

***STATE OF LOUISIANA  
LEGISLATIVE AUDITOR***

**Managing and Maintaining  
Louisiana's Property**

Staff Study  
March 1995



***Performance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor***

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**Staff Study  
Office of Legislative Auditor  
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor**



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
P.O. BOX 94397  
TEL (504) 339-3800  
FAX (504) 339-3870

**March 8, 1995**

Honorable Samuel B. Nunez, Jr.,  
President of the Senate  
Honorable John A. Alario, Jr.,  
Speaker of the House of Representatives  
and  
Members of the Legislative Audit Advisory Council

Dear Legislators:

This is our report of the staff study of how Louisiana manages and maintains its real and movable property. This staff study was conducted as part of Phase Two of the Select Council on Revenues and Expenditures in Louisiana's Future (SECURE) project.

This staff study represents our findings, conclusions, and recommendations. We have also identified matters for legislative consideration. Included as Appendix C are the agency responses.

Sincerely,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DGK/jl

(LEGLTR)

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# Office of Legislative Auditor

## Executive Summary

### Staff Study Managing and Maintaining Louisiana's Property

State government in Louisiana is a major property owner. Investments of this magnitude require effective management. During Phase Two of the SECURE effort, the Legislative Auditor conducted further study of the following three issues relating to managing and maintaining Louisiana's real and movable property:

1. Review the possibility of creating a central management system for real property.
2. Develop a policy for funding preventive maintenance of state-owned facilities.
3. Review the possibility of creating a central management system for movable property.

Our study of these issues found that:

- ◆ Management of state land in Louisiana is decentralized. Establishing an oversight function made up of the major land managers could supplement current practices for more effective land management.
- ◆ *It may be more economical for the state to buy or construct buildings and consolidate multiple agencies in one location than to pay the increasing cost of leased office space for core government functions.*
- ◆ There are several ways to fund preventive maintenance in Louisiana. Louisiana can also improve other areas that drive up the cost of both preventive and deferred maintenance.
- ◆ Movable property management in Louisiana is decentralized at the agency level. A new automated system planned for 1997 should provide the information necessary to manage equipment in a more centralized fashion.
- ◆ *It may be more economical to purchase vehicles than to lease vehicles. The state could also save money by implementing a policy to replace vehicles on a regular basis and to pay mileage reimbursements to employees to use their own vehicles.*

*Daniel G. Kyle, Ph.D., CPA, CFE, Legislative Auditor  
Phone No. (504) 339-3800*

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# Chapter One: Introduction

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## Report Conclusions

**The state of Louisiana is a major property owner, whether one focuses on real property or on movable property. Investments of this magnitude require effective management.**

**Like many other states, the management of state land in Louisiana is decentralized. However, there is a lack of coordination among the major land managers of the state, so the best interest of the state may not always be served. A comprehensive coordinated approach to land management could more effectively manage Louisiana's land resources.**

**Because of the increasing cost of leasing office space, it may be more economical for the state to buy or construct buildings. Also, the state should save money by following through on its plans to locate multiple agencies in a single location.**

**Louisiana does not mandate funding for preventive maintenance. Because funding of preventive maintenance has been deferred by higher education, Louisiana has a considerable backlog of deferred maintenance projects, which is estimated to be at least \$100 million. Preventive maintenance has been deferred because of budget cuts and the lack of preventive maintenance oversight.**

**The legislature enacted Act 971 of 1985 to provide some funding for preventive maintenance. However, the required approvals for using this funding often delay preventive maintenance projects, which results in further asset deterioration and increased costs.**

**Deferred maintenance projects exceeding certain amounts are funded from the capital outlay appropriation. However, capital outlay funds are limited, and higher education officials say they are not gaining ground on deferred maintenance projects.**

**Other maintenance deficiencies that contribute to increased maintenance costs are poor planning, ineffective contracting procedures, poor workmanship, inadequate maintenance staff, and the lack of institutional flexibility.**

**In addition, there is a lack of oversight to assure that preventive maintenance is performed.**

**There are several ways by which the state could deal with the funding of maintenance. Recommendations from other states and suggestions from Louisiana officials can be used to help develop a policy for funding preventive maintenance.**

**Although the state mandates accountability for all movable property, the management of movable property is not centralized. Currently, each major agency, college, and university is responsible for managing its own equipment. However, the state is planning to enhance the management of movable property by implementing a new automated information system. This system will include components that give the state the information it needs to manage equipment in a more centralized fashion.**

**Fleet management is a type of movable property that is of particular interest. State officials say that it is more economical to purchase vehicles than to lease them. Leasing commercially is not a common practice in other states. Reimbursing employees for mileage incurred while using their personal vehicles for state business is a possible alternative to purchasing vehicles outright.**

**Sixty-seven percent of Louisiana's passenger vehicles are over five years old. Unlike the federal government and several other states, Louisiana does not have a formal vehicle replacement policy. State officials say that the state could save money by replacing vehicles on a regular basis.**

**When an "apples to apples" comparison is made, the size of Louisiana's vehicle fleet compares favorably, according to state officials. Also, many other states do not count all types of vehicles in their fleets, while Louisiana does.**

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## **Study Initiation and Objectives**

Senate Concurrent Resolution No. 17 of the 1994 Third Extraordinary Legislative Session directed the Office of Legislative Auditor to assist the Select Council on Revenues and Expenditures in Louisiana's Future (SECURE). This directive is further described in Appendix A. Specifically, SECURE Phase Two requested studies in the area of general government relating to managing and maintaining immovable and movable assets. In this report, we address SECURE's Phase One recommendations to:

- ♦ Review the possibility of creating a central management system for real property.
- ♦ Develop a policy for funding preventive maintenance of state-owned facilities.
- ♦ Review the possibility of creating a central management system for movable property.

The first topic listed above was not specifically included among SECURE's Phase One recommendations. However, the context of the Phase One report strongly suggests that the SECURE Council intended for this item to be studied. In addition, we were also asked to address the issue of owning versus leasing, both for state vehicles and for real property.

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## **Background**

The state of Louisiana is a major property owner, whether one focuses on real property or on movable property. Investments of this magnitude require effective management. Federal regulations define property management as safeguarding of the government's interest in property, in an efficient and economical manner consistent with the best business practices.

### **Management and Maintenance of Real Property in Louisiana**

**Definition of real property.** State-owned real property essentially consists of the state's land and buildings. The state owns 1.24 million acres of land and leases at least another 664,000 acres or a total of 1.9 million acres of land. This equals almost seven percent of all land in Louisiana. For the fiscal year

ended June 30, 1993<sup>1</sup>, the Comprehensive Annual Financial Report (CAFR) reported the historical cost of state land as \$485 million.

In addition, the state owns 9,841 buildings and has interest in 1,810 other buildings, which include nearly 500 building leases. The historical cost of the owned facilities and improvements reported in the CAFR for 1993 was \$3.2 billion. The replacement cost is close to \$5 billion. Louisiana spent more than \$24 million in 1994 on nearly 500 building leases.

**Management of state facilities.** According to our research, facilities management deals with activities in the areas of planning, operation, maintenance, and renovation of physical facilities and related equipment required to support service and administrative programs. The key components of an effective facilities management system are organization and staffing, policies and procedures, and information.

In particular, centralization of facilities management organization is recommended. However, the organizational approach depends on tradition and the extent of management's capabilities. Also, written procedures regarding the preventive maintenance program and the work request and order system should be developed and circulated. Finally, the information system should be designed to provide each manager with the information needed to manage resources.

In Louisiana, management of the state's real property is the charge of the Office of Facility Planning and Control (OFPC) within the Division of Administration. The mission of OFPC is to:

- ♦ assist in the management of the state's finances and fixed assets by administration of the comprehensive capital outlay budget process;
- ♦ assist in the management of the state's finances and fixed assets with the implementation of a comprehensive centralized facility management program; and
- ♦ provide appropriate owned or leased facilities to house the operations of state government and meet the space and functional needs of each user agency.

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<sup>1</sup> We used the 1993 CAFR because the 1994 CAFR was not available at the time we did our analysis.

Part of the administration of the comprehensive capital outlay budget process is the expenditure of capital outlay funds. Capital outlay is defined as expenditures for acquiring lands, buildings, equipment or other properties, or for their preservation or development or permanent improvement. To qualify as a capital outlay project, an individual project request must be for \$50,000 or more.

OFPC's philosophy is that a comprehensive, centralized facility/asset management program is essential for the proper management of the state's finances and fixed assets. OFPC officials say that centralization is necessary to:

- ♦ develop and implement uniform standards for capital projects;
- ♦ establish equitable, uniform space standards;
- ♦ maintain an accurate, comprehensive database of the state's fixed assets;
- ♦ avoid costly duplication of facility management systems; and
- ♦ provide access to a common database for multiple users.

Also, according to officials in OFPC, the recent implementation of the Statewide Facility Management System provides agencies with the centralized, computerized, shared database necessary to make informed capital outlay and operational decisions. The system helps OFPC achieve its mission by assisting with the capital outlay budget process and by providing a means to monitor space utilization in state-owned facilities.

**Management of state lands.** OFPC is also charged with the administration and supervision of state lands. This duty is carried out by the State Land Office, a unit within OFPC. Act 282 of the 1989 Regular Legislative Session (LSA-R.S. 39:11 - 39:14) transferred the state lands functions to the Division of Administration from the Department of Natural Resources.

LSA-R.S. 39:11 and 39:12 require the Commissioner of Administration to administer state lands, waterbottoms, and facilities, and LSA-R.S. 39:13 requires an inventory of state lands. More specifically, LSA-R.S. 39:11 and 39:12 say that the Commissioner of Administration:

- ♦ Shall administer and supervise lands, waterbottoms, and facilities owned or leased by the state of Louisiana;
- ♦ Shall be an essential party to all transactions involving immovable property in which the state has an interest;
- ♦ Shall administer and enforce the provisions of Title 41 of the Louisiana Revised Statutes of 1950 regarding state lands;
- ♦ May adopt rules and regulations to place all state property in the name of the state of Louisiana, to file all documentation relating to immovable property transactions with the commissioner, and to consolidate procedures for the administration of state property into the Division of Administration; and
- ♦ May develop policies and procedures for surplus immovable property, including disposition, develop a statewide plan for housing state agencies, and develop and implement a preventive maintenance program for state facilities.

The provisions of LSA-R.S. 39:13 relate to the comprehensive state lands inventory and require the commissioner to:

- ♦ Create a central database for all immovable property in which the state has an interest, including all lands, waterbottoms, and facilities both owned and leased;
- ♦ Maintain an inventory of all such property which shall be kept as current and comprehensive as is practicable; and
- ♦ Submit an annual inventory report by March 1 to the natural resource committees and finance committees for the House and the Senate.

The provisions of LSA-R.S. 39:13 have been carried out with the implementation of the State Land and Buildings System (SLABS). The State Land Office is known as the keeper of the SLABS. SLABS data is contained in three major files: one for site summary information, a second for building information, and a third for land conveyance information. The Statewide Facilities Management System, which was discussed previously, is updated from the SLABS.

State law contains several exceptions to the provisions concerning administration of state lands. These exceptions are as follows:

- ♦ **Lands and waterbottoms leased by the State Mineral Board;**
- ♦ **Management and operation of the Alexander State Forest at Woodworth by the Department of Agriculture and Forestry;**
- ♦ **Management and operation of wildlife management and refuge areas by the Department of Wildlife and Fisheries;**
- ♦ **Any immovable property under the management, operation, and control of any higher education institution or board; and**
- ♦ **Management and operation of forests under the jurisdiction of the Department of Public Safety and Corrections, Prison Enterprises Board.**

Although the above items are not subject to the statutory provisions designating the Commissioner of Administration to administer and supervised lands, waterbottoms, and facilities, they are subject to the requirement for a central inventory of all immovable property.

State-owned lands are described as properties managed by higher education and vocational-technical schools, the Department of Corrections, the Department of Health and Hospitals, the State Military (National Guard), State Parks, the Department of Agriculture and Forestry, and the Department of Wildlife and Fisheries. State-owned lands exclude highway rights-of-way managed by the Department of Transportation and Development. Because of the exceptions listed above, the state actually manages its land in a decentralized fashion. Furthermore, the management and acquisition of state-owned lands falls to the specific agency that regulates or has oversight of an assigned function.

**Maintenance of Real Property in Louisiana.** As discussed previously, one of the activities in a facilities management program is maintenance. Maintenance is the work of keeping property in suitable condition. Our research revealed that the cost of construction and operation, particularly for utilities, has been rising at a rate greater than that of the economy in general. As a result, increasing attention is being given to

proper maintenance and renovation of existing facilities, not only to defer or avoid new construction but also to ensure that related mechanical and electrical equipment operates as efficiently as possible. According to officials in OFPC, Louisiana spends about \$150 million per year on maintenance and \$93 million on utilities. In total, about 5 percent of state general fund revenues is spent on maintenance and utilities.

Lack of maintenance of real property is a major concern, especially at our state's institutions of higher education. OFPC officials say there are two categories of maintenance:

- ♦ Preventive maintenance - the systematic care, inspection, and servicing of equipment and facilities to keep them usable and safe, as well as to detect and correct minor problems before expensive and time consuming repairs and replacements are required. One source said that every dollar spent on preventive maintenance reduces future repair and replacement costs by five dollars.
- ♦ Deferred maintenance - the result of preventive maintenance that is not carried out in a timely fashion. Deferred maintenance can result in increased expense to the state through the effects of inflation and increased deterioration.

The state has deferred maintenance estimated to be at least \$100 million at institutions of higher education. Furthermore, according to officials we interviewed, the state is not making progress towards reducing this total. State officials also said that the primary cause of their maintenance problems is the lack of sufficient funding. Other causes identified by officials include poor planning, poor workmanship, personnel problems, the lack of institutional flexibility, and ineffective contracting procedures. However, officials also claimed that the recently implemented Statewide Facilities Management System will help identify and prioritize maintenance needs.

## **Management and Maintenance of Movable Property in Louisiana**

**Definition of movable property.** Movable property is defined as all tangible non-consumable movable property owned by an agency. It includes the state's machinery, equipment, and vehicles. For the fiscal year ended June 30, 1993, the net

historical value of state-owned movable property reported in the CAFR is \$1.4 billion. This amount includes approximately 9,000 state vehicles.

Like facilities management, equipment management deals with planning, scheduling, operating, and maintaining mobile and other equipment required to support service and administrative programs. Because of the rapid change in technology and the growing reliance on equipment to displace manpower and increase productivity, equipment management is an important function. It involves deciding when to replace worn-out, inefficient, or obsolete equipment.

**Management of equipment.** The Louisiana Property Assistance Agency (LPAA) within the Division of Administration is responsible for tracking Louisiana's movable property from acquisition to disposal. The LPAA is also responsible for three other statewide programs as follows:

- ♦ State Surplus Property Program;
- ♦ State Fleet Management Program; and
- ♦ Federal Surplus Property Program.

LPAA officials say they are dependent upon agency property manager to carry out the Movable Property Asset Management Program. Under state law, agency property managers must be appointed by the agencies. The LPAA has issued property control regulations for agency property managers to use to account for and dispose of all movable property.

**Movable property inventory.** LPAA is responsible for maintaining a master computer file that tracks all state movable property from its acquisition to its disposal. The computer file contains a description of the property, the serial number, if any, the original cost, the location of the property, and other information.

All state agencies must certify their inventories to LPAA annually. These inventories must include movable property purchased for \$250 or more and gifts or other property having a fair market value of \$250 or more. Property with an acquisition cost of less than \$250 may be included in the inventory at the discretion of the agency. Even if not included in the inventory, all state property must be accounted for.

**Property disposal.** LPAA's sole source of funding is derived from the State Surplus Property Program. Agencies seeking disposal of property must have the approval of LPAA. Property disposal is either through auction or sealed bid. Before a piece of equipment is designated for surplus auction at LPAA, it must be turned down by several agencies and charities.

Quasi-agencies<sup>2</sup> pay a handling charge for disposal of property. LPAA does not assess handling charges against other agencies seeking to dispose of property. If a piece of surplus property was originally purchased with federal money, with grant money at universities, or from an ancillary or enterprise fund, the agency disposing of it receives 80 percent of the proceeds of sale and LPAA receives 20 percent. LPAA retains all of the sale proceeds for movable property from any agency funded by state general funds.

**Accountability.** To ensure accountability of all movable property, the Commissioner of Administration can use several sanctions established by law. These sanctions are as follows:

- ♦ Call in the good faith performance bonds of the property manager.
- ♦ Take action to restrict or require acquisition of movable property only on approval of the commissioner until in compliance with the regulations.
- ♦ Revoke or restrict purchasing authority for movable property.
- ♦ Contract, at the expense of the agency in noncompliance, the resources necessary to resolve the compliance problem.

According to LPAA, these sanctions are rarely used because of the impact on the services the agency provides. Consequently, the state continues to receive a statewide Single Audit finding each year relating to the lack of accountability for equipment in some of the state agencies.

Equipment management, as previously noted, is currently dependent on the agency property managers to administer and is not within the current scope of LPAA's responsibility. More specifically, equipment operation, maintenance, and replacement are at the agency level.

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<sup>2</sup> According to LPAA, a quasi-agency is any governmental body that is not a state agency, such as sheriffs and municipalities.

## **Scope and Methodology**

This report is a staff study and not a performance audit. Preliminary research began in August 1994, and work was completed in February 1995.

This study focused on SECURE's Phase One recommendations to:

- ♦ develop a policy for funding preventive maintenance programs of state-owned facilities;
- ♦ review the possibility of creating a central management system for movable property; and
- ♦ review the possibility of creating a central management system for real property.

In addition, as part of this study, we were asked to study the issue of owning versus leasing, both for state vehicles and for real property.

To address the study objectives, we obtained and reviewed the information listed below. We did not audit the information that was provided to us.

- ♦ Louisiana law;
- ♦ Media news articles;
- ♦ SECURE Phase One Issue Paper;
- ♦ Related departmental policies, procedures, and other data;
- ♦ Federal and state property management regulations;
- ♦ Studies on property management from the United States General Accounting Office and the United States Senate's Governmental Affairs Committee; and
- ♦ Studies and reports on property management and maintenance from several states.

We also interviewed officials of the Division of Administration in the following sections:

- ♦ the Commissioner's Office;
- ♦ the State Land Office;
- ♦ the Office of Facility Planning and Control;
- ♦ the Office of State Buildings;
- ♦ the Louisiana Property Assistance Agency;

- ♦ the Office of Planning and Budget; and
- ♦ the Office of Information Services.

In addition, we interviewed officials in the following areas of higher education:

- ♦ the Board of Trustees for State Colleges and Universities;
- ♦ the Louisiana State University System;
- ♦ the Southern University System; and
- ♦ the Board of Regents.

We also interviewed officials in the Department of Natural Resources and the Department of Wildlife and Fisheries. Finally, we interviewed various legislative staffs as follows:

- ♦ the Legislative Fiscal Office;
- ♦ the Senate Office of Fiscal Affairs and Policy Development;
- ♦ the House Fiscal Division; and
- ♦ the House Economic and Budget Policy Advisor.

We conducted a trend analysis on state leases. We revalued to today's dollars the current maximum amount for the higher education exemption from capital outlay budget provisions for minor repairs, renovations, or construction. We also revalued to today's dollars the current maximum amount for change orders for capital outlay projects that OFPC can approve without legislative intervention. We performed other procedures that we considered necessary to fulfill our objectives.

**Areas for Further Study.** Some aspects relating to the management of the state's real property, which were not within the immediate scope of this study, came to our attention during this review. The legislature may wish to request further study of these issues. The issues for further study may include, but are not limited to, the following:

- ♦ Laws providing for the sale of surplus immovable assets, which have been described as outdated.
- ♦ Laws for the acquisition of real property and other capital outlay purposes, which have been described as inflexible.

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## **Report Organization**

The remainder of this report is organized into three additional chapters and three appendixes as follows:

- ♦ **Chapter Two** describes Louisiana's real property, owned and leased, and the manner in which this property is administered.
- ♦ **Chapter Three** examines maintenance of the state's real property.
- ♦ **Chapter Four** addresses the management and maintenance of state movable assets and the issue of owning versus leasing and other concerns relating to state vehicles.
- ♦ **Appendix A** contains the details for the initiation of this study.
- ♦ **Appendix B** contains information on how other states manage state land.
- ♦ **Appendix C** contains agency responses to this report.



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# Chapter Two: Managing Real Property

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## Chapter Conclusions

Like many other states, management of state land in Louisiana is decentralized. State officials say that decentralization is legitimate when one understands the overall missions of the agencies.

However, there is a lack of coordination among the major land managers of the state, and the best interest of the state may not always be served. A comprehensive coordinated approach to land management could more effectively manage Louisiana's land resources.

The cost of leasing office space in Louisiana is increasing. When compared to other states, Louisiana's proportion of leased office space to owned office space is somewhat higher. Also, procedures for leasing ignore pertinent factors, such as the condition and location of the building to be leased.

Because of the increasing cost of leased space, it may be more economical for the state to buy or construct buildings. Also, the state could save money by following through on its plans to locate multiple agencies in a single building.

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## Land Control Is Decentralized and Lacks Coordination Among Agencies

In Louisiana, management of state-owned lands is decentralized among various state agencies. This organizational style is consistent with the related statutory authority. Even though there are good reasons for decentralizing land management, there is a lack of coordination among the agencies involved, and the best interest of the state may not always be served. The federal government and several other states use a more comprehensive approach to land management. If total centralization is not achievable in Louisiana, a comprehensive statewide approach to land management may be a more effective way to manage state lands.

**Debate Concerning Decentralization.** Statutory exceptions for administering state lands result in the decentralization of land management in Louisiana. As explained in Chapter One, several state agencies that manage state-owned lands are exempt, by statute, from the authority given the Division of Administration to administer and supervise state-owned lands. This provision, in effect, decentralizes the management of state-owned land in Louisiana.

Officials in OFPC, particularly in the State Land Office, and officials in the exempt agencies have strongly differing views on the value of these exceptions. During our interviews of state officials, personnel in the State Land Office said that the exceptions cause unnecessary overlap among state agencies. They said that overlapping is evident in that several agencies are involved in real estate practices. These agencies include:

- ♦ the Department of Transportation and Development;
- ♦ the Department of Wildlife and Fisheries;
- ♦ the port commissions;
- ♦ the levee boards; and
- ♦ other miscellaneous agencies.

State Land Office officials also said that the statutory exceptions prevent one agency from having the necessary oversight authority over all state lands. According to the State Land Office, this situation results in the pursuit of individual agency goals that may be in conflict with the best interest of the state. They cited several examples, such as timber management and rental fees for private structures built on state waterbottoms, to show that decentralization of land management may be keeping Louisiana from maximizing the earnings potential of various land resources.

On the other hand, the exempt agencies we interviewed said that decentralized land management is legitimate when one understands the overall missions of the different agencies. Higher education officials cited several reasons for not centralizing land management under the Division of Administration. Their reasons included the following:

- ♦ Centralization would take away their flexibility.
- ♦ University land holdings are primarily for educational objectives and are not held for business purposes.

- Louisiana State University system officials said that they hold land for future development that is actively managed for income potential.
- Officials of the other two systems said that they are landlocked and do not have excess land for future development.
- ♦ If full centralization under the Division of Administration were to occur, potential donors may choose not to donate lands to colleges and universities in the future.

The Department of Wildlife and Fisheries is the biggest land holder in the state and manages approximately 1.3 million acres or 68 percent of all state owned and leased land. In addition, the department leases for 15 years approximately 140,000 acres of waterbottoms for oyster beds. Department of Wildlife and Fisheries officials also gave us several reasons why they believe land management should not be centralized under the Division of Administration. Their reasons are as follows:

- ♦ In addition to the fact that the Department of Wildlife and Fisheries manages the most land in the state, using the highest and best use principle, its expertise in land management dates back to 1911, or most of this century.
- ♦ The statutory exemption exists because the Department of Wildlife and Fisheries has nearly 300,000 acres of donated land with restrictions requiring management by the department.
- ♦ The department actively manages its land holdings for earnings possibilities, although this objective is secondary to the agency's main objective of providing wildlife conservation, environmental protection, and public recreational opportunities. However, because the department provides so many recreational opportunities, the economic benefit to the state has been calculated to be between \$200 million and \$625 million.

Unlike the other exempt agencies, the Department of Natural Resources does not own any land. Its main mission is to lease the state's waterbottoms for mineral exploration.

Department of Natural Resources officials gave the following justification for their department's exception:

- ♦ The mineral income leasing process is a sophisticated one that requires a staff of professional oil and gas geologists, engineers, and auditors to properly manage mineral leases.

**Need for comprehensive statewide approach to land management.** As stated previously, there are lawful reasons for decentralization of land management in Louisiana. However, there are several reasons why a more comprehensive statewide approach to land management is needed. These reasons are explained below.

- ♦ To maximize mineral income derived from state lands.
  - The state has no active management program for mineral leasing activities of all agencies and political subdivisions. The Department of Natural Resources has mineral leasing expertise on staff. Other entities only have to get the approval of the Mineral Board to lease. Department of Natural Resources officials say that mineral income could be maximized if the department were allowed to provide lease management services to these other entities. Their services would include production monitoring, fact finding, and auditing on the entities' behalf.
- ♦ To derive full economic benefit from all lands suitable for public use.
  - The Department of Wildlife and Fisheries suggested that the state needs to employ the *highest and best use principle* to land management. Federal land management guidelines define the highest and best use as the most likely use to which a property can be put, so as to produce the highest monetary return, promote its maximum value, or serve a public or institutional purpose. The highest and best use determination must be based on the property's economic potential, qualitative values inherent in the property itself, and

other utilization factors controlling or directly affecting land use. Department of Wildlife and Fisheries officials said they consider this principle in acquiring land, and the highest and best use for much of the land they acquire is for recreational purposes. They also suggested that some of the land under the management of the State Land Office is suitable for public use and should be included in their Wildlife Management Areas system.

- ♦ When there are land boundary disputes being litigated.
- ♦ For timber management purposes.
- ♦ For collection of rentals on private structures built on state waterbottoms.
- ♦ Other areas where revenues are not being maximized.

The federal government uses a more comprehensive approach to land management than Louisiana. Like Louisiana, the federal government manages its land in a decentralized fashion. However, unlike Louisiana, its General Services Administration has promulgated policies and procedures for the effective management of governmentwide real property. Chapter 101 of the Code of Federal Regulations contains the Federal Property Management Regulations. Part 101-3 of this section includes the annual real property inventories regulations and Part 101-47 contains regulations relating to the utilization and disposal of real property.

Policies and procedures are a key component for effective management and control. They should be developed and circulated so that priorities are made specific and clear. As explained in Chapter One, the statutory provisions relating to land management in LSA-R.S. 39:12 give the Commissioner of Administration authority to adopt rules, regulations, policies, and procedures for statewide land management. However, officials of the State Land Office told us that rules and regulations have not been promulgated. They said they have drafted some rules but have not had them promulgated because they did not think the rules would be approved.

Several states have also recognized the need for statewide land management oversight. According to one report, the state of Wisconsin has recognized that information is the backbone to

resource management. The way a resource is managed hinges on the information that is available to its managers. Therefore, it is critical that information systems be designed to support the desired mode of management.

Wisconsin recently enacted the Land Information Program. The program evolved from 25 years of study, analysis, and effort by the state of Wisconsin, University of Wisconsin System, local government, and federal agencies. The intent of the program is to develop a decentralized confederation of systems. Those with existing land records responsibilities will continue to collect, maintain, and keep custody of land information. The program includes a board, whose composition is diverse and includes representatives from several state agencies, local government, private sector, federal agencies, and other areas.

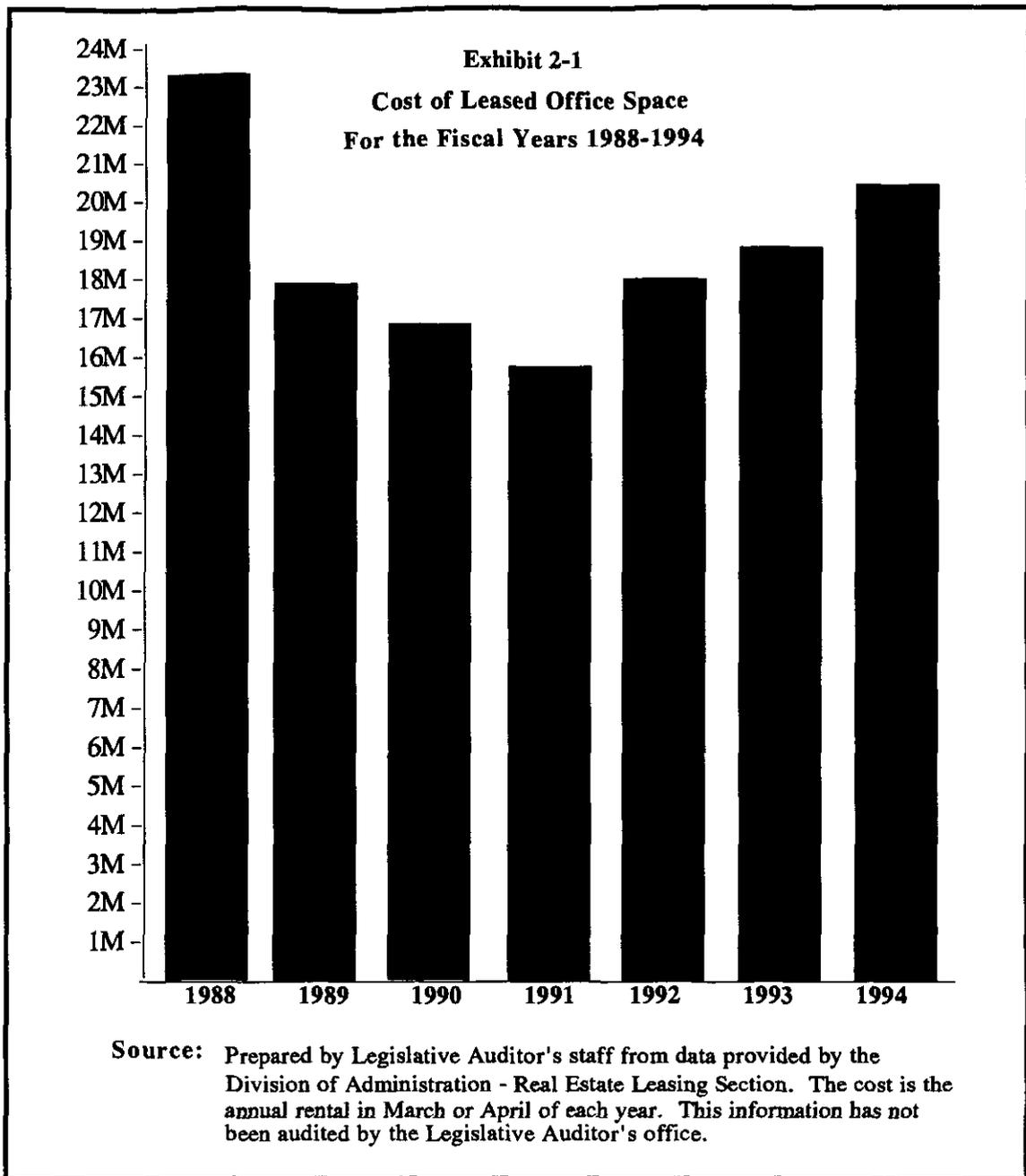
In Louisiana, the state uses SLABS to maintain an inventory of state land and buildings. However, this system is maintained solely by the State Land Office and is not integrated with any other land information system.

In our research of land management practices in other states, we found that at least 35 other states manage land in a decentralized fashion. However, ten of these states' Departments of Natural Resources manage, at a minimum, forests, parks, and some aspects of wildlife. Other agencies in these states manage land for transportation, higher education, and corrections. Appendix B contains a summary of these 35 states' land management practices.

A comprehensive statewide approach to land management, similar to what is done in the federal government and in some other states, should be considered in Louisiana. This approach could include, but is not limited to, the following critical components:

- ♦ an oversight function made up of the major land managers; and
- ♦ promulgation of policies and procedures for land management.

Based on the work conducted in this study, we feel that such a coordinated approach would produce more effective management of Louisiana's land resources.



### **Leased Office Space Costs Are Increasing**

Lease expenditures for office space are increasing, even though Louisiana has fewer leases than it did seven years ago. Louisiana has a higher percentage of leased office space than other states. State law requiring that the competitive bid process be used for leases may not be appropriate. Furthermore, buying may be more economical than leasing. In addition, there may be economies of scale in co-locating multiple agencies in single buildings.

**Number and cost of leases.** Even though the number of leases for office space is less than what it was seven years ago, the cost of these leases is increasing. After a period of decline, both the number and the cost of state office space leases are growing. In 1994, Louisiana spent more than \$20 million on 354 office space leases.

From 1988 to 1994, the amount spent on office space leases declined from \$23 million to \$20 million, as shown in Exhibit 2-1. The overall trend from 1988 to 1994 distorts what has actually been happening in the state's lease activity. From 1988 to 1990, the number of leases fell from 448 to 312. Similarly, from 1988 to 1991, except for 1989, rental costs per square foot fell from \$8.53 to \$8.29. According to the governor's 1991 State of the State report, this reduction was the result of aggressive space management and the purchase of buildings.

However, since those dates, both the number of state office space leases and their costs have increased. The total cost per square foot in 1994 was \$9.19. According to Division of Administration officials, the increasing cost is the result of renewals of many leases at 1994 prices. Division of Administration officials also said that the prices will probably not go down.

**Comparison to other states.** We compared the proportion of leased office space to owned office space in Louisiana to that of 15 other states. According to a 1994 survey conducted by the Council of State Governments, these 15 other states owned an average of 58 percent of their office space and leased an average of 42 percent. In contrast, Louisiana owns 52 percent of its office space and leases 48 percent. This information is presented in Exhibit 2-2 on the following page.

**Lease versus buy.** The renewed growth of state leases has a significance related to the question of whether it is more economical for the state to lease buildings or to buy them. According to Division of Administration officials, because of Louisiana's inability to fund the purchase of buildings to house some state agencies, the state has been leasing buildings when it would be more economical to buy office space.

Specifically, Division of Administration officials said that leasing makes sense for short-term programs or programs in remote areas of the state. However, it would be cheaper, because of the long-term nature of needs, to buy or build office

<b>Exhibit 2-2</b>		
<b>Proportion of State-Owned to Leased Office Space in Other States as Compared to Louisiana</b>		
<b>State</b>	<b>Owned</b>	<b>Leased</b>
California	47%	53%
Florida	39%	61%
Hawaii	75%	25%
Kentucky	60%	40%
Minnesota	27%	73%
Missouri	51%	49%
Nebraska	70%	30%
New Hampshire	90%	10%
New Jersey	50%	50%
Oklahoma	46%	54%
Tennessee	60%	40%
Utah	70%	30%
Vermont	80%	20%
Washington	50%	50%
Wyoming	50%	50%
<b>Average</b>	<b>58%</b>	<b>42%</b>
<b>Louisiana</b>	<b>52%</b>	<b>48%</b>
<p><b>Sources:</b> Data for other states was summarized by Legislative Auditor's staff from the Council of State Government's report titled "Review and Evaluation of the Tennessee Facilities Revolving Fund." Owned office space data for Louisiana was obtained from the Division of Administration - State Buildings and Grounds in January of 1995. Leased office space data was obtained from the Division of Administration-Real Estate Leasing Section as of November 1994. This information has not been audited by the Legislative Auditor's office.</p>		

space for core government functions, such as parish welfare offices. There were several examples given in SECURE's Phase One review where core government functions, such as the Department of Revenue and Taxation, have been housed in leased space so long that the rental payments have exceeded the cost of the building leased by the state.

If funding becomes available, the state is planning to move towards more owning and less leasing of office space because ownership has proven to be more economical.

**Lease-purchase.** An option intermediate between the buying and leasing of buildings is the lease-purchase. Under a lease-purchase arrangement, a landlord builds office space that is designed to meet the needs of a particular agency. The developer then leases the space to the state, while retaining ownership of the building. After a certain period of time, perhaps 25 years, the state gains title to the property.

Lease-purchase arrangements can be beneficial to cash-strapped governments that cannot afford the costs of buying buildings. In return, the developer gets a stable, long-term tenant, tax exempt financing, and a potential profit on maintenance fees. This type of arrangement is also beneficial for local government because the property is maintained on the tax rolls for the period of the lease.

We discussed lease-purchase options with officials in the Division of Administration. According to these officials, the state is seriously considering a lease-purchase for the Capital Complex project. The Capitol Complex project is a planned development of government offices and parking facilities in the downtown area of Baton Rouge near the State Capitol.

Division officials said they are considering a lease-purchase arrangement because the state cannot issue more debt to construct the building. The inability to issue more debt is the result of the constitutional debt limitation that recently went into effect. In this case, the developer would incur the debt to construct the building.

Exhibit 2-3 on page 26 was prepared by OFPC to show the economies of the proposed lease-purchase plan. According to OFPC officials, the state will pay for the building in 20 years. They said that the concept is basically to take the dollars currently used for lease payments and divert them to buildings.

**Co-location of agencies.** OFPC has recognized that there are economies of scale to be gained by locating multiple state agencies in one location. For instance, the state acquired four buildings in 1991 to house various state agencies. The state acquired these buildings through the Office Facilities Corporation (OFC). The OFC arrangement is similar to a lease-purchase. The agencies housed in the buildings pay rent to defray debt service and maintenance expenditures on the buildings.

The proposed Capitol Complex, which is discussed in the lease-purchase section, will consolidate 2,700 state employees. According to OFPC officials, this arrangement will result in

operational savings. OFPC officials also said that the recently implemented Statewide Facilities Management System will provide a means to monitor space utilization in state-owned facilities. This arrangement will help in making operating and capital outlay decisions.

OFPC officials said that when agencies are highly dispersed, additional expenditures are incurred for transportation, mailrooms, duplication services, and messengers. Economies of scale can be achieved when many small agencies or one large agency is located within the same building.

**Competitive bid process for leasing.** In some cases, it is more appropriate to lease office space than to build. However, the state procurement code applies to leases of areas totaling 2,500 or more square feet<sup>1</sup>. The procurement code requires the state to lease from the landlord offering the lowest competitive bid. Other factors, such as the building's condition and location, are not considered. OFPC officials said that ignoring these other factors is not appropriate for leasing. It can result in the state leasing space that is in poor condition, is not centrally located, or does not meet the agencies' needs.

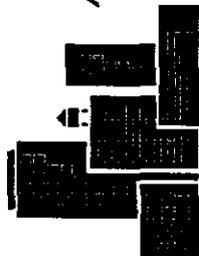
We reviewed current literature for leasing procedures of other states. We found that South Carolina considers cost as only one of three factors in the awarding of lease contracts. The other considerations are location and special requirements.

In 1993, the Division of Administration proposed legislation to raise the threshold of discretion from 2,500 square feet to 5,000 square feet. However, this measure failed. The Division plans to introduce at least two bills in the 1995 session to raise the threshold of discretion. One of the bills will employ a request for proposals (RFP) procedure as opposed to the competitive sealed bid requirement.

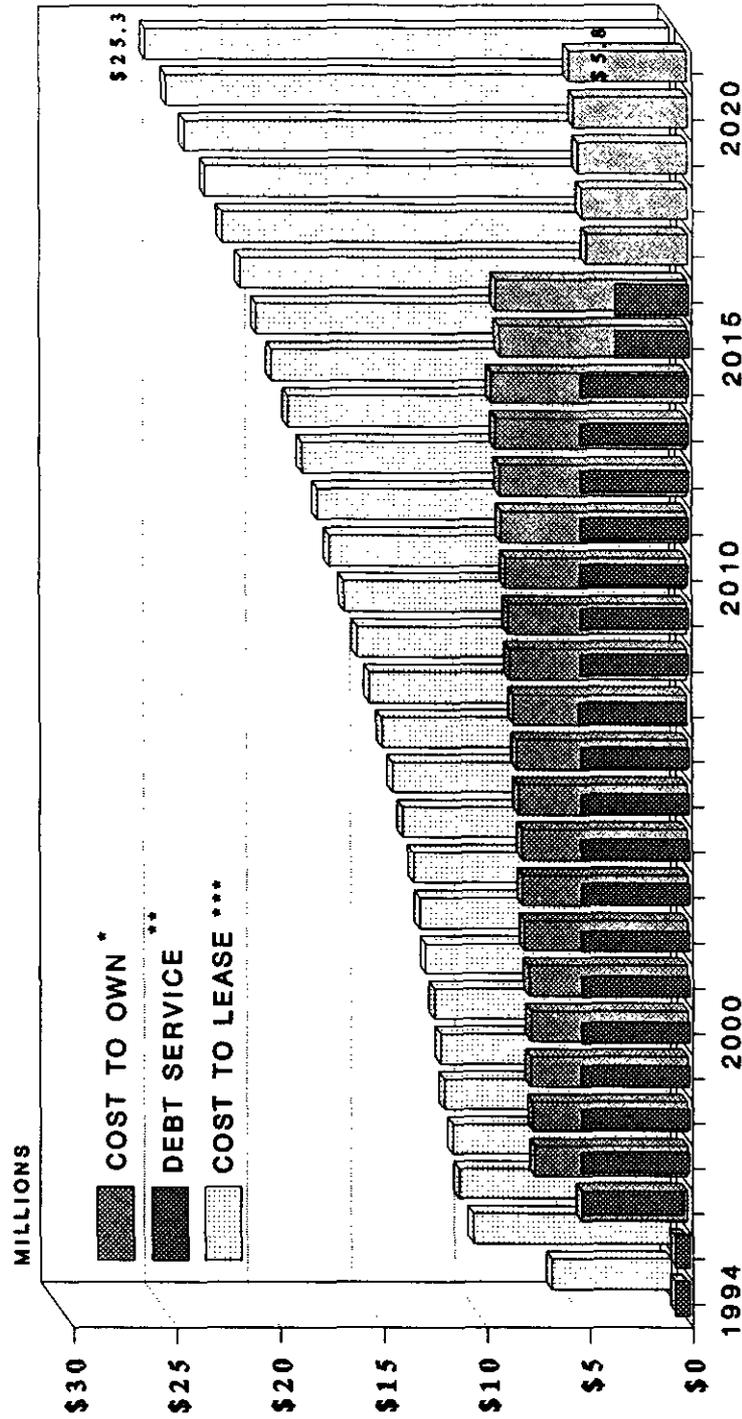
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<sup>1</sup> The state has discretion for leases under 2,500 square feet.

**CAPITOL COMPLEX ACTION PLAN**



**COST TO LEASE VS COST TO OWN  
CAPITOL COMPLEX SPACE**



\* Debt service plus operating cost. Assumes 4% inflation.  
 \*\* Level 20 year period at 7% plus debt service for planning and land acquisition.  
 \*\*\* Existing leases as of 5/17/94 plus renegotiated plus growth. Assumes 4% inflation increase.

Source: Division of Admin. 5/18/94

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## Matters for Legislative Consideration

The legislature may wish to consider the following:

1. Enacting provisions to require greater coordination between the major land managers of the state. This approach should include, but is not limited to, the following critical components:
  - an oversight function made up of the various agencies involved in land management; and
  - promulgation of policies and procedures for land management.
2. Increasing the emphasis placed on purchasing, constructing, or lease-purchasing office space, with a diminished use of long-term leases, especially for core government functions.
3. Amending the provision of the procurement code requiring that building leases for 2,500 or more square feet be awarded to the low bidder to allow for consideration of other factors, such as location, condition, and suitability to needs.

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## Recommendation

1. *The State Land Office within the Division of Administration* should promulgate rules, regulations, policies, and procedures for land management as provided by LSA-R.S. 39:12, which excludes the exceptions listed in LSA-R.S. 39:14. Such rules, regulations, policies, and procedures may help improve the coordination among the non-exempt major land managers, so that the best interests of the state are served.



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# Chapter Three: Maintaining Real Property

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## Chapter Conclusions

***Louisiana does not mandate funding for preventive maintenance. More than half of Louisiana's state-owned buildings have been occupied for over 20 years. Maintenance increases as the age of a building increases.***

**Because funding of preventive maintenance has been deferred by higher education, Louisiana has a considerable backlog of deferred maintenance projects, which is estimated to be at least \$100 million. Preventive maintenance has been deferred because of budget cuts and the lack of preventive maintenance oversight.**

**The legislature enacted Act 971 of 1985 to provide some funding for preventive maintenance. However, the required approvals for using this funding often delay preventive maintenance projects, which results in further deterioration of assets and increased costs.**

***Deferred maintenance projects exceeding certain amounts are funded from the capital outlay appropriation. However, capital outlay funds are limited, and higher education officials say they are not gaining ground on deferred maintenance projects.***

**Other maintenance deficiencies that contribute to increased maintenance costs are poor planning, ineffective contracting procedures, poor workmanship, inadequate maintenance staff, and the lack of institutional flexibility. In addition, there is a lack of oversight to assure that preventive maintenance is performed.**

**There are several ways by which the state could fund maintenance. Recommendations from other states with similar problems and suggestions from Louisiana state officials can help develop a policy for funding preventive maintenance.**

### **Aging State Buildings Require More Maintenance**

More than half of Louisiana's state-owned buildings have been occupied for over 20 years. According to our research, the cost of building maintenance increases as the age of a building increases.

According to a study published in Wisconsin, two national studies have concluded that state and university officials will need to greatly increase expenditures on facility maintenance and repair if the nation's investment in its university infrastructure is to be preserved. Furthermore, costs will increase because many facilities, which were constructed in the 1960s to accommodate increasing enrollments, are reaching an age at which the amount and frequency of facility repair work is expected to increase. This is the age at which roofs often need to be replaced and major building systems, such as heating and air conditioning, need significant renovation.

Louisiana is no exception to this rule. The State Land Office prepared the data summarized in Exhibit 3-1 below. This exhibit shows that 53 percent of all state-owned buildings are over 20 years old.

<b>Exhibit 3-1</b>		
<b>Occupancy Dates of State-Owned Buildings</b>		
<b>Age of Building</b>	<b>Number of Buildings</b>	<b>Percentage of Buildings</b>
0-20 years old	4,611	47 %
Over 20 years old	5,230	53 %
<b>Total</b>	<b>9,841</b>	<b>100 %</b>
<b>Source:</b> Summarized by Legislative Auditor's staff from data provided by the Division of Administration - State Land Office dated December 1994. This information has not been audited by the Legislative Auditor's office.		

### **Preventive Maintenance Funding Is Discretionary for Some State Institutions**

Inadequate funding is the primary reason given for the lack of preventive maintenance. Despite the fact that older buildings require more maintenance, state officials said that Louisiana has a considerable backlog of deferred maintenance projects for higher education. According to these officials, the backlog occurred because funding for preventive maintenance has been deferred because of budget cuts.

According to state officials, preventive maintenance is funded from agency, college, or university's operating budgets. The exception is those agencies housed in state buildings maintained by State Buildings and Grounds. State Buildings and Grounds within the Division of Administration is responsible for preventive maintenance for state-owned buildings housing state agencies, with the following exceptions:

- ♦ the Department of Transportation and Development;
- ♦ the Department of Labor;
- ♦ higher education; and
- ♦ other miscellaneous institutions.

For the agencies listed above, there is no state oversight for preventive maintenance.

According to State Buildings and Grounds officials, preventive maintenance is adequately funded for the 39 buildings for which they have responsibility. This is because a certain portion of general fund and other revenues is set aside for the operations of *State Buildings and Grounds*. *State Buildings and Grounds* officials said that because preventive maintenance is adequately funded, their agency does not have any deferred maintenance projects.

We reviewed a report on non-discretionary expenditures for the 1994-95 fiscal year that was prepared by the Office of Planning and Budget. According to this report, a total of \$12.2 million was allocated to state buildings in the Division of Administration's budget. Another \$5.5 million was allocated for maintenance of state buildings from the budgets of other agencies. The total of \$17.7 million was included in the non-discretionary portion of the report. Of the \$17.7 million, \$6.9 million was allocated from the general fund and the remaining \$10.8 million came from other sources of revenues.

On the other hand, state officials have reported that higher education has at least \$100 million in deferred maintenance projects. According to higher education officials, this is because when budget cuts occurred, equipment and maintenance categories were cut, which included preventive maintenance. These categories are considered discretionary categories in the universities' operating budgets. Officials we interviewed said that their institutions have neglected maintenance for the last 10 years because of state budget cuts.

Higher education officials also told us that Louisiana's funding for higher education is only 60 percent of that of the Southern Regional Education Board states. When preventive maintenance is neglected, the more expensive option, deferred maintenance, results.

According to Board of Regents officials, colleges and universities have a great deal of flexibility to decide what is funded in their operating budgets. Officials of the Board of Trustees for State Colleges and Universities said that, in the past two years, they have added emphasis on maintenance by informally asking the colleges and universities within their system to commit four to five percent of their budgets to preventive maintenance.

Southern and Louisiana State University System officials told us that they do not have money for preventive maintenance in their operating budgets. However, if there happen to be funds left over in their budgets, Act 971 of 1985 allows them to spend at least half of the surplus on preventive maintenance projects. However, they must obtain approval of the higher education management board, the Board of Regents, and the Joint Legislative Committee on the Budget to do so.

Southern University System officials told us that they often delay maintenance for the second half of the fiscal year. After the fiscal year is ended, they use Act 971 money to fund delayed maintenance. A news report dated February 1995, said that the Joint Legislative Committee on the Budget approved a request by state colleges to spend \$4.3 million in unexpended funds from the fiscal year ending June 30, 1994, for preventive maintenance and nonrecurring expenses. Several higher education officials pointed out that the required approvals for this funding delays preventive maintenance projects further, which results in increased costs from further deterioration of assets.

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**Many  
Institutions  
Resort to  
Deferred  
Maintenance  
Funding**

Because preventive maintenance has not been adequately funded from operating budgets and because buildings are aging, many institutions must resort to deferred maintenance funding. Deferred maintenance funding is more expensive than preventive maintenance. Moreover, there is little funding available for deferred maintenance.

Deferred maintenance projects are typically funded out of the capital outlay appropriation. As previously mentioned, to qualify as a capital outlay project, an individual project request must be for \$50,000 or more. The exception is higher education. For higher education, a project must be for \$150,000 or more to qualify as a capital outlay project. The state sells bonds to finance capital outlay projects.

According to state officials, recent capital outlay appropriations have provided the following maintenance-related funding:

- ♦ Higher education received \$22.5 million over the last two fiscal years and has been appropriated \$7.5 million this year to fund major repairs and maintenance.
- ♦ In 1994, \$14.5 million was appropriated for a statewide roof repair and replacement program.

Despite these commitments, higher education officials told us that they are not gaining any ground. They attribute this to the fact that total deferred maintenance is estimated to be at least \$100 million. They also said that inflation works against them, as it continues to increase prices further. Also, when maintenance funding is delayed, expenditures may increase because of increased deterioration.

In addition, higher education officials complained that the new constitutional debt limitation restricts the state's ability to incur debt to fund capital outlay projects. Therefore, the state must find other sources of revenues to fund deferred maintenance.

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**Other  
Problems  
Contribute to  
Maintenance  
Costs**

Although inadequate funding was the primary reason given for the lack of preventive maintenance and the increased costs of deferred maintenance, state officials cited other deficiencies that contribute to increased maintenance costs, as well. Other causes of maintenance deficiencies identified by state officials include:

- ♦ poor planning;
- ♦ ineffective contracting procedures;
- ♦ poor workmanship;
- ♦ inadequate maintenance staff;
- ♦ lack of institutional flexibility;
  - the current level set for change orders;
  - the higher education exemption; and
- ♦ lack of oversight to assure preventive maintenance is performed.

Comments we received on each of these subjects are detailed in the following paragraphs.

**Planning.** Several of the higher education officials we interviewed emphasized the importance of planning and foresight for effective and economical maintenance. University board officials stressed the problems of maintenance costs that result from restrictive purchasing procedures, delays in receiving supplies, and from the maintenance approval process. According to these officials, the approval process can sometimes take months. These delays increase costs because increased deterioration occurs during the delays.

**Workmanship.** Several higher education officials agreed that a construction standard should be developed to save money in the long run, instead of emphasizing up-front savings. According to these officials, emphasizing quality construction and adequate supervision during construction does not cost much more money and will save on maintenance in the long run. Using higher quality construction materials can also save money in the long run.

Our research supports this contention. According to one state study we reviewed, inadequate construction oversight can result in the following costly problems:

- ♦ Detecting contractor errors late in the project, which results in expense and time delays to correct the mistakes;
- ♦ Not detecting poor construction, which leads to deterioration and the need to perform costly repairs earlier than necessary; and

- ♦ Limited documentation of contractor performance, which impedes legal actions against contractors.

**Maintenance staff.** Several higher education officials we interviewed referred to the impact of budget cuts on maintenance staff. They said that when budgets were cut in the past, preventive maintenance was one of the first areas to suffer, with maintenance personnel being removed from the payroll. Cutting maintenance personnel occurred despite evidence that preventive maintenance, when practiced in a timely manner, saves money in the long run.

**Institutional flexibility.** A number of higher education officials stressed the lack of flexibility allowed them for dealing with maintenance problems. For instance, one official referred to the higher education exemption that allows higher education to carry out maintenance projects of less than \$150,000 without outside approval and from any source of funds. According to this official, for projects in excess of \$150,000, the approval process can take a year and a half. The delay increases the cost of the maintenance project.

The \$150,000 figure was established in 1979. Using the inflation index most often used by the Legislative Fiscal Office, we calculated that the buying power of \$150,000 in 1980 had eroded to \$82,710 by 1994. To restore the buying power of \$150,000 in 1980, the threshold would have to be raised to \$271,875.

A similar erosion has taken place with change orders. A change order is defined in LSA-R.S. 38:2211(3) as "an alteration, deviation, addition or omission as to a preexisting public work contract." Currently, agencies can execute change orders of up to \$30,000 with the approval of OFPC. A change order for more than that amount requires, in addition, the approval of the Joint Legislative Committee on the Budget and the Commissioner of Administration or his designee.

The \$30,000 threshold for change orders has been in existence since 1982. Using the same inflation index, we calculated that the buying power of this \$30,000 had, as of 1994, declined to \$19,044. To restore it to the buying power of \$30,000 in 1982, the threshold would have to be raised to \$47,262.

An example of how the change order threshold affects maintenance costs was cited by a university official. According to this official, a flooding problem in one of the university

buildings could have been prevented with a change order totaling \$40,000.

**Oversight.** According to OFPC officials, there is no statewide oversight to assure that an adequate preventive maintenance program is in place for state buildings that are not the responsibility of State Buildings and Grounds. OFPC officials said that the automated Statewide Facilities Management System will enable agencies and OFPC to have better maintenance information, but it does not call for central maintenance authority.

Maintenance is not mandated by law, except for the roof replacement program, which is the first statewide maintenance effort. There are many other areas needing attention, such as electrical systems, mechanical systems, and waterproofing. Also, some agencies have no incentive to perform preventive maintenance. Furthermore, agency officials said that they do not have the staff to monitor preventive maintenance programs on a statewide basis.

According to our research, preventive maintenance requires adequate oversight and guidance. One way to do this is to develop and circulate written procedures regarding the preventive maintenance program. One state study we reviewed recommended that agencies be required to develop preventive maintenance schedules as a condition to obtaining funds for deferred maintenance projects.

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### **Ways Maintenance Could Be Funded**

LSA-R.S. 39:12 authorizes the Division of Administration to develop and implement a preventive maintenance program for facilities. Adequate oversight and guidance relating to preventive maintenance could detect and correct minor problems before they result in major problems that are more costly to correct.

**Ways to fund maintenance.** Many other states have had to struggle with the issue of funding maintenance. In our research, we learned that other states have recommended several ways to deal with this problem. Also, several Louisiana state officials we interviewed made suggestions on how to fund maintenance. Recommendations from other states and suggestions from Louisiana officials can help develop a policy for funding preventive maintenance in Louisiana.

One study we reviewed was from the state of Wisconsin. Even with funding constraints, Wisconsin suggested the following options for funding maintenance:

- ♦ Require agencies to transfer some vacant positions to maintenance programs;
- ♦ Require new buildings to set aside funds for long-term maintenance; and
- ♦ Fund costly preventive maintenance activities with bond revenue.

Two North Carolina studies suggested different approaches. Their recommendations were as follows:

- ♦ Require each department to include in its budget a *reserve for repairs and renovations*. The reserve must be at least 50 cents per square foot of agency-occupied building space.
- ♦ Require agencies to set aside 1.5 percent to 3.0 percent of total plant replacement value for repairs and renovations.

Several Louisiana state officials we interviewed made suggestions, as well, on how to fund maintenance in the state. We have summarized their comments and presented them as follows:

- ♦ Link construction and operating budgets by including preventive maintenance as part of debt service payments for buildings built with bond funds.
- ♦ Dedicate a percentage of each agency's budget for preventive maintenance expenditures.
- ♦ Fund through third party financing for equipment replacement.
- ♦ Mandate that a certain dollar amount per square foot be spent on preventive maintenance.
- ♦ Make preventive maintenance a line item in the budget, so that appropriated money can only be spent for that purpose.<sup>1</sup>

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<sup>1</sup> If the state moves to a comprehensive program budgeting system, as is discussed in the Legislative Auditor's performance audit report titled *Louisiana's Planning, Budgeting, and Program Evaluation System*, this option may not be viable, as entire programs would be funded based on performance in lieu of line-item budgeting.

- ♦ Amend Act 971 of 1985 to require that all surplus funds be used to fund preventive maintenance projects for higher education.
- ♦ For other than higher education, enact provisions similar to Act 971 of 1985.

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### **Matters for Legislative Consideration**

The legislature may wish to consider the following:

1. Implementing some or all of the suggestions presented in this chapter for funding preventive maintenance.
2. Increasing the threshold amount for approvals of change orders.
3. Increasing the threshold amount for higher education for projects not needing funding through the capital outlay appropriation.
4. Instituting an exemption similar to the higher education exemption for other types of state agencies.
5. Amending the approval process for funding preventive maintenance using Act 971 funds.

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### **Recommendations**

1. The Division of Administration should develop preventive maintenance policies and procedures. These policies and procedures might include a requirement that agencies periodically report on the preventive maintenance schedule, preventive maintenance work performed, man hours used, and expenditures incurred for preventive

maintenance. The policies and procedures could also include annual inspections to recommend changes in preventive maintenance procedures. Finally, the policies and procedures could require the Board of Regents to perform the monitoring function for higher education.

2. The Division of Administration and/or the Board of Regents should provide incentives to perform preventive maintenance by linking it with prioritizing deferred maintenance funding from the capital outlay appropriation. Under this arrangement, agencies with good preventive maintenance programs would receive a higher funding priority than those with poor preventive maintenance programs.
3. The Division of Administration should consider the economy and effectiveness of materials, type of construction, and architectural design for both maintenance and construction projects.
4. The Division of Administration should provide a full-time construction supervisor with sufficient expertise at the project site to detect poor construction techniques and materials in a timely manner.



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# Chapter Four: Managing and Maintaining Movable Property

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## Chapter Conclusions

*Although the state mandates accountability for all movable property, the management of movable property is not centralized. Each major agency, college, and university is responsible for managing its own equipment.*

*The state plans to enhance the management of movable property by implementing a new automated information system. This system will include components that give the state the information needed to manage equipment in a more centralized fashion.*

*Fleet management is a type of movable property that is of particular interest. State officials say it is more economical to purchase vehicles than to lease them. Leasing commercially is not a common practice in other states. Reimbursing employees for mileage incurred while using their personal vehicles for state business is an alternative to purchasing vehicles outright.*

*Sixty-seven percent of the state's passenger vehicles are over five years old. Unlike the federal government and several other states, Louisiana does not have a formal vehicle replacement policy. State officials say that the state could save money by replacing vehicles on a regular basis.*

*When an "apples to apples" comparison is made with other states' fleets, the size of Louisiana's fleet compares favorably, according to state officials. Also, many other states do not count all types of state vehicles in their fleets, while Louisiana does.*

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## **Automation Will Increase Centralization of Movable Property Management**

The Division of Administration has plans to improve the management of movable property. These plans involve the implementation of a new accounting and information system called the Integrated Statewide Information System (ISIS). ISIS will include a movable property module. Information is the most vital tool of an effective equipment management program. However, the implementation of the property management module is the last priority of the ISIS project. Furthermore, it is uncertain which agencies will use the system.

**Lack of centralization.** Although the state does mandate accountability for all movable property, the management of movable property is not centralized. As explained in Chapter One, this is because each state agency, college, and university provides for the specification, operation, and maintenance of its own equipment.

While decentralization of equipment management ensures the availability of equipment when needed, it can be extremely costly. Decentralization can result in a lack of standardization of equipment in the overall organization, low equipment usage rates, and unnecessary duplication of both equipment and personnel. If properly designed, a centralized system can be responsive to users while achieving greater control of equipment.

**ISIS.** The state is working towards the completion of the new statewide integrated information system called ISIS. One of the system modules will replace the present movable property system.

We reviewed the specifications for the ISIS movable property module and found that the system will have the capability to track operation, maintenance, and repairs, as well as many other aspects of equipment management. Because the way a resource is managed hinges on the information that is available, the ISIS movable property module is vital to improving the management of movable property.

The state plans to gradually develop each ISIS module as funding becomes available. Despite its potential benefits, the movable property module is the last priority of the ISIS project. State officials anticipate that the movable property module will not be completed until 1997 or thereafter.

In addition, it is not known which agencies will be required to use the ISIS movable property module. State officials told us that, at a minimum, agencies that use the current movable property system will use ISIS. These agencies will be referred to as primary users. However, some state entities are not required to use the current system. They will be referred to as non-primary users. Some of these non-primary entities are higher education, the Department of Labor, and the Department of Transportation and Development. Officials say there will be a standards interface committee to identify reporting requirements for non-primary users.

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### **Fleet Management Concerns**

According to state officials, purchasing vehicles is more cost-effective than leasing them. Most other states purchase their vehicles outright. Reimbursing employees for mileage incurred while using their personal vehicles for state business is a possible alternative to purchasing vehicles outright. Also, Louisiana does not have a formal vehicle replacement policy, while the federal government and several other states do have formal vehicle replacement policies. Louisiana could probably save money if vehicles were replaced on a more frequent basis. State officials say that acquisitions of new vehicles are well controlled, so the size of the state's fleet remains stable. Furthermore, Louisiana's management of vehicles is more centralized than many other states.

**Lease versus buy.** State officials we interviewed told us that it is more economical for government to purchase vehicles than to lease them commercially. This is because the private sector, in contrast to government, receives a tax deduction for lease expenses. These officials also said that they can purchase vehicles for at least \$1,500 less than dealers' prices because the state purchases in volume directly from the manufacturers. In addition, the state receives the residual value of vehicles it purchases, which state officials cite as another advantage of purchasing.

We discussed leasing of vehicles with City of Baton Rouge officials. Several years ago, the City of Baton Rouge made a decision to lease vehicles. According to city officials, leasing was a big mistake. City officials said that they now purchase vehicles by taking the low bid and comparing it to the

state contract price. They also said that they sometimes finance the purchase of vehicles, especially if interest rates are low.

We also learned that most other states purchase their vehicles outright. We reviewed a survey conducted of 52<sup>1</sup> other state fleet administrators by the National Conference of State Fleet Administrators. According to this survey, only six other state fleet administrators lease commercially. For these six administrators, two involve transportation departments, two involve universities, one involves a lottery department, and one involves a department of finance and administration. Of the remaining 46 administrators, 42 said that they purchase vehicles outright, two said that they both lease and purchase vehicles, and two said that they could not provide the information requested because they have decentralized systems.

We discussed vehicle leasing with state officials in Louisiana. According to these officials, they recently studied a proposal submitted by a leasing company. They found that the leasing proposal could not surpass the purchase of vehicles. However, LPAA officials said they would recommend leasing when cash flow problems leave no other alternative.

**Mileage reimbursement.** Another alternative to purchasing vehicles is reimbursing employees for mileage incurred while using their personal vehicle for state business. Our research shows that the current trend is towards more employee-provided business cars.

Some of the benefits to employers of mileage reimbursement are as follows:

- ♦ Liability insurance costs will likely be reduced.
- ♦ No capital investment is required.
- ♦ There is minimal administration associated with the system.
- ♦ Costs can be controlled.

Benefits to the employee of mileage reimbursements include the following:

- ♦ Employees have the freedom to select the car and accessories of their choice.
- ♦ There is a financial incentive for cost-conscious driving.

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<sup>1</sup> Some states have more than one fleet manager, thus the total is greater than 50.

- ♦ Payments are received for legitimate expenses and thus are tax free.
- ♦ There are minimum reporting requirements.
- ♦ There is an opportunity to select the most beneficial option when completing personal income tax returns.

According to LPAA officials, the state uses mileage reimbursements up to a calculated break even point. That break even point averages about 15,000 miles per year. We reviewed documentation that shows that the break even mileage considers the fixed cost of operating the car for five years, the operating cost, and the reimbursable rate.

State officials told us that, for mileage in excess of the break even point, it is more economical for the state to purchase a vehicle. They also said that they do not recommend mileage reimbursement for game wardens, state police, and public transportation, although it is appropriate for other applications.

**No formal replacement policy.** According to data provided by the LPAA, 67 percent of the state's passenger fleet is over five years old. LPAA officials attributed this to the state's lack of a formal replacement policy. Instead, the state uses a general rule of thumb of five years or 80,000 miles to determine when vehicles should be considered for replacement. State officials said that funding has not been available to replace cars on a regular basis.

In our research, we found that the federal government does have a formal replacement policy for vehicles. The federal government has several classes of vehicles addressed in Section 101-38.402 of the Code of Federal Regulations. The recommended minimum replacement standard for passenger vehicles is three years or 60,000 miles. This standard was amended in February 1994. Before that, the federal standard was six years or 60,000 miles. The federal regulations say that vehicles may be maintained for longer periods, as long as they can be operated without excessive maintenance costs or substantial reductions in resale value.

We also found that several other states have formal replacement policies. We reviewed a survey conducted by the National Conference of State Fleet Administrators on states' vehicle replacement policies. Twenty-four administrators responded to the survey. Only two administrators reported that they had no formal replacement policy. All other respondents

reported policies based on vehicle age and/or mileage. Exhibit 4-1 on the following page shows the results of this survey.

In our interviews of LPAA officials, they suggested that the state consider replacing one-fifth of its vehicles on a four-to-five year rotation basis. They said that this system would be favorable because newer vehicles are more economical to operate, as they use less costly alternative fuels and are more fuel efficient, in general, than older vehicles. By replacing cars on a rotation basis, the state could save money on gasoline and maintenance. In addition, the state would receive more residual value upon disposal.

**Size of fleet.** When an "apples to apples" comparison is made with other states' fleets, the size of Louisiana's fleet compares favorably, according to LPAA officials. Also, many other states do not count all types of state vehicles in their fleets, while Louisiana does.

We discussed the size of Louisiana's fleet of vehicles with LPAA officials. They stated that Louisiana has reduced the size of its fleet by 25 percent since the mid-1980s. In the mid-1980s, Louisiana had approximately 12,000 vehicles. It now maintains approximately 9,000 vehicles, of which approximately 6,752 are passenger vehicles.

LPAA officials also said that controls over the size of the fleet have been strengthened. According to LPAA officials, the Division of Administration's policy is that, to acquire a vehicle, an agency must trade in a comparable vehicle. We confirmed this policy with several other state officials we interviewed. LPAA officials also said that the only way an addition to the fleet can be obtained is with a letter of justification from the legislature.

As a result of these controls, LPAA says that Louisiana's fleet size is relatively low in comparison to many other states. LPAA conducted a survey in 1992 to demonstrate this point. This survey is summarized in Exhibit 4-2 on page 48.

As shown in Exhibit 4-2, six states have more passenger vehicles in their fleets than Louisiana. Four states reported that they do not have fully centralized systems and were unable to provide the total number of vehicles. Also, as demonstrated in both Exhibit 4-1 and 4-2, many states do not count all types of vehicles in their fleets. Furthermore, according to a representative of the National Conference of State Fleet Administrators, many states do not centralize all vehicles, as

most count the transportation and law enforcement vehicles separately.

<b>Exhibit 4-1 Other States' Vehicle Replacement Policies</b>		
<b>State</b>	<b>Years</b>	<b>Miles</b>
Arkansas (DOT)	5	75,000
Colorado (DOA)	8	100,000 or 80,000*
Connecticut (DOA)	5	75,000
Delaware (DAS)	5	100,000
Illinois (CMS)	3	60,000
Illinois (DOT)	--	75,000
Iowa (DOT)	5 or 4*	75,000 or 85,000*
Maine (DOT)	5	75,000
Maryland (DB and FB)	--	75,000
Minnesota (DOA)	3	65,000
Missouri (Office of Purchasing and Travel)	No policy	Decentralized
North Carolina *	3	65,000
North Carolina (DOA)	--	90,000
New Jersey (Central Motor Pool)	No policy	None
New Mexico (Transportation Pool)	7	110,000
Ohio (DAS)	6	90,000
Oregon (DAS)	5	65,000
South Carolina (DMVM)	4	75,000
South Dakota (BOA)	--	100,000
Tennessee (UT)	3	50,000
Utah (Division of Central Services)	5	75,000
Virginia (DOT)	Not considered	95,000
Washington (DTS)	5	75,000
Wisconsin (DNR)	6	75,000
* Represents state patrol vehicles.		
Source: Summarized by Legislative Auditor's staff using data obtained from the National Conference of State Fleet Administrators. This information has not been audited by the Legislative Auditor's office.		

<b>Exhibit 4-2 Size of Vehicle Fleets in Other States</b>		
<b>State</b>	<b>Number of Passenger Vehicles</b>	<b>Exceptions</b>
North Carolina	15,450	
Texas	12,611	
South Carolina	10,092	
Illinois	10,000	
Maryland	9,100	
Florida	7,077	No universities.
Louisiana	6,752	
Alabama	6,000	No universities.
Connecticut	5,076	
Georgia	---	No centralized system.
Kentucky	---	Central system includes cars and mini-vans only. It does not include State Police or federally funded cars and mini-vans. All other vehicles handled at the agency level.
Mississippi	---	No centralized system.
Tennessee	---	Central system for all agencies except the Department of Transportation, Highway Patrol, and Higher Education.
<p><b>Source:</b> Summarized by Legislative Auditor's staff from a similar summary prepared by the LPAA in 1992. This information has not been audited by the Legislative Auditor's office. In conducting this survey, LPAA said they applied Louisiana's definition of passenger vehicles and included all state agencies. This was to obtain an "apples to apples" comparison. The states selected by LPAA were those to which Louisiana had been unfavorably compared to in a news article, according to LPAA officials.</p>		

### **Matters for Legislative Consideration**

The legislature may wish to consider the following measures relating to movable property and fleet management:

1. Providing additional funding to implement the ISIS movable property module earlier than planned.
2. Requiring the state to purchase vehicles on a rotation basis every four to five years.

# Appendix A

## Study Initiation

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# Appendix A: Initiation of Study

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The Louisiana Legislature established the Select Council on Revenues and Expenditures in Louisiana's Future (SECURE) through Senate Concurrent Resolution (SCR) 192 in the 1993 Regular Legislative Session. The council was created to develop recommendations to improve the financial future of the state and the quality of life of its citizens. The resolution provided for the council to be composed of 27 members representing state and local government, private industry, education, labor, and special interest groups.

The SECURE effort has thus far consisted of two phases of study. In Phase One, SECURE contracted with the consulting firm of KPMG Peat Marwick (KPMG) to conduct a preliminary study of various facets of state government. In response to a directive in SCR 192, the Louisiana Legislative Auditor dedicated 35 members of his staff to work under the direction of KPMG.

During Phase One, staff from KPMG and the Office of Legislative Auditor conducted studies of Personnel and Benefits, Organization and Staffing, and State Cash Management Practices. The staff also conducted policy analyses on a variety of topics. These policy analyses identified areas with potential opportunities for immediate financial savings and issues with possible long term impacts that warranted further study. SECURE issued a report containing its recommendations to the legislature before the 1994 Regular Legislative Session. The Phase One report resulted in the passage of several concurrent resolutions and a constitutional amendment designed to improve the efficiency of state government operations.

The legislature re-authorized SECURE in the 1994 Third Extraordinary Legislative Session (SCR 17) to continue its efforts in developing recommendations to improve the financial future of the state and the quality of life of its citizens. The composition of the council was increased from 27 to 30 members. This continuation of efforts became known as Phase Two of the SECURE project.

In Phase Two, the legislature again directed the Office of Legislative Auditor to provide services to the project and SECURE again contracted with KPMG. The scope of the work

in Phase Two was to continue some studies begun in Phase One and to conduct other new studies. The Phase Two agenda consists of two performance audits, a tax policy and fiscal model analysis, and follow-up of various issues identified in the Phase One work. SECURE divided the individual study items between the Office of Legislative Auditor and KPMG and assigned the following Phase Two projects to the Office of Legislative Auditor:

- ♦ Performance Audit of Planning, Budgeting, and Program Evaluation
- ♦ Performance Audit of State Procurement Practices
- ♦ Follow-up to Performance Audit of Personnel and Benefits
- ♦ Further study of Corrections and Justice
- ♦ Further study of General Fiscal
- ♦ Further study of General Government
- ♦ Further study of Infrastructure

This report addresses the area of general government relating to managing and maintaining immovable and movable assets.

# Appendix B

Management of State Land  
in Other States

## Appendix B: Management of State Land in Other States

State	Organization	Description
Alabama	Decentralized	The Department of Conservation and Natural Resources includes the State Lands Division, State Parks Division, and the Game and Fish Division. The Forestry Commission and the University of Alabama separately manage their land.
Alaska	Decentralized	The major land manager, Alaska's DNR, is broken into three regions, Southeast, South Central, and Northern. The divisions within DNR include Mining, Oil and Gas, Forestry, Land, and Parks. DNR owns land and can turn it over for an individual agency to manage under an interagency land management agreement. Universities have their own land base that is managed separately from DNR. The departments of Fish and Game and Environmental Conservation are separately managed, but work in coordination with DNR.
Arkansas	Decentralized	Land is separately managed by the Game and Fish Commission, the Highway Commission, Parks and Tourism, Military Department, Corrections Department, and the University of Arkansas at Fayetteville. These are the top six land owners in Arkansas. There are 52 agencies in total managing state lands in Arkansas.
Arizona	Decentralized	The State Land Office controls 9.4 million acres of trust and sovereign land. Other major land managers are the Departments of State Parks, Prisons, and Game and Fish. The concept of creating a Department of Natural Resources has been discussed, but no such entity exists to date.
California	Decentralized	Each agency manages its own land. Land management depends on the type of land and the type of title. Agencies managing their own land include the Office of General Services, Parks and Recreation, Fish and Game, State Land Commission, and Water Resources. California considered centralizing its land management, but since some of the state land is held under very specific trusts with various legal constraints, this option was not feasible.
Colorado	Decentralized	Each agency manages its own land. There are approximately 12 state agencies that manage land.

State	Organization	Description
Florida	Decentralized	The Department of Natural Resources includes the Division of Recreation and Parks and Division of State Lands. Other land managers include the Department of Agriculture and Consumer Services - Division of Forestry, the Game and Fresh Water Fish Commission, State University System, Department of Corrections, Department of Health and Rehabilitative Services, county governments, and others. However, title to most lands under state ownership is vested in the Board of Trustees of the Internal Improvement Trust Fund, members of which are the Governor and six elected cabinet members. This board has the authority to acquire, manage, administer, protect, and conserve state-owned lands and may lease such lands to other state, regional, and local agencies or to private persons.
Hawaii	Decentralized	The Department of Land and Natural Resources manages most of the state-owned land. Some of the exceptions include the University of Hawaii, the Housing Finance and Development Authority, and some land for the Department of Transportation. Major divisions within the Department of Land and Natural Resources include the divisions of Land Management, Forestry and Wildlife, Historic Preservation, State Parks, Boating and Recreation, and Aquatic Recreation.
Idaho	Decentralized	The Department of Lands includes such divisions as Forestry and Firefighting. Other departments that are major land managers include Parks, Fish and Games, and Water Resources.
Maine	Decentralized	The Department of Conservation includes the Bureau of Public Lands, the Bureau of Parks and Recreation, and the Bureau of Forestry. Other land managers include Baxter State Park Authority and the Department of Inland Fisheries and Wildlife.
Maryland	Decentralized	The Department of Natural Resources (DNR) manages all land within the following divisions: State Parks, State Forests and Demonstration Forests, Natural Environment Areas, Natural Resource Management Areas, Wildlife Management Areas, Fish Management Areas, Heritage Conservation Fund Areas, Fire Towers, and miscellaneous agency properties. The Department is headed by a Secretary appointed by the Governor. The Department of Transportation and state universities manage their land separately from DNR.

State	Organization	Description
Michigan	Decentralized	The Department of Natural Resources manages all land within the following divisions: Forest Management Division, Wildlife Division, Parks Division, Recreation Division, Fisheries Division, and Field Office sites. The Department of Natural Resources is governed by a seven member Natural Resources Commission appointed by the Governor. Other land managers include the Department of Transportation, state universities, and the Department of Management and Budget.
Minnesota	Decentralized	The Department of Natural Resources includes the following divisions that manage land: Division of Enforcement, Division of Fish and Wildlife, Division of Forestry, Division of Minerals, Division of Parks and Forestry, Trails and Waterways Unit, Division of Water, and Bureau of Real Estate Management. The department is headed by one commissioner appointed by the Governor. Other land managers are the universities and the Department of Transportation.
Mississippi	Decentralized	Land is managed by the following departments: Corrections; Economic and Community Development; Education; State Institutions of Higher Education; Mental Health; Wildlife, Fisheries, and Parks; Forestry Commission; and Military.
Montana	Decentralized	There are various state agencies that manage their own land. The Department of Land manages only the land that was put in trust when the state was created.
Nebraska	Decentralized	Nebraska has several agencies that manage state-owned land. These agencies include Wildlife, Game and Parks, Education Department, and the Department of Roads.
Nevada	Decentralized	The Division of State Lands holds the title to all state-owned land except for the Department of Transportation and state universities. Even though State Lands may hold the titles to all state lands, the lands are all managed by individual state agencies.
New Jersey	Decentralized	The Department of Environmental Protection manages the majority of state lands. The major divisions within this department are Fish and Game and Parks and Forestry. The Department of Transportation, prisons, and state universities manage their own land.
New Mexico	Decentralized	All state-owned trust land is managed by the State Land Office. The State Land Office manages approximately 9 million acres of surface land and 13 million acres of minerals. All other state lands are managed by individual agencies such as the Departments of State Parks and Recreation and Wildlife.
New York	Decentralized	Land is managed by the Department of Environmental Conservation and includes Land and Forest, Fish and Wildlife, and Marine Resources. Other land managers are the Office of Parks, Recreation and Historic Preservation; Power Authority of the State of New York; Department of Mental Hygiene; Department of Correctional Services; State University of New York; Department of Transportation; Office of General Services; Division of Youth; Division of Military and Naval Affairs; and others.
North Dakota	Decentralized	There are several state agencies that manage state-owned land. The State Land Department has cooperative agreements with some of the state agencies to manage their land for them.

State	Organization	Description
Ohio	Decentralized	Land is managed by the Department of Natural Resources which includes Parks and Recreation, Wildlife, Forestry, Natural Areas and Preserves, and others. Other land managers include the Department of Administrative Services and the Department of Transportation.
Oklahoma	Decentralized	The Commissioners of the Land Office is the largest state land manager. The office handles all trust lands. Other major land managers include the Departments of Tourism, Highway, and Wildlife.
Oregon	Decentralized	There are 19 different state agencies that have the authority to own land. The Division of State Land handles the school trust land.
Pennsylvania	Decentralized	No single agency manages all state-owned land. An example of a major land manager is the Department of Environmental Resources. Major divisions within the department that manage land includes the Bureau of State Parks and the Bureau of Forestry.
South Carolina	Decentralized	There are 43 agencies that manage land. However, the Budget and Control Board, Division of General Services has overall authority for state-owned land. Review and approval of land acquisitions, sales, encroachment permits, et cetera, must be reviewed and approved by the Budget and Control Board.
South Dakota	Decentralized	All state agencies manage the land that they own. The State Land Department manages the land that was granted to the state when the state was created. This land was granted for schools.
Tennessee	Decentralized	All state land is managed by the Department of Agriculture, Department of Environment and Conservation, and Wildlife Resources Agency.
Texas	Decentralized	The Texas General Land Office maintains inventory of all state-owned land and manages approximately 800,000 acres. The University of Texas, State Parks, and Highways and Corrections all manage their own land.
Utah	Decentralized	The State Land and Forestry Division manages most of the state-owned land in Utah. The Department of Wildlife and the Department of Natural Resources manage a small portion of land, but this is generally lease-type situations. The Department of Transportation manages its own land.
Vermont	Decentralized	The Agency of Natural Resources manages land within the following divisions: Forests, Parks, and Recreation; Fish and Wildlife; and Environmental Conservation. There may also be state-owned land outside the Agency of Natural Resources.
Washington	Decentralized	All of the trust land is managed by the Department of Natural Resources. This land is managed as a trust asset. Other agencies that manage land include Fisheries Department, Parks, Corrections, Department of Social Services, and Veterans Affairs.
West Virginia	Decentralized	The Department of Natural Resources (DNR) holds the title to and manages 463,000 acres of state-owned land. Fourteen other state agencies manage an additional 30,000 acres. DNR includes such divisions as Hunting and Fishing, State Parks, and Wildlife. State highways and riverbeds are not included in the 493,000 acres managed by DNR and the 14 state agencies.

State	Organization	Description
Wisconsin	Decentralized	Land is managed by the Department of Natural Resources, which includes the following: Fisheries Management, Wildlife Management, Parks and Recreation, Forestry, and Endangered Resources. Other land managers include the Board of Commissioners of Public Lands, the Department of Transportation, Military Affairs, the University of Wisconsin, and others.
Wyoming	Decentralized	The State Land and Farm Loan Office manages all state trust land. Other major land managers are the departments of State Parks and Historic Sites, Game and Fish, Health and Family Services, and Highways.

**Note:** We were not able to obtain information from 14 states.

**Sources:** This information was summarized by staff of the Legislative Auditor's office using the following sources:

- ♦ *The Eastern Lands and Resources Council State Directory and Information Guide for the states of Alabama, Arkansas, Florida, Maine, Maryland, Michigan, Minnesota, Mississippi, New Jersey, New York, Ohio, South Carolina, Tennessee, Vermont, West Virginia, and Wisconsin.*
- ♦ Telephone calls made to the following states in the Western States Land Commissioners Association: Alaska, Arkansas, Arizona, California, Colorado, Hawaii, Idaho, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Washington, Wisconsin, and Wyoming.



# Appendix C

## Agency Responses

*Michael Dees*  
*Chairman*

*George L. Luffey*  
*Vice Chairman*

*Richard E. D'Aquin*  
*Secretary*



**BOARD OF REGENTS**

*150 Third Street, Suite 129*  
*Baton Rouge, LA 70801-1389*  
*Phone (504) 342-4253*  
*FAX (504) 342-9318*

*Charlie Baker*  
*Harold Callais*  
*Reggie Dupré*  
*John D. Georges*  
*Frances T. Henry*  
*John F. Keller*  
*Gus S. Mijalis*  
*Mary Ella Sanders*  
*Norbert A. Simmons*  
*Pat A. Strong*  
*Caroline Theus*  
*Barbara Thorne-Thomsen*

March 9, 1995

Mr. David K. Greer, CPA, CFE  
Performance Audit Director  
Office of Legislative Auditor  
State of Louisiana  
Baton Rouge, LA 70804-93997

Dear Mr. Greer:

I have reviewed the preliminary draft of your staff study on "Managing and Maintaining Louisiana's Property" as requested. The Board of Regents has found that Act 971 of 1985 has provided some funding to help with preventive maintenance. The program provides funding to an area that will help projects from becoming deferred maintenance items in the future. We feel that the program can work for other agencies. The approval process should be reviewed to determine if changes are needed to provide faster approval of projects.

The Board of Regents, at its February monthly meeting, passed a resolution to seek legislation increasing the threshold amount from \$200,000 to \$500,000 for higher education exemption for projects not needing funding through the capital outlay process. As stated in your report, the \$200,000 limit has been eroded by inflation since 1979. Increasing the limit will allow higher education to address problems relative to the small capital outlay projects in a more timely fashion. We are happy to see that you support our position that the limit should be increased.

The Board of Regents supports your recommendation to have preventive maintenance policies and procedures. Under the provisions of Act 971 of 1985 and the Board of Regents' policy relative to this act, the institutions are required to have a preventive maintenance program. We would support the monitoring of a program for the higher education institutions.

The Board of Regents currently use a renewal and replacement formula to fund deferred maintenance projects. The formula takes into account the size of the building, the age of the building, the type of building structure, the replacement cost, the last time funds were spent on renovations and other factors. We have

reviewed the formula with the management boards to determine if any changes could be made to take into account utilization. We will be happy to consider a method by which the formula could include an incentive based on the amount of preventive maintenance being done.

Without adequate funding for preventive maintenance and equipment to maintain the current building that we have, deferred maintenance will continue to grow. The Board has been trying to combat the growing deferred maintenance problem by including in the capital outlay recommendations deferred maintenance as the top priority. The deferred maintenance is estimated to be at least \$100 million. The Board of Regents' 1995-96 capital outlay recommendations included \$25 million a year for a 4-year period in an attempt to address the deferred maintenance problem.

I appreciate the opportunity to review the report and respond to your recommendations.

Sincerely,

A handwritten signature in cursive script, reading "Marvin L. Roubique".

Marvin L. Roubique  
Associate Commissioner for  
Finance and Facilities



EDWIN W. EDWARDS  
GOVERNOR

**State of Louisiana**  
DIVISION OF ADMINISTRATION  
**OFFICE OF THE COMMISSIONER**

**RAYMOND J. LABORDE**  
COMMISSIONER OF ADMINISTRATION

March 9, 1995

Mr. David K. Greer, CPA, CFE  
Performance Audit Director  
Legislative Auditor  
P. O. Box 94397  
Capitol Station  
Baton Rouge, Louisiana 70804

Dear Mr. Greer:

Re: **Managing and Maintaining Louisiana's Property**

We appreciate the opportunity to review and respond to the draft report on "Managing and Maintaining Louisiana's Property." In general, the Division of Administration concurs with the finding of your staff study on this area. However, we would like to make the following clarifications:

1. **Chapter Two: Managing Real Property** - While the State Land Office agrees with the recommendation that the state Land Office should promulgate rules, regulations, policies and procedures for land management in the state, it should be clearly noted that under Louisiana Revised Statute 39:13 the Departments of Wildlife & Fisheries, Agriculture and Forestry, higher education, and the prison Enterprise Board are exempt from the authority of the Commissioner of Administration and therefore the State Land Office. Therefore, without statutory revision, any rules promulgated by the State Land Office would only affect about 30% of all state property.
2. *On page 29 paragraph 29 a representation of a \$12.2 million allocation to State Buildings and Grounds for state buildings maintenance is made and the source of that information is referenced as a report from the Office of Planning and Budget. Our records do not reflect that allocation level, nor are we aware of the report referenced.*

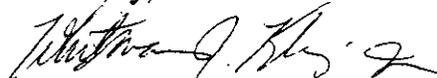
Mr. David K. Greer, CPA, CFE  
March 9, 1995  
page 2

Additionally, we would like to clarify the understanding of the term "deferred maintenance" as used in the report. If deferred maintenance includes worn out equipment, systems and finishes that are no longer repairable or maintainable it is State Building and Grounds position that \$17 million in capital outlay expenditures over a 5 year period are needed.

3. On page 32 paragraph two a reference to "one state study" is made regarding construction oversight. As we do not know the exact study in question we cannot comment on its validity.
4. On page 33 and 34 a reference is made that an agency can execute a change order of up to \$30,000 with the approval of Facility Planning and Control. This is correct for those contracts managed by Facility Planning and Control.
5. Under the recommendations section on page 37 items 3 and 4 it should be noted that the Division of Administration - Facility Planning does consider the economy and effectiveness of materials, type of construction, and architectural design when evaluating a project and does utilize an full time construction inspector to evaluate the actual construction activity.
6. Under the recommendations section on page 37 item 4 the term "construction supervisor" is utilized when in fact the term should be "construction inspector".
7. On page 5 paragraph three indicates that the State Land Office is a unit of the Office of Facility Planning, when in fact it is a separate entity, and it has the responsibility for administration and supervision of state lands.

In closing, we reiterate that we are in general agreement with the findings and recommendations enumerated in the report and appreciate the opportunity to have participated in its review.

Sincerely,



Whitman J. Kling, Jr.  
Assistant Commissioner

# State of Louisiana



Joe L. Herring  
Secretary

Department of Wildlife and Fisheries  
Post Office Box 98000  
Baton Rouge, LA 70898-9000  
(504) 765-2800

Edwin W. Edwards  
Governor

March 8, 1995

Mr. Daniel G. Kyle  
Office of Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

Re: Staff Study on Managing and  
Maintaining Louisiana's Property

Dear Mr. Kyle:

As a member of the Louisiana public, Secretary of this agency, and a representative of the conservation community, I have strong feelings regarding the findings in your staff report. I am glad that you are not recommending centralized management control. The data in appendix B of your report indicates all responding states believe and practice decentralized government as the only realistic method of managing state lands. However, the staff study appears to promote the view that more Division of Administration (DOA) oversight is needed for comprehensive coordination. If the goal of the SECURE Council is to find more efficiency in state government, then reduction of oversight should be your objective rather than creating more. This is of particular concern for agencies that are supported through self-generated revenue. Keep in mind that the properties managed by this agency were purchased or donated specifically for wildlife conservation and I feel strongly that we are the proper agency to manage for that purpose.

Our agency has an excellent record of serving the public interest through acquisition and management of state lands for over 80 years. We have more experience and expertise in acquisition and management of rawland than anyone in state government and are Constitutionally empowered to do so for wildlife stewardship. This Department has cooperative working relationships with the Forestry Commission, the Department of Natural Resources and Louisiana State University, the U. S. Fish and Wildlife Service and other state, federal and private agencies and groups. This certainly allows us and them to better manage the resources on these lands. We also own, as opposed to lease, the vast majority of our office space. Furthermore, our agency has the expertise to maintain and supervise construction of our building facilities.

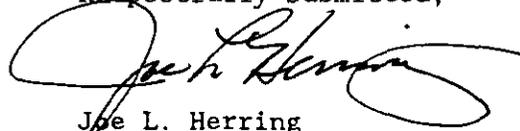
Mr. Daniel G. Kyle  
Page 2  
March 8, 1995

Your report raises the questions, "What is in the states best interest?". Perhaps it is in the states best interest if an agency, which has professional resource managers, assumes the functions of managing the State Land Office (SLO) properties to insure that they receive adequate stewardship. In fact, this could result in a savings to the state because we could use Federal Funds to operate and manage the property.

The conservation community, "the people", have input opportunity in the way we manage property. The public does not have any input in the SLO management. In a recent survey (January 1990) entitled "Public attitudes in Louisiana on wildlife issues", it was documented that 86% of Louisianian's moderately or strongly support expansion of the Departments Land Acquisition program. Obviously, the publics' interest is being well-served.

I respectfully ask that you recommend exception for Wildlife and Fisheries in any new comprehensive acquisition, management and operations regulations being proposed to the legislature. We, of course, do agree that SLO is the appropriate division for maintenance of the state property inventory (SLABS). Furthermore, to eliminate duplication of management functions on natural resources properties we encourage you to recommend legislation to transfer title and management functions of SLO properties to the appropriate natural resource agency, either Wildlife and Fisheries or the Forestry Commission.

Respectfully submitted,



Joe L. Herring  
Secretary

JLH:RL:jcl

cc: Bob Odom  
Paul Frey

# State of Louisiana



EDWIN W. EDWARDS  
GOVERNOR

JACK McCLANAHAN  
SECRETARY

## DEPARTMENT OF NATURAL RESOURCES

March 8, 1995

Mr. David K. Greer, CPA, CFE  
Performance Audit Director  
Legislative Auditor's Office  
Post Office Box 94397  
Baton Rouge, Louisiana 70804

Dear Mr. Greer:

We have reviewed the preliminary draft of the "Managing and Maintaining Louisiana Property" study.

While in general we concur with the recommendations of the report it is the position of the Department of Natural Resources that the notification of publication function performed by the Division of Administration, Office of State Lands, could be more effectively performed by the Assistant Secretary for Mineral Resources. This activity, authorized by R.S. 30:125, involves the advertising of state water bottom tracts. Currently a party interested in leasing a tract submits a request to the Office of State Lands who in turn provides the proper public announcement and then transmits the requests to the Office of Mineral Resources, State Mineral Board. The Office of State Lands is then present to verify that the bids, as submitted, are in accordance with the public advertisement.

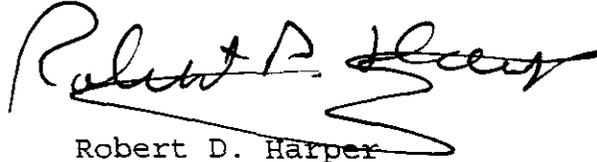
This creates confusion for parties wishing to lease state water bottoms for mineral exploration purposes as they are required to interact with two different state departments. We would like to propose that this activity be transferred to the Office of Mineral Resources to provide for "one stop shopping" for those parties wishing to lease state water bottoms for mineral exploration purposes.

Aside from this, the Department concurs completely with the observations and recommendations made in the study.

Mr. David K. Greer  
March 8, 1995  
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I would like to once again thank you and you staff for the courtesies extended the Department and look forward to working with the SECURE staff in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert D. Harper". The signature is stylized with a large, sweeping initial "R" and a long, horizontal flourish extending to the right.

Robert D. Harper  
Undersecretary

RDH/mg

c: Jack McClanahan, Secretary

Gus Rodemacher, Asst. Secretary  
Office of Mineral Resources

(FILE:MINERALS\SECURE)