of the state agencies and the eight campuses under the control of the Board of Regents. Each of the campuses enters their own data. The BOR office monitors the data to make sure that it is entered in a timely manner. They also assist the campuses in training new personnel, setting up templates and reporting.

Buildings, both academic and auxiliary on each of the six public university campuses, have been metered for electricity and heat. This information is used to accurately track a building's utility consumption. Campuses are beginning to use this information to identify where the inefficiencies are on their campuses.

Utilities

The state appropriates funds to the campuses to support the utility costs for academic buildings. Revenues from auxiliary systems fund the utility budgets. As mentioned earlier, the utility budgets for the state are put together using cost and use data from EnergyCap. The state has a formula that the data is plugged into annually. This formula takes into account the prior year's weather and forecasted cost increases for each of the commodities (oil, natural gas, electricity.) The state also allows the Board of Regents to adjust for future increases in academic space, water, sewer, and refuse increases.

Every spring, the board office re-evaluates the utility budgets of the universities by looking at their current year's consumption and expenditures to assess any surpluses or shortfalls. If necessary, the board office will realign funds to move excess utility money to campuses that are short. If the system as a whole has excess utility funds those excess funds will revert back to the campuses.

Facilities Utilization

The board office prepares an [annual facilities utilization report](#) that looks at the utilization of campus facilities. The report analyzes the number of hours that a classroom or lab is used and the number of students in the room when it is being used. This data is collected every October and the report is usually finished sometime around January. Because of the escalating cost of new construction, campuses across the country are assessing how their current buildings are being used and making sure their buildings are being maximized before new buildings are built.

The report looks at numerous ratios such as hours per classroom, seat utilization, square footage per seat, and academic square footage per student FTE. What makes these ratios useful is that there are national norms for each of the measurements. These measurements can be used to help a campus determine their capacity to absorb future growth.