

---

## BASIC INFORMATION ABOUT MRR PROJECTS AND FUNDING

To develop a successful request for MRR funding, there is certain information one needs to know, certain criteria that are needed to include, and certain procedures that need to be followed. This section focuses on the information needed to develop requests efficiently and properly.

---

### A Brief Overview of the MRR Program

The Major Repair and Renovation (MRR) Program is a funding process designed to help the USG maintain its physical plants, facilities, and infrastructure. This program was developed by the State of Georgia and the Board of Regents of the University System of Georgia (BOR) to address the needs of the state's rapidly expanding, aging, and highly used facilities. Since the MRR program has been successful in its mission, allocations have increased substantially in recent years.

MRR allocations are based on a formula that provides equitable pro-rata distribution of the available funds among all the institutions in the USG. To continually ensure that the funds are distributed as intended, the MRR allocation formula is periodically reviewed and modified to adjust to changing conditions. The BOR also considers the unique circumstances of each institution in evaluating funding requests.

The BOR has been diligent in maintaining the State's investment in facilities and encourages each institution to take full advantage of the MRR program to fund major repairs and renovations. The *MRR Guidelines* are part of the BOR's effort to help USG institutions secure the funding needed to maintain their campuses in a safe, clean, and well-maintained state.

---

## What is a MRR Project?

MRR is an acronym for Major Repair and Renovation and this is the primary focus of any MRR project. It is important, however, to understand a few of the intricacies of a MRR project, to determine whether it can be funded under the State of Georgia and the Board of Regents of the University System of Georgia (BOR) MRR Guidelines.

A MRR project involves the major repair, replacement, or renovation of critical building systems and components or site components and infrastructure. A MRR project differs from other maintenance projects, in that it is not for routine or scheduled maintenance projects. MRR projects may include specific deferred maintenance tasks, but MRR projects are not intended to provide for routine, preventive maintenance requirements—this type of effort should be accomplished as a M&O project. Additionally, MRR projects may involve the renovation of existing space<sup>5</sup>, if it is required to meet enrollment or curriculum needs. MRR funds may also be used to renovate existing space to provide *swing space*<sup>6</sup> as part of a larger repair or renovation project.

---


<sup>5</sup> *MRR funds can be used to renovate existing space, but cannot be used for new construction. For example, MRR funds cannot be used for additional, new square footage.*

<sup>6</sup> *Swing space: Temporary space used to house students, staff members, or equipment if relocation is necessary during a MRR project.*

---

## What To Know about MRR Funding

MRR funds should be used for the preservation and rehabilitation of existing investments including physical plants, facilities, and infrastructure. The projects that can be funded with MRR money are somewhat limited because MRR funds are only available for repairs and renovations based on *resident instruction space*<sup>7</sup>, non-revenue generating facilities and spaces. Keep in mind that there are facilities that exist outside these general restrictions that may in fact qualify for MRR funding.

 **Example:** If a stadium has classroom space for teaching accredited courses, and major repairs or renovations are required, the costs may be prorated between MRR funding and the other available funding sources (see the comparison table that starts on page 16).

MRR funds should not be used for auxiliary facilities, revenue producing facilities, new construction, leased space, or land acquisition, and MRR funds are not intended for performing routine, preventive maintenance. Resources for these purposes are provided from M&O funds or other funding sources.

Although MRR funds can be used for *deferred maintenance*<sup>8</sup> (*in certain cases*), it is important to keep in mind that the use of these funds for deferred maintenance draws from what is essentially a limited resource.

---

<sup>7</sup> **Resident instruction space:** Facility space that is necessary and is used for the academic mission, such as classroom spaces, administration spaces, and auditorium spaces. An additional criteria that defines this type of space is that it is not revenue producing.

<sup>8</sup> **Deferred maintenance:** Maintenance postponed for the specified period due to a conscious, analytically-based decision to allocate resources to more critical needs based on a maintenance plan. Because routine, preventive maintenance is generally funded with M&O money, deferred maintenance that adversely affects MRR objectives is undesirable.

---

## How are MRR Funds Allocated?

---

The State of Georgia and the BOR provide MRR funding allocations annually. These funds are allocated to each USG institution based, in part, on the gross square footage<sup>9</sup> each campus has for resident instruction space along with the adjusted age of the facilities. This information comes directly from the USG Facilities Inventory System (FIS) update<sup>10</sup>, which is required by the BOR. Because the funding allocation is directly distilled from this inventory, it is critical to update this document at least once every year<sup>11</sup>. MRR funds are to be used for major repairs and renovations that fall outside of the scope of the normal M&O budget.

---

<sup>9</sup> **Gross square feet (GSF):** *The total floor area of a structure, measured from the outside faces of the exterior walls.*

<sup>10</sup> **Facilities Inventory System (FIS) update:** *An annual inventory taken to assess all space on the campus. This inventory accounts for all space on the campus, distinguishes between gross square footage and resident instruction space and includes the age of the space. This inventory is used by the BOR to determine M&O and MRR allocations for the coming year. All facilities listed in the FIS will probably be surveyed during the Facilities Survey even though only qualifying facilities will be eligible for the MRR funds.*

<sup>11</sup> *Institutions may update the FIS on two occasions each year with a mandatory update each fall.*

---

### How are MRR Funds Allocated? (cont.)

---

MRR funds, unlike M&O funds, are requested for and allocated by the Board of Regents of the University System of Georgia (BOR) for specific projects. MRR funds are not allocated as a single pool of money from which individual projects can be paid, although *residual MRR funds*<sup>12</sup> can be used for other projects that qualify for MRR resources. The project and project specifics must be clear for MRR funds to be granted. That is why it is important to understand the funding process, and to have a good set of guidelines when preparing successful requests for MRR funding.

---

### How Much MRR Money is Available?

---

The total system-wide annual MRR allocation has increased from approximately \$23.8 million in Fiscal Year 1992, to almost \$50 million in Fiscal Year 2000. The fund has more than doubled in eight years to meet the maintenance and renovation funding needs of the USG's growing and ever-aging inventory of campus space<sup>13</sup>. As the aging process continues and as new facilities are added, funding requirements will increase, as will MRR allocations if the current funding trend holds true.

---


<sup>12</sup> **Residual MRR funds:** *Residual MRR funds are MRR project funds that remain unspent at the conclusion of the project closeout and after all fees and construction-related cost are paid. Redistribution of residual MRR funds from either individual MRR projects or collectively from several MRR projects is acceptable. These residual funds can be used to fund other MRR projects in the same fiscal year, but these funds must be committed by June 30<sup>th</sup> of that fiscal year or they are lost to the institution.*

<sup>13</sup> *The facts referenced in this paragraph were taken from the 1995-1997 USG Information Digest, pages 84-87, and supplemented with current data through FY 2000.*

## Projects that are Eligible for MRR Funding

The BOR has developed these guidelines to determine the kinds of projects that are and are not eligible for MRR funding.

Remember that these are examples and not rigid parameters. Whether a project is eligible or ineligible for funding is determined in good part on the institution's ability to justify and back up how the work fits into the MRR program.


| Eligible Projects   | Ineligible Projects  |
|---|--|
| <ul style="list-style-type: none"> <li>Major repair, replacement and renovations of existing building components systems equipment and site infrastructure, such as roof replacement, re-tubing/replacing boilers and chillers, HVAC systems and electrical system upgrades.</li> <li>Professional fees for studies and design of MRR-related construction projects and quality testing.</li> <li>Functional changes in existing buildings to accommodate academic mission requirements.</li> <li>Projects to meet compliance requirements. These projects include hazardous material identification and removal, air quality issues and other environmental requirements. ADA requirements, bringing buildings up to fire code specifications, and removal of asbestos are all examples of eligible MRR projects.</li> </ul> | <ul style="list-style-type: none"> <li>Auxiliary revenue generating facilities, unless there is any academic mission conducted in all or part of the facility. In the event of mixed-use facilities, costs of MRR projects are prorated based on the data in the FIS.</li> <li>Construction of new space or installations, except where expansion is required to install replacement equipment.</li> <li>Leased facilities.</li> <li>Purchase or acquisition of land.</li> <li>Existing underground fuel oil tank assessment, remediation and removal. This work is separately administered and funded by the Georgia Environment Facilities Authority.</li> </ul> <p> <b>Examples on ineligible projects include:</b></p> <ul style="list-style-type: none"> <li>Dormitories</li> <li>Dining facilities</li> <li>Sports facilities</li> <li>Parking decks and parking lots</li> <li>Book stores</li> </ul> |

**Note: Exceptions must be reviewed with and approved by the Vice Chancellor for Facilities.**

---

## Conditions that May Affect MRR Needs and Funding Requests

There are some unique conditions that should be considered in developing MRR funding requests. This section explains conditions that may increase the ability to secure funding for MRR projects, which may not otherwise be apparent to the BOR. Although the MRR project request forms do not contain provisions for unique circumstances, any factors that have a bearing on the unique nature of the request may be described as part of the MRR request.

 **Example:** If carpeting needs to be replaced before its normal life expectancy because of greater student density, or because of extended hours of operation, these extenuating circumstances should be explained. If there are unique circumstances that apply to a project, it is important that an explanation and documentation regarding these circumstances be included in the request.

---

## Unique Circumstances at the Campus

---

The current MRR funding formula is complex. It is driven by adjusted gross square footage (GSF) and is modified based on age and type of construction, along with replacement value of the buildings. The formula does not take into account unique conditions at each campus. The institution must, therefore, factor these unique circumstances into the justifications used to support the MRR funding request.

---

**Unique Circumstances at the Campus (cont.)**

---

The institution should develop and maintain a dialog with its BOR Program Manager so that these unique conditions are factored into the MRR project costs and the associated funding requests. The following table gives some examples of unique conditions that may affect MRR needs.

| <b>Condition</b>                             | <b>Description</b>   |
|--|--|
| <b>Climatic and Environmental Conditions</b> | Institutions located in the northern, middle, and southern or coastal regions of the state have maintenance issues unique to their environmental and climatic conditions.  |
| <b>Student Density</b>                       | An institution may be small in the number and size of facilities on its campus; but the institution may be operating during extended hours to meet the local student demand. These conditions lead to excessive wear and tear on the facilities. |
| <b>Hours of Operations</b>                   | The extended hours demand more performance hours from mechanical and electrical systems and have a negative impact on service life, schedules and warranties.  |
| <b>Historical Significance</b>               | Older, historically significant facilities often have higher renovation or preservation costs.   |

---

## Issues Surrounding Deferred Maintenance

---

Although MRR funds are not allocated for routine, preventive maintenance<sup>14</sup>, the foundation of a good MRR program is a timely, routine, preventive maintenance program. Why? Because when regular maintenance is not planned for and funded with M&O funds, the urgency of the resulting repairs and renovations may force the institution and the BOR to fund the project with MRR money at a potentially higher cost. Although deferred maintenance projects can be funded with MRR resources, stopgap funding of deferred maintenance projects may not be the most cost-effective use of MRR resources. Using MRR funds for deferred maintenance also reduces the available MRR funds that can be used on projects that truly fit in the scope of major repair and renovation.

### Planning for Routine, Preventive Maintenance

Adequate M&O funding should be allocated to Plant Operations for routine, preventive maintenance programs to avoid or reduce the use of MRR funds for deferred maintenance actions. It is also important that Plant Operations is sufficiently staffed and has adequate training and equipment so that routine, preventive maintenance is identified and scheduled for attention in a timely manner and performed properly.

---

<sup>14</sup> *Routine, preventive maintenance is also referred to as regular maintenance.*

### Including Training in the Routine, Preventive Maintenance Plan

As facility components and systems become more technologically advanced, staff training programs will become increasingly important. This training should be included in the routine preventive maintenance plan. This means training should be covered with M&O funds. However, when the facilities survey is conducted for the institution's MRR funding request, it may be valuable to note whether the anticipated repairs and renovations are beyond the institution's in-house capabilities and then plan accordingly for staff training in the month's before the MRR funds are received.

### Outsourcing Special Types of Routine, Preventive Maintenance

If the institution simply doesn't have the staff, equipment, or expertise to do certain aspects of regular maintenance, *outsourcing* or *privatizing*<sup>15</sup> the maintenance is an option. Privatizing technologically advanced maintenance projects ensures that the work is performed by experts in the technology, and performed when needed. This means the maintenance can be completed as part of the institution's routine, maintenance program and can be paid for using M&O funds. If the maintenance is deferred because the institution does not have the skills or equipment needed, the resulting major repairs and renovations will likely be more urgent, and more expensive to remedy. Outsourcing technologically advanced maintenance as part of the institution's regular maintenance plan is therefore preferred over handling the resulting repairs with MRR funds.

---

<sup>15</sup> *Outsourcing/Privatizing: Securing outside resources to perform tasks that cannot be handled using the institution's own resources and equipment.*

### Planning Wisely for Deferred Maintenance

There are times when facilities planning teams may make a conscious decision to postpone maintenance tasks in order to allocate personnel or financial resources to a more critical operational need. Intentionally postponing maintenance as part of a facilities maintenance plan means that the campus has every intention of completing routine, preventive tasks in a timely manner, but the resources are simply unavailable at the present time. In time, this temporary situation can be solved by re-assigning campus personnel to their conventional preventive maintenance responsibilities. When deferred maintenance is planned and executed, it generally has little impact on MRR objectives.


---


## MRR and Other Types of Comprehensive Capital Planning

MRR funding is an important part of the Comprehensive Capital Outlay Program (CCOP) established by State of Georgia and the BOR. Included in the CCOP are additional types of funding to address the wide range of facilities' needs that must be satisfied by the BOR. The CCOP includes MRR, Major and Minor Cap, Payback and other funds.


The table on the following page provides a brief summary of each of the funding sources administered by the BOR. The information in this table is helpful in determining whether MRR resources are appropriate for specific projects. If MRR funds are not appropriate for the project, there are other sources of funding that may be more appropriate for the project. These sources are also listed in the table. Information on each of these funds and strategies for selecting appropriate funding resources are found in the *Funding Strategies* section of these guidelines starting on page 35.



**Note:** Before applying for any funding, check for warranty status on the proposed repair or renovation. Projects that can be covered under warranty should be covered under warranty.

| Funding Type                         | Funding Limits                           | Criteria   | Notes   |
|--------------------------------------|--|--|---|
| <p><b>Major Capital Projects</b></p> | <p>\$5 million and above per project</p> | <ul style="list-style-type: none"> <li>• Requirements of the academic program</li> <li>• Compliance with the Physical Master Plan</li> <li>• Campus enrollment trends</li> <li>• Cost effectiveness</li> </ul> | <p>There are projects requiring funding for repairs or renovations from this funding source rather than from the Minor Capital Project or MRR funding sources. This is because of the larger scope allowed for Major Capital Projects.</p> <p> <b>Example:</b> Fire sprinklers may be added to a single building with MRR funds. If, however, several buildings on campus need fire sprinklers, and the total cost exceeds the \$5 million threshold, applying for Major Capital Project funding is more appropriate.</p> <p>Refer to the “Principles for Capital Resources Allocation” found in the BOR publication <i>Guidelines for Preplanning</i>. These principles have been included in these guidelines, starting on page 24.</p> <p>The project request and justification is presented to the BOR. If it is accepted, the project is placed on the Five-Year Capital Outlay Program priority list. This is an annual process.</p> |

| Funding Type                         | Funding Limits                       | Criteria  | Notes  |
|--------------------------------------|--------------------------------------|---|--|
| <p><b>Minor Capital Projects</b></p> | <p>Up to \$5 million per project</p> | <p><b>Category A</b><br/>Typical facility needs and projects urgently needed to renovate or upgrade existing facilities or utility systems.</p> <p><b>Category B</b><br/>Building renovation or modernization programs needed to satisfy requirements for existing programs and projected enrollment.</p> <p><b>Category C</b><br/>Significant renovation, new construction, and <i>opportunity projects</i><sup>16</sup>, such as unique no-cost property acquisitions or other cost-effective programs.</p> | <p>There are situations when requests for resources for repairs or renovations from this funding source are more appropriate than from the MRR funding source.</p> <p> <b>Example:</b> Fire sprinklers may be added to a single building with MRR funds. If, however, several buildings on campus need fire sprinklers, and the total cost falls between the \$1 million MRR cap and below the \$5 million threshold for Major Capital Project funding, applying for Minor Capital Project funding might be appropriate.</p> <p>Proposed by individual campuses.</p> <p>Responds to significant but smaller needs.</p> <p>If the project warrants further consideration or justification, the sponsoring campus official presents the project proposal to the BOR and, if accepted, the project is placed on the Five-Year Capital Outlay Program priority list. This is an annual process.</p> |

<sup>16</sup> **Opportunity project:** An unplanned project that presents a unique opportunity to the participating institution. For example, a no-cost property acquisition might be considered an opportunity project. Opportunity projects are not necessarily cost free and may be endowed to the institution.

| Funding Type   | Funding Limits   | Criteria   | Notes  |
|--|--|--|--|
| <p><b>Payback Projects</b></p>                             | <p>No funding limitations</p>  | <p>Demonstrate and document physical necessity and the campus' financial capacity to fully refund the costs of the project.</p> <p>The project outcome should generate revenue for the funded institution.</p> <p> <b>Examples include:</b></p> <ul style="list-style-type: none"> <li>• Dormitories</li> <li>• Dining facilities</li> <li>• Bookstores</li> <li>• Parking lots/parking structures</li> <li>• Other buildings considered to be revenue producers</li> <li>• Stadiums</li> </ul> | <p>These projects are reviewed and presented to the BOR in the same manner as Major Capital Outlay projects and are carried forward annually, separately from other projects.</p> <p>If approved, general obligation bonds generally will fund the project and the campus will “pay back” the State in accordance with a repayment schedule, currently 20 years.</p> |
| <p><b>Maintenance &amp; Operations Funds (M&amp;O)</b></p> | <p>Allocated at a pre-determined rate per square foot of resident instruction space.</p> | <p>Funds intended to assist the institution with campus operations, functions, and activities and for Plant Operations requirements.</p> <ul style="list-style-type: none"> <li>• Routine, regular preventive maintenance and upkeep of facilities, infrastructure</li> <li>• Grounds keeping</li> <li>• Custodial services</li> <li>• Utilities</li> <li>• Labor material and equipment for Plant Operations costs</li> <li>• Staff development and training</li> </ul>   | <p>In addition to other Operations needs, each institution should budget sufficient M&amp;O funds to provide adequate routine, preventive facilities and grounds maintenance programs and related support services.</p>  |

| Funding Type  | Funding Limits   | Criteria  | Notes   |
|---|--|---|---|
| <p><b>Major Repair &amp; Renovation Funds (MRR)</b></p> | <p>Up to \$1 million per project</p> <p>Projects costing in excess of \$1 million should be requested as Minor or Major Capital Projects.</p> <p>The number of projects requested each year is limited by the MRR allocation.</p> <p><input checked="" type="checkbox"/> <b>Note:</b><br/>Strategies for choosing funds are described in the <i>Funding Strategies</i> section of this manual. This section starts on page 35.</p> | <p>Funds consider actual project needs.</p> <p>Funded annually based on an annual allocation formula that includes:</p> <ul style="list-style-type: none"> <li>Adjusted square footage for resident instruction space</li> <li>Adjusted age of the buildings</li> <li>Renewal factor</li> </ul> <p>Funds allocated based on a campus-prepared request. Types of requests include:</p> <p><b>Regular Projects</b><br/>Major repairs and renovations of existing physical facilities allocated by a formula that pro-rates the authorized funds among all the institutions.</p> <p><b>Regulatory Projects</b><br/>Authorized MRR funds set aside by the BOR for regulatory compliance-type projects. Projects should be <u>critical</u> facility regulatory requirements.</p> <p> <b>Examples include:</b></p> <ul style="list-style-type: none"> <li>ADA compliance</li> <li>Asbestos abatement</li> </ul> | <p>These funds are given through cash disbursements by the BOR and must be committed and under contract within the same fiscal year. All funds not contractually committed within the fiscal year requested are lost to both the campus and the system.</p> <p>Unused funds do not carry over into the next fiscal year, but can be redistributed and spent on other MRR projects that have been approved by the BOR for the same institution. These funds must be <b>committed</b><sup>17</sup> by June 30<sup>th</sup> for the institution to retain them.</p> <p>See the Appendices at the back of this document for sample submittal forms.</p> <p>Two copies of the FY-1998 MM requests should go to the BOR with a Project Record and Approval Form.</p> <p><input checked="" type="checkbox"/> <b>Note:</b><br/>Project cost estimates should be as current and accurate as possible to prevent cost overruns.</p> |
| <p><b>Other Funding</b></p>                             | <p>May or may not be limited</p>   | <p>Funds are approved in various manners based on the type of funding requested.</p>  | <p> <b>Examples include:</b></p> <ul style="list-style-type: none"> <li>Grants (foundation and endowment)</li> </ul>   |

<sup>17</sup> **Committed:** For funds to be committed, contracts must be in place for at least one part of the proposed project.