



## State Higher Education Facility Planning Process Is Designed Reasonably Well; Current Formulas May Inaccurately Portray Projected Needs

### *at a glance*

The state's current processes to select and fund higher education facility construction projects include multiple levels of review and ensure that institutional requests for new construction are coordinated with the state's higher education goals, local strategic plans, and community development plans.

However, the effectiveness of the planning process is dependent on the information provided by the institutions to their respective state-level divisions to determine the state's most critical facility needs. As the facility planning process relies heavily on each institution's educational plant survey to identify and prioritize higher education facility needs, it is important that the information contained in these assessments is correct. The reliability and accuracy of information contained in these surveys could be improved by addressing two issues.

- The Department of Education and Board of Governors should update the formulas used to develop educational plant surveys to ensure they accurately portray current institutional need for additional facility space.
- The department and the Board of Governors should provide additional technical assistance to some institutions to address common errors in educational plant surveys.

### Scope

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OPPAGA conducted this project in response to a legislative request to identify steps public universities, community colleges, and the Department of Education could take to improve cost efficiencies in postsecondary education construction programs. This report examines the efficiency and effectiveness of the postsecondary facility planning process. A separate OPPAGA report examines the reasonableness of postsecondary facility construction costs and how well postsecondary institutions use existing facility space.

### Background

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Responsibility for public postsecondary facilities construction is decentralized. Since 1995, the state's public universities and community colleges have administered their own construction programs with oversight provided by individual boards of trustees.<sup>1</sup> Postsecondary institutions are responsible for the condition of their facilities and for identifying the need for maintenance, remodeling, acquisition or new construction funds to meet current program needs and

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<sup>1</sup> Prior to the decentralization, the Department of Education staff, operating under the construction policy guidelines adopted by the Board of Regents, made the decisions regarding the construction programs for the 11 public universities. The 28 community colleges historically have exercised local control and management of their construction programs with approval from their local boards of trustees.

expected student growth. The institutions report this information through capital improvement plans that are submitted to their respective state-level divisions (the Board of Governors for the 11 colleges and universities and the Division of Community Colleges and Workforce Education for the 28 community colleges). The state divisions use this data to develop statewide funding recommendations that are included in the Department of Education’s K-20 Legislative Capital Outlay Budget Request. To assist in selecting projects to recommend for funding from among those submitted by the institutions, the state divisions use models and formulas that take into account what they have (present facilities inventory) in relation to what they need based on projected student enrollment, space utilization standards, and other factors to determine unmet space needs. This process is comprehensive and includes multiple levels of review and coordination with the Board of Education, Board of Governors, local governments, and the institutions’ strategic plans.

Postsecondary construction projects are funded from a variety of state and non-state sources. In Fiscal Year 2005-06, public universities and community colleges received \$743.8 million for fixed capital outlay projects, which included construction and infrastructure projects and land acquisition (see Exhibit 1). Public universities received 59% of these funds (\$436.8 million) while community colleges received 41% (\$307 million) (see Exhibits 2 and 3).

Public Education Capital Outlay (PECO) funds are the largest source of legislative appropriations for postsecondary education fixed capital outlay projects. PECO funds are derived from gross receipt tax collections, bond sales, and interest earnings. In Fiscal Year 2005-06, PECO funds accounted for 57.6% of fixed capital outlay appropriated funds for universities and 69% of community college capital outlay appropriations. Postsecondary institutions use PECO funds to pay for new construction as well as renovation, remodeling, maintenance, repair and site acquisition. The use of PECO funds is restricted to academic and academic support facilities such as classrooms, research facilities, and office space. (Refer to Appendix B on the source of PECO funds.)

**Exhibit 1**  
**The Legislature Appropriated \$743.8 Million for Postsecondary Education Fixed Capital Outlay Programs for Fiscal Year 2005-06**

Public University and Community College Construction Programs		
Fund Source	Percentage of Funding	Amount
<b>State</b>		
PECO	62.3%	\$463,526,661
General Revenue	4.0%	29,504,369
Challenge Grant Program (state match)	5.4%	39,843,770
Capital Outlay and Debt Service	1.6%	12,223,771 <sup>1</sup>
SUS Concurrency	0.7%	5,400,000 <sup>2</sup>
<b>Total</b>	<b>74.0%</b>	<b>\$550,498,571</b>
<b>Non-State</b>		
Challenge Grant (private funds)	5.4%	\$39,843,770
Student Capital Improvement Fees	20.6%	153,485,087 <sup>3</sup>
<b>Total</b>	<b>26.0%</b>	<b>\$193,328,857</b>
<b>Florida Total</b>	<b>100.0%</b>	<b>\$743,827,428</b>

<sup>1</sup> Estimated.  
<sup>2</sup> In accordance with s. 19(f)(2), Article III of the State Constitution, the University Concurrency Trust Fund, unless terminated earlier, will terminate on July 1, 2007.  
<sup>3</sup> Student capital improvement and building fees are charged to students in addition to tuition to help finance student-related fixed capital outlay projects. Generally, an appropriation is requested every three years based on the availability of funds.

Source: Board of Governors and Division of Community Colleges and Workforce Education.

In addition to PECO funds, there are several other fund sources for postsecondary education fixed capital outlay projects. These include general revenue, matching funds for donor contributions (Challenge Grants), and concurrency funds. Postsecondary institutions generally use additional state funds for new construction that supports instruction or research. Concurrency funds are used to offset the impact of proposed campus developments on public facilities and services such as utilities, roads and drainage. The Legislature also appropriates non-state funds derived from student capital improvement and building fees. Postsecondary institutions generally use these fees to construct student-related specific projects such as student unions and recreation facilities.

Postsecondary institutions also pay for fixed capital outlay projects from funds generated from revenue generating sources such as parking garages and from direct support organizations such as foundations. These projects are often financed by revenue bonds from activities such as housing, parking, dining, retail, and athletic facilities where revenues are pledged to satisfy the debt. Although the Legislature must approve these capital projects, they are not subject to the legislative budget request development policy guidelines.<sup>2</sup>

**Exhibit 2  
Public University Construction Programs Received  
\$436.8 Million for Fiscal Year 2005-06**

Fund Source	Percentage of Funding	Amount
<b>State</b>		
PECO	57.6%	\$251,522,143
General Revenue	4.8%	20,853,896
Challenge Grant Program	3.2%	14,142,393
SUS Concurrency	1.2%	5,400,000
<b>Total</b>	<b>66.8%</b>	<b>\$291,918,432</b>
<b>Non-State</b>		
Challenge Grant (private funds)	3.2%	\$14,142,393
Student Capital Improvement Fees	30.0%	130,722,927
<b>Total</b>	<b>33.2%</b>	<b>\$144,865,320</b>
<b>Florida Total</b>	<b>100.0%</b>	<b>\$436,783,752</b>

Source: Board of Governors.

**Exhibit 3  
Public Community College Construction Programs  
Received \$307 Million for Fiscal Year 2005-06**

Fund Source	Percentage of Funding	Amount
<b>State</b>		
PECO	69.0%	\$212,004,518
General Revenue	2.8%	8,650,473
CO and DS	4.0%	12,223,771 <sup>1</sup>
Challenge Grant Program	8.4%	25,701,377
<b>Total</b>	<b>84.2%</b>	<b>\$258,580,139</b>
<b>Non-State</b>		
Challenge Grant (private funds)	8.4%	\$ 25,701,377
Student Capital Improvement Fees	7.4%	22,762,160
<b>Total</b>	<b>15.8%</b>	<b>\$ 48,463,537</b>
<b>Florida Total</b>	<b>100.0%</b>	<b>\$307,043,676</b>

<sup>1</sup> Estimated

Source: Division of Community Colleges and Workforce Education.

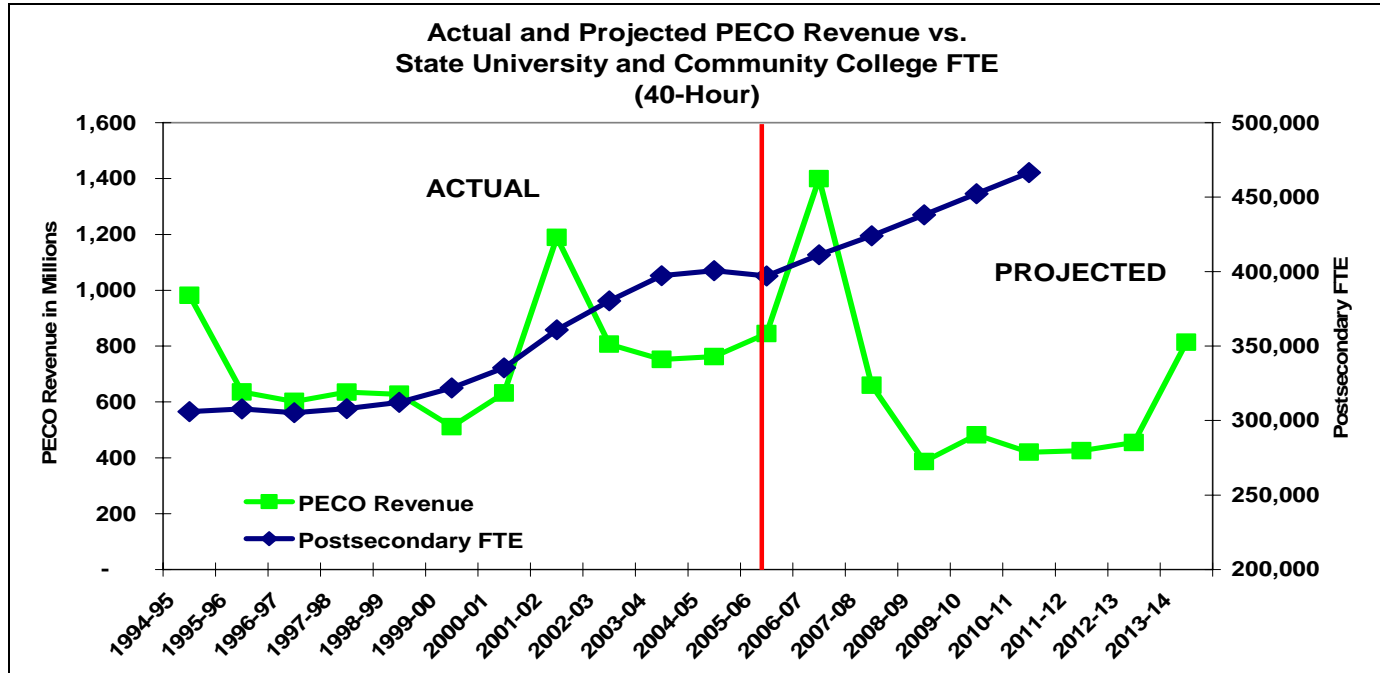
See Appendix A for a description of the funds included in the exhibits.

The projected decreases in available PECO funds may make it difficult for postsecondary institutions to fund facility projects. As shown in Exhibit 4, the November 2005 Revenue Estimating Conference projected a steep decrease in available PECO funds after 2006-07. These projections are based on predictions that future economic conditions will cause a decrease in gross receipts tax revenues, which are the dedicated source of PECO funds. The Estimating Conference projects that the total available PECO funds will drop from \$1.4 billion in Fiscal Year 2006-07 to \$386 million in Fiscal Year 2008-09 before beginning a gradual recovery. Coinciding with this decrease in available PECO funds is a projected 3% increase in students enrolling in public colleges and universities and an anticipated increase in competition for PECO funds to build additional K-12 classrooms to meet the requirements associated with the state class size amendment. Because postsecondary institutions rely heavily on PECO funds to pay for fixed capital outlay projects, expected decreases in available PECO funds may make it more difficult for the state's public colleges and universities to fund new construction and renovation projects. (For more information on why PECO funds fluctuate refer to Appendix B.)

In light of this situation, it is critical that postsecondary institutions use available fixed capital outlay funds as efficiently as possible. Therefore, this report examines the reasonableness of processes used by postsecondary institutions to identify and prioritize their facility needs and whether these processes can be improved.

<sup>2</sup> Sections 1004.065 and 1013.78, F.S.

**Exhibit 4**  
**PECO Funds Are Predicted to Decline as College and University Enrollments Increase**



Source: The Revenue Estimating Conference, updated November 4, 2005. The Board of Governors and the Division of Community Colleges and Workforce Education provided the enrollment projections.

## Findings

***The process that postsecondary institutions use to identify and prioritize facility needs is reasonable but could be improved***

The state’s process to determine and prioritize higher education facility needs is comprehensive, includes multiple levels of review, and helps ensure that each institution’s facility plans are coordinated with state higher education goals and local plans and initiatives. However, the effectiveness of the planning process is dependent upon the information provided by the institutions to their respective oversight divisions to determine postsecondary education’s most critical facility needs. Our review of the process revealed some of the formulas used to develop facility needs have not been updated for years, and thus may not accurately portray institutions’ needs for facility space. In addition, some institutions need technical assistance in developing educational plant surveys to avoid common errors and reduce approval time.

***Higher education facility plans consider relevant data, stakeholder input, state goals, and local growth plans***

The state’s process to identify and prioritize its facility needs is largely established in Florida law. Two key steps in this process are developing institutions’ educational plant surveys and capital improvement plans. Appendix C provides a diagram that illustrates the major steps in the postsecondary facility planning and fixed capital outlay budget process.

Educational plant surveys describe an institution’s facilities needs. Florida statutes require each public postsecondary institution to conduct an educational plant survey at least once every five years to assess the number and condition of its current facilities and project facility needs over the next five years.<sup>3</sup> The educational plant survey contains detailed information about campus facilities including their purpose, capacity, and need for repairs. The plant survey also makes recommendations for site acquisition, remodeling, renovations and new construction. Institutions base new construction recommendations on their amount of existing

<sup>3</sup> Sections 1013.31 and 1013.40, F.S.

space, expected student population growth, and a series of formulas designed to predict the number of square feet needed to serve the expected student population, faculty, and support staff based on pre-established standards that take into consideration the type and use of the space.<sup>4</sup> Universities and community colleges rely on these plant survey recommendations and the decisions of their presidents, executive staff, and boards of trustees with input from deans and facilities staff to select projects and set funding priorities in their capital improvement plans.

The Capital Improvement Planning process helps ensure that an institution's facility needs are coordinated with state and local goals and growth initiatives. Institutions use the educational plant survey to develop their annual Capital Improvement Plan. These plans identify the projects (with associated costs) that the institutions plan to build over the next five years contingent upon legislative funding. The first three years of this schedule lists the highest priority projects, with the remaining projects scheduled for the out years. As required by Florida law, PECO-funded projects must have been recommended in the institutions' educational plant surveys.<sup>5</sup>

In addition to the plant surveys, each institution considers other information when developing their capital improvement plans, including input from key administrators and statewide priorities established by the Department of Education and Board of Governors. The institutions also examine each project's consistency with the goals and objectives of their strategic plans, and needs and projects identified in the institution's campus master plan, which projects campus infrastructure needs out for 10-20 years and is coordinated with local governments and surrounding community development initiatives.<sup>6</sup> Finally, the institutions consider whether each project specifically addresses one or more of the state's higher

education strategic goals and objectives.<sup>7</sup> The final plan identifies and describes the projects, estimates the dollars required based on historical project cost supplied by DOE, and indicates the year the college would like to receive funding.

The local board of trustees must approve the capital improvement plan prior to submitting it to the Board of Governors (for university plans) or the Division of Community Colleges and Workforce Education (for community college plans). The Board of Governors and the division consider the institutions' plans in preparing the department's fixed capital outlay legislative budget request. (See Appendix B for a flow chart of the higher education legislative budget request development process.)

Overall, the capital improvement planning process helps ensure that the projects and priorities included in the institutions' fixed capital outlay legislative budget requests are consistent with the institutions' strategic goals and major initiatives, and are integrated with state education goals and local growth plans.<sup>8</sup>

***The use of formula-driven models at the state level helps staff objectively select and rank projects***

The Board of Governors and Division of Community Colleges and Workforce Education rank and pare down the projects submitted in the individual university and community college capital improvement plans to develop statewide recommendations for each system that are included in the Commissioner's K-20 Legislative Capital Outlay Budget Request. Staff make these project recommendations using data driven models that take into account present inventory, FTE projections, and space standards. These models identify the relative unmet need among the universities and community colleges for each category of space.<sup>9</sup> In general, this method of project ranking and selection for both systems

<sup>4</sup> A full-time equivalent (FTE) for state university system undergraduates is determined by dividing total annual credit hours by 40 hours; for community colleges, a full-time equivalent credit student is determined by dividing total annual credit hours by 30 hours.

<sup>5</sup> Section 1013.31(2)(a), *F.S.*

<sup>6</sup> Sections 1013.31(2)(a) and 1013.30(3), *F.S.* Master plans identify general land uses and address the need for roads, parking, public transportation, solid waste, drainage, sewer, potable water, and recreation and open space during the coming 10 to 20 years.

<sup>7</sup> Required by the Legislative Budget Request Guidelines for 2006-2007.

<sup>8</sup> CIP fixed capital outlay priorities in ranking order: continuation of projects; infrastructure needs; renovation and remodeling to meet current space needs; special projects—joint use, fund matching, land acquisition, and new construction.

<sup>9</sup> The 10 space categories recognized within the models with minor differences (vocational labs for community colleges) include classroom, teaching lab, study, research lab, office, audio/exhibit /instructional media, student academic support, gym, campus support services.

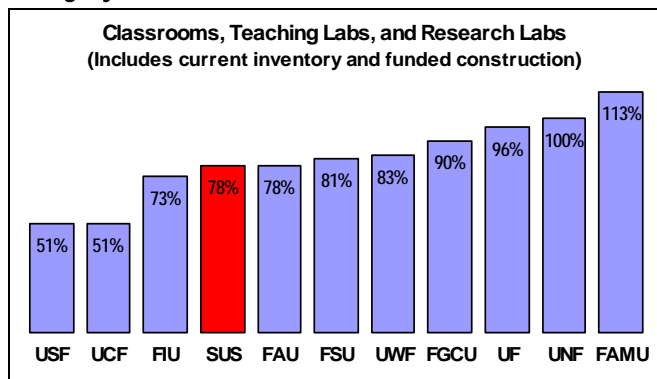


appears fair in that decisions are based on an objective analysis of data.

Exhibit 5 provides an example of the type of analysis used by the Board of Governors staff to rank the relative need for classrooms, teaching labs and research lab space among the state’s 11 public universities. The staff identify each institution’s current inventory of this particular category of space, including already funded construction. Each institution is then compared to the overall system average (the red bar) to identify universities with the highest relative level of unmet need (those universities below the red bar). The Board of Governors attempts to give higher priority to projects requested by the institutions that are under the system average for that category of space. Thus, in this example, the University of South Florida, the University of Central Florida, and Florida International University’s requests for additional classrooms, teaching labs and research labs would receive a higher priority ranking than similar requests made by other universities. The Board of Governors uses this same process for each other category of space.

The Division of Community Colleges and Workforce Education uses a slightly different process to rank institutional needs. The division’s process also uses formula-driven models, but generally seeks to identify campus or center-based projects that have the greatest impact on 1,000 or more full-time students.

**Exhibit 5**  
**The Board of Governors Gives Priorities to Projects of Institutions Below the System Average for a Space Category**



Source: The Board of Governors.

***The higher education facility planning process can be improved in two ways***

As the facility planning process relies heavily on each institution’s educational plant survey to identify and prioritize higher education facility needs, it is important that the information contained in these assessments is correct. The reliability and accuracy of information contained in these surveys could be improved by addressing two issues. First, the formulas used to develop educational plant surveys should be updated to ensure they accurately portray current institutional need for additional facility space. Second, the department should provide additional technical assistance to some institutions to address common errors in educational plant surveys.

Standards and formulas used to calculate postsecondary space needs are outdated and may inaccurately portray the need for space. The educational plant survey uses several complex formulas to identify space needs at the institutional level.<sup>10</sup> The formulas vary for each system; however, both are based on factors that include student enrollment, space standards including station sizes and utilization levels and existing inventory to determine unmet space needs. For example, the formula used to determine classroom needs is based on the number of square feet each FTE student needs based on their major/discipline, the number of hours the space will be used each week and the occupancy rate.<sup>11</sup> Adjustments to any of these factors will change the amount of space the formula projects an institution needs for classrooms and thus could change the requested fixed capital outlay appropriation.

The components that make up these formulas and the levels at which they have been set have not been evaluated for several years and may no longer reflect current institutional practices. The state university space needs formulas were developed in the 1960s and have not been updated since the mid-1990s. The community college formulas were updated in 1999 and use a somewhat different model to calculate space needs; however, both systems use similar space utilization rates for instructional space.

<sup>10</sup> Residential and other types of auxiliary space are generally not included.

<sup>11</sup> Full-time students requiring space.

One of the main factors used in the formulas to identify space needs is the square feet needed for each student station depending on the type of instructional space (classrooms, teaching and research labs) and academic program. The current university model space standards for student station size have not been changed since 1994. However, department staff note that instructional methods have changed considerably in recent years, with much greater use of technology. For example, computer modeling and simulation are used more often in engineering and science programs, eliminating the need for bulky equipment, and greater use of electronic documents has reduced need for storage space. As a result, current standards that define the space needed per student station may be able to be reduced.

Exhibit 6 shows a Board of Governors analysis of how changes to the formula can reduce the projected square footage needed for classrooms. The current model is based on a standard that classrooms require 22 net assignable square feet per student station, 60% of student stations are in use during classes, and the classroom is used 40 hours

per week.<sup>12</sup> If these standards are changed to reflect 20 square feet per student station, 50 hours of room use per week, and 70% station occupancy, the square feet needed per student is reduced by over 30%. These changes, for an institution with 10,000 students, would reduce the need for general classroom space by 52,500 net assignable square feet. At 2004 average construction costs for higher education classrooms (\$152.79 per square foot), this difference amounts to \$8 million.

The statutory standards used to measure statewide classroom utilization may also need to be updated. Universities and community colleges also use these standards to report their use of classrooms on an annual basis to their respective state oversight divisions. Section 1013.03(2), *Florida Statutes*, provides that classrooms are to be used a minimum of 40 hours per week and that 60% of student stations are to be occupied.<sup>13</sup> In practice this 40/60

<sup>12</sup> Net assignable square footage is the enclosed and interior floor area assigned to or available to be assigned to an occupant for specific use, excluding exterior and interior wall thicknesses, interior and exterior circulation, toilet rooms, electrical rooms, HVAC equipment areas and structural areas.

<sup>13</sup> The standard measures scheduled classes. Since non-regularly scheduled classes and unscheduled uses of classrooms, such as club, student and faculty meetings are not captured in the utilization data, actual utilization may be higher.

**Exhibit 6  
Adjusting Standards in the State Facility Models Would Lower Institutional Space Need Estimates**

<b>Current Classroom Standard Used to Determine Needs</b>	
$\frac{\text{Station Size}}{\text{Hours Per Week} \times \text{Occupancy Rate}}$	OR $\frac{22 \text{ Square Feet}}{40 \text{ Hours} \times 0.60 \text{ Occupancy}} = 0.92 \text{ NASF (Space Factor)}$
$0.92 \text{ NASF (Space Factor)} \times 15.0 \text{ (Weekly Student Hours Per FTE)} = 13.8 \text{ NASF Per FTE}$	
<hr/>	
<b>Revised Classroom Standard Used to Determine Needs</b>	
$\text{Space Factor} = \frac{\text{Station Size}}{\text{Hours Per Week} \times \text{Occupancy Rate}}$	OR $\frac{20 \text{ Square Feet}}{50 \text{ Hours} \times 0.70 \text{ Occupancy}} = 0.57 \text{ NASF (Space Factor)}$
$0.57 \text{ NASF (Space Factor)} \times 15.0 \text{ (Weekly Student Hours Per FTE)} = 8.55 \text{ NASF Per FTE}$	
<p><b>NASF = Net assignable square feet</b></p>	

Source: Board of Governors Meeting, July 22, 2004.

standard means a classroom is considered to be at 100% utilization if it is used 40 hours per week at 60% occupancy. Institutions with classroom utilization that approaches 100% using the 40/60 standard would be considered to need additional classrooms although their classrooms may only be used 40 hours a week and have 40% of the student stations unutilized.<sup>14</sup>

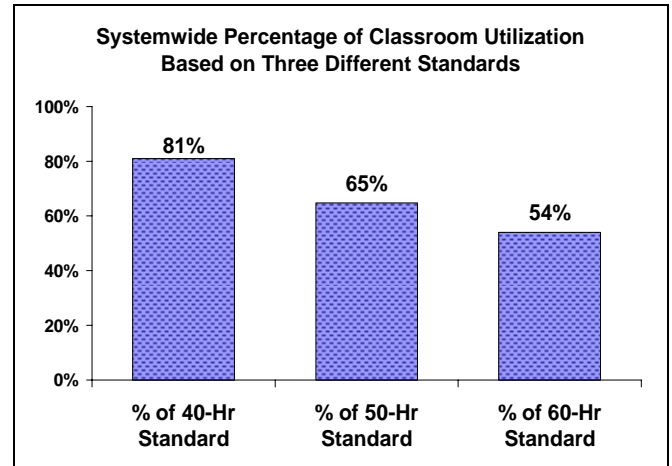
While Florida’s 40/60 standard for classroom utilization is comparable to standards used by other states, it does not reflect how institutions currently use their space. As noted by a university administrator, universities and community colleges now routinely offer classes during the evenings and weekends outside of the traditional 40-hour period.

Florida’s public universities and community colleges often have developed other more reliable methods to internally evaluate their classroom utilization and need for space. For example, the Florida State University and the University of Central Florida evaluate classroom utilization based on the times the classrooms are used during the day as well as for evening and weekend programs. The Florida State University uses an internal goal that classrooms should be used 56 hours a week with 75% occupancy, while the University of Central Florida uses a goal that classrooms should be used 69 hours a week at 70% occupancy.

Exhibit 7 demonstrates how increasing the standard for classroom usage hours from 40 hours to 50 or 60 hours reduces the statewide classroom utilization rate. The current 40-hour standard produces a statewide classroom utilization rate of 81%. The utilization rate is only 54% if the standard number of hours that classrooms are expected to be used each week is increased to 60 hours. This lower utilization rate in turn signals that less new classroom space is needed for the postsecondary institutions. (For additional information on postsecondary classroom

utilization, see *Higher Education Facility Construction Costs Are Reasonable; Some Improvements Could Maximize Use of Campus Classroom Space*, Report No. 06-30, March 2006.)

**Exhibit 7  
Increasing the Standard for Classroom Use Results in a Lower Statewide Utilization Rate**



Note: Information for this chart is based on 10 universities, no data provided for New College.  
Source: OPPAGA analysis of BOG utilization data for spring 2005.  
Fall 2004 utilization at some universities may be higher than spring 2005.

Some institutions make avoidable mistakes when developing their educational plant surveys. The second way that the current higher education facility planning process can be improved is to help universities and community colleges avoid common errors in their educational plant surveys. The Department of Education’s Office of Educational Facilities is required by Florida law to review and validate all educational plant surveys to ensure that they are an accurate analysis of space needs and that projects to be funded with PECO and Capital Outlay and Debt Service funds are recommended by the surveys.<sup>15</sup> This review process is similar for both the community college and university systems.

However, department staff involved in the review processes noted that the institutions often make errors and omissions in their plant surveys that delay the state’s review and approval process. These errors are more common for community colleges than for universities. For instance, the final approval of the educational plant survey for one community college required 21 follow-ups

<sup>14</sup> To make the calculations for classrooms in use, institutions simply multiply the number of available classrooms by 40 hours, then compare this figure with the actual number of total scheduled hours classrooms are in use. To make the calculations for classroom occupancy, the institutions multiply the total number of student stations on campus by 40 hours and then by 0.6 (60% occupancy) to get the standard number of seat hours to meet the statutory requirement. This figure is then compared to the actual number of seat hours used. For the university system, the 40/60 utilization rate is used in the space needs formula to create a space factor which is then multiplied by the FTEs for each discipline by level and the number of weekly student hours per FTE.

<sup>15</sup> Section 1013.03(10)(a)2., F.S.



from the Office of Educational Facilities' staff to correct inaccurate or missing information. Common errors included using outdated or inaccurate data and failure to obtain needed approvals and signatures prior to submitting the plans. A less common error is requesting funding for programs no longer offered. As a result, approval of the plans has been delayed, in some cases by two or more years, which may cause unnecessary delays in the institution's fixed capital outlay budget planning process. Department staff indicate that university educational plant surveys likely contain fewer errors and omissions because teams that develop the university surveys include Board of Governor's staff and staff from other universities who are experienced in the development of plant surveys. In contrast, the Department of Education staff has not provided on-site assistance with community college plant surveys since the process was decentralized in 1995. However, some of the delays in the approval process can also be attributed to the fact that the submission process is not automated for higher education and the Office of Educational Facilities has not developed sufficient guidelines or instructions for completing these complex reports.

## Conclusions and Recommendations

The state's process for identifying and prioritizing higher education projects is comprehensive, includes multiple levels of review, and operates under guidelines to ensure coordination with higher education goals, local strategic plans, and community development plans. However, the formulas used to determine unmet space needs among the institutions need to be updated and revised to accurately reflect when and how classrooms are used today. To address these

issues, OPPAGA recommends the actions described below be taken.

- The Legislature should consider amending Section 1013.03(2), *Florida Statutes*, which currently establishes 40 hours per week and 60% occupancy as minimum utilization rates for classroom facilities. To better reflect how institutions currently use classroom space, we recommend changing the standard to at least 50 hours per week and 70% occupancy as the minimum utilization rates.
- To ensure that current postsecondary space needs generation formulas used in the educational plant survey do not inaccurately portray the need for additional facilities, Department of Education and Board of Governor's staff should review and revise these formulas with input from all relevant stakeholders from the various disciplines. These formulas should be reviewed and updated every 3 to 5 years.
- To reduce errors and reduce the time needed to review and approve educational plant surveys, the Department of Education should provide comprehensive written instructions for completing these surveys. In addition, the department and the Board of Governors should work toward automating survey submission to the state.

## Agency Response

In accordance with the provisions of s. 11.51(5), *Florida Statutes*, a draft of our report was submitted to the Commissioner of Education and the Florida Board of Governors to review and respond. Both written responses are reproduced herein in Appendix D. Where necessary and appropriate, OPPAGA comments have been inserted into the responses.

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OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

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## Appendix A

# Fixed Capital Outlay Legislative Budget

The following information contains definitions of common terms, source of funds, purpose and restrictions on funds for projects funded through the fixed capital outlay budget process.

### ***Capital Outlay and Debt Service (CO & DS)***

- Revenues from motor vehicle licenses
- Allocated to school districts and community colleges
- Revenues are bonded and proceeds allocated based on a funding formula

### ***Facility Enhancement Challenge Grant Program***

- Facility must support instruction or research
- Must be included in the institution's Five-Year Capital Improvement Program
- Private cash matching must be on deposit
- State matching funds are recommended for eligible projects

### ***2005-2006 Capital Improvement Trust Fund Projects***

- Generally requested every three years based on availability of funds
- Used for student-related projects such as student unions and recreational facilities
- Financed by fee collections and bonds issued with a pledge of revenues from the fees

### ***2005-2006 Supplemental Special Request Project List***

- Developed to address issues not financed by the SUS share of PECO funds and other SUS sources
- Issues include critical deferred maintenance, Americans with Disabilities Act corrections, federal grant matches, and other special projects

### ***2005-2006 Projects That Require General Revenue for Operation***

- Projects requiring state general revenue for operations but built with non-state funds

### ***2005-2006 Authorization to Sell Revenue Bonds on Behalf of Universities***

- Projects financed by revenue bonds
- Projects include dormitories, parking garages, and bookstores
- Operating revenues pledged to pay debt service

### ***2005-2006 Authority for Financing and Acquisition of Facilities by Direct Support Organizations***

- Facilities constructed or financed by Direct Support Organizations
- Typical projects include dormitories, athletic, research, and international studies facilities

### ***2005-2006 PECO Remodeling/Renovation/Repair/Maintenance Formula Funds Appropriation Request***

- Allocated based on a depreciation formula to the education sectors from the total amount of available PECO funds
- Allocations made to public schools, community colleges, and state universities
- Funded from cash portion of available PECO revenues
- Funds used to expand or upgrade current educational facilities to prolong useful life

### ***2005-2006 Concurrency Trust Fund Appropriation Request***

- Trust fund supported by revenues from local option gas tax
- Funds used to correct deficiencies in public facilities and services caused by proposed campus development
- Impact determined through Campus Development Agreements between university boards of trustees and affected host local government

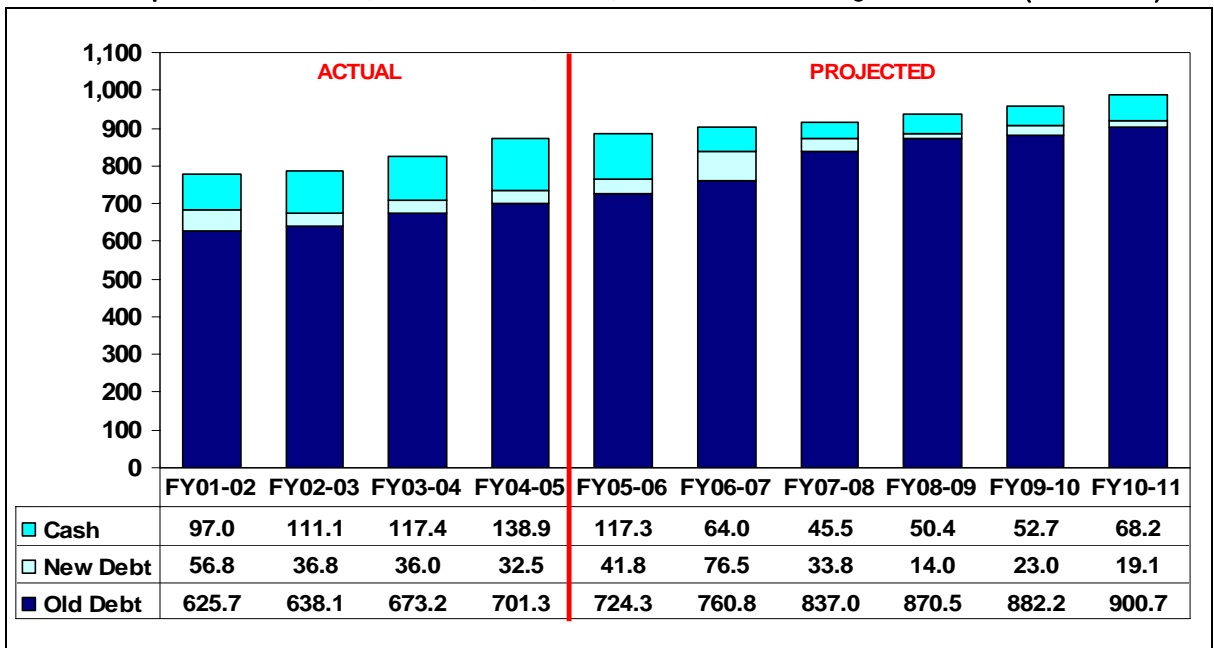
**Appendix B**

# The Source of PECO Revenues and Why PECO Revenues Fluctuate

The source of PECO revenue is the revenues from the gross receipts tax on utilities services (2.5%) and communications services (2.37%) as defined in [s. 203.01, Florida Statutes](#). Most of the PECO revenues are generated from bonding a portion of the gross receipt tax revenues. The gross receipts tax is a relatively stable and generally slow growing tax source, making it an ideal revenue source for financing the sale of bonds. PECO bond proceeds are the primary source of legislative funding for postsecondary academic facilities.

Constitutional and statutory restrictions limit the amount of revenues that can be devoted to bonding to 90% of the average of the past two years' of revenues. The remaining revenue must be spent as cash. Table B-1 shows the actual and projected gross receipts tax revenues from 2001-02 to 2010-11. Each bar is broken into three parts: revenue committed to paying off existing bonds and, thus, not available for appropriation (the bottom section); cash that is not available for bonding (the top section); and new revenues available for bonding (the middle section). The amount available for appropriation includes the cash (the top section) and the new revenues available from bonding the amount in the middle section of each bar.

**Table B-1**  
**Gross Receipts Tax Revenues, November 1, 2005, Revenue Estimating Conference (in Millions)**



Source: Office of Economic and Demographic Research.

### ***Sources of Fluctuation***

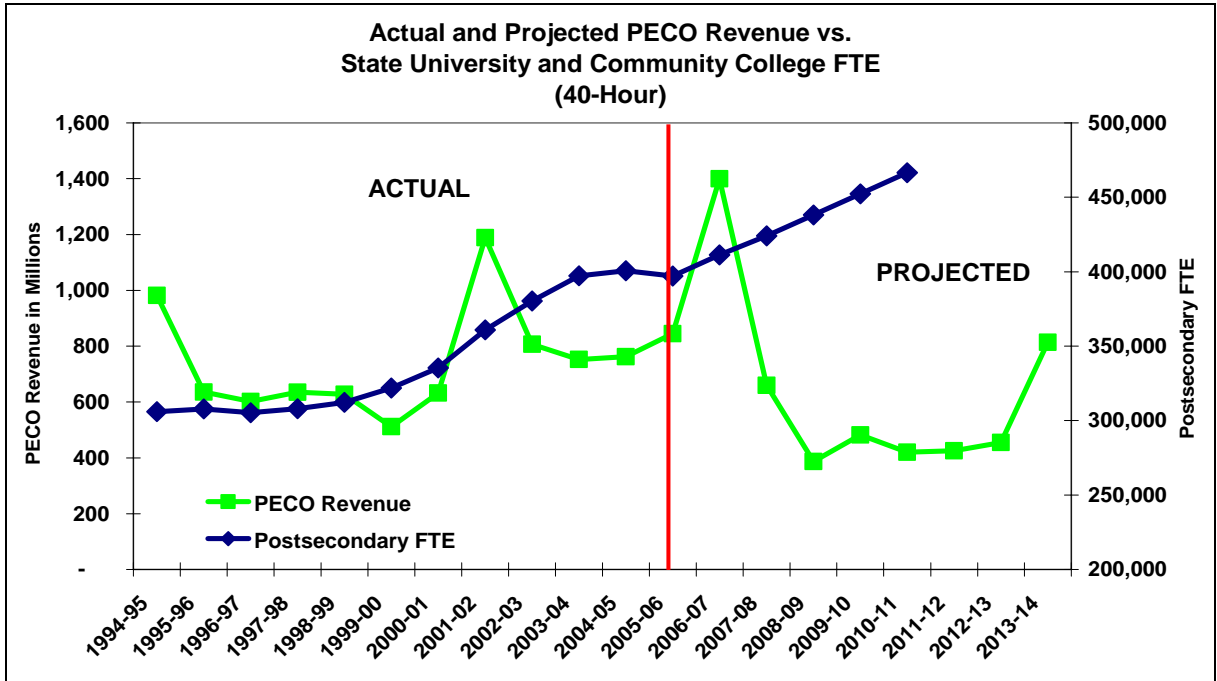
According to the Office of Economic and Demographic Research, the amount of tax revenue available for appropriation and bonding is the product of several factors which combine to cause the significant fluctuation each year that is shown in Table B-2.

1. Bonding is primarily based on growth in the gross receipts tax on utilities and communications because existing revenues are committed to debt service on old bonds.
2. When revenues are underestimated, as occurred in 2005-06 due to the unexpected increase in fuel costs, subsequent appropriations can be larger for two reasons,
  - a. non-recurring cash is available for cash expenditure from the initial year of underestimate, and
  - b. the excess growth is added to the growth formerly anticipated for later years so that more than just one year's worth of growth in bonding capacity is available.
3. Bonds do not sell immediately and may not sell for several years after being authorized by the Legislature so that the interest paid on the bonds may be more or less than originally assumed in the Estimating Conference. The result is that more or less bonding capacity is available in later years than originally estimated.
4. Refinancing of old bonds at lower rates frees up additional bonding capacity for subsequent years. Table B-3 displays recent refinancing. Refinancing is not projected by estimating conferences and is only added to conference estimates after the refinancing has occurred. As a result, additional bonding capacity from refinancing generally will be available for a later year than is shown on Table B-3.
5. Finally, the gross receipts tax revenues are projected on a fiscal year basis (July to June) while bonding is calculated based on the 24-month period ending in September. As a result, annual estimates from the gross receipt tax and the PECO revenues from bonding are reported for different time periods.

As a result of the factors enumerated above, the fluctuations in tax revenue in Table B-1 cannot be directly compared to the fluctuation in PECO revenue in Table B-2. After 2006-07, the projected growth in tax revenues is expected to be much slower, partly due to anticipated declines in fuel prices. Therefore the amount of revenue not reserved for debt service and available for appropriation is much lower after 2006-07, as shown in Table B-2.



Table B-2



Note: The extreme points of fluctuation in Exhibit 2 represent years in which several of the sources of variation listed in the memo work in the same direction to produce a high or low level of PECO revenue.

Source: Office of Economic and Demographic Research.

Table B-3

Increase in PECO Bonding Capacity Due to Refinancing Activity (in Millions)

Fiscal Year	Amount of Bond Capacity Available for Appropriation	Amount of Bond Capacity Due to Refinancing Activity	Refinancing Activity as a Percentage of Total Bond Capacity
1999-00	\$ 367.2	\$ 76.9	21%
2000-01	428.3	36.0	8%
2001-02	887.6	30.1	3%
2002-03	613.4	37.1	6%
2003-04	516.3	57.9	11%
2004-05	473.4	36.6	8%
2005-06	616.3	86.7	14%
2006-07	1,097.3	55.0	5%

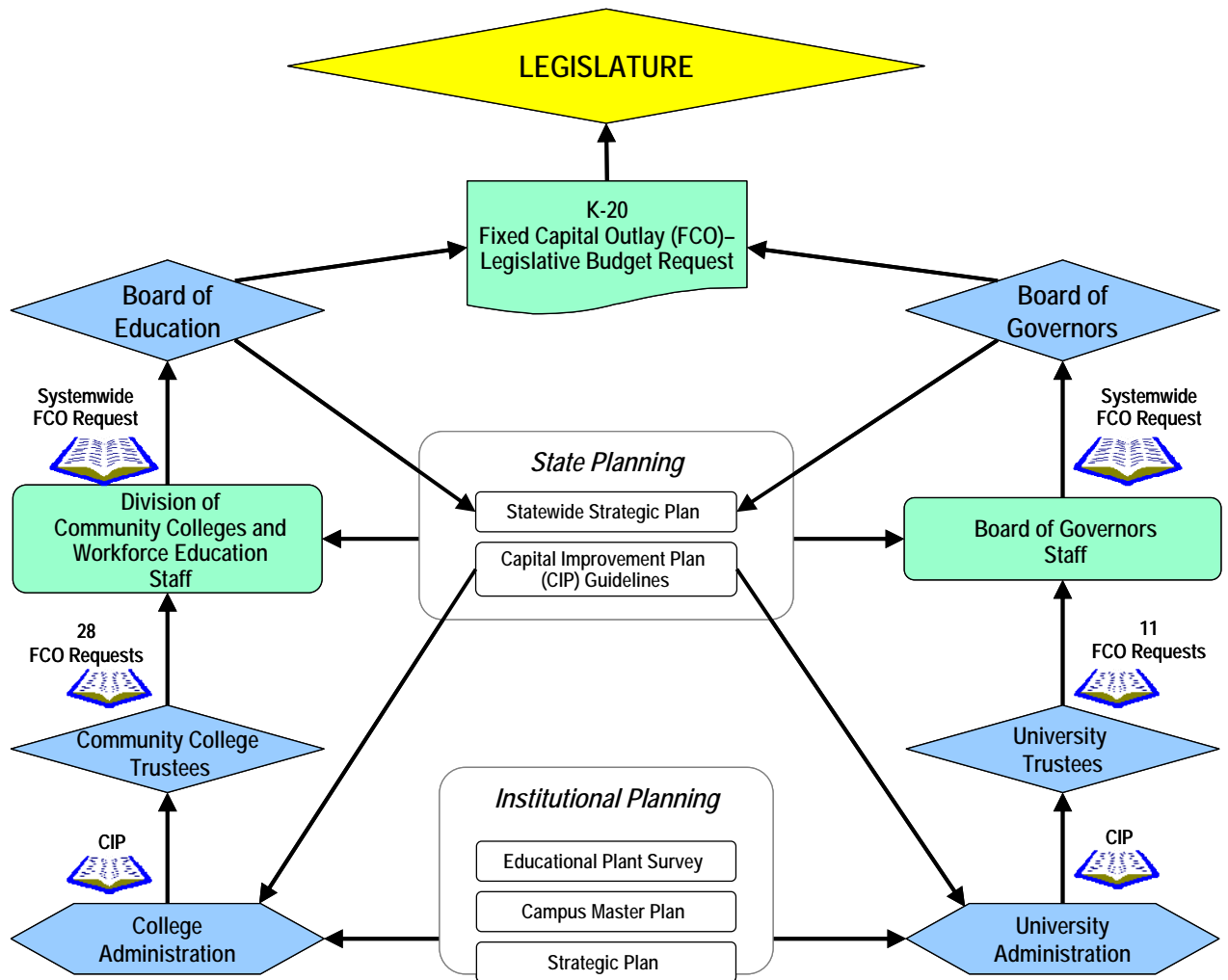
Source: Office of Economic and Demographic Research.

This appendix is based on information obtained from staff in the Office of Economic and Demographic Research as well as information on EDR’s website at the following Internet address: <http://edr.state.fl.us/conferences/peco/pecoflow.htm>.

### Appendix C

# Higher Education Fixed Capital Outlay Legislative Budget Request Development Process

The flow chart demonstrates the planning process used by the state university and community college systems to arrive at a fixed capital outlay budget request for each system to be included in the annual K-20 Fixed Capital Outlay Legislative Budget Request.



## Appendix D

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# FLORIDA DEPARTMENT OF EDUCATION



John L. Winn  
Commissioner of Education

STATE BOARD OF EDUCATION

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March 10, 2006

Mr. Gary R. VanLandingham  
Director  
Office of Program Policy Analysis  
And Government Accountability  
111 West Madison Street, Room 312  
Tallahassee, Florida 32399-1475

Dear Mr. VanLandingham:

Please find attached the response to the preliminary and tentative audit findings and recommendations concerning the two reports *Higher Education Facility Planning Process Is Designed Reasonably Well; Improvements Could Maximize State Resources* and *Higher Education Facility Construction Costs Are Reasonable; Some Improvements Could Maximize Use of Campus Classroom Space*.

If you have any questions, please contact Inspector General John M. Franco at 850-245-0403 or email [john.franco@fldoe.org](mailto:john.franco@fldoe.org).

Sincerely,

A handwritten signature in cursive script, appearing to read "John L. Winn".

John L. Winn  
Commissioner

JLW/jmf/br

Attachment

**Florida Department of Education**  
**Office of Program Policy Analysis and Government Accountability**  
**Preliminary and Tentative Audit Findings and Recommendations**  
**March 10, 2006**

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*Higher Education Facility Planning Process is Designed Reasonably Well;  
 Improvements Could Maximize State Resources*

In analyzing the recommendation for possibly changing the current standard of 40 hours per week and 60% occupancy to 50 hours per week and 70% occupancy, it was determined that this change would reduce the net square feet (NSF) needed for general classroom space by 32%. (See attached Space Needs Generation Formula Spreadsheet). This might have a negative impact on smaller schools when they begin developing their educational plant survey. It should be noted that a national study requested by the State University System several years ago from MGT of America, Inc., showed that the average standard is below 40 hours.

We are in agreement with the recommendation that State Requirements for Educational Facilities (SREF) space utilization formulas need to be reviewed and updated. This should be done in a collaborative effort with all those affected by any changes.

We are in full agreement with providing written instructions for completing the educational plant survey and in working towards automating the plant survey process. In discussions with the Office of Educational Facilities, they have indicated they will include this recommendation in their work program for this year.

*Higher Education Facility Construction Costs Are Reasonable; Some Improvements  
 Could Maximize Use of Campus Classroom Space*

The recommendation concerning the consideration of providing variable tuition for classes scheduled during peak and off-peak demand times would be of limited value. In the state of Oregon, research concluded the paperwork burden was excessive and the benefit was minimal.

The recommendation for classroom utilization suggests examination of the other major space categories for efficiency. The colleges, who responded to our survey, expressed that this would be extremely time consuming and difficult to accurately assess the utilization rates of these other space categories.

The recommendation to better inform policymakers concerning the needs for additional classrooms at individual institutions is currently being provided through updated facilities, student and personnel databases. These reports are submitted



after each term as required by the Department of Education (DOE). Utilization data is calculated by the DOE after each database submission. The reports are then available to all constituents.

We are in agreement with the recommendation which suggests including joint-use facilities as an additional category for data collection and analysis. This should include joint-use facilities, university centers, charter schools, as well as the approved locations which are leased for more than 40 years and space that is utilized by other educational institutions. There is also a need to study how baccalaureate degree programs at community colleges are counted or not counted for space utilization purposes.

The recommendation concerning the use of energy contracting does have the potential for savings and many of the colleges already take energy consumptions under consideration when replacing or upgrading equipment. Many colleges are proactive with regard to energy conservation internally or through performance contracting.



# FLORIDA BOARD OF GOVERNORS

325 West Gaines Street - Suite 1614 - Tallahassee, Florida - 32399-0400  
(850) 245-0466 - www.flbog.org

March 21, 2006

Mr. Gary R. VanLandingham, Director  
Office of the Program Policy Analysis  
and Government Accountability  
111 West Madison Street, Room 312  
Claude Pepper Building  
Tallahassee, Florida 32399-1475

Dear Mr. VanLandingham,

Thank you for the opportunity to review the following draft reports: *“Higher Education Facility Planning Process Is Designed Reasonably Well; Improvement Could Maximize State Resources”* and *“Higher Education Facility Construction Costs Are Reasonable; Some Improvements Could Maximize Use of Campus Classroom Space.”* We agree with many of the findings of these reports, such as:

Facility Planning Process

1. Because postsecondary institutions rely heavily on PECO funds to pay for fixed capital outlay projects, expected decreases in available PECO funds may make it more difficult for the state’s public colleges and universities to fund new construction and renovation projects.
2. In general, Florida’s postsecondary institutions build facilities at a relatively low cost.
3. Florida’s allocation of state university system space use is generally consistent with available national benchmarks.
4. Underutilization of classrooms on Fridays is not unique to Florida but rather a nationwide phenomenon in higher education.

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University of Florida • Florida State University • Florida A&M University • University of South Florida • Florida Atlantic University • University of West Florida  
Gainesville Tallahassee Tallahassee Tampa Boca Raton Pensacola

University of Central Florida • Florida International University • University of North Florida • Florida Gulf Coast University • New College of Florida  
Orlando Miami Jacksonville Fort Myers Sarasota

Mr. VanLandingham  
March 21, 2006  
Page 2

### Facility Construction Costs

1. ...Florida's 40/60 standard for classroom utilization is comparable to standards used by other states...
2. The state's process for identifying and prioritizing higher education projects is comprehensive, includes multiple levels of review, and operates under guidelines to ensure coordination with higher education goals, local strategic plans, and community development plans.

We also agree with several of the recommendations that were made in these reports, such as reviewing the formulas that determine space needs, identifying shared use of instructional space and ensuring accurate utilization data is submitted for each campus.

We also have concerns about some of the recommendations. For example, the report documents the current deficiencies in the utilization data, such as incomplete data for some of the branch campuses, a lack of reporting of the usage of space shared with community colleges, and the fact that only *scheduled* usage is captured, rather than actual usage. In spite of the deficiencies in the data, the report recommends that the utilization standards be revised. It seems the data should first be "cleaned up," then compared to the current standards before it can be determined that new standards are needed. In addition, while new standards were recommended, a methodology for determining the proposed standards was not described. Considering that the revised standards will have an impact on the determination of need, it seems imprudent to recommend changes without better documentation to support the proposed standards.

### OPPAGA Comments

The Legislature established the classroom utilization standard in statute to ensure that a consistent, reasonable method is used to demonstrate that existing classrooms at the state's community colleges and public universities are being fully utilized before it provides funds to build additional classrooms. The reasonableness of this standard is an important but separate issue from data deficiency issues. The current standard too narrowly defines the number of hours during the week a classroom is available and establishes an occupancy rate that is lower than similar rates established by many other states. Thus, Florida's current classroom utilization standard does not accurately portray the need for additional classroom space at the state's community colleges and public universities. We agree that the Board of Governors should work with universities to develop a procedure to identify and correct inaccurate data as part of the file submission process, and to ensure that all relevant data is included in determining the need for additional classroom space. OPPAGA made considerable effort to ensure the data used to make report conclusions was both accurate and reliable. We also believe that data on other classroom uses, such as shared use and non-instructional use, should be captured and considered separately when determining the need for additional classroom space.

Mr. VanLandingham  
March 21, 2006  
Page 3

We also question the recommendation that the Legislature should require institutions to implement comprehensive strategies to maximize use of existing classrooms *before approving funding for additional classroom space*. The recommendation states that, at a minimum, strategies include fully utilizing Fridays when scheduling classes, although the report indicates that underutilization of classrooms on Fridays is a national phenomenon. Fully utilizing Fridays may not be achievable, yet failure to successfully implement could prevent universities from having additional classroom space approved for funding. The same is true of providing tuition incentives to students to take classes during non-peak times. Providing tuition incentives could prove to be difficult administratively, in addition to resulting in lower revenues for the institution. Yet failure to implement this strategy could prevent an institution from receiving funding for additional classroom space. We suggest that this recommendation be re-worded to state that "The Board of Governors and the State Board of Education should consider requiring public colleges and universities to demonstrate that they have implemented comprehensive strategies to maximize use of existing classrooms. For example, strategies could address..."

**OPPAGA Comments**

**Given the increasing demand for limited state funds used to construct K-12 and higher education facilities, postsecondary institutions have a responsibility to demonstrate that they are using existing facilities as efficiently as possible. Thus, each public college and university should be required to demonstrate it has implemented comprehensive strategies to maximize use of existing classrooms before receiving funding for additional classroom space. This additional information will enable the Department of Education and the Board of Governors to be more informed when making funding recommendations to the Legislature and will provide an additional layer of public accountability. This additional information also will provide the basis for institutions with legitimate reasons for not approaching 100% utilization to explain their need for additional classrooms.**

Again, we thank you for the opportunity to review these reports.

Sincerely,



Mark B. Rosenberg  
Chancellor

MBR/nmm

c: Mr. John Franco, Inspector General, DOE