

**DIVISION OF HIGHER EDUCATION RULES GOVERNING
THE SUSTAINABLE BUILDING MAINTENANCE PROGRAM FOR
STATE-SUPPORTED INSTITUTIONS OF HIGHER EDUCATION**

Effective Date: October 31, 2024

1.00 DEFINITIONS.

- 1.00 “Deferred maintenance” means necessary maintenance, repairs and upgrades or replacements that are put on hold until sometime in the future, most notably due to a lack of funds needed to complete a project.
- 1.01 “Critical maintenance” means deferred maintenance projects that, if not addressed, could result in substantial damage to the structural integrity of a building or are related to the imminent failure of building systems such as HVAC, electrical and plumbing.
- 1.02 “Renovation of state-owned property” means updates to existing institutional facilities to address changing program needs on a campus.

2.00 LOANS.

- 2.01 Under the Sustainable Building Maintenance Program for State-Supported Institutions of Higher Education, the Division of Higher Education may:
 - 2.01.1 Authorize money to be loaned from the Sustainable Building Maintenance Program for State-Supported Institutions of Higher Education Revolving Loan Fund, pursuant to Arkansas Code § 19-5-1277, to a state-supported institution of higher education.
- 2.02 A loan from the fund made under 2.01 shall be:
 - 2.02.1 For:
 - 2.02.1.1 Deferred maintenance;
 - 2.02.1.2 Critical maintenance; or
 - 2.02.1.3 A renovation of state-owned property; and
 - 2.02.2 In an amount that exceeds one hundred thousand dollars (\$100,000).
- 2.03 The term for repayment of a loan from the fund made under 1.01 of this section shall not exceed ten (10) years.
- 2.04 An applicant applying for a loan under this rule shall meet the following eligibility requirements:

2.04.1 Applications for loans for construction and/or renovation projects should be accompanied by a copy of the engineer's or architect's project budget guidelines.

2.04.2 Criteria for loan approval will include, but are not limited to, the following:

2.04.2.1 The institution's current debt service requirements:

2.04.2.1.1 The total annual debt service (including that for the loan, if approved) may not exceed 25% of annual student tuition and fee revenue or,

2.04.2.1.2 If local millage is pledged against the loan, the millage income must equal no less than 120% of total annual debt service;

2.04.2.2 Feasibility of and need for the proposed project in the context of the educational and general mission of the institution; and

2.04.2.3 Availability of loan funds.

3.00 LOAN APPROVAL PROCESS.

3.01 An applicant for a loan from the Sustainable Building Maintenance Program for State-Supported Institutions of Higher Education Revolving Loan Fund under § 6-62-1202 shall:

3.01.1 Apply for the loan on a form approved by the Division of Higher Education.

3.01.1.1 The form under section 3.01.1 shall be posted on the division's website.

3.01.2 The division shall review an application submitted under 3.01.1 to determine if the applicant satisfies the eligibility criteria for a loan from the fund.

3.01.3 Upon approval by the division, each application shall then be reviewed by the legislature for final approval.

3.02 The division shall provide an applicant for a loan from the fund with written notice of its determination regarding whether:

- 3.02.1 To offer the applicant a loan from the fund, and
- 3.02.2 Any conditions for making the loan from the fund.
- 3.03 After an applicant for a loan from the fund has satisfied the preconditions, if any, for the division's approval of the applicant's loan application, and has executed a contract for the loan from the fund, the division will present the contract for the loan from the fund to Higher Education Coordinating Board for its approval.
 - 3.03.1 In determining whether to approve an application, the board will:
 - 3.03.1.1 First, based on project type give priority to critical maintenance needs.
 - 3.03.1.2 Second, give priority to deferred maintenance with renovation projects being the lowest priority for funding.
 - 3.03.1.3 As funds become available, division staff will notify the eligible institution of the intent to present the loan award for approval at the next available board meeting.
 - 3.03.2 Requirements for the issuance of a loan from the fund:
 - 3.03.2.1 Upon approval of the loan by the Higher Education Coordinating Board, the institution must sign a Certificate of Indebtedness specifying a payout schedule and asserting the commitment of the institutional board to budget and allocate the sums necessary to make the payments agreed upon in the Certificate of Indebtedness.
 - 3.03.2.2 The payout schedule will include a closing fee plus an annual service fee assessed by the Development Finance Authority as agreed upon by the division and the Authority and specified in the closing document(s).
 - 3.03.2.3 The Certificate of Indebtedness will provide for penalties for late payments.
 - 3.03.2.4 No penalties will be assessed for early retirement of the debt.