



Tab 18 2018 Facility Review

Coordinating Board for Higher Education
September 12, 2018

DESCRIPTION

This item summarizes the 2018 facility review. Since the [2009 Facility Review](#), there have been both significant improvements and significant increases in deferred maintenance at higher education facilities statewide. The attached report provided a summary of both major trends and strategic issues identified during the review.

A systematic approach to understanding the needs of higher education facilities was undertaken in preparing this report. In addition to staff visits to each of the public institutions of higher education (IHEs) in the state, a variety of stakeholder groups were asked to share their perspectives on the state of higher education facilities. The report development process included the following:

- MDHE staff completed 27 on-campus institutional reviews completed between March and June 2018
- Chief Financial Officers discussed the report on May 23 and August 29, 2018
- Facility Directors were convened for a meeting on May 30, 2018
- Virtual focus groups with Chief Information Officers were held June 19 and 27, 2018
- A discussion with institution practicing attorney's occurred on June 11, 2018
- A Capital Improvement Budget Request (CIBR) system webinar was held on July 12, 2018 to coordinate including priority projects in the system for consideration in FY 2020
- Chief Academic Officers were consulted on July 25, 2018
- Office of Administration's Budget & Planning (B&P) and Facilities Management Design Construction (FMDC) were both consulted and provided information used in this report
- House and Senate staff were consulted as to the use of the report by staff and elected officials
- A review of statutory requirements affecting facilities was also conducted

Major differences between this report and the previous report in 2009 include:

- Creation of a new institution-specific facility dashboard that will provide baseline data
- Creation of a new statewide dashboard by sector (2-year and 4-year IHEs) that will provide a greater understanding of the size and scope of higher education facilities
- Specific higher education capital improvement appropriation historical information, both statewide and by institution
- Trends have been expanded to include strategic issues faced by institutions regarding facilities
- Discussion of education technology and distance learning as they relate to facility needs
- Demographic information is included that may help guide facility needs based upon population projections

The following major trends, strategic issues and recommendations are included in the report:

Major trends affecting higher education facilities:

After a comprehensive review of the facilities and multiple focus groups, the major trends can be summarized as follows. They are listed in priority order:

- Increasing severity of deferred maintenance
- Instability of funding for capital improvement projects in higher education
- Difficulty meeting workforce demands due to inadequate quantity and quality of space
- Growing competition and out-state student migration affecting student choice of institution
- Escalation of the need for improved physical and cybersecurity affecting students and staff
- New demands on and rising costs of education technology (infrastructure and software)

Additional issues include:

- Budget Process: IHEs have limited knowledge of the Capital Improvement Budget Request System (CIBR) and the overall capital improvement budget process
- CIBR Asset Inventory: Existing policy and state law are confusing regarding inclusion of general and auxiliary buildings in the CIBR system
- CIBR FCI Limitation: The CIBR system is limited in its ability to adequately and accurately assess higher education facilities, especially in regard to the automatic assignment of a facility condition index (FCI)
- Space Utilization: Standards for space utilization are needed
- IHE Funding Sources for Capital Needs: The budget process produces inadequate information on capital funding sources for projects and ongoing costs
- Emergency Capital Funds: IHEs are not currently eligible for emergency capital improvement funding from the Office of Administration and no state capital emergency fund exists for IHEs.
- Private Donors: Some IHEs are better positioned to raise private funds to support capital improvement.

The following **budgetary** and **policy** recommendations were developed in response to the identified trends and strategic issues. Many of these issues cannot be resolved in the near term as capital projects and budgeting is often a multi-year process. As a result, some of these conditions will worsen before they are addressed, significantly increasing costs. These efforts can help guide the next decade in capital improvement priorities. Some of the efforts below would require action by the Governor and the General Assembly. Recommendations of the Coordinating Board of Higher Education include:

Proposed Budgetary Recommendations:

- Create a statutory and budgetary appropriation to be allocated by the CBHE based upon **emergency capital improvement needs**
- Increase appropriations for all institutions to address **major deferred maintenance**
- Create a new appropriation specifically for CBHE-designated **critical capital improvements**
- **Link new capital budget recommendations to workforce needs** as special programs often require specialized facilities and equipment for accreditation
- Create a more formal **needs-based approval process** for all *new* state-funded construction to be included with state funding requests that **require CBHE endorsement**
- Allocate a special appropriation to the CBHE to prioritize for the **demolition of buildings**

Policy Recommendations:

- MDHE staff and the Office of Administration should clarify the capital improvement budget process and policy and methodology for the CBHE prioritization of capital recommendations
- MDHE and institutions should work with the Office of Administration to ensure only educational and general (E&G) buildings are to be entered into the CIBR System and allow dual-use buildings to designate a percentage utilization
- Create standards ensuring the use of an facility condition index (FCI) for all E&G buildings that can be integrated into the CIBR System for more accurate assessment of facility needs
- Establish a more formal cooperative procurement program in higher education that includes creation of a data repository for sharing contract specifications for bids as well as cooperative contracts for goods and services (both for facility directors and technology needs)
- Continue to bring facility directors and CIOs together at least semi-annually to work toward institutional standards, shared services, and to address strategic issues such as cybersecurity
- Require all state capital funding requests for new construction include a clear estimate of ongoing costs for the facility and how they will be budgeted

STATUTORY REFERENCE

Authority granted under 163.191.2, 173.020(4), 173.005.2(4), 173.005.2(4), 173.030(2) and (3), 173.030(9), and 173.040(5).

RECOMMENDED ACTION

This is an information item only at this time, but staff recommend that it be taken up in a board meeting the week of September 17, 2018.

NO ATTACHMENTS