USG Major Repair and Rehabilitation (MRR) Program Procedures and Guidelines

Updated May 2023

A. Introduction

The USG Major Repair and Rehabilitation (MRR) program addresses capital renewal needs in state owned and funded instructional facilities and related campus infrastructure. The program is administered by the office of Real Estate and Facilities (REF) in the University System Office (USO).

Each year, the USG requests MRR funding as a part of the annual BOR budget request. Following appropriation, these funds are subsequently allocated to the institutions by the BOR. The amount of funds allocated to each institution is informed by a formula based on the area, adjusted age, and normative replacement value of owned Resident Instruction (RI) space. To ensure continued effectiveness, the MRR allocation formula is periodically reviewed and modified to adjust to changing conditions. Unique institutional circumstances are also considered in evaluating funding requests and allocations.

Funding for MRR projects is typically provided via state-issued General Obligation (GO) Bonds, although in some fiscal years cash is appropriated to fund part or all of the program. There are significant procedural differences between the management of cash and GO bond funds for MRR projects, which are detailed later in this document.

B. Project Eligibility

<u>Only state-owned space classified for Resident Instruction (RI) use and associated campus infrastructure is eligible for MRR funding</u>. Construction of new space is not eligible for MRR except in unusual situations where new space is required to most effectively replace existing building systems or equipment. Portions of new infrastructure designed to improve the reliability of existing infrastructure may be considered for MRR funding. The cost of MRR projects in facilities partially occupied by auxiliary or other non-RI uses should be proportionately shared by other appropriate institutional funding sources. In general, MRR funding cannot be used for projects in or supporting the following:

- Parking Lots and Decks
- Residence Halls
- Intercollegiate Athletics space
- Auxiliary Enterprise space
- Other revenue-supported spaces

C. MRR Program Development and Project Identification

MRR projects are distinct from maintenance projects in that they are specifically for capital renewal. Projects may address deferred maintenance issues, but MRR funds are not intended to perform routine preventive maintenance. Routine preventive maintenance should be implemented with funds from the Maintenance and Operations (M&O) budget. The majority of MRR project funding is used for renewal of existing building systems/envelopes and campus infrastructure. Interior renovation projects can be appropriate for MRR funding if clearly required to meet key academic capacity or program needs, regulatory requirements, or to provide swing space as part of a larger instructional space repair or rehabilitation project.

Institutions should develop and maintain an Institutional Renewal Plan, a prioritized list of capital renewal projects needed to maintain the function and continuity of critical campus facilities and infrastructure over a period of 3-5 years. The Institutional Renewal Plan serves as the foundation for annual MRR funding requests.

A variety of quantitative and qualitative assessments are integral to MRR project development and prioritization:

- Facility Condition Assessments (FCA) identify building and system renewal necessary to maintain functional effectiveness, avoid premature aging, and attain full facilities life cycle.
- Campus infrastructure assessments and plans help identify systems and equipment that require renewal or replacement to maintain effective operational function and continuity.
- Master plans identify future campus development and configuration anticipated to support institutional mission, goals, and objectives. Master plans should inform MRR planning to optimize renewal investment within the overall campus capital planning and implementation context.
- Academic Program assessments provide guidance for the future academic direction of the institution. While well-planned systems and infrastructure renewal are necessary for all types of RI space uses, interior renovation projects should only be prioritized if they support and enable key academic initiatives and instructional needs.

D. Project Submission

Each spring, REF solicits each institution to submit a prioritized list of projects from the Institutional Renewal Plan for the annual allocation of approved MRR funding. Submissions should cover approximately 2-3 years of funding at normative levels to provide a more comprehensive view of institutional MRR programs and to demonstrate overall system need. Requests are developed and submitted in a single structured template that automatically compiles a summary of current fiscal year project requests. Each project is described with the following elements:

- Project Priority
- Project Name – should describe the proposed work and location, and be consistent with the related identification of project scope in the template. If the project must be phased, the name should indicate the full scope of both the requested project and ultimate effort (e.g. "Campus Steam Line Replacement – "Phase I of IV").
- Project Scope –consistent and structured identification of overall project type (Building Renewal, Campuswide Building Renewal, Campus Infrastructure) and the specific project category and scope elements within the selected project type.
- Project Cost and Funding – required entries include:
    - MRR funds requested
    - Information about the supporting cost estimate
    - Cost allocated by phase (design, construction, testing/misc, contingency)
    - Cost allocated by scope component
    - Delegated Authority - automatically calculated using project cost data
- Building Information (for project scopes contained within a single campus building)
- Project Asset Life Cycle - automatically calculated using project scope and funding entries (critical to ensure an overall asset life cycle of greater than 20 years)
- Supplemental Information – required to more fully describe proposed roofing, interior renovation, and HVAC project scopes
- Narrative – executive summary and other narrative required by specific project scope.

- Supporting Documentation – provides reference to related assessment reports, plans, and studies, and cost estimates necessary to support and demonstrate a well-planned project. Supporting documents should be submitted along with the request template to assist REF staff in understanding the project need, scope, and budget.

E. Project Authorization

USG REF compiles all institution MRR requests into a single summary document including recommended project authorization and funding allocation. This recommendation is presented annually to the BOR for approval on a schedule consistent with state appropriated MRR funds availability (typically in August).

Since institutions are encouraged to submit 2-3 years of MRR project needs at typical funding levels, only a subset of institution projects is typically authorized by the BOR approval, including:

a. Projects fully funded at the requested level
b. Projects partially funded or not funded, but authorized (by key note) for completion with residual MRR funds or other appropriate funding sources

While considered authorized by the BOR, these projects remain fully subject to institution delegated authority limits for consultant and construction contracting. The current delegated authority limits can be found on the REF website at https://www.usg.edu/facilities/resources/levels_of_delegated_authority.

All other projects continue to require authorization by the BOR and/or the Vice Chancellor (VC) for REF according to normal BOR/USO procedures, including:

a. Submission of a project concept proposal for System Integrated Review for larger projects (if determined to be necessary based on project scope and characteristics).
b. BOR authorization of any project exceeding $1M in construction cost, regardless of funding source and institution delegated contracting authority.
c. VC authorization and/or appropriate REF staff involvement in any project contracting that exceeds institutional delegated authority levels.

Institutions are encouraged to leverage MRR program features and flexibility to optimize project implementation and outcomes, but are charged to exercise discretion in project scoping, phasing and procurement to ensure compliance with established procedures and delegated authority limits.

Following BOR approval, the USO provides instructions for funds access, accounting, management, and expenditure specific to the upcoming fiscal year.

F. Encumbrance and Expenditure Requirements

MRR funds are most commonly sourced from GO Bonds, although cash may also be appropriated. MRR has been appropriated fully in cash in FY 2023 and 2024. Prior to this, the most recent partial cash funding was in FY 2017 and FY 2008. Guidelines and requirements for managing, encumbering, and expending GO bond and cash MRR funds are detailed in the following sections. Institutions are strongly encouraged to take note of the critical distinctions between these two sources.

Encumbrance and Expenditure Requirements – Cash Appropriations

Cash MRR appropriations are transferred to institution accounts periodically along with other appropriated funds. Institutions directly encumber and expend these appropriated funds for MRR project expenses, which eliminates the need for institutions to request funding reimbursements from GSFIC.

The USG Fiscal Affairs' Budget Office provides specific guidance to institution budget officers for MRR cash transfer, budgeting and accounting. This includes a strong recommendation for institutions to create a unique project ID for each cash-funded project. Alternately, If the project field is not available for use, the recommendation is to assign a unique department ID for each cash-funded project. Unique accounting ID for each project will facilitate and streamline institution and system reporting on MRR expenditures and encumbrances. MRR project managers are strongly recommended to coordinate with their institution budget officers to ensure accurate identification and documentation of authorized MRR projects.

Prompt and accurate encumbrance of cash MRR funds is even more critical and time-sensitive than with GO Bonds. **All cash MRR funds must be expended or properly encumbered by the end of the fiscal year (30 June) without exception. After this date, any cash MRR funds that cannot be expended as encumbered will become surplus and be remitted back to the State.**

For institutions in the GA First system (all except GIT, GSU, and UGA), the USO will run periodic reports on cash MRR encumbrances and expenditures from central data sources. Supplemental information and data for institutions that set up proper unique project ID will include:

- A crosswalk to link each authorized MRR project to its corresponding unique project ID
- Periodic supplemental reporting about the scope of each encumbered PO and the percentage of the originally proposed project scope estimated to be implemented with encumbered funds

Non-GA First institutions (GIT, GSU, UGA) and GA First institutions without a transparent unique project ID setup will be required to produce and submit periodic project-specific reporting on cash MRR balances, encumbrances and expenditures along with the supplemental information noted above.

The following practices are strongly encouraged to help manage risk inherent to a cash-funded MRR program:

- Ensure thorough and accurate cost estimating for all authorized projects, and act immediately to develop needed updates and refinements.
- Increase focus on MRR program scheduling and the critical path of individual projects.
- Consider proceeding with multiple authorized projects concurrently (to the extent feasible).
- Continuously evaluate projects to identify any potential residual funds and redirects, and develop a plan for effective reallocation and encumbrance.
- Engage early with REF to discuss and request any necessary redirects (see Section G. for situations that require approval as funds redirection).
- Use care in contracting, procurement and scheduling to ensure:
  - Full encumbrance of all funds well in advance of the end of the FY (June 30)
  - Ability to effectively spend fund balances within encumbrances as they exist on June 30
  - Project expenditures consistent with the BOR authorized MRR program (as amended by any approved redirects) and all applicable project procedures and delegated authority limits.

The following periodic targets are intended to ensure cash encumbrance and expenditure compliance, and to avoid the risk of surplus fund balance remittance:

Targets and Requirements – Cash MRR Encumbrance + Expenditure

30 September (end Q1)	10% target
31 December (end Q2)	35% target
31 March (end Q3)	70% target
31 May (Q4)	100% target
30 June (end Q4/end FY)	100% required

Targets – Cash MRR Expenditure

30 September (end Q1)	5%
31 December (end Q2)	15%
31 March (end Q3)	30%
30 June (end Q4/end FY)	50%
31 October (end Q4 + 1)	75%
31 December (end Q4 + 2)	100%

Institutions failing to meet these targets will be requested to provide additional detail on planning for and anticipated scheduling of project encumbrances and expenditures. In cases determined to present significant risk of surplus funds remittance, institutions will be subject to reallocation of at-risk funds to other institutions for timely encumbrance and expenditure.

Encumbrance and Expenditure Requirements – GO Bond Appropriations

Prompt encumbrance of GO Bond MRR funds is important to demonstrate the ongoing need for state-funded capital renewal, as well to prepare for timely reimbursement. GO bond funds are managed by GSFIC. Approved project expenditures are initially implemented with institution funds, then subsequently reimbursed by GSFIC upon request with proper documentation. Reimbursements must be requested and completed in a timely manner to comply with tax-free bond arbitrage requirements. Institutions are required to periodically report the encumbrance status of current FY MRR funds. REF staff provides monthly reporting on GO bond reimbursement status over a four-year period.

The following periodic targets are designed to ensure encumbrance and reimbursement compliance across the entire system portfolio. Listed time periods begin on the date of funds availability, which is when the VC for REF accepts the “commitment to reimburse” letter issued by the Director of the GSFIC Construction Division.

Encumbrance Targets – GO Bonds (from date of funds availability)

6 Months	50% target
12 months	95% required (5% contingency allowance)

Reimbursement Targets – GO Bonds (from date of funds availability)

6 months	5% target
12 months	50% target
18 months	75% target
24 months	90% target
30 months	95% target
36 months	100% required

Institutions failing to meet these targets are subject to having delinquent fund balances reallocated to the System Emergency/Contingency Reserve account.

G. Use of Residual and Redirected MRR Funds

Residual MRR Funds occur when a balance remains following the completion of the originally proposed scope of a fully funded project. Individual project residual balances up to $100,000 can be reallocated for the following two purposes with no additional REF staff approval:

a. To complete the proposed scope of an authorized but not fully funded MRR project.
b. As contingency funds to complete the proposed scope of a fully funded MRR project that exceeded its original cost estimate.

In a fiscal year with cash MRR funding, residuals must be identified and properly encumbered by the end of the FY (30 June). After that date, any MRR funds that cannot be expended as encumbered will become surplus and will be remitted back to the State. These funds cannot be retained for use in future years.

Residual GO Bond MRR funds can be reallocated after the end of the Fiscal Year.

Redirection of MRR funds is required for circumstances beyond the two specific examples cited above, including the proposed reallocation of:

a. Residual funds in excess of $100,000 from a fully implemented project.
b. Any amount of approved MRR funds from a project scope that has not been fully implemented as originally proposed
c. Any amount of MRR funds to a project not specifically authorized in the original BOR recommendation.

All proposed redirection of MRR funds requires advance written approval from REF staff. While redirects can be an acceptable method to effectively manage evolving circumstances and variables, the documentation provided by advance written requests supports compliance with MRR encumbrance and expenditure requirements, as well as ensuring transparency and consistency in associated reporting.

In a fiscal year with cash MRR funding, redirects must be identified and requested as early as possible to ensure that the funds can be properly encumbered by the end of the fiscal year of funding (30 June). After that date, any MRR funds that cannot be expended as encumbered will become surplus and will be remitted back to the State. These funds cannot be retained for use in future years.

H. System Emergency/Contingency Reserve

Periodically, a nominal percentage of the annual USG MRR appropriation will be held by REF to aid institutions that require MRR-eligible emergency capital repairs. Written requests for emergency MRR funding will be evaluated by criteria including the institution’s current level of unreimbursed or unexpended MRR funding, the record of prior Emergency MRR requests and allocations, institutional funding equity, and other factors.