



State Council of
Higher Education for Virginia

Funding and Process for Higher Education Capital Outlay

Senate Finance Committee
Capital Outlay Subcommittee

Peter Blake, Director
State Council of Higher Education for Virginia

February 6, 2014



Presentation Organization

- SCHEV statutory role
- Maintenance reserve
 - Capital reinvestment practices
- Capital outlay
 - Fixed asset guidelines
 - SCHEV priority groups
- Next steps



SCHEV Statutory Duties

- §23-9.9 charges the Council to develop policies, formulae, and guidelines for the fair and equitable distribution and use of public funds among the public institutions of higher education. Further, this section states that such policies, formulae, and guideline shall be utilized by all public institutions of higher education in preparing requests for appropriations.
- §23-9.6:1(9) charges the Council to develop a uniform, comprehensive data information system designed to gather all information necessary to the performance of the Council's duties.
- §23-9.6:1(12) requires that the Council to review biennially and approve or disapprove all changes in the inventory of educational and general space that any public institution of higher education may propose, and to make a report to the Governor and the General Assembly.



Maintenance Reserve Program

- In 1982, the Commonwealth established the maintenance reserve program to provide funding for facility repairs that are not addressed in the institutions' operating budget and are usually too small to qualify for capital outlay funding.

§ 4-4.01 of the Appropriation Act requires:

- “The first priority of any agency or institution requesting capital outlay appropriations shall be maintenance reserve funds.”



Maintenance Reserve Program

- Maintenance reserve does NOT include the following:
 - Routine preventive maintenance, painting, replacement of carpet (operating budget)
 - Multiple systems replacement, or renovations over \$1 million (capital project).
- The Commonwealth has provided an average annual \$65 million for all state agencies in the maintenance reserve program over the past ten years.
 - \$38.7 million for higher education institutions in FY2015



Maintenance Reserve Funding Issues

- Two significant capital initiatives for new construction and major renovations over the past ten years have helped improve the institutions' overall facility conditions.
- Nonetheless, the cumulative funding shortfall to maintain institutions' most critical facility needs has grown to more than \$600 million.
- The Commonwealth changed the funding source for the program from the general fund to bond proceeds in FY2009.



Capital Reinvestment Practices

- Capital reinvestment practices provide an annual renewal and reinvestment budget to keep a facility in reliable operating condition for its present value and prevent further accumulation of deferred maintenance.
- The National Association of College and University Business Officers recommends an annual capital reinvestment rate of between 1.5% and 3.5% of the present replacement value. The annual capital reinvestment rates set by the U.S. Government Accountability Office vary from 1% for the U.S. Air Force to 4% for NASA.

Estimated Annual Funding Needs

SCHEV Funding Recommendation for the Maintenance Reserve Program in 2014-16 Biennium

Institution	E&G Building Replacement Value ¹	Annual Funding Need ²	FY2015 Funding ³	% of FY15 to Recommend
Christopher Newport University	\$257,368,063	\$2,573,600	\$416,844	16%
College of William and Mary	\$659,989,889	\$6,599,800	\$1,694,392	26%
George Mason University	\$571,106,918	\$5,711,000	\$2,783,011	49%
James Madison University	\$703,400,060	\$7,034,000	\$2,461,605	35%
Longwood University	\$194,840,689	\$1,948,400	\$961,266	49%
Norfolk State University	\$244,942,197	\$2,449,400	\$2,092,468	85%
Old Dominion University	\$374,803,980	\$3,748,000	\$1,697,422	45%
Radford University	\$270,112,477	\$2,701,100	\$1,106,551	41%
University of Mary Washington	\$101,584,721	\$1,015,800	\$628,736	62%
University of Virginia	\$2,052,907,899	\$20,529,000	\$6,288,041	31%
University of Virginia at Wise	\$81,121,079	\$811,200	\$225,850	28%
Virginia Commonwealth University	\$918,443,640	\$9,184,400	\$2,892,933	31%
Virginia Military Institute	\$427,671,085	\$4,276,700	\$996,652	23%
Virginia State University	\$253,434,160	\$2,534,300	\$2,088,267	82%
Virginia Tech	\$1,137,040,555	\$11,370,400	\$6,975,108	61%
Richard Bland College	\$54,776,224	\$547,700	\$86,187	16%
Virginia Community College Sys	\$1,514,265,995	\$15,142,600	\$5,257,840	35%
Total	\$9,817,809,630	\$98,177,400	\$38,653,173	39%

Notes:

- (1) Data sources are FICAS Replacement Value and SCHEV survey of Educational and General facilities, excluding infrastructure.
- (2) Calculation is derived by 1% reinvestment rate.
- (3) 2014-16 Budget Bill (HB/SB 30).



SCHEV Recommendation

- BE IT RESOLVED that the State Council of Higher Education for Virginia recommends the appropriation of \$98,177,400 annually from the general fund to the maintenance reserve program for higher education institutions in the 2014-16 biennium.



Capital Outlay Projects

- SCHEV staff uses the Higher Education Fixed Asset Guidelines for Educational and General (E&G) Programs to evaluate each request for E&G facility and makes capital outlay budget recommendations to the Governor and General Assembly biennially.
- In cooperation with others, SCHEV developed fixed asset guidelines in 1980s. They have been revised several times. The latest revision was made in 2001.



Fixed Assets Guidelines

- The guidelines assess Educational and General Programs facilities in four major areas:
 - **Space need** by function, i.e. instruction, library, or physical plant based on current and projected student enrollment;
 - **Space quality** based on the facility condition;
 - **Space productivity** based on classroom and class lab utilization; and
 - **Funding sources**



Fixed Assets Guidelines

- The guidelines also assess research facilities in three areas with different measures :
 - **Space need**, based on external research funding and graduate enrollments;
 - **Space quality** based on the facility condition; and
 - **Funding sources**, split by 50/50 between the general fund and nongeneral fund.

How SCHEV Priority Is Determined

Step 1	Collect room inventory and space utilization data from institutions
Step 2	Analyze space need based on actual and projected enrollments
Step 3	Analyze classroom and laboratory utilization rates
Step 4	Obtain facility condition information by building, institution and campus
Step 5	Establish list of projects approved for pre-planning or planning in the Appropriation Act
Step 6	Assess each project requests based on Steps 2-5
Step 7	Give each project a priority rating based on Step 6





SCHEV Priority Groups

Priority Group 1 – These are projects which are fully justified under the Council’s Fixed Asset Guidelines or which are considered critical to supporting the capital outlay needs of Virginia’s system of higher education.

Priority Group 1.B – These are projects which address critical state wide capital outlay needs and which meet some but not all of the space and productivity criteria in the Council’s Fixed Asset Guidelines.

Priority Group 2 – These are projects which meet one but not both of the space and productivity criteria in the Council’s Fixed Asset Guidelines.

Priority Group 3 – These are projects which do not meet either the space or productivity criteria in the Council’s Fixed Asset Guidelines but which have a compelling programmatic justification.

Priority Group 4 -- These are projects which SCHEV currently does not have guidelines for evaluation. They are deferred for further study.

SCHEV 2014-16 Recommendations

Total General Fund Requests by Institution and Priority Group

Inst	Priority 1	Priority 1.B	Priority 2	Priority 3	Priority 4	Total GF Request
CNU	\$46,747,590	\$0	\$51,133,151	\$0	\$0	\$97,880,741
CWM	\$7,695,000	\$183,500,000	\$52,322,000	\$111,872,000	\$0	\$355,389,000
GMU	\$480,225,825	\$0	\$0	\$45,200,000	\$0	\$525,425,825
JMU	\$210,127,139	\$41,945,882	\$364,837,393	\$0	\$0	\$616,910,414
LU	\$1,441,000	\$25,067,000	\$72,190,000	\$57,863,000	\$0	\$156,561,000
NSU	\$53,216,000	\$13,900,000	\$59,400,000	\$125,200,000	\$9,800,000	\$261,516,000
ODU	\$200,071,000	\$25,395,000	\$290,910,000	\$0	\$0	\$516,376,000
RU	\$35,087,442	\$15,544,200	\$68,958,900	\$0	\$0	\$119,590,542
RBC	\$1,500,000	\$595,000	\$0	\$55,499,000	\$0	\$57,594,000
UMW	\$26,960,000	\$40,172,840	\$41,343,000	\$112,030,800	\$0	\$220,506,640
UVA	\$119,500,000	\$13,207,000	\$280,500,000	\$24,152,000	\$0	\$437,359,000
UVAW	\$0	\$0	\$43,440,000	\$0	\$0	\$43,440,000
VCU	\$462,935,000	\$0	\$472,258,000	\$60,000,000	\$0	\$995,193,000
VCCS	\$431,530,000	\$169,118,000	\$28,584,000	\$97,224,000	\$0	\$726,456,000
VMI	\$31,475,700	\$95,959,650	\$6,207,700	\$52,801,150	\$0	\$186,444,200
VSU	\$10,136,000	\$104,209,000	\$37,000,000	\$74,360,000	\$0	\$225,705,000
VT	\$177,182,500	\$146,079,000	\$666,834,000	\$690,707,750	\$68,649,000	\$1,749,452,250
Total	\$2,295,830,196	\$874,692,572	\$2,535,918,144	\$1,506,909,700	\$78,449,000	\$7,291,799,612



SCHEV 2014-16 Recommendations

- BE IT RESOLVED that the State Council of Higher Education for Virginia calculates a need for \$3,170,522,768 from the general fund and \$433,673,925 from nongeneral funds and debt proceeds to support the capital outlay needs of the Commonwealth's system of public higher education.
- BE IT FURTHER RESOLVED that the State Council of Higher Education for Virginia recommends that priority for debt authorization be provided for the maintenance reserve program.



Next Steps

- The State Council of Higher Education for Virginia should convene a working group of institutional staff to develop instructional and research space guidelines that adequately measure current use of space and plans for future use of space at Virginia's public higher education institutions. (JLARC)
- Such a study also could examine and recommend funding strategies to address critical maintenance reserve and other capital outlay needs, such as a general obligation bond.



Next Steps

- The General Assembly may wish to consider designating a responsible party to gather and disseminate project information for the consideration by the Capital Outlay Plan Advisory Committee. This responsible party should coordinate efforts between Planning and Budget, General Services, and SCHEV to review the information submitted by agencies and institutions during the capital outlay review process to avoid duplication of effort. (Auditor of Public Accounts)



Next Steps

- Should the Commonwealth have a single, integrated, comprehensive data system for facility asset management? (SFC Nov. 22, 2013, report)
- The Secretary of Finance and the Secretary of Administration shall convene a work-group to consist of representatives from the Department of Accounts, the Department of General Services, and the Department of the Treasury to study options for improving the Commonwealth's current method of collecting and maintaining state property data. The study shall include, but not be limited to, options for consolidating state property databases, designating the appropriate agency to maintain and administer the property database, and identifying the costs associated with administering and maintaining the property database. (Budget bill)



State Council of
Higher Education for Virginia

Thank you.